Handbook of Research on

Business Ethics and Corporate Responsibilities

Daniel E. Palmer

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Handbook of Research on Business Ethics and Corporate Responsibilities

Daniel E. Palmer
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A volume in the Advances in Business Strategy
and Competitive Advantage (ABSCA) Book Series

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This chapter identifies some game-theoretic insights concerning several key issues of business ethics typically occurring in emerging economies. The chapter explicates four elements in this sequence: nature of game theory, characteristics of emerging economies, fundamentals of business ethics, and key business ethics issues. The chapter emphasizes useful insights of game theory rather than undertaking formal modeling (examples are noted in references). Game theory assists reasoning about strategic scenarios for businesses. A multinational entity operates within layers of institutions and norms from the international to the national and sub-national levels. Such institutions and norms help structure the complex environment within which a multinational entity operates. The approach in this chapter is to inquire into certain specific decision scenarios available in the extant literature as instances of important classes of decision problems and to suggest game-theoretic responses. These scenarios concern long-term sustainable business models, corporate values, and corporate reputation.

This chapter challenges the view of innovation as synonymous to improvement, which underlies much of the current business paradigm. It debates the presence of the ethical element in innovation processes by presenting the case study of high-fructose corn syrup, a product innovation widely used in the food industry. An argumentative analysis is conducted upon the case, taking into account the perspective of the different stakeholders. The main message of this chapter is that innovations have an inherent ethical dimension and that, for them to serve important societal purposes, it is imperative for the ethical dimension to be considered by different actors in the system.

With a focus on the role of integrity in relation to business ethics versus economic strategy, this chapter contains following sections: 1) the concept of organizational integrity as a moral notion as it is described in the work of Lynn-Sharp Paine on organizational integrity, 2) the concept of integrity as an economic notion as it is described in the recent work of Michael Jensen—this section discusses recent efforts in the business economics literature to consider integrity as an important notion of strategy—, 3) Paine contra Jensen: a virtue or a workability concept of integrity—here, the authors discuss the basic dilemmas and problems of integrating integrity, economic performance, and strategy in the perspective of the two theories about integrity of Paine and Jensen.

This chapter looks into determinants and contexts that influence an entrepreneur's decision where ethical judgment is required. By looking into relevant theories and research in the field of ethical decision making, concepts of greed and power and their influence on ethical decision making, cognitive moral development, individual psychological characteristics, ethical ideologies, organizational, environmental, industrial, and moral intensity are discussed through relevant models. The aim is to provide a perspective on understanding ethical decision making in the entrepreneurial context by forming a bridge between our understanding of individual moral psychology and entrepreneurial decision making. This discussion further augments the existing research on entrepreneurship and SME literature within the ethical decision-making context. What is presented in this chapter provides an alternative understanding of reasoning when examining entrepreneurial behaviour.

This chapter addresses the relationship between ethics and law and the evolution from ethics to law so that practitioners can implement ethical business practices. Practitioners must first understand the differences in the foundational gap in theory between ethics and law as it applies to business in practice. This chapter provides a review of the foundation of the differences between ethics and law as addressed from a practical standpoint. Furthermore, a practical strategy in addressing business law is offered. Thus, the operational definition of ethics, in this chapter, is the study of business situations, activities, and decisions where issues of right and wrong are addressed based on the principles, norms, and standards of conduct governing an individual or group. Law, on the other hand, is essentially an institutionalization or codification of ethics into specific social rules, regulations, and proscriptions and represents the minimum acceptable standards of behavior in a society.

This section treats issues of business ethics education. Each chapter deals with issues involving the integration of business ethics into the business school curriculum or best practices in business ethics education and training.

There is growing interest in ethics education and the literature is replete with methods for approaching this complex and challenging subject. This chapter reviews the state of ethics education in business programs from infusion across the curriculum to standalone courses, the potential impact it may have on

Section 3
Business Ethics at Work: Understanding and Implementing Ethics in the Business World

The chapters in this section investigate the application of business ethics to particular business practices, industries, and sectors. The section is devoted to the implementation of research in business ethics to concrete issues of concern in the contemporary world of business.

Bombarded with reports of immoral corporate performances, many have become convinced that ethical companies are history. CEOs, facing narrow performance windows, often feel pressured to adopt a hit-and-run mentality, thereby contaminating their entire corporate culture. Yet, there are companies that continue to outperform their competitors and redefine their industries, while simultaneously following a strict moral compass. One such company is the Starbucks Corporation, entailing 18,000 stores worldwide, of which approximately 13,000 are in North America. Starbucks directly supervises 5,500 coffeehouses in 61 countries. After a successful expansion into China, Starbucks is now moving into India. Nonetheless, the coffee giant continues to make the list of the world's most ethical companies for good reasons. This case reviews Starbucks's internal and external culture, examining its partner treatment, environmental awareness, farmer support, stakeholder inclusion, and other revolutionary strategies, in hopes to have these elements serve as focus points for current and future leaders.

Globalization has amplified interdependence among nations, creating an increasing need for leaders to function in a variety of cultures. Leaders face ever-expanding complexities and challenges, many of which include ethical dimensions. Lapses in ethical leadership in recent decades have resulted in the destruction of companies and harm to individuals, societies, and economies. Although many leadership theories have been offered to date, scholars and practitioners still search for answers to failed leadership. A recent theoretical construct of ethical leadership has been proposed that may offer a solution (Brown, Trevino, & Harrison, 2004; Trevino, Brown, & Hartman, 2003). This chapter addressed these issues by exploring ethical leadership as a viable theory that may be considered for use across cultures. Research consisted of interviews with experienced international managers who also held MBA degrees. The results led to recommendations for international managers in leadership positions as well as directions for future research.

Sustainability and Corporate Social Responsibility have been perceived for many years by companies only as an annoyance, involving regulations and extra cost. The recent economic downturn and increasing stakeholder pressure have forced businesses to embrace the complexity and interdependencies between shareholder value and sustainable value. Sustainability-driven innovation is the key to overcoming the old conflict between economic and social objectives and, as in the case of Patagonia Inc., is paying off for a growing number of companies as it generates a sustainable competitive advantage. This chapter explores ways in which corporations can pursue economic, social, and environmental objectives simultaneously while creating shared values. It also looks into the very complex issue of measuring both the business and social impacts of shared-value strategies.

This chapter proposes that learning improvements in organizations are not just a matter of techniques or aptitudes but are concerned with feelings, attitudes, and, above all, the moral habits of their members. This work suggests complementing currently established conceptions of knowledge management and organizational learning through the explicit inclusion of ethics and ethical learning in organizations. The study describes the explicit need to consider ethics and ethical learning competence among agents in a learning organization context. It then points out the differences between ethically healthy organizations and ethically unhealthy organizations. Finally, the authors argue that the ethical healthiness of an organization is an essential, structural, and necessary condition to achieve a comprehensive learning process in learning organizations on both a technical and human level.

Corporate Social Responsibility (CSR) is highly valuable for transnational corporations, but entails special requirements of heightened honesty in the marketing of CSR as compared to other goods and services. Because trust is essential to communicating the value of CSR effectively, companies must attend to the unique benefits and challenges that online communication of CSR commitments pose. While the Internet is ideal in allowing for global reach and greater capacity than the confines of standard advertisements, the Internet also poses special challenges in terms of facilitating trust with consumers and other stakeholders. This chapter highlights both the problems and benefits of marketing good corporate conduct online and provides moral guidelines for marketers of good corporate conduct.

Preface

The last few decades have witnessed an enormous expansion of interest in business ethics among academics, business persons, and the general public. While there are numerous reasons for the increased attention to issues of business ethics, it is worth noting a few of them that have been particularly significant in driving contemporary interest in the field. First, this interest can be seen as a response to various cases of perceived ethical failure by businesses: ranging from earlier well-known examples such as the Ford Pinto and Union Carbide cases to more contemporary ones such as the Enron debacle, the global financial collapse, and the BP Deep Horizon oil spill. Such notorious cases show the negative impact that problematic business behavior can have upon a wide range of stakeholders. As a result, they have created a demand for more accountability on the part of business managers to act in a socially responsible manner. A second factor motivating attention to business ethics has stemmed from within business as managers have striven to preserve their own values and moral commitments within the context of an increasingly competitive global marketplace. Initiatives such as the establishment of the Caux Principles have resulted from efforts by business leaders to set standards for ethical business in this new environment (Newton, 2002). A third precipitating factor in the development of increased interest in business ethics has been the growing use of information technology in business. As businesses have adapted the sophisticated tools of the digital age issues of privacy and confidentiality, intellectual property and data security have become more prominent and more difficult to respond to using old legal or regulatory paradigms. These factors have influenced the way in which business ethics has developed as a discipline as well as the areas of particular focus within the field in recent years.

For the reasons noted, and many others, interest in ethics in business has continued to grow, and business ethics is now firmly established both as a well-defined field of research and as an important aspect of managerial training and practice. Indeed, there are now numerous professional societies, academic journals, research centers, and training programs dedicated to the study and promotion of business ethics. Further, as business ethics has grown as a discipline both the focus and the scope of the field have shifted to some extent. In the early years of the establishment of business ethics as a distinct discipline, particularly in the 1970s, business ethics was primarily devoted to establishing its theoretical foundations and, in a sense, attempting to justify its very legitimacy in the face of critics who sometimes questioned the very need for business ethics. As a result, the early textbooks and journal articles in the field were primarily written by philosophers and were devoted to exploring the theoretical foundations of the field in light of various ethical theories (McMahon, 2002). Such efforts were often designed to counter skepticism about the notion of business ethics itself (i.e., the old saw that "business ethics is an oxymoron") and to situate the concepts of business ethics within various philosophical traditions of normative theory (i.e., Kantianism, utilitarianism, etc.). While such foundational issues continue to be debated and analyzed within the field, there has also been a significant growth in both the types of issues and the variety of approaches to issues in business ethics in recent years.

First, business ethics has become much more interdisciplinary in the intervening decades. As a field of applied ethics, business ethics seeks to understand how ethical concepts and principles can be applied to issues, practices, and processes within the realm of business. However, such application entails an understanding of the situations, people, and behaviors involved in business contexts, and thus, philosophical analysis must also be coupled with insights from fields as diverse as sociology, psychology, economics, management, information systems, and finance. As a result, the field of business ethics has become much more diversified with many different theoretical and empirical perspectives being developed in order to examine and respond to ethical issues in business. The increasingly interdisciplinary nature of business ethics has afforded a much more complex and rich understanding of the field.

While the disciplinary approaches to business ethics have expanded in recent years, there has also been a concurrent expansion of the range of topics treated in business ethics as well. Not only have ethical treatments of nearly all functional areas of business (accounting, finance, etc.) been developed as the field has grown, but a broader range of themes and subjects have also been examined. In particular, it is worth noting that business ethics has become much more global in its scope of inquiry as, to use Thomas Friedman's (2005) phrasing, the business world has become increasingly flattened. Ethical issues pertaining to cross-cultural communication, global labor standards, multi-cultural organizations, outsourcing employment, and other transcultural issues have thus become prominent issues addressed by those currently working in the field of business ethics. Along with the increasingly global focus of business ethics, there has also been a greater interest in issues involving the environment, particularly in the face of global climate change, and on the ethical impact of technology in business. Again, these are certainly not offered as the only areas to which business ethicists have recently turned their attention, but they are meant to illustrate some of the more diverse topical areas now commonly treated within the field.

A third area into which business ethics has greatly expanded since its early years is in the focus on education and training. In this arena, questions related to the practical dissemination and inculcation of ethical values and principles in business practice have become a rich field of investigation. At heart, and particularly given many of the contemporary scandals such as those involved in the recent global financial meltdown, those within the field have grown to appreciate the importance of understanding how to best foster ethical behavior among business managers and other employees. On the one hand, this has involved extensive experimentation and exploration with how to best integrate business ethics into the business curriculum, particularly at the MBA level. A number of different approaches have been explored with the goal of providing a more robust foundation for the ethical reasoning of future business leaders. On the other hand, there has also been much attention paid to ethical compliance and training programs in business organizations. Here, there again have been many different kinds of approaches that have been implemented and studied, including Ethics and Compliance Officers (ECOs), codes of ethics, ethics training programs, ethical consulting practices, and ethics hotlines. Business ethicists are of course very interested in studying the effectiveness of these programs in promoting ethical behavior and preventing unethical behavior within organizations. It should be noted that here too the interdisciplinary nature of business ethics becomes readily apparent as determining best practices in business ethics programs calls upon our understanding of such areas as interpersonal communication, moral psychology, and social and organizational culture.

Fourth, there have been a number of ongoing efforts to create and promote ethical standards for business on a global scale. These efforts often involve individuals from the business community as well as academics and concerned third parties. There are numerous examples of these, including the previously mentioned Caux Principles, the Global Sullivan Principles, and the CERES Principles. There are also examples of principles devoted specifically to business ethics education, such as the PRME (Principles for Responsible Management Education). Further, Non-Governmental Organizations (NGOs) have been created with the goal of promoting the adoption of ethical business practices within certain industries on a voluntary basis. Often these NGOs will provide certifications for products that meet their ethical standards. Examples of these certificating organizations include Fair Trade USA, Rainforest Alliance, and RugMark. All of these kinds of principles and certifications appeal to the idea that it is possible to formulate and promote ethical principles within the business community that go beyond mere legal and regulatory compliance. In doing so, they often appeal to consumers to consider a company's commitment to these principles as a determining factor in their own purchasing decisions. Thus, these practices also point to another phenomenon related to the growth of business ethics: the notion of the ethical consumer. The concept of the ethical consumer refers to the idea of consumers who make purchasing decisions based at least partly on the basis of their values and moral commitments (Freestone & McGoldrick, 2008). Ethical consumers are thus often concerned with the ethical principles and practices of a company, as well as the ethical impact of their purchase, in making consumer decisions. Because of the growth of ethical consumerism, ethical consumers have, as such, become an object of research in their own right in recent years in the field of business ethics (Newholm & Shaw, 2007). The effort to determine ethical principles for business is now such a widely shared endeavor that it includes academics, business people, NGOs, and ordinary consumers, illustrating just how widespread interest in business ethics has become in recent decades.

While there are certainly other areas of significant development in the field of business ethics that could be discussed, the four areas treated above do exemplify some important features of the state of the field and, perhaps even more importantly, the motivation for producing this research handbook. Indeed, this book is designed to illustrate both some of the major recent trends in business ethics as well as the richness of the field. As such, the selection of chapters for this volume was guided by several aims, many of which relate to the developments in the field addressed above. First, the goal was to provide a selection of authors that approached issues from a multiplicity of perspectives and that included authors from a number of national and cultural backgrounds. The idea was to accent the interdisciplinary and global nature of contemporary business ethics. Second, the aim was to include chapters dealing with theoretical issues in business ethics as well as those concerned with more practical and educational issues in business ethics. And though the chapters are grouped in relation to these three themes, some of the chapters selected defy simple categorization as they include discussions of several of these issues at once. Business ethics is not only interdisciplinary but it is also multi-faceted in appealing to researchers, business persons, and the general public. The selections include discussions of business ethics that come at the issues from multiple orientations. Third, a guiding idea behind the selection of chapters was that they should appeal to as wide a readership as possible. As noted, business ethics is an area of concern for a wide-ranging audience. As such, the chapters deal with issues that should be of interest to readers from many different disciplines and backgrounds. Indeed, the handbook could profitably be read as an overview of recent developments in the field of business ethic for scholars, students, and business persons. Finally, the chapters were selected to cover as broad of a range of ethical issues in business as was reasonably possible, while still illustrating major trends in research on business ethics. As such, the chapters selected are grouped into several different sections of focus, as discussed below.

ORGANIZATION OF THE HANDBOOK

All of the chapters in this book are updated versions of previously published articles. They were all selected to meet the aims discussed above and well illustrate work in some of the most important areas of research in business ethics in recent years. However, they have also all been significantly revised by their authors to reflect the latest scholarship in the field as well as the most current trends and events in business. As such, they present an excellent overview of the state of the art in business ethics today. Thematically, the chapters are presented in terms of three major themes of current research in business ethics. A brief description of each section and the chapters included therein follows.

Section 1: Foundational Issues – Theoretical Issues and Models

As discussed above, much of the early work in business ethics was devoted to theoretical issues. While the scope of business ethics has expanded greatly in recent years, theoretical issues still continue to draw the attention of business ethicists. However, even here the emphasis has broadened considerably. In particular, there has been an expanding interest in examining how foundational concepts and theories can be applied to our understanding of new and emerging issues in business ethics. Further work has also been done in fleshing out the basic normative concepts of business. Each of the chapters in this section thus explores some aspect of these types of foundational issues. Some of them attempt to expand our foundational understanding of business ethics in light of recent trends in business while others explore basic normative concepts and theories. Whatever the particular issue, each chapter can be viewed as an attempt to provide further insight into the foundations of business ethics in light of both the strong tradition of normative theory in business ethics and of recent developments in business itself.

Chapter 1 defends a version of multi-fiduciary stakeholder theory. The author argues that charges that such a view leads to inexorable paradoxes are mistaken and that multi-fiduciary stakeholder theory is both logically consistent and morally preferable. In doing so, the author argues that in business fiduciary obligations should be granted toward those who are particularly vulnerable to exploitation. As such, the chapter can be seen as providing further support for a stakeholder theory of business ethics.

Chapter 2 argues that e-business is transforming business practices in a way that raises important ethical considerations. The chapter examines some of the impact of e-business technologies and the challenges that they pose to business ethics. The author maintains that a proper response to ethical issues in e-business involves a careful reconsideration of how basic ethical concepts apply in new digital contexts and concludes by illustrating some of the ways in which business ethicists should respond to e-business issues.

Chapter 3 appeals to game theory as a resource for dealing with issues of business ethics in emerging economies. The author examines the nature of game theory and salient features of emergency economies and illustrates how game theory can assist in modeling business scenarios in emerging economies. The chapter deals specifically with scenarios involving long-term sustainable business models, corporate values, and corporate reputation. The chapter demonstrates well how our understanding of business ethics can be expanded by the use of theoretical insights developed in other areas.

Chapter 4 deals with an area of business that is often touted but rarely examined from an ethical point of view: innovation. Using the example of the development of high-fructose corn syrup, the authors show that innovation often entails both positive and negative impacts upon stakeholders. As such, the chapter maintains that innovation has an inherently ethical dimension that must be carefully considered in the evaluation of the value of any particular kind of innovation.

Chapter 5 examines the notion of integrity and its role in business. The author explores integrity both as a philosophical virtue and as a component of business strategy. The chapter maintains that integrity should be considered a fundamental principle of business ethics and that inculcating integrity in business has both moral and economic benefits.

Chapter 6 examines another increasingly important area of business research: entrepreneurship. The author examines the nature of entrepreneurial decision making in contexts where ethical judgment is required and shows the many factors (individual, organizational, and social) that influence an entrepreneur's decision making. The chapter goes on to offer an alternative perspective to understanding entrepreneurial behavior and ethical decision making

Chapter 7 offers an alternative approach to business ethics, arguing that business ethics must ultimately be grounded in legal systems and sanctions. The chapter examines the connections between ethics and the law as well as the nature of individual moral reasoning. The author concludes by maintaining that in many contexts only the law will be a sufficient force to motivate ethical behavior in business.

Section 2: Business Ethics Education – Integrating Ethics into the Business Curriculum

As the business world has struggled to respond to ethics scandals, much pressure has been brought to bear upon business schools to better inculcate sound ethical decision making in future business managers (Swanson, 2005). While business organizations and accrediting agencies have encouraged business schools to take up this challenge as well, the task of determining how to best promote ethics in business education remains an important area of research in business ethics. As such, scholars have been eager to explore the challenges posed by business ethics education with the goal of determining how to best install ethics in the business curriculum. The chapters in this section are each dedicated to some aspect of ethics in business school education. They demonstrate the many varied factors involved in determining what works in business ethics education and provide substantial resources for educators and administrators interested in developing their business ethics curricula.

Chapter 8 explores the state of business ethics education and looks at the variety of approaches that are taken to treat ethics within business programs today. Having viewed the plurality of strategies for teaching business ethics, the authors present a model for ethical decision making for teaching business ethics. They conclude by suggesting that inculcating ethical behavior in students will likely require the utilization of several different approaches and perspectives.

Chapter 9 furthers the study of business ethics education by examining the Corporate Social Responsibility (CSR) components within the curriculum of 20 leading Executive Master of Business Administration (MBA) programs. The authors' study shows that while the law and ethics are commonly part of the reviewed Executive MBA programs, CSR has minimal representation in these programs. This study may thus point to an important lacuna in such executive business education.

Chapter 10 reviews the Principles of Responsible Management Education (PRME) as a platform for institutional commitment and leadership engagement in business ethics education. The authors discuss the challenges and opportunities in adopting the PRME in business education and go on to suggest practical guidelines for integrating the PRME into the curriculum of business schools. The chapter argues that the PRME offer an important resource for business ethics education in the 21st century.

Chapter 11 examines business ethics education by first looking at four kinds of corporate cultures: cultures of defiance, compliance, neglect, and character. The authors then offer plans for constructing ethical organizational cultures and ideas on how to educate business students in contributing to such cultures. The chapter concludes by providing several examples derived from experience that show how these ideas can be incorporated into business ethics education programs.

Chapter 12 broadens the treatment of business ethics education by examining an innovative approach to business ethics theory and education. This approach, termed "performative ethics" by the authors, focuses on implementing ethical values in a way that spans the normative/descriptive distinction. The chapter examines this innovative new approach in light of the "Giving Voice to Values" (GVV) program. GVV focuses upon the implementation of ethical values at multiple levels of organizational life. The authors provide several case studies to show how GVV can be applied in developing ethical and sustainable cultures.

Chapter 13 argues for the importance of integrating CSR into the mainstream of business schools' curricula for both moral and strategic reasons. The authors examine both the challenges of integrating CSR into the business school curriculum as well as the opportunities for doing so. As with Chapter 10, the authors see the PRME as having a potentially important role in facilitating the integration of CSR into business education. In order to illustrate the issues discussed, the authors present a study of how one specific business school in Lebanon has attempt to mainstream CSR into its curriculum in recent years.

Section 3: Business Ethics at Work – Understanding and Implementing Ethics in the Business World

Of course, business ethics education is always meant ultimately to transfer to the implementation of sound ethical practices, policies, and behavior in business itself. As businesses become more committed to ethics and the public demands greater ethical accountability of business, the importance of examining how to best implement ethics in business thus becomes increasingly important. Indeed, much of the recent work in business ethics has been geared toward examining the different approaches to business ethics within business organizations and determining best practices. Each of the chapters in this section is representative of this scholarship. The authors take on a diverse array of issues, ranging from case studies of particular companies or business functions to treatments of general strategies for implementing business ethics in organizations. The chapters also represent a strong appreciation of the potential for business practices to have a wide impact upon a multitude of stakeholders. As the public has become more cognizant of environmental issues, consumers have also become more environmentally conscious and several of the chapters deal with environmental issues in business ethics. Other chapters display the growing appreciation for developing business ethics in a global context and thus explore cross-cultural aspects of business ethics, again illustrating the broad scope of contemporary business ethics. Whatever the particular focus though, each of the chapters illustrates a commitment to studying business ethics in a manner that can further the implementation of ethically sound business practices.

Chapter 14 opens the issue as to whether companies can both be economically competitive while still retaining a strong commitment to ethical business practices. The authors offer Starbucks Coffee Company as an example of a company that they believe has indeed met this dual challenge. The chapter examines the various factors that have led to Starbucks's success as well as the moral practices that define its ethical commitment. The study examines Starbucks's ethical practices and principles in regards to workers, the environment, and other stakeholders in demonstrating its commitment to profits and principles.

Chapter 15 looks at ethical leadership within the context of globalization. The author is particularly interested in understanding ethical lapses in leadership. As such, the chapter examines various theories of leadership and finds that a recent theoretical construct of leadership offers much promise in furthering our understanding of ethically failed leadership. The author looks at this leadership theory in a cross-cultural context through the results of a research survey done of international business managers and offers recommendations for promoting ethical leadership in light of these results.

Chapter 16 also deals with an examination of a specific company as an exemplar of business ethics done right. In this case, the chapter examines the outdoor clothing and equipment company Patagonia Inc. in terms of its longstanding commitment to the environment and sustainability. The chapter argues that the case of Patagonia shows that sustainably based innovation can overcome the perceived conflict between economics and social objectives. The author examines the way in which corporations can gain competitive advantages while pursuing economic, social, and environmental objectives.

Chapter 17 looks at the nature of learning organizations and argues that creating a healthy business environment for learning involves paying attention to the affective and moral habits of the members of an organization in addition to purely technical strategies. The authors argue that knowledge management and organizational learning is improved when ethics is included as a key component of organizational development. The study looks at the difference between healthy and unhealthy organizations and maintains that the ethical healthiness of an organization is a necessary component of its overall healthiness.

Chapter 18 is concerned with the nature of marketing ethics within the context of online business. In particular, the author is interested in how companies can market their own good corporate conduct in a manner that is ethically sound. The author notes that marketing Corporate Social Responsibility (CSR) can be competitively advantageous, but requires special care if a company is to avoid greenwashing and similarly problematic marketing practices. The chapter provides both a better understanding of the epistemic and moral challenges of ethical marketing and specific moral guidelines for marketing good corporate conduct.

Chapter 19 is concerned with both the possibilities of information technology in business as well as the potential for ethical problems with the adoption of this technology. In particular, the authors examine both the positive and negative aspects of information technology in business with regard to social networks. The chapter is particularly concerned with issues of privacy and trust in mobile social networks and examines several types of privacy threats in this context. The authors go on to offer possible solutions to deal with these issues in an ethically responsible manner. Given the increasing popularity of social networks, the authors see this as an increasingly important area of business ethics.

Chapter 20 investigates the ethics of supply chain management in developing countries. The authors are specifically concerned with sustainability issues in supply chain management. The chapter provides an overview of the research on supply chain sustainability as well as develops a series of recommendations regarding sustainability in supply chain management. The chapter provides important insights into the perceived differences between developed and developing countries in regards to sustainability as well.

As can be seen from this overview, the chapters in this book deal with a host of issues in business ethics ranging from foundational issues in normative business ethics to business ethics education to case studies in business ethics and cross cultural business ethics. As such, the handbook provides an overview of the field of business ethics today that can be utilized by nearly anyone with an interest in the field. The chapters can profitably read together as a guide to the discipline as a whole or selectively by those interested only in a particular area of business ethics. Whatever a person's interest in ethical issues in business, whether as a scholar, student, or business manager, there is certainly something in the chapters in the volume will further one's understanding of, and appreciation for, business ethics.

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Section 1

Foundational Issues:

Theoretical Issues and Models

This section explores the fundamental concepts and frameworks of business ethics. The chapters deal with theoretical issues at the forefront of recent research in business ethics.

Chapter 1
Can Management Have Multi-Fiduciary Stakeholder Obligations?

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ABSTRACT

Evan and Freeman (1988) once argued that managers have fiduciary obligations to act in the vital interests of all organizational stakeholders. For some, this "multi-fiduciary" approach is paradoxical, as one cannot simultaneously put the interests of each respective stakeholder ahead of the interests of all other stakeholders; hence, the "stakeholder paradox." This chapter argues for a version of multi-fiduciary stakeholder theory. The argument is based on the following claims. Fiduciary obligations ought to be imposed to control the opportunistic exploitation of the especially vulnerable and dependent. The conditions of special vulnerability and dependence that generate fiduciary obligations are present in various manager-stakeholder relationships. Finally, when properly understood, multi-fiduciary stakeholder theory is logically consistent and morally advantageous.

INTRODUCTION

Stakeholder management theory grew in opposition to the shareholder centric model of the firm. On the shareholder centric view, managers are obligated to make decisions that are in the best interests of a firm's shareholders. Milton Friedman's (1970) very influential pronouncement that the only corporate social responsibility is to maximize company profits represents this view. For Friedman and others, a shareholder centric perspective is optimally good in that it is the most efficient decision making framework and minimizes managerial opportunism, best generates company wealth and social value, and contributes to a free and democratic society. Additionally, the shareholder centric perspective is right to the extent that it respects shareholder proprietary rights and fulfills corresponding managerial contractual/agential duties and obligations.

For many stakeholder theorists, there are persuasive empirical, strategic, and moral reasons to reject the shareholder centric view (Donaldson & Preston, 1995). In a very general sense, stake-

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holders are individuals or groups with a claim or an interest in managerial decision making. Stakeholder advocates argue that the shareholder centric framework does not accurately describe how wealth, company, and social value is produced and does not align with current laws (Freeman, 2008). Furthermore, and due in large part to descriptive and empirical shortcomings, the shareholder centric view does not provide an optimal strategic framework for advancing organizational interests. Even those who advocate for using a shareholder centered metric for guiding managerial decision making and measuring performance tend to encourage adopting an instrumental or "enlightened" stakeholder framework (Jensen, 2002). Additionally, many others question the normative foundations upon which the shareholder centric view is founded and argue that stakeholder management theory provides a better account of what is good, right, virtuous, and just (Freeman, Harrison, Wicks, Parmar, & Colle, 2010; Freeman, 2008; Phillips, Freeman, &Wicks, 2003).

Despite the fact that Friedman's arguments and the shareholder centric position in general have met with sharp and sustained criticism (Desjardins & McCall, 2014, pp. 11-22), the notion that managers owe special moral obligations to shareholders still endures. Defenders of the shareholder centric view often draw on the fiduciary relationship between managers and shareholders to explain why managerial obligations owed to shareholder are so special, i.e., why these obligations should supersede positive duties to advance other stakeholder interests. Briefly, fiduciary relationships arise when one party (the beneficiary) entrusts another (the fiduciary) with limited-access and control over valued property or assets, such as one's health, legal status, or equity, for a limited purpose, such as medical care, legal defense, or money management. Fiduciary obligations carry the highest legal expectations for honesty, care, and loyalty and stand in sharp contrast with typical market relationships in which all parties are allowed and often expected to act solely for their own self-interest. In particular, fiduciary relationships generate concrete obligations to steadfastly advance beneficiary interests, strictly avoid conflicts of interests, and forego the opportunistic exploitation of beneficiary trust.

Taking direct aim at the special status often awarded to shareholders, Evan and Freeman (1988) tried to shift the narrative from shareholders to stakeholders by extending management's fiduciary obligations to include protecting the vital interests of *all* stakeholders, and not just shareholders. They even suggested that stakeholders ought to be appointed to corporate board of directors to ensure that all vital interests are represented and protected. Evan and Freeman, and Freeman alone, found normative support for these claims; arguing specifically that stakeholders are owed a basic degree of equal recognition and respect in Rawlsian and Kantian moral theories.

Apart from specifically critiquing the moral foundations of this position, critics argued that Evan and Freeman's "multi-fiduciary" view of managerial obligations leads to what is commonly referred to as the "stakeholder paradox" (Goodpaster, 1991). Alexi Marcoux (2003) explains that multi-fiduciary stakeholder theory is paradoxical to the extent that it demands that managers simultaneously put the interests of each respective stakeholder ahead of the interests of all other stakeholders, which is logically impossible. In short, a manager cannot grant all stakeholders the special status that fiduciary duties imply. To do so is not only conceptually inconsistent, but to the extent that stakeholder conflict is inevitable, the multi-fiduciary is also practically unmanageable. Since Goodpaster (1991) introduced the "stakeholder paradox," many have debated the nature and extent of fiduciary obligations and the special status of shareholders or if indeed there is such a special status (Jensen, 2007; Buchholz & Rosenthal, 2004; Goodpaster, Maines, & Rovang, 2002; Gibson, 2000; Marens & Wicks, 1999; Hasnas, 1998; Goodpaster & Holloran, 1994; Freeman, 1994; Boatright 1994).

This paper presents a multi-fiduciary view of managerial obligations in a way that avoids the stakeholder paradox. In an effort to substantiate this claim, section one briefly describes the nature and function of fiduciary relationships. Section two explains the normative conditions that generate fiduciary obligations. In short, fiduciary obligations are rightfully imposed to the extent that they protect those that are especially vulnerable and dependent in limited access relationships (Marcoux, 2003) and are good to the extent that they help to establish trust and promote needed specialization in key social and service oriented roles and (Frankel, 1998). The third section argues that the same normative conditions that give rise to managerial fiduciary obligations owed to shareholders are present in managerial relationships with other stakeholders. Examples drawn from real estate, energy exploration, and information technology illustrate this point. The fourth section expands on the idea that when properly understood, multi-fiduciary management obligations are logically consistent, practical, and morally advantageous. The idea that multi-fiduciary obligations target a common problem, i.e., the threat of opportunistic exploitation, identify minimal negative and positive managerial responsibilities, and can be efficiently discharged by specialized nominate functions within a company, support these final claims.

Fiduciary Relationships

Given our limitations, e.g., limited time, resources, knowledge or cognitive capacities, we often must rely on others to serve our interests. Decisions regarding proper medical treatment, legal questions, and retirement investments, for example, are typically best handled by soliciting services from and following the respective opinions of doctors, lawyers, and money managers. Yet, benefiting by these sorts of relationships also requires that we entrust others with limited-access to sensitive information (e.g., our medical history, details of potentially incriminating events, and financial assets and liabilities) and grant limited control over something that we value (e.g., our health/body, legal status, and equity) for a limited purpose (e.g., medical care, legal defense, or retirement investing). Given our reliance on others in areas where we often have no expertise, we have to trust that those who purport or otherwise are designated to serve our interests actually do so. While we certainly hope that those who are granted limited-access and control will in fact do their purported job and act in our best interests, the fear of opportunistic exploitation looms. In one way or another, opportunistic exploitation involves benefiting at the expense of another's trust; more specifically, opportunistic exploitation in the sort of limited-access relationships discussed here involves benefiting at the expense of those for whom one purports or is otherwise designated to serve. We find that just as doctors, lawyers, and money managers are certainly in privileged positions to offer helpful or even quite necessary services, they are likewise in positions where they can take advantage of their client's trust, while purporting to act on their behalf.

With this in mind, the conventional imposition of fiduciary obligations has a clear purpose: to control opportunism in limited-access service oriented arrangements, under which the professional relationships mentioned above and other similarly structured relationships (e.g., between legal guardians and wards) necessarily fall (Flannigan, 2004). The designation of fiduciary status carries the highest expectations for honesty, care, and loyalty and stands in sharp contrast with typical market relationships in which all parties are can and are assumed to act out of their own self-interest (Meinhard v. Salmon, 1928). Fiduciaries are thus legally designated to primarily serve those to whom they are entrusted. This does not mean that only beneficiary interests are served, but it does mean that benefits cannot be had at the beneficiary's expense or otherwise without beneficiary consent.

Fiduciary obligations are quite "special," in that recognized demands will typically supersede any general duties we may have to others at large. For instance, when exercising discretion over a plan, a mutual fund manager is bound as a fiduciary to place the interests of investors ahead of any concerns about how decisions might impact the performance of his or her own financial portfolio. Lawyers must defend clients even if they suspect their client's guilt. Doctors can only perform and charge for medically indicated services. As we need to trust others and in doing so can open ourselves to the opportunistic exploitation of our vital interests, fiduciary obligations carry the highest expectations for honesty, loyalty, and care. In doing so, fiduciary obligations promote a high degree of professional specialization and focus on protecting and, per one's nominate function, advancing beneficiary interests. A more rigorous and complete account of fiduciary relationships can be found elsewhere (Frankel, 2010, 1998).

The Moral Basis of Fiduciary Relationships

Despite carrying very strong legal obligations, many regard fiduciary duties as a mere matter of social and legal convention and without significant moral import. John Boatright (1994), for example, maintains that the so called "special" force behind fiduciary duties is simply an extension of the public will and has nothing to do with the moral features of the limited-access relationship itself. On this analysis, fiduciaries are bound to subordinate self-interest in the ways described above merely as a matter of public policy. Decidedly consequentialist, fiduciary obligations secure the public trust in professional and other social roles in situations where typical market controls are too costly or simply do not work. In a normative sense, argues Boatright, fiduciary obligations ought to be formally recognized only as they demonstrably advance the public good (e.g., by promoting corporate and societal wealth by establishing strong managerial accountability to shareholders) but are otherwise morally insignificant.

Focusing on matters of agency, contract, and public policy, however, Boatright's analysis fails to consider the normative significance of beneficiary vulnerability and dependence in limited-access relationships. In fact, some notable opinions take beneficiary vulnerability and dependence to be the central moral feature of fiduciary relationships. Regarding certain equity relationships, Australian High Court Justice Dawson remarked that underlying seemingly disparate cases of fiduciary obligation is the notion that beneficiaries are in "a position of disadvantage or vulnerability" relative to those entrusted to protect or promote their interests (Hospital Products Ltd v. United States Surgical Corporation, 1984, at 55). Concerning cases of custodial care, Canada's Supreme Court Justice Wilson described fiduciary relationships as possessing certain essential characteristics: The fiduciary has scope for the exercise of some unilateral discretion or power and the beneficiary is "peculiarly vulnerable to" or "at the mercy of" the fiduciary holding the discretion or power (Frame v. Smith, 1987). Additionally, noted philosopher Robert Goodin (1985) concludes that vulnerability and dependence, rather than promises or other self-assumed obligations, "plays the crucial role in generating special responsibilities" and thus serves as the basis for fiduciary obligations in various trust-based relationships (p. 107).

A more rigorous account of that which makes fiduciary relationships so peculiar is as follows. First, fiduciary obligations arise from the relationship itself and not from previous or more general conditions of vulnerability and dependence. As Alexei Marcoux (2003) explains, "a lawyer is not a fiduciary to me before I retain his services. However, upon retaining his services, my vulnerability to him gives rise to fiduciary duties on his part" (p. 7). Using another example, an incapacitated person is certainly vulnerable to all sorts of mischief and may in fact depend upon others for his or her very survival. A physician's fiduciary responsible to an incapacitated person, however, only arises when medical treatment is actually administered. Obligations to provide medical services in the first place, which may be required by Good Samaritan laws, are nevertheless beyond the fiduciary scope.

Second, as clearly expressed in Judge Wilson's opinion, fiduciaries are granted a considerable degree of discretionary power over beneficiary resources. This aspect, referred to as "control vulnerability," again arises from the nature of the relationship itself, as beneficiary control is necessarily relinquished for the fiduciary to properly perform his or her nominate function and in doing so administer a limited and perceivably beneficial service (Marcoux, 2003). Patients under general anesthesia, for example, can be said to give up control over their respiration and pain management so that physicians can successfully perform the desired medical procedures.

Third, limited-access relationships display what Marcoux refers to as "information vulnerability." Fiduciaries are typically granted privileged access to information concerning beneficiary affairs and in many ways control the "flow of information" to their beneficiaries. Exacerbating the degree of information vulnerability is the fact that a fiduciary's "expert" knowledge is often the result of mastering very technical procedures, practices, and language that cannot be readily deciphered by lay persons. This often leaves the beneficiary wanting of translation and places the fiduciary in a position to manipulate the appearance of relations and interactions in self-serving ways (Flannigan, 2006). Investment managers, lawyers, and doctors require advanced training and certification and possess a great degree of technical expertise. Operating in their expert capacities, we cannot reasonably expect the average beneficiary is able to determine if discretionary actions cause immediate harm to their vital interests. In short, fiduciaries are in positions where beneficiaries must, at least initially, trust their purported integrity.

Fourth, exploiting peculiar vulnerability and dependence undermines integrity and erodes the social glue that holds together the fiduciary-beneficiary relationship. Fiduciaries are employed and purport to serve a limited purpose and in order to fulfill this purpose, they must be granted privileged access and control and enough discretionary space to freely perform their nominate function. Distinct from other sorts of relationships, those of a fiduciary nature thus bank on beneficiary trust. Breaches of trust in limited-access relationships are appropriately described as "corrosive" or "parasitic" on the relationship itself as they demonstrably "strangle" our faith in others (Flannigan, 2006, p. 212; Marcoux, 2003, p. 7). Noted legal scholar Robert Flannigan (2006) explains that

The (fiduciary) actor is brought within a sphere of purpose. When the actor exploits that purpose, we experience a loss that is different in kind from that associated with breaches in pure exchange relations. The attack has come from within…there is a denial of mutual worth…The (fiduciary) actor has betrayed our purpose – having traded on trust. (p. 212)

Additionally, widespread cases of opportunistic exploitation in limited-access relationships can likewise impede the overall social utility of the relationship. Research now shows that trust and social capital are the key to flourishing practices and the maximization of long-term and sustainable company value (Solomon & Flores, 2001). As such, breaches of fiduciary responsibility are not just bad for individuals, but are bad for society.

Concluding that at least some fiduciary obligations are morally substantial independent of public recognition follows. Where conditions of peculiar vulnerability and dependence arise we have good moral reasons for imposing fiduciary regulations.

The basic moral principle at work is expressed thusly: those entrusted (i.e., granted or otherwise possessing limited control and access) while acting on another's behalf have a moral obligation to pursue the limited purpose of their engagement (i.e., perform one's nominate, service oriented function without opportunistically exploiting beneficiary vulnerability and dependence and with the utmost honesty, loyalty, and care). This is not just a commonly shared intuition, but is in fact grounded in the position of distinct and peculiar advantage that the fiduciary assumes over those interests he or she is explicitly or tacitly entrusted to best serve. This is not to say that imposing fiduciary obligations ought not to have what is good for the public in mind. Rather, combining Boatright's and Marcoux's analysis, fiduciary obligations ought to support what is right, notably, preventing opportunistic exploitation when purporting or designated to best advance beneficiary interests, and what is good in terms of producing trust and social value. The way that this is often done is to sharply focus fiduciary purview on a specific task and to clearly demarcate those actions that violate beneficiary trust. It is also important to note that the fiduciary designation must be good/efficient to the extent that typical market conditions and controls fail to best promote what is ultimately right and good.

Multi-Fiduciary Obligations to Stakeholders

Fiduciary obligations are thus grounded in a theory of the right with respect to dealing with the especially vulnerable and dependent and a theory of the good in terms of efficiently driving social value. They are also enacted where fiduciary discretion is desired and needed, but typical market conditions and controls are insufficient and inefficient for controlling opportunistic exploitation. Given the normative and more practical conditions described in the last section, it seems that various manager-stakeholder relationships ought to generate fiduciary obligations or at least fiduciary-like obligations (with the same legal strength and moral import) to serve and protect some of the most vulnerable and dependent.

Alexei Marcoux (2003), for example, successfully argues that managers owe fiduciary obligations to shareholders. Manager-shareholders relationships are undoubtedly limited-access; shareholders turn over limited control of their assets to a firm's management for a perceived benefit. Managers explicitly or implicitly agree by way of their nominate function to best drive company value. Shareholders suffer the "special" disadvantage of having their assets in the hands of a management team in possession of all the relevant knowledge, in control of all aspects of their investment, and in control of the flow of information to shareholders. Shareholders are not aware of the day-to-day operations of a firm and must rely on intermittent, sophisticated, and easily manipulated corporate performance reporting. The threat of opportunistic exploitation is parasitic on the manager-shareholder relationship and clearly undercuts the social utility of turning over private capital to corporate managers. Furthermore, shareholder trust that managerial decision making is in their interest is critical for capital investment and typical market controls, e.g., laws regulating fraud are not considered to be enough to control managerial opportunism. Managers are thus obliged to best advance shareholder interests per the manager's nominate function while foregoing the opportunistic exploitation of shareholder trust. More executive managers are responsible for ensuring that ethics and compliance programs and other governance efforts are effective in protecting vital shareholder interest from opportunistic exploitation at all organizational levels.

Fiduciary obligations in a company were commonly only extended to shareholders, granting them a special status among other constituents; hence, the shareholder centric view of management. Shareholders are special to the extent that they are especially vulnerable and dependent and there is marked social value in maintaining trust in this relationship. Extending the analysis offered here, however, we regularly find the same normative and practical conditions that generate fiduciary obligations to shareholders present in managerial relationships with other stakeholders. Consider relationships in real estate. Buyers and sellers grant limited access to private information in exchange for a real estate agent's services. The real estate agent is required and often purports to act in the buyer or seller's best interest. Serving buyer and seller interests requires formal training and certification in areas such as appraisal, loan origination and finance, property management, and contract law. Buyers and sellers are often at an informational disadvantage, having to rely on the expert advice given by their agent. Opportunistic exploitation, e.g., suggesting mortgages that are not in the buyer's interest, helping to secure lax appraisers in order to get the deal done quickly, getting kickbacks from loan originators, or conspiring with the other party's agent, is difficult to detect and parasitic on agential and industry trust. Additionally, typical market conditions and controls, such as laws governing mortgage fraud, are not enough to control opportunism and convey trust. As a point of fact, real estate agents are at times legally recognized as fiduciaries. Those managing real estate companies have the additional responsibility to ensure that fiduciary obligations to buyers, sellers, and shareholders are enforced. Within real estate companies, managers are thus obligated to best drive corporate performance and value and simultaneously best serve buyers and sellers. In some instances, a Chief Customer Officer is specifically designated or nominated to fulfill the latter (Bliss, 2006).

The normative conditions for fiduciary regulation also arise in the context of information technology and concerns about user privacy, particularly in mobile location based services (MLBS) (Zakhem, 2010). Currently, MLBS, often accessed form one's cell phone, include navigation services, workforce management applications, emergency services, e-commerce services, location based advertising, and various social media applications. Users access or subscribe to a MLBS through a specific software application. Service providers often purport to act in the best interests of users, e.g., services purport that user data will not be used for purposes other than specified without consent. As such, MLBS services are decidedly limited access, especially e-commerce applications (Harmon & Daim, 2008, p.51). While mobile device users may be vulnerable to a wide variety of external threats from hackers, stalkers, and other criminal elements, MLBS use opens users up to attacks from within the user-service provider relationship. In mobile location based advertising environments, for example, MLBS providers may collect and store data regarding user location, movement, and purchasing habits with the intent of delivering point-of-service promotions. Accordingly, opportunistic abuses *arising from* the relationship includes the unauthorized selling of user information to third parties. Given the complex and very sophisticated nature of services service beneficiaries will not know their trust has been exploited until after considerable harm is done. This threat undermines trust in the services (Ardagna, Cremonini, Damiani, De Capitani di Vimercate, & Samarati, 2008, p.308; Harmon & Daim, 2008). Meeting the conditions for fiduciary obligations, one could see a fiduciary role in management, say a Chief Privacy Officer, to ensure that user privacy expectations are promoted and protected. Again, this is tantamount to saying that company performance and value cannot be at the expense of user trust.

One could also see imposing fiduciary obligations to address particular safety and environmental concerns. Energy companies, for example, are granted limited access to extract oil and other forms of natural capital from public lands. Energy companies are designated and purport to do so in a safe and environmentally responsible manner. Citizens and regulatory authorities are at a distinct informational disadvantage. Energy companies control production operations without day-to-day regulatory oversight and often have to self-report actual or potential safety and environmental problems (United States of America v. BP Exploration & Production Inc., 2013). Additionally, opportunistically exploiting the public trust on these matters is arguably negative, e.g., the BP incident resulted in a yearlong moratorium on Gulf drilling. Finally, typical market conditions and controls, which did not prevent BP from "privileging profit over prudence," are not enough to ensure that companies are behaving in ways that are right and good. One could see a Chief Safety or Environmental Officer appointed to ensure that fiduciary obligations, which would exceed typical market requirements for exercising due care, are met (Krause, 2010). In such an event, managers would be obligated to maximize company value without exploiting public interests in protecting our natural environment.

It thus seems that in certain situations we have strong normative reasons to extend managerial fiduciary obligations, whether literally or metaphorically, from shareholders to other stakeholders. This would mean including in management's nominate function, or at least in specific managerial functions, such as Chief Customer, Privacy, Safety, or Environmental Officers, the responsibility and authority to best advance vital stakeholder interests and protect them from opportunistic exploitation.

AVOIDING THE STAKEHOLDER PARADOX

The shareholder centric model of the firm, often supported by fiduciary obligations owed to shareholders, represented the "dominant" framework for managerial decision making. Stakeholder theorists argue that the shareholder centric model of the corporation is flawed on empirical, strategic, and normative grounds (Donaldson & Preston, 1995). Briefly, the shareholder centric view does not accurately or fully describe how company value is generated. The shareholder view does not offer the best framework for advancing organizational aims; in fact, even those who claim that corporate success and managerial decision making should be determined and measured in terms of short-term profitability or long-term stock valuation agree that stakeholder theory offers a better recipe for success (Jensen, 2002). Furthermore, the stakeholder framework fails to provide an ethical framework for properly understanding and fulfilling a variety of moral obligations owed to non-shareholders (Freeman, 2008). For these sorts of reasons, Evan and Freeman (1998) tried to shift the narrative from shareholders to stakeholders and did so by taking aim at the special fiduciary obligations traditionally owed to shareholders. They did not deny that shareholders were owed fiduciary obligations, but rather, that we should demand that managers recognize and respect the fiduciary obligations that they have to protect the "vital interests" of *all* stakeholders, shareholders included. As such, fiduciary obligations no longer make shareholders special.

Evan and Freeman's notion of a multi-fiduciary stakeholder theory met with one prominent line of objection; namely, that multi-fiduciary stakeholder theory is ultimately paradoxical. Kenneth Goodpaster (1991) referred to this condition as the "stakeholder paradox." Simply stated, the argument runs as follows. Acting as a fiduciary requires management to place the interests of the shareholders ahead of their own interests and ahead of the interests of all other parties/stakeholders. Multi-fiduciary stakeholder theory claims that managers are fiduciaries to a number of stakeholder groups. This would require that managers concomitantly put the needs of shareholders above other stakeholders and at the same time place other stakeholder interests above shareholder interests, which is logically impossible. Marcoux (2003) explains:

(1) It is conceptually impossible to simultaneously place the interests of the shareholders ahead of all the others, the interests of employees ahead of all others (including shareholders), the interests of customers ahead of all the others (including shareholders and employees)…etc. (2) It is practically impossible to serve the interests of each of these groups simultaneously. As most everyone recognizes, the interests of shareholders, customers, suppliers, employees, and communities in the management of a firm's assets are conflicting. (pp. 3-4)

The problem with the stakeholder paradox as stated is its lack of precision. Let it be the case that management has a prima facie responsibility to best perform one's designated function or job in a way that fulfills shareholder expectations for value production. This seems at least implicitly assumed when a manager accepts a position, as job descriptions in one way or another speak to this end. Managers are not obligated, however, to simply place shareholder interests in value maximization above all other interests. There are of course legal and ethical constraints on managerial behavior, such as prohibitions against fraud or using slave labor. As such, managers are obligated to in one way or another create as much value as possible without, among other things, violating the law or basic human rights. Management systems and governance efforts are expected to ensure compliance with these obligations at all organizational levels and down one's supply chain. This extend beyond mere constraints, e.g., refraining from opportunistic exploitation, and necessitates more positive and often negotiable duties and obligations. There is no conceptual inconsistency here. Furthermore, while the law and one's status as a human being generates strong negative and positive managerial obligations, so too do the conditions of special vulnerability and dependence previously outlined. In this way, fiduciary obligations place additional constraints and more positive demands on managerial decision making and resource allocation. This can be accomplished by establishing specialized, executive level job descriptions and roles.

Consider the situation of real estate companies. Managers or employees with discretionary power have a prima facie obligation to do what is best for their company. What is best for a company is largely determined by shareholder interests and could be measured in variety of ways, e.g., short term profitability or long term value production. Specific managerial nominate functions are detailed in job descriptions and presumably assessed during performance evaluations. As previously argued, the relationship between real estate agents and their customers or clients generate additional fiduciary obligations. At times this can even mean simultaneously acting in a fiduciary capacity for both buyers and sellers. This is possible because the nominate function of a real estate agent, essentially to best help clients strike a deal that maximizes property value, however measured, is the same in both cases. Real estate agents also owe the same fiduciary obligation to both buyers and sellers; namely, to avoid the opportunistic exploitation of client trust. At an executive level, management is responsible for ensuring that ethics and compliance and other governance and managerial systems effectively and efficiently serves the fiduciary interests of all parties. For shareholders, this may be regarded as good and/or simply a necessary cost of doing business in the real estate industry. In no way is this situation conceptually inconsistent or otherwise paradoxical. Again, a Chief Customer Officer could very well be appointed with the requisite responsibility and authority granted to efficiently, expertly, and with less of a threat of opportunistic exploitation carries out this function (Bliss, 2006).

The same logic can be readily applied to the other scenarios discussed earlier. Chief Safety and/or Environmental Officers, for example, owe it to shareholders to expertly champion environmental safety concerns in the most efficient way possible. Likewise, managers with other nominate functions, such as Chief Operating Officers, have fiduciary obligations to best drive process productivity and efficiency and help to maximize overall company value, but not at the expense of vital environmental interests as defined and instructed by the Chief Safety Officer. Additionally, Chief Privacy Officers are to simultaneously champion consumer or client privacy and demands for maximizing company valuation. Management and governance structures can and are structured to ensure that these obligations are met and that the vital interests of various stakeholders in specific limited access relationships are protected from opportunistic exploitation. Again, this is not only conceptually possible, but empirically verified; indeed, many quality management systems are geared to do as much.

While perhaps a bit more alien to United States jurisprudence, this line of reasoning with regards to multi-fiduciary obligations aligns with other legislative interpretations. Canadian law, for example, reflects a "tripartite" understanding of fiduciary responsibility (Rojas, 2014; BCE Inc. v 1976 Debenture Holders). First, management holds what is described here as prima facie fiduciary obligations to best advance their company's economic interests. Second, management has an obligation to protect company economic interests from opportunistic exploitation. Third, management, out of the duty for justice and fairness fairness (here defined as the obligation to best advance the interests of those who you purport or are entrusted to serve) has obligations with respect to advancing other stakeholder interests (here defined as those vital interests at stake in certain limited access relationships).

There will of course be conflicts of stakeholder interest. The idea that conflicts of interest render multi-fiduciary stakeholder theory practically unmanageable is nevertheless overstated. Managers manage conflict and due to limited resources regularly make decisions between competing interests. Shareholders, employees, customers, citizens, etc. pull company resources in different directions. It is a measure of stakeholder management capability to negotiate "win-win" arrangements that ultimately satisfy once disparate stakeholder groups and their respective interests. Even if "win-win" situations may not be fully had, there is sufficient room and expectations for transactional compromises without undermining the integrity of the managerial-stakeholder relationship (Freeman, 2010, pp. 169-171).

Some conflicts, however, may compromise a manager's fiduciary responsible to in good faith act according to their expertise and best champion stakeholder vital interests. In the BP case previously discussed, management should have realized or at least feared that the drive for profitability was compromising safety, environmental prudence, and ultimately negligent (United States of America v. BP Exploration & Production Inc., 2013). Part of management's responsibility, or the function of specific managerial agents, should have been to disclose the threat of opportunistic exploitation prior to the disaster occurring. In this and other cases the disclosure would be tantamount to saying that the nominate fiduciary, in good faith and according to their expertise, can no longer function in such a capacity. The same could be said where a Chief Financial Officer, for example, fears that environmental protection efforts are idiosyncratic and unnecessarily costly. Additionally, governance and management systems should provide a culture and means to encourage disclosing these specific conflicts and empowering stakeholder advocates. As a means of empowerment, disclosure could be made directly to executive management, directly to the board of directors, which could include all those who represent vital stakeholder interests, or to those outside the company, such as regulatory bodies. As such, multi-fiduciary conflict is a special sort of conflict and one that is likely to be much more uncommon than resolving day-to-day resource demands. Such conflict does, however, constitute a serious individual and perhaps even system wide failure and should be substantively addressed. Vital interests involved in the conflict should not merely traded-off in lieu of the respective interests of other, perhaps more powerful stakeholders.

FUTURE RESEARCH DIRECTIONS

Even if conceptually viable, the notion of multi-fiduciary stakeholder theory requires additional practical considerations. A few questions stand out. From a legal perspective, would extending fiduciary responsibility in the ways discussed be an efficient mechanism for regulating managerial behavior? Do newly emerging managerial roles, such as Chief Customer, Safety and Environmental, and Privacy Officers actually work? How would this interpretation impact and perhaps lower fiduciary requirements for such things as whistleblowing? From a strategic perspective, how could one structure governance and management systems to ensure that fiduciary obligations are taken seriously despite there often being distinct power imbalances between stakeholders? Are there any fiduciary-like legal concepts, such as "stewardship," that could better and more consistently convey the same strength as fiduciary obligations? Additionally, what are the best frameworks for resolving moral conflict between those who champion interests that at some level compete for company resources?

On the theoretical side, perhaps more impactful is the idea that management has special obligations to refrain from exploiting, positively protect and even assigning specialists to champion the interests of those who are especially vulnerable and dependent. Though assuming fiduciary obligations is voluntary in nature, instances of special vulnerability and dependence and the risk of opportunistic exploitation can certainly arise independently of whether or not someone purports or is otherwise officially designated and voluntarily agrees to serve another's interests. This was Robert Goodin's (1985) insight. In business, the case of especially vulnerable and dependent labor groups come to mind, e.g., populations of child laborers. Though businesses may not have contributed to the conditions of overall vulnerability and dependence, e.g., poverty, malnutrition, illiteracy, economic conditions, the hiring of such employees does open up new opportunities for exploitation, e.g., sexual abuse or coercion to work in unreasonably dangerous working environments. Considerations of basic or fundamental human rights tend to fall short of managerial responsibilities to fully protect or come to the aid of the especially vulnerable and dependence, e.g., by trying eliminating the underlying conditions of vulnerability and dependence (Donaldson, 2005). This analysis may suggest otherwise. One may recall that Goodin's (1985) two overall normative prescriptions are as follows. First, we are morally obligated to prevent and come to the aid of the most vulnerable and dependent; ideally, helping to eliminate their vulnerability and dependence. Second, where preventing such conditions cannot be efficiently or practically accomplished, we are then morally obligated to try and fully protect the vulnerable and dependent from opportunistic exploitation (Goodin, 1985, p. 206). Thus if businesses employ the especially vulnerable and dependent and are the only ones in a position to aid or protect them, they then may then be morally obliged to do so over and above positive obligations owed to other stakeholders.

CONCLUSION

According to the analysis here, multi-fiduciary stakeholder theory is conceptually consistent and practically manageable. From this particular perspective it is also morally preferable. The enabling factor is that multi-fiduciary theory as so conceived concentrates on a very specific and serious normative problem: the opportunistic exploitation of the especially vulnerable and dependent in limited access relationships. This sort of exploitation is on principle wrong and, in that it erodes trust and social capital, is arguably bad for companies and for society (Solomon & Torres, 2001). The interpretation offered here provides a level of focused and minimal, but very strong, negative and positive moral obligations. Furthermore, these obligations can be carried out by nominating executive positions, such as Chief Environmental and Safety officers, to advance and protect vital stakeholder interests beyond expectations for exercising due care. In a world where opportunistic exploitation is pervasive, a multi-fiduciary perspective provides us with flexible regulatory or more metaphoric means, e.g., endorsing a multi-fiduciary management theory short of legal regulation, which could be consistently and practically applied to a variety of limited-access and perhaps other arrangements. Though the fiduciary metaphor is extended beyond shareholders to include relationships with various stakeholders, the normative problem it is designed to address is the same. This would have the advantage of focusing on the problem of opportunistic exploitation, in whatever guise it appears.

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KEY TERMS AND DEFINITIONS

Fiduciary: A person purporting or designated to hold and manage assets in trust for another person. Fiduciaries owe those they serve the highest degree of honesty, care, and loyalty.

Multi-Fiduciary Stakeholder Theory: The view that management or specific managers have fiduciary obligations to stakeholders, and not just to shareholders.

Negative Obligations: Negative obligations demand that a moral agent refrain from particular actions, e.g., one ought not to torture another person.

Opportunistic Exploitation: In the context of fiduciary relationships, opportunistic exploitation means benefiting or allowing others to benefit at the expense of those for whom one purports or is otherwise designated to serve.

Positive Obligations: Positive obligations demand that a moral agent devote resources to actually protect or aid another person or group, e.g., one ought to try and prevent acts of torture from occurring or help/come to the aid of those being tortured.

Shareholder Centric View of the Firm: The idea that organizations ought to be managed primarily to meet shareholder claims and interests.

Special Responsibilities: Generally strong moral claims that generate positive obligations to protect or aid others. These responsibilities tend to supersede positive obligations owed to others.

Stakeholder Management Theory: The view that in one way or another organizations should be managed to identify and meet stakeholder claims and interests.

Stakeholder: Generally, stakeholders are individuals or groups with a claim or an interest in managerial decision making. Stakeholders typically include shareholders, employees, customers, managers, suppliers, financers, communities, citizens, and governments.

The Stakeholder Paradox: The view that stakeholder theory is conceptually incompatible with special, fiduciary obligations owed to shareholders.

Chapter 2
Business Ethics in the Information Age:
The Transformations and Challenges of E-Business

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ABSTRACT

The Information Age ushered in significant transformations in the manner in which business is done. In particular, the growth of various forms of e-business, from Internet sales and marketing to online financial processing, has been exponential in recent years. Internet technologies provide businesses with the potential to more effectively distribute products and services, to more efficiently manage operations, and to better facilitate the processing of business transactions. The scope of information available to businesses using digital technologies has also radically expanded, allowing companies to better target consumers and market products. However, e-business activities can raise ethical issues as well. As such, scholars and business persons have a responsibility to be aware of the ethical implications of e-business and to promote ethically appropriate forms of e-business. The aim of this chapter is to aid in those enterprises by mapping out some of the major ethical issues connected to e-business.

INTRODUCTION

In December 2013 the Target Corporation announced that a data breech at the company had resulted in the compromising of the credit and debit accounts of as many as forty million consumers. Target later announced that the records, including names, addresses and phone numbers, of 70 million consumers had also been stolen (Jamieson & McClam, 2013). As a result, millions of consumers were left vulnerable to credit fraud and identity theft. By many accounts, Target missed early warning signs of the breach and responded slowly once it became aware of the problem (Kaiser, 2014). Unfortunately, the Target case is not an isolated one and several other large data breaches have occurred at companies such as T.J. Maxx, Marshalls, and Barnes & Noble (Jamieson & McClam, 2013). Despite these and other cases, many companies remain vulnerable to

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data breaches, leaving consumers at risk of having their information stolen and misused. Even when consumers are informed of breaches by companies in a timely fashion, potentially affected parties must invest significant time and energy in monitoring their account and credit information. In the United States, companies have also been slow to adopt technologies, such as Chip and Pin based credit and debit cards, which could potentially better protect consumers.

Echometrix is a company that sold parents software to monitor their children's online search, chat, and other activities. However, and seemingly unbeknownst to many parents, the company also sold information that it gathered on the online activities of children to third parties for marketing purposes. While Echometrix did include fine print in its user agreements, the information was not likely to be read or understood by most purchasers. As a result of what many saw as a failure to make parents properly aware of this use of information, both the FTC and the State of New York eventually filed suit against Echometrix. Eventually Echometrix settled these suits, agreeing to pay a penalty of $100,000 to the State of New York and to destroy or protect the data collected from any subsequent third party access (Palmer and Stoll, 2014). Once again, this is unfortunately not an isolated case, and we can easily point to similar cases in which a lack of apparent transparency in how information about consumers is gathered and used by companies is present. For instance, Facebook has been criticized for performing research on its users' emotional responses by manipulating their news feeds (McNeal, 2014). Likewise, the online dating service OKCupid was recently subject to criticism for conducting experiments on its users that involved manipulating compatibility ratings without fully disclosing this to the participants involved (Wood, 2014). In these and many other situations, companies use digital technologies to interact with consumers in a manner that is seemingly not made transparent to the consumer: the consumer is either not given information on the full nature of the transactions or is only given information in a manner that is not readily accessible and understandable to ordinary users.

Of course, digital platforms can be developed in ways that not only potentially harm consumers, but also in a manner that potentially harms the interests of other businesses as well. For instance, Napster was originally developed as a peer-to-peer file sharing internet service that allowed users to upload and share music files. Many of those involved in the music industry, from bands to record companies, saw such sharing as a form of copyright infringement that seriously threatened their ability to make profits. As a result, legal challenges were filed and Napster was forced to close down its original service platform (Quinn, 2013). Though the Napster case may have represented a victory for the music industry, similar services and platforms have continued to crop up and raise issues about copyright infringement and intellectual property rights on electronic platforms and services ever since. File sharing services such as BitTorrent, Grokster, and The Pirate Bay and a host of others originated after the fall of Napster. While such services often used different digital models, for instance in not utilizing a common central server on which files are stored, they have raised similar ethical and legal concerns (Quinn, 2013). To further complicate matters, many companies and countries have been accused of using electronic technologies to steal intellectual property and engage in economic espionage.

The three cases noted above each illustrate well some of the challenges presented to consumers, businesses and business ethicists in the Information Age. The transformations brought about by the digital forms of communication that characterize the Information Age have rapidly impacted the manner in which nearly all business is now done. For instance, a recent U.S. Census Bureau report (2012) indicates that "from 2002 to 2010, retail e-sales increased at an average annual growth rate of 17.9%, compared with 2.6% for total retail sales (p. 3).'' Whether it be the growth of giant online retailers such as Amazon.com or iTunes, the development of sophisticated data mining techniques to target consumers online, or the creation of innovative online marketplace formats such as eBay or Etsy, it is clear that digital technologies have radically reshaped the contemporary world of commerce. Of course, many of these changes have benefited both businesses and consumers. For instance, nearly all companies, from the smallest to the largest, can now reach consumers on a global level with relative ease and consumers can much more easily access and compare products and services. However, as the cases above illustrate, the transformation of business in the Information Age has also posed ethical challenges as business and consumers navigate the new world of e-business.

In order to understand these issues, we must first understand the primary features of the new model of business in the Information Age: e-business. E-business may broadly be defined as "the use of Internet-based computing and communications to execute both front-end and back-end business processes" (Hsu, Kraemer, & Dunkle, p. 9). In this sense, as Kraemer, Dedrick, and Melville (2006) note, e-business includes any use of electronic forms of communication or "the Internet to conduct or support activities along firm and industry value chains" (p. 17). Such activities can include everything from marketing and sales to supply chain management and research and development. Thus, while the term e-commerce is usually used to more narrowly refer to the process of buying and selling of goods and services over the Internet (Holsapple & Singh, 2000), e-business in the broader sense refers to any aspect of business that includes an electronic component. As such, while e-commerce perhaps represents the better known public face of e-business, e-business currently involves much more than just this facet. Indeed, what makes e-business a particularly fertile realm of research is the extent to which aspects of e-business have been integrated into the operations of nearly all areas of business. S. Tamer Cavusgil (2002) nicely summarizes the holistic nature of e-business in remarking that

Information technology and the Internet have transformed business, and this transformation isn't just about conducting business online. It's about integrating e-business capabilities into every aspect of value creation, such as procurement and customer relationship management. Right now, myopically e-commerce has transformed into e-business. This is no longer about exchange of services or information over the Web – it's about the total transformation of business services and product offerings. (p. 26)

It is precisely because e-business is totally transforming the means by which businesses operate that it becomes so important to address the ethical issues involved in e-business. Given the manner in which e-business is becoming integrated into all business practices it is significantly shaping the nature of our interaction with the world and others. As such, it could not fail to have ethical significance, as ethics is concerned with the principles that govern the interaction of persons, and seeks to discern the standards that will best facilitate human flourishing, promote the general welfare, and provide for respect for individual rights. The question, for those concerned with ethics, is "how can we implement and utilize e-business models and methods in a manner that best protects the interests of all parties involved and contributes most fully to human welfare?" Business, as Robert Solomon (1992) reminds us, can and should contribute to the aim of human flourishing as well a produce profits, otherwise it has no legitimate function in our society. Only a vision of business that connects it to the common good can ultimately justify any particular model or practice of business. As with all forms of business then, it is important to develop e-business in ways that are ethically justifiable. Given the central role that business plays in contemporary societies in facilitating both individual well-being and social goods, and given that e-business is becoming a crucial element of most business practices, it is essential that those involved in business are sensitive to the ethical implications of e-business practices. The risks of doing otherwise are simply too great as the cases noted at the beginning of this section illustrate.

In order to better understand and respond to these challenges, this chapter will explore the features that characterize the world of e-business as a fundamental model of business in the Information Age and the ethical issues surrounding salient features of this mode of doing business. It will also offer a framework for thinking about business ethics in the Information Age and for responding to its ethical challenges. In doing so, it first illustrates the ways in which e-business is transforming business, and the ethical significance of these changes. The chapter then identifies and analyses a group of core issues around which many of the ethical questions about e-business revolve. It also uses the stakeholder model of business ethics as a means of conceptualizing the ethical challenges and responsibilities of e-business. In doing so, the aim is to provide a conceptual foundation for researchers, students, and business persons interested in ethical issues in e-business. The better that business ethicists, consumers and business persons themselves can understand, anticipate and respond to the potential ethical issues arising out of various e-business practices, the better we can all leverage the resources of e-business for the common good.

BACKGROUND

The growth of e-business has been consistent and vigorous over the last few decades, to the point that e-business is an intrinsic element of most business operations. Numerous statistics attest to the phenomenal growth in e-business in recent years. For instance, data on e-business shows that:

- U.S. retailers reported e-commerce sales were $227 billion in 2012, up 14.7 percent from a revised $198 billion in 2011 according to the U. S. Census Bureau (2014).
- The same 2014 report showed that E-commerce sales were 5.2 percent of total sales in 2012 and e-commerce sales E-commerce sales accounted for 20.1 percent of total sales of merchant wholesalers, (p. 4).
- An earlier U.S. Census Bureau report (2009) showed that in the United States, “Rapid growth in e-retail has been the norm. From 2002 to 2007, retail e-sales increased at an average annual growth rate of 23.1 percent, compared with 5.0 percent for total retail sales.” (p. 3).
- The continued growth in online billing use is illustrated by the fact that in the U.S., “consumers used a financial institution or biller’s Web site to pay 42% of their monthly bills in 2007” (“Consumers Paying More Bills Online,” 2008, p. 15).
- A Globalization and E-Commerce (GEC) project survey from 2002 showed that 58% of all firms surveyed, from a global sample, made use of e-commerce for advertising and marketing purposes, 51% did so for exchanging operational data with business customers, and 48% used e-commerce for exchanging data with suppliers. (Kraemer, et al., 2006, p. 36).

These statistics illustrate only a few of the ways in which e-business has flourished, but they demonstrate well the general trend to increasing reliance upon e-business models. And, as Coltman, Devinney, Latukefu, and Midgley (2007) point out, while the dot.com bubble of 2000 may have put a damper on the enthusiasm for unlimited investment in Internet based companies, the value that businesses find in using web based technologies for business applications remains solid. E-business has been integrated so thoroughly into the operations of most businesses that it is no longer even possible for them to imagine existing apart from their e-business components. It is important to keep in mind that the phenomenal growth in e-business is not limited to wealthy developed nations either, as developing countries are rapidly adopting e-business models as well (Kraemer et al., 2006). On the global scale, the rise of e-business can be seen at the same time as both being driven by the forces of globalization, as well as contributing to the further expansion of globalization.

Given the diversity of activities that e-business involves and the global extent of its reach, it would be very surprising if e-business did not generate ethical questions. In a very basic sense, any new technology, process, or organizational structure is bound to raise ethical issues (Ferre, 1995). And, as e-business involves new forms of all of those things, it is only natural to explore the ethical implications and limitations of the adoption of such technologies and practices. In this sense, the ethics of e-business is just part and parcel of the general progression of applied ethics as it continually seeks to analyze emergent forms of behavior. It is not surprising then that as e-business began to become more widespread, questions about its ethical implications began to appear on the radar screen of many persons interested in business ethics. At the theoretical level, as business ethics itself was a well-established field of research by the time that e-business became a significant force, it was only natural that business ethicists would turn their attention to the rapidly growing arena of e-business. Early treatments of the ethics of e-business tended to do so in a piecemeal fashion, focusing upon particular ethical issues related to e-business as they emerged. Often, these efforts involved recognizing the manner in which the new technologies involved in e-business were affecting traditional areas of business ethics. Richard DeGeorge (2000), for instance, early on recognized the importance that issues arising from increased use of informational technologies would have for business ethics.

However, while business ethicists were beginning to pick up here and there on the ethical issues involved in e-business, a correspondent wave of interest on the part of the public in the ethics of e-business was also occurring. In part, this was because e-business practices were raising important social and legal issues: the early legal battles over Napster and online file sharing, the many cases of online fraud that the public and authorities began to have to respond to, and the initial expression of concerns over the outsourcing of IT workers well illustrate this phenomenon. And, as is invariably the case, the legal and social issues included moral elements as well. Second, as e-business became more prominent, its potential to become a nearly omnipresent force in our lives began to raise questions in the minds of many about how this would transform the application of certain traditional moral notions used to arbitrate personal relationships, such as those of privacy and trust (DeGeorge, 2000). Third, the increasing reliance upon electronic communication and data for nearly all forms of business raised, in many people's minds, concerns about what was at stake if e-business was put to misuse or resulted in moral hazard: the implications of such mishaps would seem to have vast ripple effects on many aspects of our lives. Those who have experienced identity theft, for instance, are well aware of its ability to impact nearly all facets of a person's life (Howard, 2007). These and other public concerns that began to be expressed in the media and other public forums were demonstrating the pressing need to think carefully and critically about the ethics of e-business for pragmatic reasons as well.

In a number of ways then, the ethics of e-business has become an unavoidable topic, one that all thoughtful persons will have to face as e-business continues to shape and influence the world in which we are all involved and increasingly interconnected. As the Target example cited above shows, millions of people can potentially be negatively affected by a single ethical failure to protect electronic data. Likewise, companies such as Facebook have become so intertwined in people's daily lives that the stakes of ethical failure are that much more significant. Further, the sophistication of many e-business techniques provides both benefits and potential harms that need to be carefully considered as new forms of digital business models are developed. Companies are well cognizant of the promise of the Information Age to give them better access to consumers, but they need to be equally cognizant of the moral concerns that can be related to e-commerce. In order to address these issues correctly, however, a systematic approach is necessary, as hasty generalizations and knee-jerk responses are likely to obfuscate more than elucidate. The aim of this chapter is to aid in this endeavor by first clarifying the central changes that e-business has brought about, and then to illustrate the main ethical issues that a full treatment of the ethics of e-business must address. It is the contention of this chapter that the time is particularly ripe for providing such a schema, as e-business is now solidly enough established that many of the ethical issues have become readily apparent and prominent enough that all parties are aware of the need to address such issues. As all of our lives become more entwined in the world of e-business, the stakes of ethical failures in this arena are rising and thus we would all do well to better anticipate and respond to potential ethical issues in the practice of e-business.

THE TRANSFORMATIVE NATURE OF E-BUSINESS

As Kracher and Corritore (2004) argue, one need not maintain that there is a special e-business or e-commerce ethics in examining the unique ethical issues in e-business. That is to say, it is not as if e-business is so distinct from other forms of business that it requires us to develop a whole new conceptual apparatus to deal with the ethical issues raised in e-business. Nonetheless, the techniques and technologies of e-business do require us to think carefully about how the moral principles of business ethics should be applied in significantly different contexts. As I have argued elsewhere (Palmer & Stoll, 2014), e-business requires a reflective equilibrium approach to moral reasoning. In such an approach we must examine the ethical issues involved in e-business in light of our previous moral judgments and principles, but must seek to understand how these judgments and principles should be applied or possibly even modified in light of the new models and paradigms of e-business. Within the reflective equilibrium approach we can make use of the moral toolbox already established within the field of business ethics while remaining sensitive to the significance of the changes brought about by new technologies and practices.

In considering the transformative nature of e-business the goal is not to suggest that e-business requires a completely new approach to business ethics, but rather to show how the transformations in question raise issues of significance enough to call upon careful analysis within the field of business ethics. As such, this section argues that e-business has transformed the nature of many business activities so that the manner in which many ethical issues arise is unique and the scope of their manifestation is different than in other business contexts (Kracher & Corritore, 2004). What is primarily needed in developing an ethical account of e-business then is a better understanding of how e-business has transformed business in ways that leads to the manifestation of ethical issues in new ways, and an account of what the key conceptual issues involved in understanding the ethical implications of these issues are. This section will be devoted to the former task, while the next will address the latter. While there are many ways in which e-business is transforming the landscape of business, for the purpose of analyzing the ethical implications of e-business, there are several that are of particular significance. This section delineates three of the major transformative aspects of e-business that one must understand in order to arrive at a complete conceptualization of the ethics of e-business.

The Expansion of Access and Pace of Change

One of the most recognized aspects of e-business models is that they offer nearly any person or organization the prospect of developing businesses online (Davis & Vladica, 2007). Unlike brick-and-mortar businesses that typically require a fair amount of physical infrastructure, involve significant maintenance costs, and, at least initially, have place bound market restrictions, e-business offers the potential for nearly any person to engage in commercial activities with relatively low start-up and maintenance costs, and yet provides the potential to immediately reach relatively large market segments. In this sense, some people have seen e-business as the great leveler, offering the potential to equalize the competitive playing field and democratize the world of business as never before, while revolutionizing the nature of business itself. Such claims are likely overstated, and despite an initial wave of mass entry into the world of e-commerce, in practice e-business has followed an adaptive pattern in which "existing firms incorporate the new technologies and business models offered by the Internet to extend or revamp their existing strategies, operations, and supply and distribution channels (Dedrick, Kraemer, King, & Lyytinen, 2006, p. 62). Nonetheless, it is still true that the expansion of access to markets offered by e-business has provided a much greater range of opportunities for persons and businesses to enter markets formally inaccessible, and in doing so, has transformed the way in which businesses must operate.

Four aspects of this transformation in access are of particular ethical significance. First, a number of successful e-businesses act as intermediaries in providing platforms for individuals to directly engage in commercial transaction on the Internet. Most famously, this mode of Internet commerce is illustrated by the incredible success of the online auction site eBay. Other examples would include Amazon.com's Marketplace, Craigslist, Etsy, and peer-to-peer lending sites such as Prosper. Web services such as Airbnb and Getaround even allow consumers to rent rooms in their homes and their cars to others. As a result, many more persons are engaging in commerce than under traditional business models, and there is a corresponding greater need for establishing trust and other means of fostering ethical behavior among these disparate groups of people.

Second, the increased access leads to increased potential for competition among many different players on the Internet. While such competition can work to the favor of consumers in driving costs down, it can also raise ethical issues. For instance, manufactures who sell products directly online may now compete directly with their intermediaries, raising questions of loyalty (Stead & Gilbert, 2001). Likewise, hotels and traditional taxi companies have raised complaints about services such as Airbnb and ride share services such as Uber. These traditional service industries complain that the new peer-to-peer online services present unfair competition, since the individuals involved in providing rooms or rides typically do not have to bear the costs of registration, taxes, and licensing of their more traditional competitors.

Third, the access also involves a much greater ability to access information about consumers and other persons, and the increased accessibility of information has raised numerous concerns about privacy and consumer protection. E-business techniques that involve things such as data mining, the buying and selling of consumer information, and tracking of consumer behavior online are all aspects of this transformation that have raised ethical issues. Further, as the depth of access to information grows, the potential risks of information on individuals being leaked becomes that much more prominent.

The expansion of access is also occurring at a much greater pace, as digital technologies allow companies to more rapidly adapt how they interact with consumers as well. New digital platforms, applications and uses of data are being constantly developed in the Information Age. As such, anticipating ethical problems within the new paradigm of e-business is both much more important as well as more difficult. Thus, we must consider both the kinds of transformations and the pace of those transformation in the world of e-business as well.

Finally, models of business that involve facilitating the direct interaction of buyers and sellers from all over the globe have been a central facet of e-business, which tends to vastly increase the number of cross-cultural business interactions. Such cross-cultural interactions can raise a number of ethical issues, as different cultural norms may come into conflict and intercultural communication can be fraught with the potential to offend or result in miscommunication.

The Lack of Common Mechanisms of Enforcement

The last point about global access raises another point concerning how e-business transforms business practices in a way that gives rise to ethical issues. For in rendering nearly universal access to markets on a global scale, e-business not only provides greater opportunities for businesses and individuals to participate in commercial activities, it also alters the manner in which business activities can be regulated. While global business is not a new phenomenon, e-business models have radically accelerated the extent and range of global business transactions. This certainly has the benefit of extending markets, but it can also raise problems when companies can more easily shift resources (for instance, in sheltering profits from home countries) or even hide resources. The recent attempt to crack-down in the United States on the use of tax havens and Swiss, and other similar overseas, banks illustrates how the latter point can lead to legal and ethical concerns.

Since e-business easily extends beyond established political jurisdictions and often involves parties operating in locals with both different legal requirements and distinct social or cultural norms, the reliance upon standard legal or cultural norms as the primary means of mitigating unethical business behavior is becoming more and more strained. This is well illustrated in the different digital privacy protections that have been created in the United States versus those found in the European Union. Another example of the resulting ethical issues that this transformation can result in is well illustrated by the multitude of copyright disputes that have come about as a result of the virtual dissemination of various forms of media across the world on the web and in concerns over tracking and prosecuting perpetrators of Internet fraud across international jurisdictions. China, in particular, has been accused of allowing Chinese businesses to violate the copyrights and intellectual property rights of Western companies.

It should be noted that it is not only in regard to international contexts that the digital economy is raising these sorts of issues, as it can happen even between jurisdictions within a country. For instance, in the United States, many physical retailers have raised objections of fairness against internet retailers on the grounds that they are not typically required to collect sales taxes in the manner that physical retailers are. As a result, internet retailers can sell products at a lower price. The lack of a common manner of collecting or distributing taxes on many internet sales thus illustrates jurisdictional issues as well.

In looking at this transformation of the business landscape being brought about through e-business, at least two issues come to the fore. For one, given the transnational nature of e-business, much more thought will be needed to be given to how to maintain an ethical climate for business on the part of politicians, business persons, and NGOs concerned with issues of business ethics. While governments will have to clarify and expand relevant aspects of international law, business and industry groups will also need to work to establish and disseminate clear guidelines for ethical business practices. Lisa Newton (2002) argues persuasively for the need to establish strong global ethical standards, such as found in the Caux Principles, in an era of technologically based global capitalism.

Second, even with such efforts, it is doubtful that laws or business codes alone will be enough to guarantee ethical behavior on the Internet. In the world of e-business, ethics will be that much more important precisely because it will not be possible to rely upon purely legal, regulatory or policy mechanisms to enforce ethical behavior. In this regard, it will be necessary to establish a strong basic commitment to moral principles among those who participate in e-business.

The Changing Nature of Organizational Structures

Finally, a third aspect of e-business models is that they have allowed business organizations to change many aspects of their traditional organizational structures. As noted by Introna and Petrakaki (2007), "never before in the history of business have organizations been subject to as much change" (p. 181). Indeed, this change has led to the notion of the 'virtual organization' as a model of e-business and which is characterized by its speed, flexibility, and fluidity (Introna & Petrkaki, 2007). Some features of this new model of business include the idea of operating outside of traditional organizational boundaries, using technology to disperse company operations widely, utilizing networks of temporary associations rather than relying on fixed structures for carrying out business objectives, and making much greater use of collaborative engagements to strategically leverage complimentary assets. In many ways, e-business is more flexible, more dispersed, and less stable than traditional business organizational models.

These transformations also can radically change the nature of working conditions and organizational structures within businesses. For instance, companies can more easily monitor employee work habits, make use of dispersed work forces and engage an international workforce. Likewise, organizational structures have become more flexible and information intensive. While the above examples only scratch the surface of how companies have become more malleable in the digital age, they well illustrate how e-business is changing the traditional business structures.

While these features allow e-business greater ability to respond quickly and efficiently to market opportunities, they also raise ethical concerns in a number of ways. For instance, employee outsourcing and the reliance on temporary workers is much more common under these e-business models. Indeed, at the extreme end, Amazon.com's Mechanical Turk now allows businesses to essentially micro-outsource even the smallest of tasks. Such practices raise questions about the ethical nature of the emerging model of employment and the protection of employee welfare and rights. More ethical issues arise in consumer relations as well, as consumer's interaction with businesses becomes both less direct and more difficult to mediate. Knowing how and where to respond to perceived problems is often more difficult for consumers in e-commerce than it is with consumers of traditional business organizations. In a similar way, the diffuse nature of e-business models makes it more difficult for organizations to enforce ethical standards across their organizations and operations.

STAKEHOLDER RELATIONS IN CYBERSPACE

As illustrated in the previous section, e-business is transforming business practices and organizations in a number of ways that have the ability to impact business practices in an ethically significant manner. In this sense, stakeholder relations in e-business are becoming more diffuse, more complex, and more flexible than under previous business models. For these very reasons, e-business is raising ethical issues in new ways. It is not that the moral norms applicable to e-business are distinct from those discussed in other areas of business ethics, but rather that the new forms of relations and means of conducting business that arise in e-business call for a new understanding of the application of these norms. Further, as argued above, there is both a pragmatic need for businesses to be aware of stakeholder interests as well as a moral imperative that e-business be developed in ways that maximize stakeholder interests. For these reasons, this chapter argues that the stakeholder approach to business ethics can effectively be extended to deal with the ethical issues of e-business. This section aims to delineate a framework for a stakeholder model of business ethics that will provide a mechanism for analyzing and responding to the sorts of ethical issues in e-business noted above.

The Elements of Stakeholder Theory

As a heuristic approach to business ethics, the stakeholder approach adopted in this chapter involves looking at ethical issues in business in light of the potential for activities to harm or benefit various parties, or stakeholders. While, as noted, stakeholder theory has a rich history and there are many different forms and aspects of stakeholder theory, for the purposes of this chapter, there are two essential features of stakeholder theory that need to be emphasized in particular. First, the basic idea behind stakeholder theory is that the organizational or managerial functions of a business have the potential to impact numerous different parties. Such 'stakeholders' may include employees, consumers, suppliers, competitors, community members, and even the environment.

Second, stakeholder theory rejects the idea that businesses can narrowly focus upon shareholder interests to the exclusion of the manner in which their activities impact these other stakeholders (Jones, Wicks, & Freeman, 2002). Such a focus, stakeholder theorists argue, is flawed from both a business and an ethical standpoint. On the pragmatic side, stakeholder theorists maintain that neglecting the interests of other stakeholders in business is strategically shortsighted and can thus actually inhibit the advancement of traditional corporate objectives. But stakeholder theorists also argue that in so far as stakeholder interests can be affected by corporate actions, managers also have a moral obligation to respect their rights and interests (Jones, Wicks, & Freeman, 2002). For both of these reasons, stakeholder theorists maintain that there is an intrinsic connection between business strategy and ethics (Freeman & Gilbert, 1988). Developing stakeholder theory in practice involves several different elements; including most importantly stakeholder identification, or determining who the relevant stakeholders are, and stakeholder analysis, which involves determining the nature of the moral obligations owed to stakeholders and balancing various stakeholder interests in managerial decisions (Palmer, Stoll, & Zakhem, 2008).

Moral Norms and Stakeholder Interests in E-Business

As e-business models open up new ways for businesses to interact with consumers, employees and other businesses, we must pay close attention to the nature of the stakeholders involved as well as the kinds of relationships that are created between these stakeholders. Indeed, the thesis being advanced in this chapter is that a proper understanding of stakeholder relations in e-commerce is essential, for both pragmatic and moral reasons, given the transformative nature of e-commerce. Providing such an analysis will involve identifying the relevant stakeholders affected by e-commerce activities, analyzing the interests of those stakeholders, and finding ways to balance those interests in maximizing the potential of e-commerce to contribute to the common good. Since, as shown above, e-business both involves a greater and more complex range of stakeholders, and since those stakeholder relations take place in a virtual environment not subject to the same constraints as more traditional business environments, exploring the emerging nature of stakeholder relationships in e-business is essential.

The concern of this chapter is merely to situate these discussions by providing a framework to understand how e-business is transforming business and by suggesting that the stakeholder framework can afford a way of analyzing and responding to the new ethical issues involved in e-business. Nonetheless, without going into detailed areas of application, this chapter concludes with a consideration of some moral ideals that ought to guide stakeholder analysis in considerations of the ethics of e-business. The claim is that a commitment to these norms will allow those engaged in e-business to remain sensitive to the implications of their activities for their stakeholders and will also aid in promoting more ethical stakeholder relations. In particular, this section concludes by arguing that there are at least two basic moral ideals that ought to guide considerations of stakeholder relations in e-business. Each of these moral norms, it is argued, is particularly important in the diffuse, complex, and frequently shifting world of e-business. These ideals, it is argued, will be essential to developing e-business in ways that properly respect the interests of diverse stakeholders.

The Commitment to Transparency

By vastly expanding the reach of business and dispersing the means by which business is conducted across global networks, e-business relies upon networks of interactions that are no longer grounded in personal relationships. E-business operates in a virtual environment which has nearly unlimited reach and which provides a platform for business transactions that requires none of the customary bonds, personal, social, and political, in which traditional forms of business were founded. For this reason, the great virtue of e-business is the capacity it offers to nearly all players to expand and develop business opportunities in seemingly unlimited directions. This virtue, however, comes with a potential risk. By separating business relations from traditional personal, legal, and social relations, e-business also can make it more difficult for those involved to discern the nature of the transactions involved and their implications. In doing so, it can make it more difficult for persons to fairly evaluate and respond to the information involved in e-business transactions. These concerns point to issues of both moral psychology and rational deliberation that need to be accounted for within the ethics of e-business in developing stakeholder relations on the Internet.

One example can show both the benefits and the potential risks of e-business in in this regard. That is, as the use of big data in health care has expanded, one result has been the rapid growth of smartphone applications and monitoring tools which are becoming extremely popular and offer consumers many opportunities to take better control of their health. Indeed, there are now over 40,000 health related application and as of 2012 there was an estimated 44 million downloads of mobile health care applications (Pelletier, 2012). While such services offer great promise in helping people lead healthier lives, they also potentially expose consumers to security and other risks that could result if third parties gain access to such personal data (Cushman, Froomkin, Cava, Abril, & Goodman, 2010). Unfortunately, consumers are often unaware of the security and privacy issues and do not realize that the data may be given to others as part of the user's agreement of such services.

At the more extreme end, the anonymity of the Internet can also allow unscrupulous persons or businesses to engage in ethically suspect actions or business practices in a manner that can be difficult to monitor or regulate. For instance, e-business scams can prey on children, the elderly or less sophisticated users, often by developing web sites or phishing schemes that look very much like legitimate businesses. Of course, the popularity of the infamous Silk Road also illustrates the potential of users to engage in criminal business activities on the Internet and the difficulties of regulating those transactions in an international context.

The concern with rational deliberation turns on the fact that the more complex information becomes and the more difficult it is for agents to discern the consequences of their options, the harder it is for them to rationally determine what is in their interests. Since business can only work to advance the interests of stakeholders in so far as they are able to make choices that truly reflect their own rational aims, activities which inhibit rational choice will, by their very nature, inhibit just market transactions. That is, in so far as persons are unaware of information or the potential consequences of their actions, their ability to use business as a means of advancing their own interests is reduced, and the potential for business to contribute to the mutual flourishing of all parties is diminished. For example, if consumers are not aware of how information that is gathered about them will be used, then they will not be able to determine if disclosing such information is to their benefit. If forms of e-business weaken the abilities of parties to understand their choices, it thus presents a potential moral hazard within business. As such, the need for transparency in maintaining the ability of agents to rationally deliberate in e-business is essential.

The issue with moral psychology points to the fact that people are often more willing to engage in morally problematic behavior towards others when their communication is indirectly mediated, as with computer communications, rather than face to face (De Angeli & Brahnam, 2008). Since the Internet generally allows people to engage in mediated forms of relations, and often anonymous ones as well, it is not surprising that the potential for unethical behavior can be greater in e-business than in traditional person-to-person forms of business transactions. Lacking a personal or social relation to ground transactions, Internet users are often more likely to engage in behavior that is morally problematic than they would in face to face relations. The Internet, in this sense, can serve as a kind of moral buffer, obscuring the impact of our behavior upon real individuals. The danger then is that despite making the world a more inter-connected place, e-business can also weaken the very kinds of connections that served as a moral foundation for previous forms of business, by weakening the sense of moral responsibility that comes from close personal or social connections.

There is likely no going back to the days in which business relationships could find moral grounding in a simple handshake or community standing. However, if e-business is to continue to develop in ways that are conducive to a broad range of stakeholder interests, there does need to be some moral commitment that serves as a ground for business relations. Despite stereotypes to the contrary, business of necessity must be grounded on the moral commitments of those involved in business relationships. For instance, in order to confidently engage in business relationships, persons need to have a sense that those they deal with are honest and trustworthy. In previous ages, such commitments were primarily grounded in either personal relationships or specific cultural or legal norms.

However, we have seen that e-business operates in ways that move us beyond these circles of influence. As such, the need for moral commitment to the fundamental fairness of the system by which business transactions are carried out becomes even stronger in the environment of e-business. In a sense, the means by which relationships are transacted becomes of greater moral significance than the relationships themselves. The fundamental moral commitment that then must become a priority for all e-business involves a dedication to transparency in stakeholder relations. New digital forms or mechanisms should also be developed to assure consumers and businesses that the parties and information involved in transactions are reliable. Only when all parties have assurance that the basic rules of interaction are transparent can they have confidence in the system as a whole. For instance, the outrage that many consumers express when they find out that Internet companies, such as Facebook and Google, are using their information in ways that they were not aware of at the time they engaged with those companies nicely illustrates the consequences upon trust when failures of transparency occur. The commitment to transparency will only become more imperative as e-business moves in further directions.

Implementing the commitment to transparency involves special sensitivity to the actual manner by which persons engage in e-business practices. For one, it is important not to confuse the utilization of particular means, such as online consent or disclosure forms, of providing legal assurance with the commitment to transparency itself. Indeed, in many cases such mechanisms can actually hinder rather than foster transparency. For instance, the lengthy, confusing, and often easily circumvented legal disclaimers commonly utilized by commercial web sites are typically both too difficult to understand and too easy to bypass with little attention to encourage real transparency in business transactions. A real commitment to transparency requires means of positively fostering an understanding among all parties about the nature of the transactions involved and any potential use of information stemming from those transactions. E-business must strive, in this regard, to go beyond mere legal compliance in fostering an open environment for business on the Internet. Ideally, industry itself will continue to develop standards for businesses to use that assure consumers that their practices meet basic commitments to transparency.

Second, the commitment to transparency is essentially a communicative function, as it involves a commitment to rendering information understandable. Effective communication, particularly intercultural communication will thus be an essential component of the ethics of e-business. Again, e-business allows people to engage in business transactions outside of any pre-established legal, cultural, or social boundaries, and thus easily brings people together that do not necessarily share a common background. Under such conditions, and when combined with the anonymous nature of Internet business platforms, the commitment to transparency will, more than ever, involve a commitment to ethical modes of communication. In this regard, managing stakeholder relations properly in e-business entails a commitment to effective modes of communication. The importance of intercultural communication for business in an era of globalization has already been stressed by a number of researchers (Limaye & Victor, 1991). In a similar manner, the importance of ethical forms of communication and inter-cultural communication needs to be stressed in the age of e-business if the commitment to transparency is to become a fundamental component of e-business.

Business relations take place in a world far more complex than that of the local butcher, baker, and brewer famously discussed by Adam Smith, and e-business only further complicates the world of business. In such a world, the commitment to transparency is absolutely essential. Even Smith realized in his defense of markets that the parties involved in business could only advance their interests in so far as the parties involved were committed to honesty and fair play (Werhane, 2002). In order to engage in fair and honest transactions though, agents need reliable information about the nature of their engagements. In the world of e-business, the need for transparency in promoting fair and effective markets is more important than ever. As such, the commitment to transparency should be a guiding ideal of all of those working in e-business, as a manner of grounding fairness, efficiency, and justice in stakeholder relations.

Respect for Persons

Just as a commitment to transparency will be necessary to ground trust in e-business, a commitment to the ideal of respect for persons will be necessary to assure that e-business takes seriously the interests of the stakeholders involved. As noted previously at a number of points, the virtual nature of e-business has the potential to create a distance between the parties involved in business transactions. Such distancing can have the tendency to obscure the fact that it is real persons whose interests are at stake in e-business, just as in any other form of business. As Richard De George (2002) notes in discussing what he calls the myth of amoral computing and information technology, some people have been led to believe "that human beings are relieved of responsibility to the extent that computers are involved" (p. 268). People have a tendency, as it were, to forget the persons behind the technology. Doing so masks the fact that technological interactions are still interactions between and about persons. Virtual forms of business ultimately rely upon and affect real persons, and the good and the bad in e-business still must be judged in terms of the bearing that the activities involved have upon real persons. The ideal for respecting persons is thus perhaps even more important in e-business than it is brick and mortar business, since in the former the personhood of those involved can be obscured in a way that is not typically possible in the latter. What respect for persons entails is of course a complicated matter, but the Kantian ideal of making sure that persons are not treated as mere means is a good starting point. This Kantian notion of respect for persons, among other things, requires that business practices be carried out in ways that are not coercive or deceitful and that business be developed in ways that contribute to the development of human beings' rational and moral nature (2002).

What specifically does the ideal of respect for persons in e-business entail in practice? A few points readily come to mind. For one, it entails a commitment to basic stakeholder rights. In the diffuse world of e-business, where stakeholders such as employees and consumers may be spread across the globe, and where business interactions may take a multitude of shifting forms, is essential that business persons not let their sense of responsibility for stakeholders erode. For instance, the reliance in many forms of e-business upon temporary or outsourced workers should not be used as an excuse to deteriorate workers' rights or as a means of coercing employees to engage in behavior that they otherwise would not consent to doing. Likewise, new models of employment in e-business should not be used as a means of reducing health insurance or other benefits to workers. Similarly, consumers concerns should not be treated as less significant simply because communication with them is mediated and at a distance.

Second, respect for persons entails, as Bowie's comment above indicates, that e-business must not be deployed in ways that weaken human capacities for moral and rational development. In this regard, the use of deceptive or manipulative forms of e-business marketing and advertising techniques should certainly be discouraged, but so too should we be weary of the dissemination of e-business models that weaken respect for privacy or property rights, or that appeal to children in ways that inhibit their rational and moral development. Ultimately, respecting for persons demands the e-business be developed in ways that fosters the moral and rational advancement of all parties involved. Nor should companies devote their efforts to stifling legal or regulatory efforts that would foster consumer rights. Rather, they should actively participate in fostering a legal and social environment in e-business that provides a level and fair context for both businesses and consumers.

The notion that business can and should be grounded in moral ideals may seem too idealistic to some, and no doubt ideals, by their very nature as ideals, will never be perfectly realized. However, the cost of fostering business environments not grounded in and through moral commitments is too great. The huge social and economic impact of business failures in cases such as Enron, WorldCom, and more recently AIG and the financial industry more generally, remind us that business carried out without moral constraint can have significant negative impacts on large numbers of persons. Further, there are companies that have responded to the call for better transparency and security and promoted best practices in e-business. For instance, over the years eBay has responded to a number of ethical and legal concerns by updating its policies in ways that better protect consumers and the public. Likewise, Intuit has promised not to use data in ways that are not to the benefit of consumers (Helft, 2014). While no company, just as no person, is going to be perfect, a basic commitment to moral ideals in these areas will, over the long run, move e-business in the right direction. Moral ideals serve to remind us of the moral heart of business and steer business back toward its moral purpose. In this respect, all of us interested in harnessing the potential of business for contributing to the common good have an interest in promoting moral ideals to business leaders, students, and researchers. In some sense, this entire volume is presented in light of the ideal that e-business can and should be pursued in ethically responsible ways.

FUTURE RESEARCH DIRECTIONS

The emphasis of this chapter has been on providing a conceptual framework for discerning the ethical issues involved in e-business. The focus has been on clarifying the general issues involved in such a way as to offer a paradigm for dealing with ethical issues in e-business. Some of the examples given explain how this can be done in relation to particular issues or practices, though the chapter has only scratched the surface in terms of the many and varied kinds of activities and services that are need of ethical evaluation in e-business. Nonetheless, in providing a general overview of the ethical landscape of e-business, a basic map of the territory, the chapter has shown on ethical issues in e-business might be approached by both business ethicists, consumers and businesses themselves. A complete account of the ethics of e-business would involve a thorough treatment of the many specific ways in which ethical issues can arise in e-business; it would, so to speak, fill in the fine details of the rich and diverse terrain only alluded to here. By necessity such an endeavor will involve both a careful application of the sorts of conceptual matters invoked here as well as a sensitive treatment of the empirical aspects of the various technologies, processes, and models involved in e-business. Such research will also, again of necessity, be interdisciplinary. Business ethics, as a form of applied ethics, cannot be done in a conceptual vacuum, and research from such fields as business, legal studies, communications, sociology, psychology, and computer science is necessary to properly apply the relevant ethical concepts.

Three particular avenues of inquiry of particular importance in establishing this broader research agenda come readily to mind. For one, it will be important to determine, by empirically study, what e-business practices both businesses and consumers identify as having the greatest ethical significance. Doing so will help better identify what particular areas of e-business are in need of more careful analysis by ethicists. Second, more research is needed on how businesses can best adapt important ethical concepts, such as respect for privacy and confidentiality, in a digital context such that all parties can best understand their application. Finally, it would be useful to have a better understanding of the psychology of internet communication and how this can affect user experience in e-business, as this could help us better understand the nature of ethical decision making in e-business contexts. This is not to suggest these are the only, or even the most important, areas of future research, as there are many other kinds of research that will be important in fleshing out the new domain of e-business ethics, but they do represent some important lines of inquiry that will need to be developed as the field is developed.

CONCLUSION

This chapter has offered a general overview of the ethics of e-business, examining some of the fundamental ways in which e-business is transforming the landscape of business and the ethical implications of these changes. As the reach of e-business continues to extend, the ethical challenges it raises will continue to be an important area of concern for scholars, students, business persons, and consumers. By providing a conceptual framework for situating the ethical issues involved in e-business, this chapter aims to aid all of those involved in e-business in better understanding and responding to these ethical challenges. The ethical issues delineated here are central to any proper account of the ethics of e-business, and are intended to provide the foundation for a comprehensive approach to the ethics of e-business that is sensitive to all of the stakeholders involved. While the ethical principles applicable to e-business are not new or unfamiliar, the manner in which e-business is transforming the landscape of e-business does require a careful consideration of how they apply to new models and paradigms of business.

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KEY TERMS AND DEFINITIONS

Anonymity: The condition of being able to keep one's identity private from others when engaged in a transaction.

Data Mining: The use of often sophisticated computational means of gathering information about persons or other subjects through the analysis of various forms of digital data.

E-Business: Any business activity that involves the use of the Internet and digital forms of communication transactions.

Respect for Persons: Treating people as having intrinsic worth and value and not merely as means to one's own ends.

Stakeholder: Any party that can be affected, positively or negatively, by a business decision.

Stakeholder Theory: A theory of business ethics that maintains that all stakeholders, and not just stockholders, need to be considered in the ethical decision making of business managers.

Transparency: The state of something being open to understanding or discernment.

Chapter 3
Game-Theoretic Insights Concerning Key Business Ethics Issues Occurring in Emerging Economies

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ABSTRACT

This chapter identifies some game-theoretic insights concerning several key issues of business ethics typically occurring in emerging economies. The chapter explicates four elements in this sequence: nature of game theory, characteristics of emerging economies, fundamentals of business ethics, and key business ethics issues. The chapter emphasizes useful insights of game theory rather than undertaking formal modeling (examples are noted in references). Game theory assists reasoning about strategic scenarios for businesses. A multinational entity operates within layers of institutions and norms from the international to the national and sub-national levels. Such institutions and norms help structure the complex environment within which a multinational entity operates. The approach in this chapter is to inquire into certain specific decision scenarios available in the extant literature as instances of important classes of decision problems and to suggest game-theoretic responses. These scenarios concern long-term sustainable business models, corporate values, and corporate reputation.

INTRODUCTION

The purpose of this chapter is to identify useful game-theoretic insights concerning key issues of business ethics in emerging economies. An insight should be of assistance to understanding and implementing business strategy and government policy. Better understanding and implementation should then help develop increased international consensus on ethical and legal standards. An example is the problems arising from efforts to reduce corruption (bribery, extortion, and facilitation) which is widespread in emerging and developing countries. It is important to understand the causes and effects of the various forms of corruption in order to design and implement effective anti-corruption

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measures by national governments, international institutions, and multinational entities. The study draws on four elements which will be addressed in the following sequence: game theory, emerging economies, business ethics, and key issues.

The chapter is structured as follows. The following section explains in general terms game theory and criteria for defining emerging economies. The explanations are background for addressing key issues of business ethics. The next section reviews the business ethics literature concerning game theory. The subsequent section identifies game-theoretic insights for four key issues of business ethics in emerging economies. (Some illustrations are drawn from developing economies; the rationale is explained below in the sub-section on defining emerging economies, as the dividing line is evolving and gray.) The concluding section of the chapter emphasizes the findings and their implications for business ethics in emerging economies.

Game Theory

Game theory is a formal (or logical) analysis of conflict or cooperation (two conditions which may be mixed in specific instances), among interdependent actors, which is suitable for the study of strategic scenarios. A game-theoretic setting, or strategic scenario, concerns action and reaction for two or more interdependent actors (e.g., individuals or groups or organizational entities). Thus, the actors can be businesses, countries (i.e., national governments), and non-governmental organizations (NGOs) or other stakeholder groups. An actor has a desired payoff (i.e., reward or benefit) and decisions (i.e., choices or strategies). The actor's selected strategy affects the payoff of some other actor. A game has this set of characteristics.

While elements of what has come to be called game theory (such as the minimax theorem and the bargaining problem solution) were addressed earlier in relationship to games and market price equilibria, the primary work that established systematic inquiry was the 1944 book *Theory of Games and Economic Behavior* (Princeton University Press) by John von Neumann and Oskar Morgenstern. By 1950, the experimental game called the Prisoner's Dilemma had emerged; and game theory was being applied to problems of strategy in conditions as different as games, business, and war (McDonald, 1950). In 1950 and 1951 papers, John Nash demonstrated the existence of strategic equilibrium (the so-called Nash equilibrium) for non-cooperative games. Nobel Prizes in Economic Sciences were awarded for game theory work in 1994 (to John Nash, John C. Harsanyi, and Reinhard Selten) concerning non-cooperative games, 2005 (to Robert J. Aumann and Thomas C. Schelling) concerning conflict and cooperation analysis, and 2012 (to Alvin E. Roth and Lloyd S. Shapley) concerning market design. The approach of game theory is rational analysis (i.e., defined as each participant's benefits and costs) of decision problems involving interaction of two or more participants. Game theory is formally a branch of mathematics, with especially important applications in economic analysis of strategic choices and behaviors.

In a simple version of pure economic conflict (basically in the form of allocation games), perfect competition involves no such influences on other actors (ignoring negative externalities). Pure monopoly is the absence of any competitors. In between those two abstract polar-opposites, imperfect competition (such as duopoly and oligopoly) involves strategic interaction among economic actors. Cooperation is in practice arguably a more complex matter for study, for example in instances of common-pool resources and public goods (Ostrom, 2009). A body of literature supports the view that collective action can occur through institutional evolution among cooperating individuals acting outside of formal government (Ostrom, 1998; Ostrom & Gardner, 1993).

Formal modeling applies the mathematical theory of games to economic analysis. Formal modeling emphasizes identification of optimal (i.e., best available) strategies and the prediction of resulting outcomes (Cunningham, 1967). Bargaining theory is a subset of game theory in which the actors engage in negotiation in some form as in business – union wage negotiation or environmental policy power struggles (Affolderbach, 2011). Evolutionary game theory is basically about models in which strategies are chosen by trial and error so that there is actor learning over time about performance of strategies. Formal game theory thus has a static character (i.e., best payoffs or decisions), whereas bargaining and evolutionary theories have a more dynamic character in which multiple moves and learning processes may occur (Camerer, 2003). Bargaining and evolutionary learning approaches address dynamic interactions leading to change in outcomes and also institutional arrangements (Henrich, 2006).

Game theory has been applied to the study of how institutions and norms develop and evolve (Binmore, 2010; Opp, 2001). However, such institutions and norms are weak in emerging (and developing) economies, where governments range from relatively corrupt democracies (e.g., India) to evolving one-party "enlightened dictatorships" (e.g., China). In these situations, there is marked separation of formal and informal norms, and often informal non-enforcement of the former. One example of an institution is the judicial system of a country. An example of a norm would be respect for law.

For instance, multinational entities face widespread corruption in emerging and developing countries. For corruption to flourish, there must be failures of governmental institutions and cultural norms amounting to tolerance and even active encouragement. Bribes and facilitation payments are typically illegal in the country where paid, but corruption is often pervasive. Enforcement is weak, anti-corruption reforms are often ineffective, and multinational entities from some advanced countries (such as France, Italy, and Japan) do not themselves adhere to anti-corruption norms. From a game-theoretic perspective, institutions and norms must be developed before participants' rational costs and benefits are changed. From December 2009, the Organisation for Economic Co-operation and Development (OECD) recommends against facilitating payments, legal under US law but illegal under UK law under the US Foreign Corrupt Practices Act (FCPA) of 1977 and the UK Bribery Act of 2010.

A problem of a different character arising particularly in some developing countries involves abuse of their citizens by governments. For instance, Myanmar (Burma) is a military dictatorship that has been engaged in suppression of both pro-democracy activists and the largely Muslim population in the southernmost part of the country adjacent to Thailand. There is an independence movement in the oil region of Nigeria. Multinational entities operating in such countries are dependent on security arrangements by oppressive governments.

The US Supreme Court addressed corporate liability under the Alien Tort Claims Act (ATCA), or Alien Tort Statute (ATS), of 1789 in *Kiobel v. Royal Dutch Petroleum Co.,* a case arising in Nigeria (Scheffer & Kaeb, 2011). The court unanimously, though splitting 5-to-4 on specific rationales, found a presumption against extraterritorial application of ATS. Conduct must occur within US jurisdiction (at least in important part) or on the high seas, and not purely in another country such as Nigeria. The majority opinion argued the 1789 act had not been intended for extraterritorial reach (but rather for protection of foreign ambassadors in the United States).

The US Supreme Court decision resolved the matter of extraterritorial liability for US firms. There had been a case arising in Indonesia, *Doe v. Exxon Mobil*, decided by the US Court of Appeals for the District of Columbia Circuit (July 8, 2011), in which a 2-to-1 majority found that US firms are not immune from liability. That decision had raised the possibility of significant liabilities for US firms.The Torture Victim Protection Act (TVPA) of 1991 might arguably generate liability for US firms in connection with their operations in countries with oppressive governments (Martin, 2010). The statute permits civil suits in US federal courts against individuals, acting in an official capacity for a foreign government, committing torture or extrajudicial murder. A plaintiff need not be a US citizen, so long as the court can exercise jurisdiction over the defendant. In *Mohamad v. Palestinian Authority* (2012), however, the US Supreme Court unanimously held that the statutory language and legislative history made clear that the defendant must be a natural person, not an artificial person (i.e., a corporation). The Palestinian Authority is an organizational entity. A naturalized US citizen visiting the West Bank was allegedly tortured and murdered by Palestinian Authority intelligence officers. This opinion thus effectively removed corporate liability under the TVPA.

From a game theory perspective, these cases remove a source of liability for US multinational entities operating in countries with oppressive governments. US firms do not generally face liability under the Alien Tort Statute or the Torture Victim Protection Act due to the actions of such governments. Absence of liability alters the rational calculus of benefits and costs for US firms. However, those firms should still be concerned with moral considerations beyond absence of civil liability.

Emerging Economies

This sub-section defines the category typically termed emerging economies. In general terms, emerging economies are low-income, rapid-growth countries using economic liberalization as their primary engine of growth (Hoskisson, Eden, Lau, & Wright, 2000, p. 239). The notion of emerging economies thus combines conditions of rapid economic development and governmental policy favoring economic liberalization (Hoskisson et al., 2000, p. 239). Emerging market economies, such as those of BRIC (Brazil, Russia, India, China) and MIST (Mexico, Indonesia, South Africa, Turkey) or CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey, South Africa), lie between developing economies and advanced economies. Emerging economies "... fall into two groups: developing countries in Asia, Latin America, Africa, and the Middle East and transition economies in the former Soviet Union and China" (Hoskisson et al., 2000, p. 239). Whether historically a developing or transitional (formerly communist) economy, an emerging market receives significant foreign direct investment (FDI) and enjoys rising per capita gross domestic product (GDP). The market is important enough to matter seriously in global trade and development. These conditions are favorable to FDI.

Corporate governance reform, entry strategies of multinational enterprises (MNEs), the role of local partners, corruption levels, judicial independence, and other characteristics of importance are likely to vary considerably across the wide diversity of emerging economies (Albu & Albu, 2012; Javorcik & Wei, 2009; Uma & Eboh, 2013). Institutions, norms, infrastructure, and markets are inadequate; and operating conditions for domestic and multinational businesses are often difficult. Judicial and other governmental institutions are weak and often corrupt in emerging and developing countries. Illustrations addressed later involve an American investor in the Czech Republic and the lawsuit against Chevron in Ecuador. Norms concerning corruption and business relationships, including nepotism, are quite different in emerging and developing countries than in advanced countries. Infrastructure (e.g., ports, roads, internet, etc.) and markets (for capital, labor, and goods) are not as well developed in many countries outside the advanced regions. India is simply not an advanced economy in these respects. However, these dimensions are relatively better in most emerging economies than in many developing countries such as Chad or Ecuador as examples. These two developing countries are discussed in more detail later in the chapter. A domestic business cannot readily exit without internationalizing; a multinational business may have exit options due to operating in various countries (Schotter & Teagarden, 2010) and thus some degree of significant bargaining power in repeated rounds of negotiations with national governments and local partners (Beghin, 1990; Eden, Lenway, & Schuler, 2005). The contexts are rich opportunities (Tan, 2009) for game-theoretic insights (as distinct from formal modeling). Corruption is widespread, infrastructure and other public goods are not adequately supplied, judicial and other governmental institutions do not function very well, markets do not begin to resemble competitive conditions, and so forth. Game theory can assist with developing insights into how to operate in these kinds of conditions – which can vary markedly by country.

The broadest list of emerging markets is proposed by the firm Grant Thornton (2010). That list includes: Algeria, Argentina, Bangladesh, Brazil, Chile, China, Colombia, Egypt, Hungary, India, Indonesia, Iran, Malaysia, Mexico, Nigeria, Pakistan, Peru, Philippines, Poland, Romania, Russia, South Africa, Thailand, Turkey, Ukraine, Venezuela, and Vietnam. There are possible objections to some countries in this list. (Venezuela has been expropriating foreign-owned businesses, for instance.) The FTSE (2010) 22 list of emerging markets is more restrictive (dropping various countries above), while adding the Czech Republic, (South) Korea, Morocco, Taiwan, and the United Arab Emirates (UAE). Leaving aside arguments for and against inclusion of particular countries, the countries of interest for this chapter are included by combining the Grant Thornton and FTSE 22 lists (Cavusgil, Ghauri, & Akcal, 2013, pp. 4-5).

The separation from developing countries is somewhat vague and membership of the emerging economies category changes over time; thus, game-theoretic insights concerning key issues in business ethics are more or less applicable to both emerging and developing economies with some differences. In practice, problems faced by businesses in at least some developing countries are arguably similar and may serve to illustrate key insights. Bangladesh, Nigeria, and the Philippines are arguably developing countries; the Czech Republic, Korea, Taiwan, and the UAE are arguably more advanced than the conception of typical emerging economies. The dividing lines among developing, emerging, and advanced are loosely definable; and membership of the emerging markets category evolves over time.

An interesting example of complicated maneuvering in the Czech Republic is reported by Desai and Moel (2008). An American investor undertook a joint venture with a Czech partner in the television broadcast industry in Prague. On paper, the American had overwhelming ownership rights. The Czech partner effectively expropriated those rights, and used local political connections to advantage. Receiving no local assistance, the American investor (a former ambassador to a neighboring country) ultimately found a legal forum in another country that was willing to enforce ownership rights. In the final analysis, the Czech government ended up reluctantly compensating the American investor with taxpayer money; the Czech partner did not pay and burdened the republic with the financial obligation. In game theory terms, there were two participants who agreed to cooperate as partners; the American partner had on paper the controlling rights. The Czech partner simply took control by virtue of local political connections in the Czech Republic. The Czech partner cheated on the agreement; and the American partner was effectively held hostage to weak Czech institutions and norms. The American partner found no local recourse, because the Czech government declined to support his theoretical ownership rights. The American partner went searching for a legal forum outside the Czech Republic that ultimately resulted in pressure on the Czech government. The Czech taxpayers, not the Czech partner, wound up paying compensation to the American partner. The original two-participant agreement, which presumed adequate legal institutions in the Czech Republic, because a four-participant game in which a foreign forum had to be located to bring pressure on the Czech government.

BUSINESS ETHICS

Multinational enterprises (MNEs) lie at the interface of ethical pressures from both home country and host countries. In the case of at least some emerging economies, the ethical pressures from home standards and stakeholder activists (Baro & Diermeier, 2007) are likely stronger than the ethical pressures from host countries. One approach to reconciling this conflict is a balancing framework, one variant of which is proposed by Tan and Wang (2011). They differentiate core values from peripheral components in the institutional logic of an MNE. A core value basically does not respond to external pressures; peripheral components do and likely differently for home country and host countries pressures. Within this framework, an MNE adopts distinctive ethical strategies under different conditions, which vary across emerging economies. The overall configuration of core values and peripheral components results from alignment with institutional environment in host countries. This framework combines institutional, international business, and business ethics theories.

Some empirical evidence suggests a significant positive relationship between corporate social responsibility (CSR) practices and market valuation. A study of major Asian firms for the three years during the period 2001 – 2004, using CSR scores compiled by Credit Lyonnais Securities (Asia), finds such a relationship. The authors also report the market appears to reward Asian firms for improving their CSR practice (Cheung, Tan, Ahn, & Zhang, 2010). Ethics may be understood as self-regulation (Baron, 2010), and thus voluntary business choice to support right over wrong (actions) and good over bad (consequences). The motive is self-regulation for moral reasons. One can separate ethical analysis into motives (why), actions (how, when, where, and who), and consequences (what). Business motives may mix concerns for right and good with profitability, reputation, and stakeholder engagement.

Basically a business should not engage in actions that likely cause harm, and should try to accomplish some good (Grant, 2004). Ethics is superior to law, in cases of conflict; law is a minimum standard for action and legal compliance is a morally justified behavior. Business ethics involves practical action in specific conditions. The UN Global Compact, comprising ten principles about human rights, labor rights, environmental protection, and anti-corruption (the tenth principle), is a voluntary club in this self-regulation sense.

A long literature on the topic of game theory and business ethics (Braithwaite, 1955) has focused on a debate concerning a game metaphor and a morally neutral rationality (Heckman, 1992). This debate is important to developing game-theoretic insights for ethics issues in business. The basic problem is whether the business context can properly be regarded as a game of some kind. Game theory posits rationality as participant's costs and benefits without regard for moral norms. The issue in the game metaphor is whether operating a business is simply a form of playing a game in which rules are established endogenously and thus to be disregarded by a participant if advantageous to do so. It is insufficient to argue that government establishes exogenous rules, particularly in emerging economies, because government may be corrupt and subject to influence (such as lobbying and bribery) by businesses. The issue in morally neutral rationality is whether business decision making is simply amoral: financial goal maximization within exogenous constraints (Liberman, 2012). The literature has not succeeded in resolving the problem of how to characterize preference (goal) functions including moral considerations (*Business Ethics Quarterly*, 1999; De Jonge, 2005; Etzioni, 1986; Guala, 2006; Hamington, 2009; Vanberg, 2008). The problem is particularly pertinent in emerging and developing economies because of widespread corruption and weak governmental institutions; these phenomena tend to correspond to a game setting without clear and enforced norms of conduct.

As noted previously, a game involves participants, strategies, payoff functions (that is preference or goal functions), and rules (whether endogenously or exogenously generated). The debate concerning preference (goal) functions involves competing consequentialist (outcome) and non-consequentialist (duty) theories of ethics. The former type of theory emphasizes that results matter most. The leading example of consequentialism is utilitarianism, emphasizing aggregate net benefit across populations, in markets and democracies. The leading example of duty is Kant's theory of absolute and rational moral rules, independent of consequences to the decision maker. Applying game theory analysis to issues in business ethics thus involves how to define a participant's payoff function. As debated in the business ethics literature, the payoff function for a business is assumed to be financial or at least morally neutral. Principled assessment of voluntary constraints on action is not morally neutral in this sense. A participant must commitment to some form of payoff function, which may or may not include a moral dimension. If a moral dimension is accepted, then there remains a choice between consequentialist and duty theories of ethics to be made by the participant.

Assuming a participant has made a commitment to a specific view of ethics, game theory analysis further requires specific facts and strategies, with the formal modeling subject to continuing refinement (Stewart & Plotkin, 2012) focused on specific outcomes. Given a set of circumstances, game theory may provide assistance in reasoning about strategic scenarios for businesses. A growing literature addresses formal modeling of specific matters, such as corruption (Bayar, 2003; Berninghaus et al., 2013) and traffic police bribery (Mostipan, 2010; see Pap, 2013). A study of the Russian police is available (Semukhina & Reynolds, 2013). If a participant is opposed to corruption, there remains the very practical question of how to oppose corruption in specific instances and how to support anti-corruption reform in particular countries. Both facts and viable strategies may vary across instances and countries.

The emphasis in this chapter is on identifying insights as distinct from formal modeling for each strategic scenario examined. A multinational entity operates within layers of institutions and norms from international to local. Those institutions and norms can evolve over time (Koremenos, Lipson, & Snidal, 2001). The multinational entity faces a series of strategic decisions, embedding both market and non-market considerations, including entry and exit (i.e., obsolescing and political bargaining models), asset protection (Desai & Moel, 2008; Slippery Negotiations, 2012), corruption opportunities, environmental technology, and opportunity for public goods provision in partial substitution for governmental incapacity or inaction (Scherer & Palazzo, 2011).

The multinational entity has opportunities to enhance reputation by reducing harm imposed and engaging in good conduct (Lindorff, Jonson, & McGuire, 2012). Stakeholder activism may substitute for and/or complement legal requirements by pressuring firms (Baron & Diermeier, 2007). Each business decision is with stakeholders a multiple-party setting with a long time horizon and uncertainty. A conventional argument that an entity should do nothing beyond legal requirements ignores time horizon, reputation effects, and responses of other parties including competitors. The duty to obey law is a moral one: the duty is voluntarily to comply with the spirit of the law. A strict cost-benefit analysis of legal duty and of long-term strategy involves significant difficulties by ignoring ethics entirely (Guerrera, 2009; Liberman, 2012; Lowry & Peterson, 2012). A game-theoretic perspective focused exclusively on participant's assessment of benefits and costs simply fails to account for these considerations of reputation, stakeholder activism, moral duty, and business sustainability.

There is accumulating evidence from behavioral experiments of marked deviations from the model of rational self-interest. A large proportion of these experiments are, however, conducted among university students, who may not be fully representative for purposes of investigating cross-cultural variations. A problem then is to separate explanation between the effects of higher education, which may attenuate cultural variations, and true cultural variation more likely to be isolated in individuals who have not had higher education (Henrich et al., 2005). Henrich and his multiple co-authors conducted a cross-cultural study of behavior in ultimatum, public goods, and dictator games across a range of small-scale societies. They report that the self-interest model fails everywhere, and that there is considerable behavioral variation explainable by variation in economic organization and structure of social interactions. However, the higher market integration and payoffs to cooperation, the higher the level of prosociality in experimental games. The game behavior is not well explained by individual-level information (e.g., economic and demographic variables) relative to daily interaction patterns.

FOUR KEY ISSUES

Applying game theory insights to a broad-ranging topic such as business ethics in emerging economies produces a thicket of challenges. The approach taken here is to inquire into certain specific decision scenarios available in the literature as instances of classes of decision problems. Isolation of useful classes is an important step. These scenarios involve long-term sustainable business models, corporate values, and corporate reputation. A sustainable business model is one that emphasizes continued profitability over the long term. Continued profitability over time is different from momentary profit maximization without regard to future consequences.

Jack Welch, the former CEO of General Electric, has stated that shareholder wealth maximization is not a useful strategy (Guerrera, 2009). How to balance short term and long term outcomes and how to distribute outcomes among stakeholders involves definition of specific corporate values. Sustainable business is partly a function of corporate reputation among stakeholders. Value orientation helps to anchor corporate decisions about strategic scenarios in emerging economies.

There is a useful distinction between no harm and positive contribution principles (Lindorff et al., 2012). The no harm principle is that theoretically a business should avoid harming stakeholders. Harm is a decline in the economic condition of one or more stakeholders caused by action of the business. In real decisions, the problem may be how to minimize harm, because it may not be feasible to avoid any harm at all. The ideal scenario is that business decisions should benefit as many stakeholders as possible, while holding the economic condition of other stakeholders constant. In other words, the business should avoid harm to any stakeholders and instead try to benefit at least some stakeholders.

This chapter considers four key scenarios or classes of decisions. The first scenario concerns bribery, extortion, and facilitation. The second scenario concerns environmental and labor standards. The third scenario concerns civil disobedience of national policy in host countries. The fourth scenario concerns provision of substitute public goods. These classes of decisions are found commonly in emerging countries, as well as in developing countries. The author believes that in a first cut approach, the four scenarios reveal the essentials of business ethics in emerging economies.

As defined earlier, each scenario can be interpreted as a two-actor game with payoffs and strategies. The two actors (whether organizational entities or individual actors representing such organizational entities) are interdependent in some manner. In corruption, there is a paying party and a payment recipient, whether the form of the corruption is bribery (paying party initiates), extortion (payment recipient initiates), or facilitation (payment recipient initiates, although paying party can anticipate). In environmental and labor standards, the host country government sets standards and then the business decides what course of action to take. Similarly, in cases of civil disobedience, the host country government (here typically a dictatorship) sets requirements and then the business decides what course of action to take. In responsibility for provision of public goods, the host country government elects a national budget (i.e. level and composition of spending), arguably severely constrained by lack of resources, and then the business decides what course of action to take, if any.

These two-actor games occur within context, in the sense that the set of actors may extend further to international bodies (e.g., the UN Global Compact), other national governments (e.g., the US Department of Justice), and stakeholder activists (e.g., Transparency International, an anti-corruption NGO). These other actors engage in efforts to influence the business and the host country government (as well as the home country government). The scenarios explored here are very likely to be bargaining and evolutionary games operating over time, rather than one-period static games. The firm should consider sustainable business, corporate values, and corporate reputation (with influential stakeholders). Corporate values are internal; corporate reputation is external. A sustainable business selects strategies that align the internal and external considerations over time. An alignment solution should serve to maximize business sustainability and reputation on the one hand and stakeholder benefits on the other hand over time.

Bribery, Extortion, and Facilitation

One scenario (or class of decisions) concerns bribery, extortion, and facilitation payments (Macrae, 1982). Corruption is endemic in some developing and emerging economies and widely encountered in those categories (Asiedu & Freeman, 2009). Competition involves a first-mover advantage in obtaining government action. Cooperation can occur through international norming and through leadership in handling specific local instances (Petkoski, Warren, & Laufer, 2009). A formal international anti-corruption consensus has developed. The normative consensus remains dependent on national enforcement and business compliance (Loredo, Stanley, & Greenberg, 2012).

Recent bribery revelations concerning KBR in Nigeria, Walmart in Mexico, and Siemens globally reveal the dark side of international business. There are undoubtedly multiple methods of violating international standards concerning corruption if the firm wishes to violate. In effect, legal regulations cannot keep pace with innovations for evading the spirit of the regulations. Principled actors do not behave in this fashion. Siemens allegedly engaged in a world-wide strategy of bribery, ultimately prosecuted by US and German authorities (Baron, 2008). The US investigates both US and non-US firms in which the latter are subject to the law through, for instance, some form of participation in US stock exchanges. Until February 1999, bribes were deductible expenses under German tax code, as in about 14 European Union (EU) countries in total (on a kind of "don't ask, don't tell" understanding in practice). This deductibility vanished with OECD and EU anti-corruption accords.

A new Siemens management reportedly agreed to pay about US$1.6 billion in fines and fees to Germany and the USA and to date in excess of US$1 billion for internal investigations and reforms. There was reportedly an annual slush fund for bribery, typically paid through consultants in various countries including Argentina, Bangladesh, China, Iraq, Israel, Nigeria, Russia, and Venezuela. Siemens had more than 2,700 business consultant agreements. Of some US$1.4 billion in corrupt payments during 2001-2007, more than US$800 million occurred in the telecommunications unit. Inevitably, false records concealed this pattern of corruption.

Walmart reportedly failed to inform US law enforcement officials of alleged bribery by senior executives of its subsidiary for Mexico and Central America in connection with acquisition of retail sites in Mexico, and also closed an internal investigation. Reportedly Walmart received detailed information about the bribery in 2005 from a former executive of the subsidiary. That executive had been the lawyer responsible for corruptly obtaining construction permits in Mexico. One in five of more than 2,100 Walmart sites are located in Mexico with 209,000 employees; Walmart is the largest private employer in the country. Walmart reported to the US Department of Justice (DOJ) in December 2011 that it had begun an internal investigation by external attorneys and accountants, after learning of an investigation by *The New York Times*. The DOJ opened a criminal investigation of the allegations. Subsequent news reports suggested serious corruption problems in India and various other countries.

The strategic scenario is one in which a business seeks to pay bribery or decline extortion, and government officials from top to bottom may seek to extract economic rent in exchange for opportunities or expediting. The international norm is opposed to corruption in all forms, and stakeholder activists such as Transparency International (TI) seek to influence anti-corruption efforts. The UN Global Compact includes an anti-corruption principle (the tenth principle). KBR, Walmart, and Siemens illustrate firms which seek to pay bribery or tolerate extortion. A firm with a reputation for willingness to pay likely encounters increased attempts to extract rent from the firm.

A business should adopt a fixed policy opposed to bribery, extortion, and facilitation – in any form. This strategy advice has value, international, and practical foundations. Heineman (2007) provides a detailed explanation of integrity efforts at General Electric, where it has been reported that CEO Jack Welch publicly praised a manager for refusing to pay a bribe to win a contract (Parsons, 2009). GE tries to provide systems that communicate clear expectations and supply reinforcing oversight, deterrence, and positive incentives (Heineman, 2007). There are firms, such as Chevron and Exxon Mobil, which officially refuse to make facilitation payments and build reputations for this stance. This approach requires an international consensus in support. In December 2009, the OECD recommended cessation of facilitation payments. Such payments are commonly illegal in the host country. Moreover, such payments are likely at the bottom of a pyramid of corruption including higher officials.

In 2005, Alcoa Russia was established to operate two plants (Graham, 2012). William O'Rourke (retired in 2011) became chief executive. O'Rourke initiated two basic strategies:

1. Leading with safety to improve plant performance.
2. Zero participation in corruption.

He was robbed by local police at an ATM and received a "casual death threat" from a government official for refusing to make a payoff. At one point, Alcoa Russia was receiving an expensive furnace. Local police stopped the transport trucks and demanded US$25,000 for a government official, but O'Rourke refused to pay. Local Alcoa staff argued they could negotiate the amount down to US$10,000. Alcoa headquarters seemed to emphasize getting the plant going – regardless. Subsequently, the police released the trucks without receiving payment. Higher governmental officials may have intervened behind the scenes. Government is not necessarily highly unified in action.

Official corruption is pervasive in Russia, where RosPil.net was launched in December 2010 to collect information on corruption in the state procurement system (Healy & Ramanna, 2013). Shekshnia, Ledeneva, and Denisova-Schmidt (2014) gathered information from CEOs and owners of 111 domestic and foreign firms operating in Russia. The study included in addition to official corruption and internal firm corruption other forms of corruption including abuse of power or office, collusion, conflict of interest, cronyism, fraud, gifts, hospitality, influence peddling, lobbying, and nepotism.

Willingness to compromise may involve problems more serious than simply official corruption. Chiquita Brands International reported to the DOJ that during 1997-2004 its Colombian banana subsidiaries had paid protection money to what became classified eventually as terrorist groups. Following a DOJ investigation, Chiquita made a plea agreement involving in a fine of US$25 million and other penalties. Chiquita ultimately sold its Colombian operations (Teagarden & Schotter, 2010).

Game theory insights can help with formulation and implementation of anti-corruption strategies. Corruption, in various forms (bribery, extortion, and facilitation), involves a demand and supply interaction requiring two participants (the corruption payer and the corruption recipient) and side-effects on other parties. The payment itself (whether offered or extorted) is a bargaining solution. A key insight from game theory appears to be that non-payment of extortion or facilitation is the best long-run policy. It is for this reason that governments refuse to negotiate with terrorists to avoid encouraging further acts of terrorism. Bribery, initiated by the corruption payer, is illegal universally. Such universal prohibition provides legal and ethical justification for non-payment.

Environmental and Labor Standards

Another scenario concerns production processes in host countries, with particular attention to environmental consequences and standards which locally may be significantly lower than home country standards (Falcone, 2014). This scenario has been explored in some detail (Fairchild, 2008; Grimes-Casey et al., 2007). Labor standards and practices involve a similar scenario. Both environmental and labor principles are included in the UN Global Compact. Advice in this scenario can have a value foundation in sustainability commitment. There may be a strong reinforcement in empirical information about outcomes.

The basic problem concerns so-called "havens" for environmental pollution or tax avoidance or labor abuse (Davis & Vadlamannati, 2013; Fullerton, 2006; Gravelle, 2013; Sheldon, 2006). There are variations in national standards and policies, which are likely to be lower in emerging and developing countries than in advanced countries. A haven is a location where domestic regulation is markedly lax due either to intentional government policy (to attract FDI) or to business lobbying and corruption. For instance, in a pollution haven, an MNE may locate in order to ignore best available control technology (BACT) in favor of lower cost production. The haven in effect sells a pollution license for FDI (Kellenberg, 2009; Levinson & Taylor, 2008, report empirical information on pollution havens). The existence of havens may increase "race for the bottom" behavior (Prakash & Potoski, 2006). Part of Cyprus's recent budget problems arguably resulted from that country functioning as a tax haven for concealment of wealth from tax authorities in other countries (Krugman, 2013).

The literature on developing and emerging countries has emphasized an obsolescing bargaining model. In this model, an MNE had the strongest bargaining power when deciding whether to operate in a host country which was seeking FDI. Thereafter, MNE bargaining power declined because of commitment. This relatively static view has been criticized on the basis that a more realistic model involves dynamic changes in relative bargaining power for both business and government (Ramamurti, 2001, 2003). The criticism has become a political bargaining model (Eden et al., 2005), which has been extended to a three-way interaction of business, government, and non-governmental organizations (Nebus & Rufin, 2010).

There is a reasonable body of empirical studies concerning environmental standards in China in particular (see Child & Tsai, 2005; Christmann & Taylor, 2001; Wang & Yin, 2007). Recent reports concerning accounting fraud in listed Chinese companies raise serious difficulties concerning potential joint ventures and strategic alliances in emerging economies. There have been reports of labor abuses. Labor costs will be rising in China (Fang, Gunterberg, & Larsson, 2010).

One study concludes that MNEs adopting a single and stringent global environmental standard have higher market values relative to MNEs either adopting less stringent standards or locating in host countries featuring poorly enforced standards (Dowell, Hart, & Yeung, 2000). The study used a large sample of US-based MNEs. Tobin's q measured market performance. An implication is that countries operating as pollution havens to attract FDI will tend to attract poorer environmental quality firms and also less competitive firms measured in terms of market performance. Another implication is that negative externalities are likely incorporated, to some significant degree, in firm valuation. Codes of conduct generally regulate the problem of laxer standards in emerging and developing economies. Antonio (2011) reports on a code of conduct report for corporate purchasing activities in the Hong Kong and Pearl River Delta of China.

Game theory provides insights concerning environmental and labor standards. Absent external regulation or internal commitment, multinational entities will tend to migrate to the lowest standard locations. National governments may use low standards (i.e., havens) to attract businesses. A demand and supply framework helps to illustrate this situation. Some businesses prefer low standards and some governments provide low standards. A solution involves rising international standards across governments; and also business commitments to principles like the UN Global Compact. Global standards would increase if governments did not create havens; and havens would not matter if multinational entities ignored them.

Civil Disobedience of National Policy

As Harstad and Svensson (2011) explain, a firm can comply with a regulation (or public policy), bribe around the regulation (or public policy), or lobby government to relax the regulation (or change public policy). Additionally, a firm might engage in strategic philanthropy aimed ultimately at political influence; or partner with local political influentials. From a game-theoretic viewpoint, a firm might mix or sequence these options in some way. The firm thus has options among which to select a strategy. Harstad and Svensson (2011) posit that when level of a country's development is low, firms are more likely to practice (i.e., switch to) bribery; when level of a country's development is high, firms are more likely to practice or switch to lobbying. If so, then lobbying should tend to supplant bribery in emerging economies if legal and legislative institutions evolve to less-corrupt approaches. Rising wealth and foreign enterprise expectations should tend to help support such institutional improvement. However, this analysis assumes responsiveness to external conditions for the purpose of profit seeking.

Another scenario thus concerns disagreement and non-compliance with governmental policy. A good illustration of the potential conflict between business opportunity and CSR is Google's situation in China (Ostas, 2010). The Chinese regime attempts to suppress pro-democracy efforts and restrict citizens' access to sensitive information. Google has tried to strike a balance between improving access within regime controls and its commitment to its own core pro-democracy and customer privacy values. Google has varied its strategy somewhat over time. Presently, it operates from Hong Kong across the Chinese government's firewall – such that interferences with access are due to government and not compliance by Google.

As a different example, Chevron has refused to pay a US$18 billion judgment by a court in Ecuador on the grounds that the judicial process was corrupt. Texaco, acquired by Chevron in 2001, had operated in Amazonian Ecuador until 1992 when it exited the area, allegedly with government-approved cleanup efforts. Farmers and Indian tribes later filed suit in US district court; Chevron asked for the case to be moved to Ecuador, and then a leftist government assumed power. Chevron has engaged in legal maneuvers in various forums outside Ecuador in order to block enforcement of the Ecuadorean court's judgment. One can interpret the situation favorably to Chevron, as one international arbitration forum has indicated: this interpretation is that Chevron faces rent extraction through judicial misconduct in a corrupt setting (although Chevron elected to go to that forum).

One can interpret the situation favorably to Ecuador, as US courts may well enforce the judgment against Chevron: this interpretation is that Texaco (acquired by Chevron) did not properly clean the production area or properly compensate local residents. (This chapter makes no finding of fact one way or the other. That Chevron was not involved in the original production activity in Ecuador is not disputed; Chevron inherited liability, if any, with acquisition of Texaco.)

Game theory provides some insights relevant to civil disobedience. In the case of tax or pollution havens considered in the previous sub-section, governments might (under international pressure or consensus) eliminate such opportunities. Civil disobedience requires business to exercise initiative in conditions in which government policy is unethical. The general demand and supply framework is that a private party demands and a public organization provides some opportunity or policy. In this instance, the private party demands elimination of a morally questionable policy. The private party must make a commitment to non-compliance.

Responsibility for Provision of Substitute Public Goods

A final scenario concerns business responsibility for provision of public goods in substitution for or as complementary to governmental action (Banerjee, Oetzel, & Ranganathan, 2006). Special issues are involved in such provision (Brammer, Jackson, & Matten, 2012; Hirschland, 2006; Scherer, Palazzo, & Baumann, 2006). The World Bank helped fund a pipeline development project by a consortium headed by Exxon Mobil in Chad. Special financial controls were imposed to attempt to control corruption in that country (Gould & Winters, 2007). Examples provided here are Merck's river blindness program and Marathon's campaign against malaria in Equatorial Guinea. One could argue that both programs are government responsibilities, either for delivery or funding.

Merck researchers developed a drug for animal treatment that in addition could help treat human river blindness and certain related illnesses. River blindness, found in tropical countries of especially Africa, is caused by a worm deposited in the human body by flies. The cost to develop and test the drug for human treatment was too costly in relationship to the lack of resources of the population to be served to purchase the drug at market prices. Merck decided to proceed with development and then ultimately free distribution at the company's expense, because government agencies declined to participate initially on a number of grounds. The drug is simple to administer (one tablet annually), but must be repeated annually for years. Over time the Merck river blindness program proved effective and attracted outside financial support. An important development was creation of various important funds focused on relief of diseases in tropical countries.

In 2002, Marathon Oil (of Houston, Texas) commenced operations on Bioko Island of Equatorial Guinea, in West Africa. The following year, Marathon, Noble Energy, and business partners combined with the Equatorial Guinea government and the Global Fund to fight Aids, Tuberculosis and Malaria (GFATM) undertook an anti-malaria campaign. Malaria is endemic in Central and West Africa. In part, Marathon needed to protect its employees and contractors; the most effective approach appeared to be protecting the entire population. Other anti-malaria programs operate in Africa. With partnering on this scale, corporate costs are low and especially in relation to the high social benefits of malaria suppression (see Liberman, 2012).

Scherer and Palazzo (2011) construct a proposed theory of broad political responsibility for corporations. In general terms, this theory argues that where government lacks adequate capacity for provision of public goods, businesses should assume a special obligation to do so (Rotter, Airike, & Mark-Herbert, 2014). There is also a responsibility supporting democracy (Scherer, Baumann, & Schneider, 2013). Obviously, there are financial limits to such a special obligation. These limits can be observed in the Merck and Marathon examples just discussed. Merck basically could limit its cost to the profits of animal drug sales. Marathon's cost of malaria suppression is not high, and much of that cost might arguably be required for protection of its employees and contractors. The authors also argue for a business obligation to promote internal and external democracy (including in advanced countries).

In the previous sub-section, there was an argument developed for civil disobedience to a government policy. In this sub-section, the problem is that government lacks the capacity to provide public goods. Such public goods might be defined to include democracy. Unless a multinational entity (or other business) acts, there will be inadequate public goods provision. The further game theory insight is that the business should have a strong preference or moral obligation to act. The Merck and Marathon examples concern commitment by specific businesses in specific conditions to provide substitute public goods. The examples do not automatically amount to a broad theory of political corporate social responsibility; the examples involve specific conditions and choices.

CONCLUSION

This chapter marshals game-theoretic insights into some key issues of business ethics in emerging economies. These key issues arise for domestic and foreign enterprises and for any joint ventures or strategic alliances between the two kinds of businesses. Insights are different from formal models, although the former are ultimately dependent on formulation and verification through the latter. Some formal game-theoretic modeling of ethical issues in emerging and developing economies exist in the literature. The chapter discusses four important scenarios or classes of ethics problems concerning: corruption (bribery, extortion, and facilitation); environmental and labor standards; civil disobedience; and responsibility for provision of substitute public goods.

An important point to consider in applying game-theoretic insights is that there is a broader context for understanding business ethics and corporate social responsibility. Ethics may be understood as voluntary acceptance of norms and responsibilities, whereas laws are mandatory requirements for enforcing norms and responsibilities. A business voluntarily adopts the ten principles of the UN Global Compact by joining that association. (To join for purely reputational gain is an amoral action, not an ethical choice.) The tenth principle reflects the anti-corruption consensus in the UNCAC. Enforcement occurs through national legislation such as the US FCPA and the UK Bribery Act. Other principles address human rights, labor rights, and environmental protection. Ethics is superior to laws, both in the sense that laws are minimum standards for conduct and ethics may involve in certain circumstances civil disobedience.

Combining ethical principles and legal standards under the rubric of "rules", then "… the gaming of society's rules by corporations contributes to the problem of institutional corruption in the world of business" (Salter, 2011). By "gaming" Salter means the use of technically legal means to subvert the intent of society's rules for private gain. This gaming values business profitability above the negative consequences for the institutional context and thus ultimately for overall social welfare. Lobbying of government to obtain loopholes, exclusions, and vagueness is a form of such gaming behavior. Gaming destroys trust between parties undermining cooperation in favor of conflict. This "institutional corruption" is then company-sanctioned behavior and relationships that are lawful but harm the public interest or weaken institutional capacity. An effect of such institutional corruption is reduced public trust in business. If CSR choices are contingent on the governance environment (Li, Fetscherin, Alon, Lattemann, & Yeh, 2010), then businesses should address effecting positive change in that environment as advocated by Scherer and Palazzo (2011).

FUTURE DIRECTIONS FOR RESEARCH AND IMPLEMENTATION OF INSIGHTS

This section provides suggestions concerning future directions for research into game-theoretic insights for business ethics. The section then discusses implementation of proposed insights.

The chapter has focused on identifying some general insights about four illustrative kinds of business ethics issues likely to be faced by multinational entities operating in emerging economies. These four issues are treated as decision scenarios. A game requires at least two participants, goal preferences of the participants, rules of conduct, and options for conflict and/or cooperation. The corruption scenario involves a business and a government official. Environmental and labor standards and civil disobedience scenarios involve a business and government policy. In the standards scenario, business and government may in effect collude to evade global standards. In the civil disobedience scenario, a business decides on moral grounds not to comply with a public policy. In the scenario concerning substitute public goods, the business undertakes provision due to the incapacity of government. These scenarios vary conditions under which participants consider their benefits and costs in making choices.

Future research should expand on and also delve into game-theoretic insights. This chapter is a first effort at identifying and characterizing such insights. Focus has been on four business ethics issues or decision scenarios. The range of issues (or scenarios) should be expanded. There may be opportunities for more formal modeling of these scenarios. The references include some instance of such formal modeling. The approach in this chapter has been qualitative. How to integrate the basic notions of sustainable business, corporate values, and corporate reputation would benefit from research. A fundamental problem in game theory is its emphasis on rational calculation of economic benefits and costs by participants. How to incorporate legal and moral considerations is an important topic. There has been a prevailing assumption that such considerations can be set exogenously by governments. The decision scenarios discussed in this chapter suggest that businesses must be engaged in determining such considerations endogenously, as in emerging and developing countries governments and their officials may be corrupt and institutions such as the judiciary weak for purposes of law enforcement (criminal or civil).

A significant consideration to be addressed further is implementation of suggested game-theoretic insights by businesses and governments. The chapter focuses on illustrating how game-theoretic insights may be useful in understanding business ethics issues (or decision scenarios) in emerging economies. Given that corruption seems to be pervasive (and also in developing countries), how a business designs an effective anti-corruption policy and how a government undertakes effective anti-corruption reform and how business, government, and anti-corruption activists can cooperate in doing so should take advantage of the insights to be yielded by game-theoretic analysis (informal or formal). When to disobey government policy depends in part on conditions: what actions will prove effective, and why? The first step in implementation is to analyze business ethics issues from a game-theoretic perspective to see what insights can be derived. The second step is to design actions to place those insights into effect. There are multiple instances of actions by multinational entities that involve ethics issues in emerging economies. An advantage of game theory is to place in context the likely actions that can be undertaken effectively.

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KEY TERMS AND DEFINITIONS

Best Available Control Technology (BACT): Best technology for controlling environmental pollution disregarding cost-effectiveness.

Bribery, Extortion, and Facilitation: Bribery is an illegal payment to a public official or private individual intended to induce a policy decision;

extortion is a demand by a public official or private individual for such payment using some explicit or implicit threat; facilitation, whether legal or illegal, is a gratuity payment to a minor level public official for expediting legally required action.

Business Ethics: Normative (or moral) standards for business conduct, typically in the form of prohibitions against committing wrong actions (particularly with bad effects for others) and admonitions for undertaking right actions (particularly with good effects for others).

Civil Disobedience: A normative duty to disobey positive law.

Corporate Social Responsibility (CSR): A rubric term including corporations' duty to obey law, duty to avoid committing wrong actions, and duty to help others.

Multinational Enterprises (MNEs): Businesses (whether headquartered in advanced or developing countries) which operate in multiple countries.

Pollution and Tax Havens: A country which may be attractive to multinational enterprises because of favorable laws permitting pollution or tax avoidance.

Strategic Scenarios: Classes of decision problems for businesses that can be studied in game-theoretic models of actors whose strategies are interdependent under conditions of conflict and/or cooperation.

Substitute Public Goods: Public goods provided by businesses in partial substitution for incapacity of governments to handle such provision.

Sustainable Business Model: A model for conducting a business on a basis that emphasizes long-run profitability through stakeholder engagement.

Chapter 4
Exploring Ethics in Innovation:
The Case of High-Fructose Corn Syrup

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ABSTRACT

This chapter challenges the view of innovation as synonymous to improvement, which underlies much of the current business paradigm. It debates the presence of the ethical element in innovation processes by presenting the case study of high-fructose corn syrup, a product innovation widely used in the food industry. An argumentative analysis is conducted upon the case, taking into account the perspective of the different stakeholders. The main message of this chapter is that innovations have an inherent ethical dimension and that, for them to serve important societal purposes, it is imperative for the ethical dimension to be considered by different actors in the system.

INTRODUCTION

New practices arise constantly in business for which our moral rules do not clearly give us answers. (De George, 1999).

The topic of innovation has been increasingly discussed in both corporate and academic circles. The concept of innovation is interdisciplinary and inherently associated with learning and managing knowledge and information (Lundvall, 2004). It was not by chance that the current economic paradigm has relied increasingly upon the learning economy (Lundvall & Nielsen, 2007). In the learning economy, different agents have access to much more information than ever before, becoming more selective and demanding. As a result, competition has become fiercer and it frequently takes place at a higher technological level. In light of the widespread importance that innovation has achieved, the purpose of this chapter is to promote the discussion of innovations under an ethical point of view.

Because of the paradigm brought about by the learning economy, innovations are, more often than not, seen in a positive manner. On a macro perspective, innovation is commonly associated with economic growth and development. On a

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micro perspective, it is associated with superior financial performance and competitive advantage. Innovation is also sometimes viewed in a purely neutral way, with study devoted to mostly quantifying its occurrence and developing metrics to assess it. In this sense, innovation can become dangerously seen as an end in itself. In spite of the importance and advances brought by these kinds of study, they offer very little about the quality of an innovation, or the purpose it serves in society.

Interestingly enough, even though there is a positive bias towards innovation, the concept is limited by the newness of a subject. The definition of innovation has not typically included any intrinsic moral element. For instance, as defined by Fagerberg: “Invention is the first occurrence of an idea for a new product or process, while innovation is the first attempt to carry it out into practice” (Fagerberg, 2005: 4). Perhaps one of the main assumptions behind such a positive perception on innovation is that it is unlikely that anything achieves such a definite state that it does not require any further development. In other words, there is always room for change. And change, as such, ought to lead to some kind of improvement. The first part of this assumption – ‘there is always room for change’ - sounds reasonable and does not seem to cause any dispute. However, the second part – ‘it ought to lead to some kind of improvement’ - is open to debate, given cases of innovations that have taken a wrong turn. The financial derivatives that led to the 2008 financial crisis, and the planned obsolescence of what were once durable goods, can be mentioned as a few of these kinds of examples (Soete, 2011).

Relatively recent events call attention to the destructive power of innovation; for instance the diffusion of genetically modified organisms and its many implications on health, regional economics, and the manipulation of life amongst others. Surely, innovation is indeed supposed to disrupt the status quo, or as phrased by Schumpeter, promote a ‘creative destruction’ (Schumpeter, 1962). Nonetheless, it is argued that more attention is needed to the destructive portion of Schumpeter’s term, as innovations cause adverse impacts of different natures to different actors. Such impacts ought to be balanced, taking into account the values underlying social and economic relations. One might argue that innovation, however, is risky and uncertain by nature. Therefore, it is simply not possible to know in advance all of its implications and who could be adversely impacted by it. Yet, there is always room for adjustments through the developmental course of an innovation. Therefore, if some of its collateral effects are unavoidable, they should then be properly mitigated by those ones responsible for it through accountability mechanisms.

There are still other nuances to the discussion of the positive and negative outcomes of innovations. One of them concerns the purpose versus the practical applications of innovations. It refers to inventions that carried a certain purpose, but turned out to be employed in alternative unanticipated ways, e.g. when the airplane started being used for military purposes. Another nuance to this discussion concerns the perspective of different stakeholders and their power relations. Take, for instance, the development of agricultural machinery and the following displacement of field-workers. Although this technological development faced resistance from the workforce, it is usually perceived as positive because it increased agricultural productivity. Furthermore, even though it eliminated jobs in some areas, others were created at the same time. Now, on the other hand, take a recent innovation: peer-to-peer file sharing technology. The destructive impacts of the P2P technology have also been notably present, particularly the music and film industries, which are still strongly fighting against the negative uses of it. Thus, it can be argued that a common denominator to these events is the resistance to an innovation; still, there is a power imbalance between the above-mentioned groups. The field-workers definitely had less power in defending their interests than the entertainment industry does. The examples show how the power distribution among the stakeholders involved with an innovation definitely influences the innovation process, especially in regards to its diffusion. In such contexts, it is crucial to acknowledge the different parties involved with an innovation, how influential they are in the innovation process, and how they can help shaping an innovation.

As it has been shown, although the concept of innovation does not embody a moral element in its definition, its application is not free from moral implications. In order to make the debate more tangible, this chapter applies the ethical discussion of innovation to the case of a product innovation, namely the development of High-Fructose Corn Syrup. The research question that guides the case study is: 'What are the ethical implications of the development and diffusion of high-fructose corn syrup?' In the process of addressing the proposed research question, the following sub-questions were formulated: 'who are the main stakeholders involved in this innovation process?', 'What are the arguments that support the innovation, in this case?' and 'What are the arguments about the negative aspects of the innovation in this case?'

The focus on the food sector is based on the notion that it provides ethical implications in different arenas: economic, health, and sociologic. Access to food is a very basic human need, and the scarcity of this resource makes it relevant for the field of economics. Moreover, it is interesting how the sector is frequently perceived as being low-technology based, even though the complexity of products and processes in the food sector has become increasingly greater (e.g. biotechnology).

Consequently, the purpose of this study is to raise awareness to the ethical issues that derive from any given innovation. While the concept of 'business ethics' comprise corporate day-to-day activities, it is important to discuss it in the light of an innovation, as this poses particular challenges. In dealing with novelties, unexpected ethical issues may arise during the innovation process, or as a result of it.

On the side of policymaking, regulatory institutions are ultimately the ones able to ensure the greater interests of society. They are also able to either stimulate or prohibit innovations to diffuse. On another side, companies can take a proactive role in both their innovation activities, as well as the ethical aspects of their social impact. Still, when it comes to food in particular, social interests are greater and the industry has done little to address such interests. As a result, the ambition is to promote a critical reflexion upon business practices in innovative settings by debating the relationship between ethical values and innovation.

This chapter proposes a more comprehensive understanding of a company's role in relation to its different stakeholders, in which intangible and non-economic values play an important role. Private commercial companies' main goal is still to maximize profits to shareholders, frequently overlooking other interested parties. It is important to clarify that the argument in place is not to defend the idea that an innovation should be abandoned in case it generates any potential negative effects. This would never be possible, as innovation implies change, which is never unanimously good. Instead, it is argued that it is crucial to consider such potential negative effects in order to guarantee that an innovation is in the best interest of all its stakeholders, in a manner in which non-economic values are taken into equal consideration in the discussion as well.

BACKGROUND

There are few studies that approach ethics in innovations. While innovation studies have taken a standpoint in which the ethical element is overlooked, other fields have, in a way, explored it.

Studies that relate to the topic proposed in this chapter exist in the literature in two different domains: business ethics and technology ethics.

The field of business ethics flourished in the early 1970's as a result of a series of ethical debates and changes in society that took place at the time. Some of the events that triggered its development were, for instance, the position of multinational firms in relation to the Apartheid regime in South Africa (Green & Donovan, 2010) and the Helsinki Accords for Human Rights and Fundamental Freedoms. Business ethics is a form of applied ethics, being mostly concerned with ethical issues that arise from day-to-day corporate activities. In corporate practice, business ethics has been a foundation to the design of appropriate corporate conduct and statements of values and derives from the recognition of the potential ethical risks that every organisation faces (Ferrell & Ferrell, 2009). Currently, the field of business ethics has not dealt significantly with innovative activities in the economy, as it is more concerned with the overall conduct of businesses. It deals with ethical dilemmas of everyday activities and prescribes general rules of conduct. Innovation ethics, in contrast, proposes a focus upon the unstable environment in which innovations flourish, acknowledging both the moment of their emergence, as well as their systemic nature. Innovation ethics would enable the discussion of how innovations can be developed in a way that it is truly beneficial for society's interest.

In parallel, the field of technology ethics is dedicated to the ethical issues that arise from the development of specific technological tools. However, because the field is limited to the technological component of innovations, it is typically narrow in scope. The limitation of this approach to innovation studies is that it neglects non-technological innovations (e.g. sociological, behavioural and regulatory), as well as the systemic nature of innovations. Corroborating to the limitations of this field, Davies (1997) argues that technology is usually seen as something apart from the interaction between humans and the environment, that is, technology is seen as a neutral tool in the hands of humans and firms. Davies presents two different understandings for the word technology; it can either simply represent technical advancements (associated with technology ethics), or it can take a broader meaning, comprehending cultural and sociological aspects (associated with innovation ethics) (Davies, 1997).

From the innovation studies community the element of ethics has been indirectly approached by Luc Soete's 2011 essay, in which he provides three examples of innovations that have not been beneficial to society: the planned obsolescence in today's manufactured products; the financial instruments that greatly contributed to the 2008 financial crisis; and the monetary integration in the Eurozone. Soete argues that such innovations have reversed Schumpeter's original concept, from 'creative destruction' to 'destructive creation' (Soete, 2011). Although Soete's considerations are not directly related to ethics, they incite ethical thinking once it questions the values of the above-mentioned innovations.

The assessment of innovations and their ethical implications (good or bad), from a broader stakeholder viewpoint, involves moral elements. It entails moral disagreements over the issue in question. Even if morality is viewed objectively, the issue of moral disagreement persists because it involves conflicts of value. For the purpose of this work, the innovation debate will be focused on a case study about a product innovation in the food sector, namely High-Fructose Corn syrup. A case study is constructed around this example, which enables the analysis of the arguments of both sides: the proponents and the opposition of the innovation. With the arguments refined from the case, analysis will proceed to the ethical element of the argumentation, by employing the Toulmin Model (Toulmin, 2003) as a tool for analysis. It is important to mention that the case about to be presented does not have the purpose of exhausting the arguments in support of the innovation in question and against it, let alone solve the ethical implications deriving from it. Rather, its intention is to raise awareness to the need of including ethics in innovative settings. It is important to question what is frequently seen as a given, so that the full effects and multiple perspectives of an innovation are made explicit in the innovation process and its uptake.

PRODUCT INNOVATION: PROCESSED FOOD[1]

Even though the food sector is frequently perceived as being low-tech, the processing of food gained a new perspective when technological innovations industrialized the handling of food. Examples of these innovations are numerous: ultra-high temperature (UHT), freeze drying, infrared processing, microwave processing, and modified atmosphere packaging to name but a few (EUFIC, 2010). Such innovations enabled the rise of the food industry, with the incorporation of new activities in the food value chain, which is what adds economic value to a product. This shifts the value, and therefore the money, from the agricultural commodity to ever more processed food - or food-like products (Pollan, 2003; 2008). The industrialization of food has transformed eating habits, to the extent that changes have been more frequent than once per generation (Pollan, 2008). Industrialized foods are made with cheap ingredients and strongly advertised (Nestle, 2006). This kind of processing "does three things to foods: diminishes the nutritional value of basic ingredients; adds calories from fats and sugars; and disguises the loss of taste and texture with salt, artificial colours and flavours, and other additives" (Nestle, 2006: 307). Accordingly, this is associated with healthcare problems and also results in ethical problems on the grounds that it labels as 'food' a product that is not in fact meant to nourish.

One of the most common forms of processed food is fast food. Fast food can, in simple terms, be defined as fibreless food. Fibre has been removed from processed foods because its absence is what enables fastness in cooking, eating, digesting and prolongs shelf life of products (Lustig, 2009). For the sake of comparison, 50 thousand year ago, a human consumed from 100 to 300 grams of fibre per day, while currently, a person consumes about 12 grams (Lustig, 2009). In addition to fast food, there are several processed foods made with the intent of being consumed at home. One innovation that enabled this was the freezer (Peretti, 2012). With freezers being present in people's homes, food industries could then design products that would be convenient to consume and that people could stock up. This is especially true for products that used to be consumed only occasionally, because they were laborious to cook. Now they became part of everyday life.

Due to its high calories, low fibre and low nutritional value, processed foods are associated with obesity and a number of other diseases. Not only did food become poorer in quality as a result of processing, but it also became cheaper and more readily available. To see how cheap processed food is, especially in the USA, take the following bundle found in Texas: "60 ounces[2] of Coca-Cola, a Snickers bar and a bag of Doritos, all for 99 cents" (Lustig, 2009: 12m 46s).

Many different innovations shaped the current food supply. In exploring how this increase in availability and decrease in price of food products, the point of departure of this case study is the agricultural commodity that is one essential ingredient found – directly or indirectly - in most processed foods today: corn.

Corn and Its Products

It is hard to imagine that an agricultural commodity product, such as maize, would be in the centre of a variety of innovation processes. Yet, chemical and industrial processing made corn a versatile product, and gave it a variety of uses. Corn is the essence of products such as corn oil, cornstarch, liquid glucose, dextrin, sorbitol, and dextrose monohydrate (Waskey, 2011). These may be unfamiliar chemical terminology to most, though individuals used to reading food-packaging labels are acquainted with the names, as they are present in most of the industrialized food products of these days. Take for instance a chicken nugget: by the examination of its ingredients, one can perceive how present corn is, from the corn-fed chicken to the other ingredients added during its processing (Pollan, 2003).

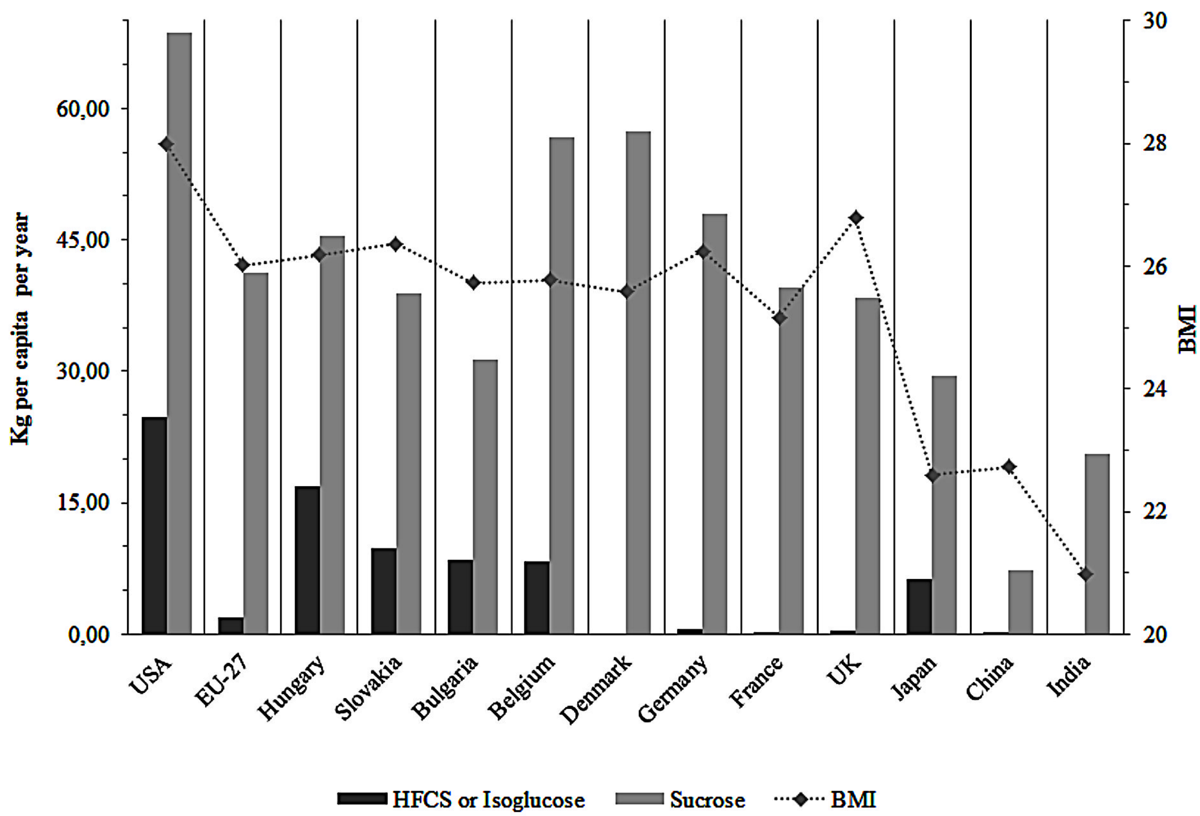
Nowadays, corn is the second largest cereal grain crop grown in the world (surpassed only by wheat), most of which is cultivated in Midwestern United States, especially Iowa and Illinois (USDA, 2013). There, the total production of corn amounted to 10,4 billion bushels[3] in 2012 and corn crops occupy 324 billion square meters of agricultural land (USDA, 2013). Even the grain itself is a subject for innovation, with genetic engineering techniques. In 2012, 88% of all corn crops in the USA were genetically modified, versus 25% in 2000 (USDA, 2012). Of the main uses of corn, these can be highlighted:

1. Producing ethanol (44% in 2012),
2. Feeding livestock (42% in 2012)[4],
3. Producing ingredients for the food industry (13% in 2012). Of the last, high-fructose corn syrup is the most relevant use (38% in 2010), and other industrial sub products of corn are glucose and dextrose (also a kind of sugar - 19% in 2010), starch (19% in 2010), cereals (14% in 2010) and beverage alcohol (10% in 2010) (USDA, 2013).

In the midst of all the corn-based innovations, this study focuses on high-fructose corn syrup, henceforth HFCS, a sugar substitute. This choice relies upon the relevance of this particular product. First is the fact that the product is now found in most industrialized food products, including soft drinks (Waskey, 2011). Between 2000 and 2012, the average production of HFCS in the USA was 9.2 million tons per year (USDA, 2013). Secondly, HFCS is now at the centre of discussions in the USA, both between nutrition academics, the media and consumers, due to its potential health effects. This generates controversies that are the source of ethical implications, as shall be discussed later. The stigma on the product has motivated the producers to pledge a change in the name's product to 'corn sugar', which was rejected by the FDA (CBS News, 2012). The rejection was based on the grounds that the change would result in a misleading denomination for the product, once the word sugar does not refer to syrup; in addition, there is already a solid form of sweetener, made from corn, which is called dextrose (CBS News, 2012). Finally, there is the issue of the economic relevance of the product. The two largest corn refiners, namely Archer Daniels Midland and Cargill, account for one-third of the purchases of corn crops in the USA, and these same companies are the ones in charge of the processing of HFCS (Darby, 2011).

In Europe, instead of HFCS, a similar sweetener called isoglucose is used. This is because even though the process is the same, the raw material is not; other sources of starch are used such as wheat, barley and peas (Agrosynergie, 2011). Nonetheless, the relevance of this sweetener in the USA is much higher than in the EU. The main reason for this is that there is a quota system that regulates how much isoglucose can be manufactured in the EU (Agrosynergie, 2011). This system was implemented with the purpose of protecting domestic sugar producers against international competition (Corn Refiners Association, 2013b). The main EU-member states that produce isoglucose are: Hungary, Belgium, Bulgaria, Slovakia and Germany (Agrosynergie, 2011). Figure 1 shows a comparison between

Figure 1. Consumption of HFCS or isoglucose vs. sugar[5]
Source: Adapted from Goran, Ulijaszek, & Ventura (2012).



the consumption of HFCS/Isoglucose in relation to sugar, in different countries. The figure also highlights the average BMI of the population in the referred countries.

Explaining High-Fructose Corn Syrup

HFCS is a substance widely used in the food industry and due to its versatility (Fulgoni, 2008), it is not surprising that not only sweet products like soft drinks and ice-creams make use of HFCS, but also ketchup, preserved meats, canned fruits and vegetables, soups, beers, sealable envelopes, stamps, and even aspirins (Waskey, 2011). The first step in the development of HFCS was made back in the 19th century, when plain corn syrup, which consists of 100% glucose (White, 2008), was created by the enzyme hydrolysis process (Darby, 2011). Nonetheless, it was not before the 1960s that Japanese chemists discovered one other enzyme (glucose isomerase) that enabled the conversion of glucose into fructose, which is far sweeter (Darby, 2011; Lustig, 2009; Ratcliffe, 2012). This process resulted in HFCS, which is available in two versions: HFCS-42 and HFCS-55 (White, 2008). The distinction between the two versions is shown in Table 1. Because of regulation, in Europe only the equivalent isoglucose-42 is produced (Agrosynergie, 2011). It is estimated that the time-span for HFCS to actually transform from an invention to an innovation was sixteen years; out of these, seven years were spent on basic research, and seven other years in technology advancement within institutional laboratories, in addition to two years of development in the domain of the industry (Casey, 1977). Even after

Table 1. Composition of sugars

	HFCS-42	HFCS-55	Corn Syrup	Sucrose
Fructose	42%	55%	0%	50%
Glucose	53%	42%	100%	50%
Hydrolysable polymers of glucose	5%	3%	0%	0%

Source: Adapted from White (2008).

16 years, the product did not have a disruptive entrance in the market, mostly because the corn wet milling industry did not have the absorptive capacity to identify the commercial potential of this innovation.

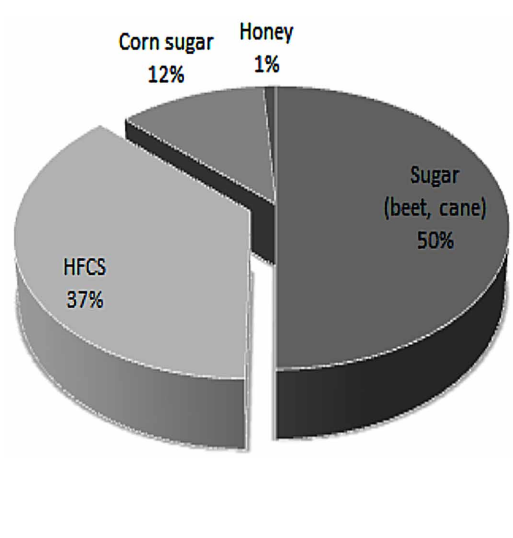
HFCS substituted sucrose in a number of industrialized products. Nonetheless, the two have resemblances and differences that are worthy to be clarified. Both sucrose (table sugar) and HFCS are sugars, in the chemical sense of the word. While HFCS is manufactured out of corn, sucrose usually comes from either sugar-cane or sugar-beets (Nestle, 2006). Both sucrose and HFCS contain fructose and glucose, though in different proportions, as Table 1 shows. The name high-fructose corn syrup refers to a higher percentage of fructose in relation to regular corn syrup, whereas the difference in relation to sugar is not significant. The main difference, in addition to the plant of origin and the amount of each monosaccharide[6], is that in sucrose, the fructose and glucose are bound together, whereas in HFCS, they are separate (Hyman, 2011; Nestle, 2006). This means that the digestion of HFCS is faster, resulting is a quicker absorption in the body, since there is no need to break these molecules (Hyman, 2011).

The following data will be focused in the USA, given the much higher presence of this sweetener there: the average American consumes 23 teaspoons of added sugars on a daily basis. Such consumption level is significantly higher than what is recommended by the Dietary Guidelines for Americans, which is of nine teaspoons for men/day and six teaspoons for women/day. The sources of these added sugars are represented by Figure 2.

The graph shows that HFCS is responsible for 37% of the total consumption of added sugars in the US. Other sugars from corn (e.g. dextrose) represent 12%. This means that the average American consumes almost half of his/her intake of sugar from corn based sweeteners and eight and a half teaspoons of HFCS alone every day. This by itself meets the level provided in the Dietary Guideline.

The process for manufacturing HFCS from corn is known as wet milling. After the hard kernels of corn are softened it is possible to separate different components of the plant (starch, corn hull, protein and oil) (Corn Refiners Association, 2013b)[7]. Starch, which is the root of HFCS is a carbohydrate molecule, is not particularly sweet (Nestle, 2006). It is treated with enzymes in order to achieve glucose (Corn Refiners Association, 2013b). At this stage, corn syrup is the result; nonetheless, it is also not as sweet as

Figure 2. Added sugars sources
Source: Center for Science in the Public Interest (2013).



sucrose (regular table sugar) (Nestle, 2006). For this reason, enzymes are employed once again, with the purpose of converting part of the glucose into fructose (Nestle, 2006). Next, impurities are removed, and glucose and fructose are combined, resulting in HFCS (Corn Refiners Association, 2013b).

The Diffusion of High-Fructose Corn Syrup

The process of extracting sweet syrup from corn resulted in a product innovation, which is HFCS. In regards to its degree of novelty, it is argued that it refers to an incremental innovation with radical effects. On one hand, HFCS is simply a more cost-efficient substitute for sugar, and it has not been adopted in a worldwide scale, being more prevalent in the USA than elsewhere. In this sense, it falls in the category of an incremental innovation, or "doing what we do but better" (Tidd & Bessant, 2009: 27). On the other hand, this innovation enabled radical changes in the development of the processed food and beverage industries, the fast food chains, and consumers eating habits. "[HFCS is] a part of a complex innovative system that makes these foods available to us in such a variety of choices, for such low prices" (Audrae Erickson, from the Corn Refiners Association, in Woolf, 2007, 59m 20s). Interestingly enough, HFCS was not originated in industrial R&D. Instead, it ascended from basic research on bacterial and mammalian cell metabolism (Casey, 1977). In this case, both the technology and the market potential were coexistent factors for many years before other events triggered its diffusion (Casey, 1977). The roots for the diffusion of HFCS as a substitute for sugar, and its radical effects, lie in the 1970s.

Even though much is said today about a green revolution, in which environmental matters and sustainability have been present in current discussions, a different kind of green revolution took place in the 1970s. Back then, the so called green revolution was, in fact, a set of policy measures led by the American secretary of agriculture, Earl Butz, during Richard Nixon's administration, which had the goal of making farms more productive, turning them into businesses (Pollan, 2003; Waskey, 2011). It was actually the corporate industrial agriculture revolution. The main motivation behind it was political, as high food prices at that time made president Nixon very unpopular (Pollan, 2003). It was an attempt of increasing the supply of food, in order to control prices. Eventually, the goal was achieved, and food prices have not been a concern in the USA political scene ever since (Pollan, 2003). Grounds were then set for major changes in the agricultural landscape, in which the norm became monocultures that made large use of fertilizers, pesticides, machineries and ultimately every resource to increase farm yields (Waskey, 2011). The green revolution fostered business in many different areas besides farming. The more evident ones are chemical industries (pesticides and fertilizers), capital goods (machinery and equipment) and food processing, but there are others. This view is exposed by Earl Butz himself:

… [the fact that there is too much food] it's the basis of our affluence now, the fact that we spend less on food. It is America's best kept secret. We feed ourselves with approximately 16 or 17% of our take home pay. That is marvellous, that is a very small chunk to feed ourselves. And that includes all the meals we eat at restaurants, all the fancy doodads we get in our food system. I don't see much room for improvement there, which means we'll spend our surplus cash on something else (Earl Butz in Woolf, 2007).

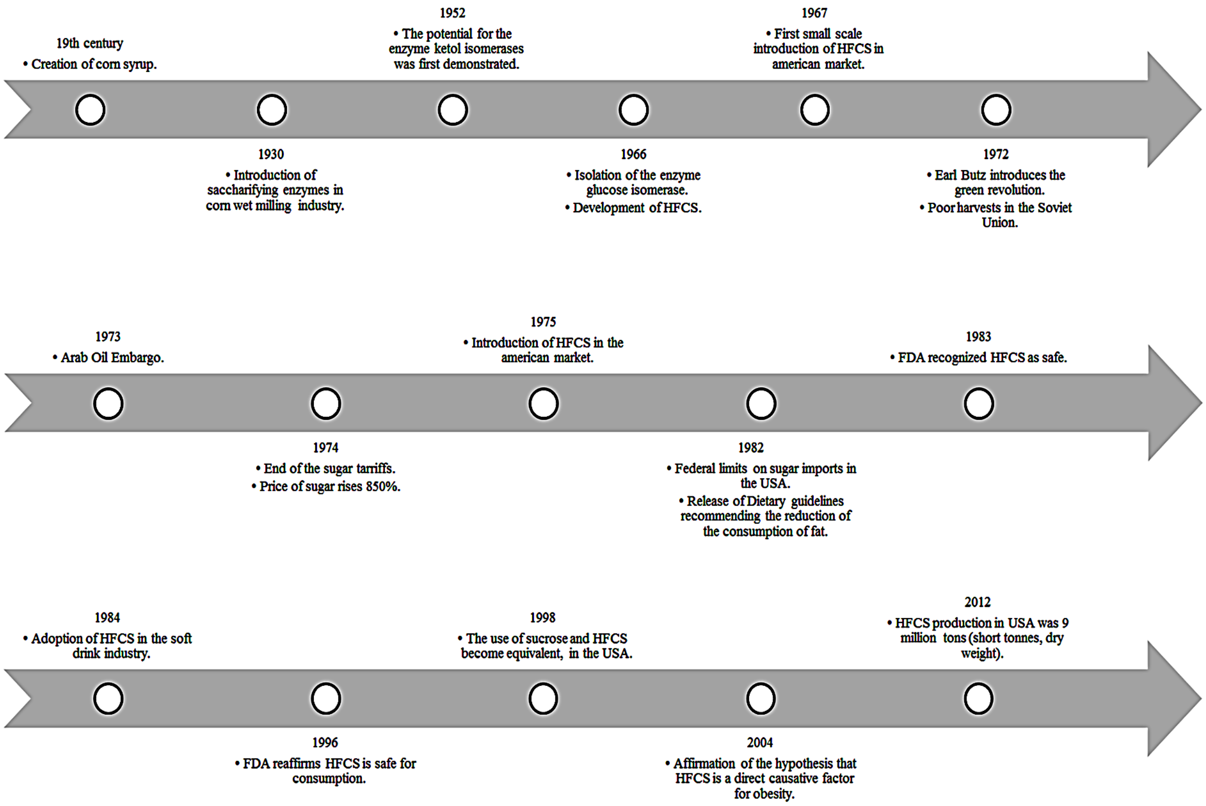
The fact that corn had become a very prevalent crop, with increasing supply, motivated numerous innovations with the goal of employing it in as many goods as possible. While the green revolution definitely played an important role, this consolidation of corn was the result of the combination between domestic and foreign events. In 1972, harvests in the Soviet Union were poor, whereas the following year was marked by the oil crisis, which resulted in inflation (Waskey, 2011). As a result, they were forced to import large amounts of grains, out of which 30 million tons of corn in grain were from the USA (Darby, 2011; Waskey, 2011). Another important event of the 1970s refers to the end of the sugar tariffs in 1974, which protected American producers from imported products. Due to this fact, many switched from beets to other crops, especially corn, given the subsidies that had started in the beginning of the decade (Ratcliffe, 2012). The neoliberal idea was that, with free competition, imported sugar would provide very low prices, but prices rose sharply instead, nearly 850% in that year (Ratcliffe, 2012). What happened was that the yield of beets in the Soviet Union - one of the largest producers at the time – was damaged by floods, and in parallel, there was speculation in commodities and futures market (Ratcliffe, 2012). Even though prices were stabilized in 1975 with better beets harvests, the consumer prices of sugar and products with added sugar did not follow the same downward path, which led to a decreasing demand for such products, and an increasing demand for substitutes, such as artificial sweeteners (Ratcliffe, 2012). On an industry level, an alternative to sugar was also intensely sought after. The answer was found in HFCS (Ratcliffe, 2012).

The most important event for the diffusion of HFCS was its adoption by the soft drink industry. Currently, 70% of all the HFCS produced is destined to beverages (Woolf, 2007). In 1984 both Coca-Cola and Pepsi had adopted it (Darby, 2011). That is, they adopted HFCS after the peak of the sugar crisis, and when corn was already well established as a ubiquitous crop, with its many subsidies. At first, the industry was concerned about switching from sugar to HFCS, mostly because of the risk of altering flavour; nonetheless, the cost reductions were attractive, as HFCS cost one-third of sugar (Cardello in Peretti, 2012). "Even a 10% reduction would make a huge difference in the price. Once you got passed the taste equality there is no downside. There was nothing on the radar that said 'something is problematic here'" (Hank Cardello, Marketing Director for Coca-Cola (1982-1984), in Peretti, 2012, 15m 55s). The savings generated by this change inspired soft drink companies to expand and create new product lines, such as larger bottles for the home (Peretti, 2012). Soft drinks are one example of the engineering in food products to stimulate overconsumption. A can of soft drink contains about 55 mg of salt, which in combination with caffeine (diuretic) makes the consumer thirstier (Lustig, 2009). The sugar - or HFCS - that is added aims at hiding the salt, and making the product more appealing in taste (Lustig, 2009).

One other aspect that contributed strongly to the diffusion of HFCS as a sweetener was the release of the dietary guidelines of 1982. Back then, the main health concern referred to was cardiovascular disease, and not obesity. The widespread belief was that the ingestion of fats was responsible for heart disease (Lustig, 2009). This belief led the health authorities to recommend the reduction of the consumption of this nutrient (Lustig, 2009). Yet, while it is relatively easy to simply diminish the use of fat in homemade meals, the same is not true for industrialized food products (Lustig, 2009). In this case, it is necessary to substitute fat with another component, which came to be different forms of sugar (Lustig, 2009). In this substitution process adaptations had to be made and frequently, a low-fat product will have more calories than the ordinary version (Lustig, 2009).

HFCS solved many problems. It substituted imported sugar with a domestic alternative, eliminating the need to deal with its high prices at the time, as well as the political instability in the regions where sugar-cane and sugar-beets were grown, the equatorial region and the Soviet Union,

Figure 3. Timeline of HFCS from basic research to diffusion
Source: (Corn Refiners Association, 2013c; Ratcliffe, 2012; Waskey, 2011; Darby, 2011; Lustig, 2009; White, 2008; Pollan, 2003; Casey, 1977).



respectively (White, 2008). It also represented an interesting destination for the corn surplus that was generated as a result of the strong incentives for its production (Darby, 2011). In addition to solving these problems, HFCS also offered many advantages, from an industrial point of view: it is stable in acidic environments of industrialized foods and beverages; because it is syrup, its industrial handling is improved in comparison to granular sugar; it enhances flavours, especially of spices and fruits; and most importantly, it is available at a fraction of the cost of sugar (Ratcliffe, 2012; White, 2008; Woolf, 2007). All of these reasons explain why food and beverage manufacturers adopted HFCS in no time.

For a long time, HFCS was used without much notoriety (White, 2008). Yet, as it is often the case, the solution to one problem raises new concerns. In this case, there is a hypothesis that the introduction of HFCS is an important cause of different diseases, including, obesity. In 2004 it was proposed that "the introduction of HFCS and the increased intakes of soft drinks and other sweetened beverages have led to increases in total caloric and fructose consumption that are important contributors to the current epidemic of obesity" (Bray, Nielsen, & Popkin, 2004). Moreover, there has been an association between HFCS and recent findings on how the body metabolises fructose, and the subsequent implications and dangers associated with this.

The suspicion that led to the formulation of this hypothesis is explained by biochemistry. While in sucrose the molecules of fructose and glucose are bound together, in HFCS, they are separate (Hyman, 2011; Nestle, 2006). For this reason, HFCS is digested and absorbed more rapidly (Hyman, 2011). Once this happens, fructose is metabolized in the liver, and triggers the production of triglycerides and cholesterol (lipogenesis) (Hyman, 2011). Therefore, the fructose part of sugar becomes fat. On the other hand, glucose causes insulin levels to rise rapidly. Insulin is a hormone that acts in removing glucose from the blood stream, and the excess that is not used by the body (e.g. muscles) is stored in the form of fat (Hyman, 2011; Lustig, 2009). Constant exposure to sugar causes disturbances in this system, and may lead to insulin resistance – a precursor of diabetes (Lustig, 2009). Furthermore, because fructose is metabolized by the liver, and does not cause insulin levels to rise, it interferes with the production of leptin, a hormone that signals satiety (Bray et al., 2004; Lustig, 2009). This also causes disturbances that lead to an unbalance in caloric intake, or overeating (Bray et al., 2004; Lustig, 2009). One additional health issue associated with the consumption of fructose is that, the absorption process of this monosaccharide by the intestines leads to an immune reaction and causes inflammation (Hyman, 2011). Exposure to high amounts of fructose causes holes in the intestines, and allows toxic elements and bacteria to leak from the intestines to the blood stream (Hyman, 2011). When consuming whole foods, this issue with fructose does not pose a threat, as the level of fructose is much lower than the concentrates, and is consumed in the presence of fibre, which reduces the pace of absorption (Hyman, 2011).

The biochemical process described explains how the body metabolizes sugar, in all its forms, considering that they contain a mixture between fructose and glucose. This indicates that, in principle, the process is valid not only for HFCS, but also for sucrose, which implies that HFCS may not be any worse than sucrose. There is controversy over the sweetening properties of HFCS, in relation to sucrose. Some argue that HFCS is sweeter, a ratio of 120 in a scale in which the benchmark is sucrose, with a ratio of 100 (Lustig, 2009). Others argue that HFCS is not sweeter than sucrose, with a ratio of 97 (White, 2008).

One additional health concern with the consumption of HFCS is the fact that, research has been published claiming that products in which HFCS is a major ingredient were found to be contaminated with mercury, which is a neurotoxic metal (Dufault et al., 2009). This is due to the use of chlor-alkali in the making of caustic soda, which is employed in the obtaining of cornstarch, which is in turn the precursor of HFCS (Dufault et al., 2009). Exposure to mercury is associated with several neurologic disorders, including autism (Dufault et al., 2009). It is reasoned that the purity of the processing is under question, as undisclosed substances were identified in the chemical analysis (Hyman, 2011). The FDA neither regulates nor measures these contaminants (Hyman, 2011). The Corn Refiners Association has contested these findings.

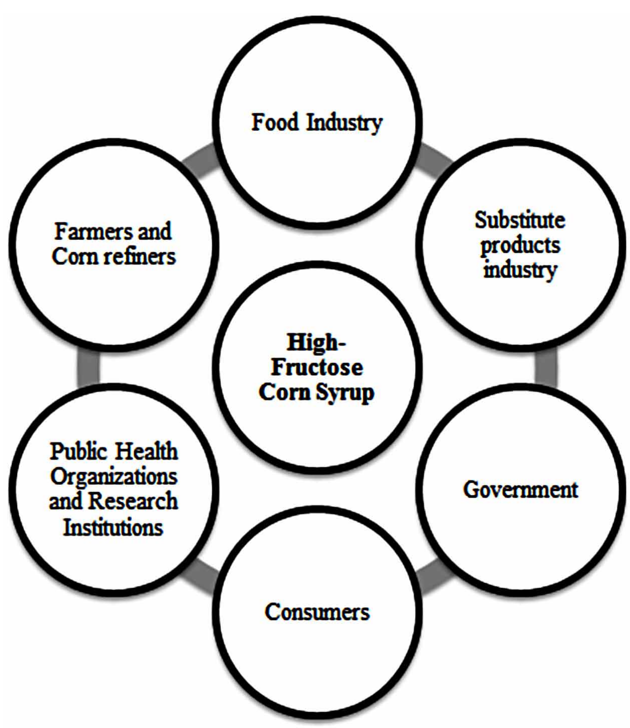
In the USA, the FDA is the agency responsible for regulating about 80% of their food supply (Gaynor, 2005). HFCS falls in a category known as 'Generally Recognized as Safe' - or GRAS. This category was put forth as part the Food Additives Amendment, which was sanctioned in 1958, by the USA congress (Gaynor, 2005). It was designed with the purpose of eliminating the need of premarket approval for food ingredients that were proven by experts to be safe consumption (Gaynor, 2005). "For a substance to be GRAS, the scientific data and information about the use of a substance must be widely known and there must be a consensus among qualified experts that those data and information establish that the substance is safe under the conditions of its intended use" (Gaynor, 2005). In 1983, high fructose corn syrup was 'generally recognized as safe' by the FDA and in 1996, it was reaffirmed as such. Unless there is a new suspicion about the safety of this ingredient, its GRAS status is maintained indefinitely (Corn Refiners Association, 2013b).

The Role of Stakeholders

HFCS is an innovation that can be classified as incremental in nature, but which had radical impacts and uses beyond a simple substitution for sugar. Because it is a highly processed product, which is employed in most of the industrialized food products available today, there are many different stakeholders associated with this innovation. They are presented in Figure 4.

The first group of stakeholders are the corn farmers and corn refiners. They represent the supply side, as corn is the main raw material in the making of HFCS. It is reasonable to assume that these stakeholders support the innovation. In regards to the farmers, HFCS represents a possibility to use the surplus of corn. The more widespread HFCS is, the better to those who grow the main raw material. Corn refiners, in this case, refer to the wet milling industry, which manufactures HFCS. They are most interested in diffusing the product, as they are the manufacturers. This group of stakeholders has tried to defend HFCS from criticism that has increasingly appeared in the media by launching an aggressive marketing campaign dedicated to the subject. In this quest, the industry recently tried to obtain approval to change in the name's product to 'corn sugar', which was rejected by the FDA (CBS News, 2012). An important part of this campaign is the website sweetsurprise.com. The main point is to show that HFCS is not harmful to health, dissociate the image that the product is related to obesity and claim that there are not significant differences between HFCS and sugar. It can be said that this group of stakeholders hold considerable power. Even though corn is a commodity, farming is heavily protected and subsidised by the government of the USA. The corn wet milling industry is composed of large corporations, which hold a great deal of resources and economic power.

Figure 4. Stakeholders – HFCS
Source: Author's composition.



The food industry refers to the actors in the processing food value chain. They are the clients who purchase HFCS from the wet milling companies, and employ it in a great variety of products. In this group are the soft drink companies, the fast food chains, in addition to food and beverages processing enterprises (e.g. manufacturers of candy, ready meals, and juices). These stakeholders were the ones who benefited the most from the use of HFCS. The innovation enabled these companies to make their products ubiquitous. Food marketing techniques such as bundling and supersizing were developed with the goal of increasing the average ticket spent by consumers, and were a result of the low prices of HFCS.

These first two groups of stakeholders are deeply connected, in regards to their interests and how they benefited from the innovation of HFCS. Corporate agriculture promotes extraordinary yields of corn. This strong supply, in its turn is what keeps prices at very low levels. Thus, cheap corn, in the figure of HFCS *"is what allowed Coca-Cola to move from the svelte 8-ounce bottle of soda ubiquitous in the 70's to the chubby 20-ounce bottle of today. Cheap corn, transformed into cheap beef, is what allowed McDonald's to supersize its burgers and still sell many of them for no more than a dollar"* (Pollan, 2003).

One other group of stakeholders are those associated with the sugar-cane and sugar-beets industry, which are substitute products that were replaced by HFCS. These stakeholders were very much harmed by the innovation in the USA, though not so much in other areas (e.g. Europe and South America). Many farmers of these crops switched to corn back in the 1970s in order to take advantages of the federal subsidies (Ratcliffe, 2012). Even though this group has lost much of its relevance and economic power nowadays, this industry still has an important market selling directly to consumers, as HFCS is an industrial sweetener, and it is not found in supermarket shelves. It is clear that it is in the interest of this sector to differentiate sucrose from HFCS, especially at moments of heavy criticism on the innovation.

The next group of stakeholders is the government. This group is represented not only by regulatory institutions, such as the FDA, but also by other aspects of the public administration, ranging from tax collection to the provision of medical care services, for example. In terms of power, these stakeholders are those who rule on the permission of using HFCS, and how it can be used. Due to the broad spectrum of different roles this group has, there are conflicting interests associated to it. The government is interested in having a strong and competitive industry, which creates jobs, exports goods and collects taxes. On the other hand, it is the duty of the public administration to care for national health issues and protect its citizens. Another aspect concerns the provision of healthcare services, which has represented increasing costs with the spike of metabolic diseases in the recent years. The government will be considered neither in support, nor in opposition of the innovation in question, due to the nature of its role. The government represents a complex group of stakeholders, with conflicting interests on what concerns this innovation, which are the economic interests and the social wellbeing.

The following group of stakeholders are represented by public health organizations and research institutions. Within this group there are conflicting perceptions on whether the innovation is beneficial to public interest or not. Some claim that there is insufficient information to condemn HFCS (Willett in Warner, 2006). Others strongly argue against it, based on recent research on the metabolism of fructose, and the correlation between the diffusion of this innovation and the incidence of diseases such as obesity and diabetes (Hyman, 2011). A third group holds that HFCS is not more than a substitution to sucrose, and therefore there is no reason to be alarmed (Blake in Corn Refiners

Association, 2013d; Warner, 2006). As a group, there is no consensus among public health organizations and research institutions. In regards to power, these stakeholders not only have access to information, but also produce new knowledge. They have the role of advising the government, and the public interest, on the scientific matters concerning this type of innovations. Nevertheless, at times, those who speak against the status quo, or more powerful stakeholders, are discredited. This was the case of professor Yudkin when he pointed at the dangers of sugar, in the chemical sense, in the early 1970s (Lustig, 2009).

The last group of stakeholders to be listed are the consumers. They refer to the buyers of the products manufactured by the food industry, which are also listed as a stakeholder. Consumers represent a vulnerable group, due to the fact that they have been overwhelmed with conflicting information about health and nutrition. Some consumers want to make appropriate health choices, but are confused on how to do so. This is because in the past three decades, there has been a notion that deciding what to eat requires scientific advice, and consumers feel incompetent in making appropriate healthy choices (Pollan, 2008). One of the reasons for this is the fact that the focus has shifted from actual food to nutrients, which makes consumers feel powerless in regard to their choices (Pollan, 2008). Another reason involves a loss of the food culture that was passed on from one generation to the next (Pollan, 2008). This confusion is imperative in case of HFCS. Consumers have mixed perceptions about whether the innovation has benefited them or not. On the matter of power, on one hand, consumers have the power to drive the food industry on different paths, by demanding products in accordance to their will – in this case without HFCS in case they come to the conclusion that it is harmful - or by boycotting those who do not follow appropriate guidelines. On the other hand, this group of stakeholders are extremely decentralized, and often not able to act in a fast enough manner. Another aspect that dilutes the power of this group involves marketing campaigns that corroborate to the belief that the consumer is not qualified to choose a healthy diet without the help of the industry (Pollan, 2008).

The following sections explore the arguments that both support and refute the innovation based on the presented case. Their purpose is to bring to light the contrasting sides of this discussion, enlightening the arguments used by each party to defend their position. It is crucial to state that, typically, the original claims of the stakeholders are presented in a disordered manner, in terms of their argumentative structure. For that purpose, the statements are organized in groups according to the overall theme of the content of the argument; thereafter, they are structured in Toulmin model and, lastly, analyzed in the light of ethical theories. In structuring the arguments in the Toulmin model, their premises and conclusions are made explicit, which facilitates their ethical analysis.

ARGUMENTS SUPPORTING THE INNOVATION

After exposing the case and detailing who the stakeholders are, this section presents the main arguments in support of HFCS, and their analysis. The arguments are grounded in different premises, all of which contribute to the perception that HFCS was a good innovation. These arguments are related to the stakeholders who support the innovation, as described in the previous section. The rational is organized in thematic groups:

1. Cost effectiveness and versatility,
2. Economics, and
3. Health aspects.

The Cost Effectiveness and Versatility Element

The main argument in support of HFCS argues that it is a cost-effective substitute for sugar. Additionally, there are not only monetary but also industrial advantages. HFCS is a versatile product, which enables it to be employed in many different food products (Fulgoni, 2008). Examples of such advantages are:

1. HFCS improves the texture of products, as it keeps moisture and does not crystalize;
2. Its browning properties provide improved flavour to baked foods;
3. It improves the shelf-life of foods because of its stability in the acidic environments of industrialized foods and beverages;
4. HFCS has a lower freezing point, providing advantages for the consumption of products that need to be stored in the freezer (e.g. ready-meals, frozen beverages);
5. HFCS enables better industrial handling, in being a syrup (Corn Refiners Association, 2013e; White, 2008). This reasoning provides two main arguments for analysis in the Toulmin model, as shown in Figures 5 and 6.

The first pro argument relies on the cost effectiveness of HFCS, especially in comparison to sucrose. Behind it is the principle of self-interest, in particular at the level of the food industry. This is because cost reduction was the main reason for the adoption of HFCS in the 1970s, and it was mostly in the industry's interest. HFCS already existed in the 1970s, but its diffusion took place when strong demand from the industry was caused by the high and volatile prices of sucrose. Therefore, it was the industry's self-interest that motivated the widespread adoption of HFCS. Finally, this argument assesses HFCS as a positive innovation, based on the satisfaction of the self-interest of the industry. This principle can be associated with the normative ethical theory of egoism. This theory defends personal desire as not only sufficient, but a necessary motive for action to happen (Bunnin & Yu, 2004a). Figure 6 illustrates one other argument in this matter.

On the second argument, HFCS is evaluated as a positive innovation due to its many properties beyond sweetening. This enabled the product to be used in higher quantities, and even in products which used to contain very small quantities of sugar – or not at all (e.g. ready-meals, bread). The argument is supported by the principle of utility, meaning that HFCS achieves the best possible ratio of benefits/costs. Nonetheless, the utility is perceived under self-interest light. Even though

Figure 5. Cost and versatility argument supporting HFCS innovation (1)
Source: Author's composition.

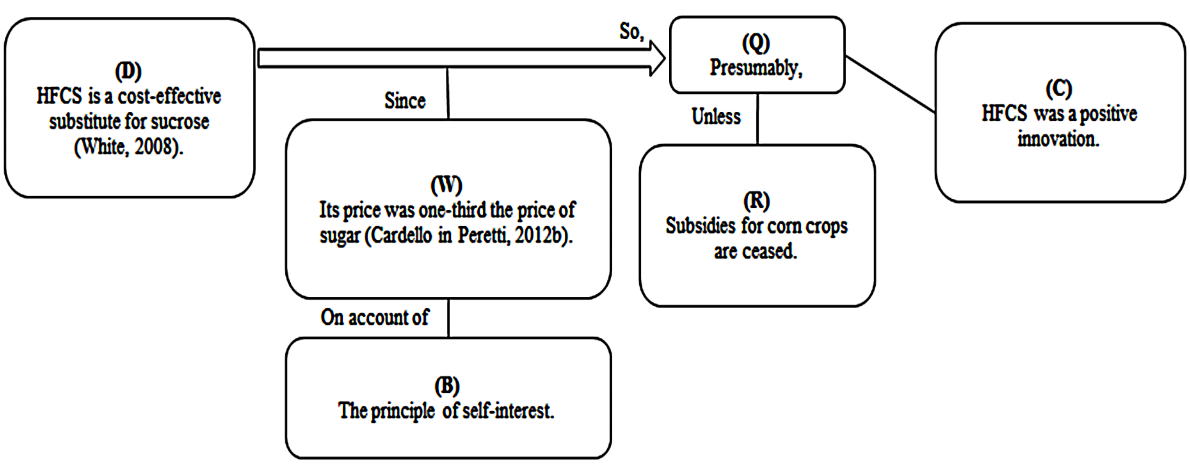
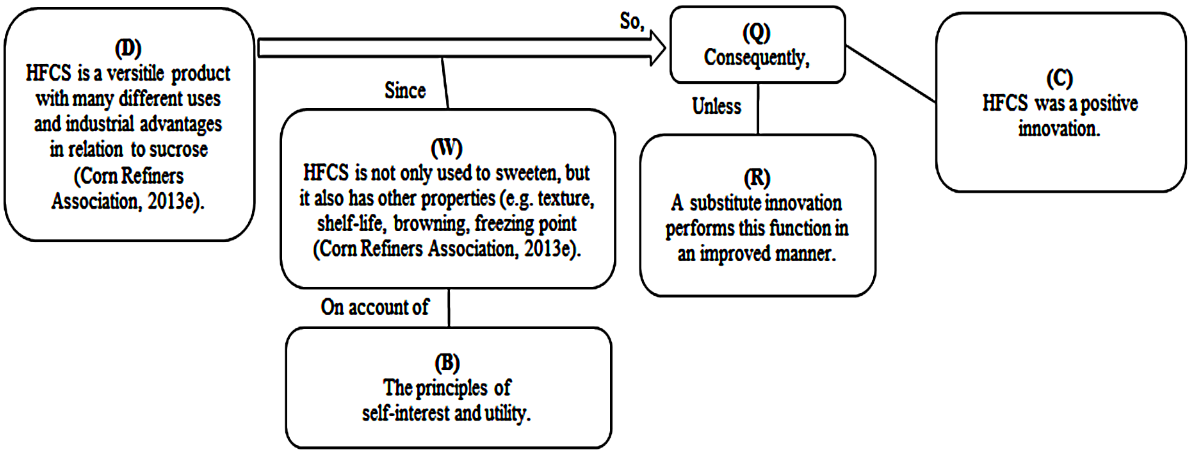


Figure 6. Cost and versatility argument supporting HFCS innovation (2)
Source: Author's composition.



the principle of utility could lead to the ethical theory of utilitarism, this is not the case in this argument, as the argument is not based on the best result for all the stakeholders, but the best result for the industry. For this reason, in this case, the principle of utility relates to the theory of egoism. The combination of self-interest and utility has been the philosophical foundation of modern economics, as Adam Smith already argued that common good can be achieved when individuals seek their own interests, by the action of the invisible hand, which is more effective in balancing the interests of different stakeholders than the state (Bunnin & Yu, 2004c).

The Economic Aspect

In addition to these industrial applications, HFCS enables the American food industry to have a domestic alternative to sugar, which guarantees more stability to its price and supply. Corn is *"a dependable, renewable, and abundant agricultural raw material of the US Midwest"* (White, 2008: 1716S). Furthermore, it presented an interesting alternative to the surplus of corn generated in the USA. This is a crucial issue, as farm economics often do not follow the conventional logic that, if prices fall, production should follow with a decrease (Pollan, 2003). Instead, the production increases, in order for volume to compensate, and the surplus is ultimately supported by the federal government (Pollan, 2003). This reasoning is shown in the Toulmin model in Figures 7 and 8.

This argument focuses on the economic benefits HFCS brought to the domestic food industry in the USA. It assesses HFCS as a beneficial innovation due to the advantages it brought at the national level. HFCS was an innovation that represented the possibility of proactively protecting the national industry from any instability that could harm the sector and the country's economy. This was done by fostering a substitute product that replaces the current one, which was, for a large part, imported. This protection leads to the principle of prudence, which also relates to the principle of self-interest in this case, as it addresses the self-interest of the USA, in relation to other nations. Interestingly enough, the foundation of this argument is the protection of the American market and industry, with the strong subsidies and state intervention. This contradicts the mainstream liberal economics of the previous arguments, based on free market

Figure 7. Economic argument supporting HFCS innovation (1)
Source: Author's composition.

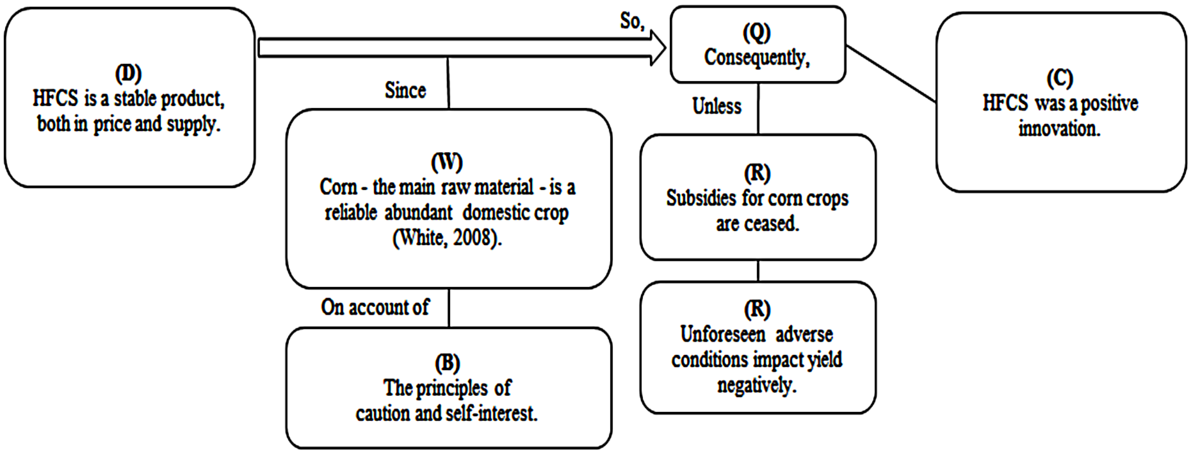
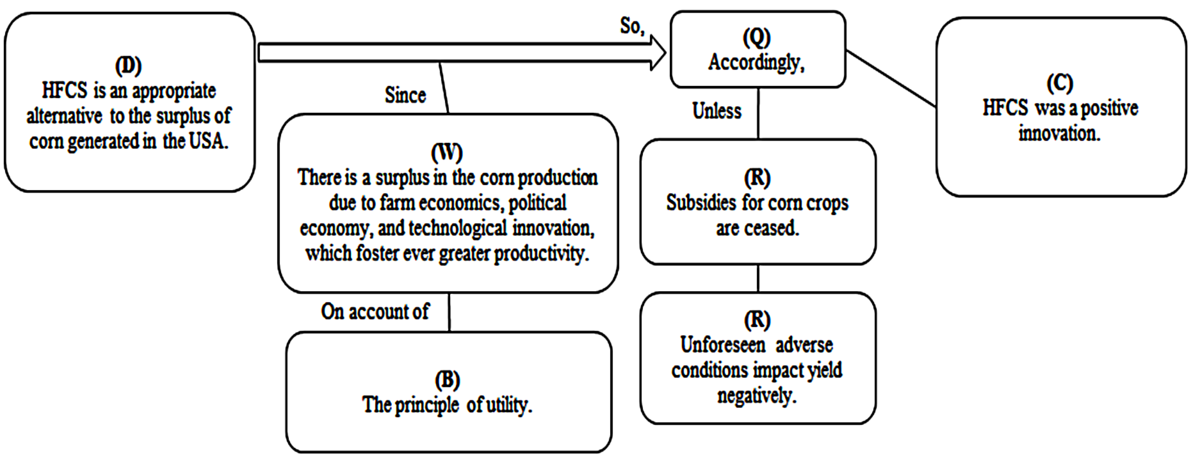


Figure 8. Economic argument supporting HFCS innovation (2)
Source: Author's composition.



capitalism. Once again, the principle of self-interest and prudence are related to the theory of egoism. Another argument regarding the economic perspective is broken down in Figure 8.

As a consequence of the argument shown in Figure 7, this argument also focuses on the benefits HFCS brought to the domestic food industry in the USA, and therefore perceives the innovation as beneficial. The agricultural policy in the USA stimulates overproduction, which generates a surplus that is afforded by governmental intervention. HFCS is one more means of increasing productivity of land and corn crops. This shows the underlying principle of utility, in which the best result is achieved with the resources available (corn) and the demand (sucrose substitution), while minimizing potential negative outcomes. This principle relates the argument with the utilitarian theory, which claims that an action is morally right if it provides the greatest outcome, with the least pain (Bunnin & Yu, 2004d). This utilitarian perspective is applied within the paradigm of the USA, as this logic did not make as much sense in other countries. This is because the utilitarian perspective in other national scenarios was different. In other regions (e.g. Europe, South America), the best alternative was, and continues to be sucrose, due to the same reasons of supply and availability.

Aspects of Health Concern

On the health issue, those in support of the innovation of HFCS argue that because the concentration of fructose and glucose in HFCS is very similar to the one in sugar, the sweetener is metabolized in a very similar manner in comparison to sucrose (White, 2008). The supporters of the innovation argue that the recent research on pure fructose cannot be extended to HFCS, due to the fact that it is high in fructose only in comparison to regular corn syrup, and not to sucrose. Therefore, it does not pose any greater risk to health (Corn Refiners Association, 2013a). The groups in favour of HFCS hold that sugar - and for this matter any nutrient – can be part of a balanced diet, if consumed occasionally. Moreover, the FDA recognizes the product as safe, based on the current scientific knowledge on the matter. This will not change, until consistent scientific proof of the contrary is achieved. The health-related arguments in support of the innovation are shown in Figures 9, 10, 11, and 12.

The argument claims that HFCS and sucrose are equals in terms of health effects, because of the similar ratio between fructose and glucose in both sweeteners. In combination with the economic arguments discussed before, this argument shows that, because of the similarity in which both sugars are metabolized, HFCS is the best option, on account of the economic advantages. Maximum benefits are achieved by the economic, cost and industrial advantages, while the harms are claimed to be minimum, on the grounds that there is minimum metabolic difference between sugar and sucrose. This rationale is therefore based on the principle of utility. It relates to the ethical theory of negative consequentialism. This is because it argues that, among two alternatives in which neither is good for the health, namely sucrose and HFCS, the last would be the best, given its other advantages. In this perspective, it is not necessarily the best alternative that is in question, but the least bad. Though the supporters of this innovation do not claim that HFCS is unhealthy, its health-related claims concern comparisons with

Figure 9. Health-based argument supporting HFCS innovation (1)
Source: Author's composition.

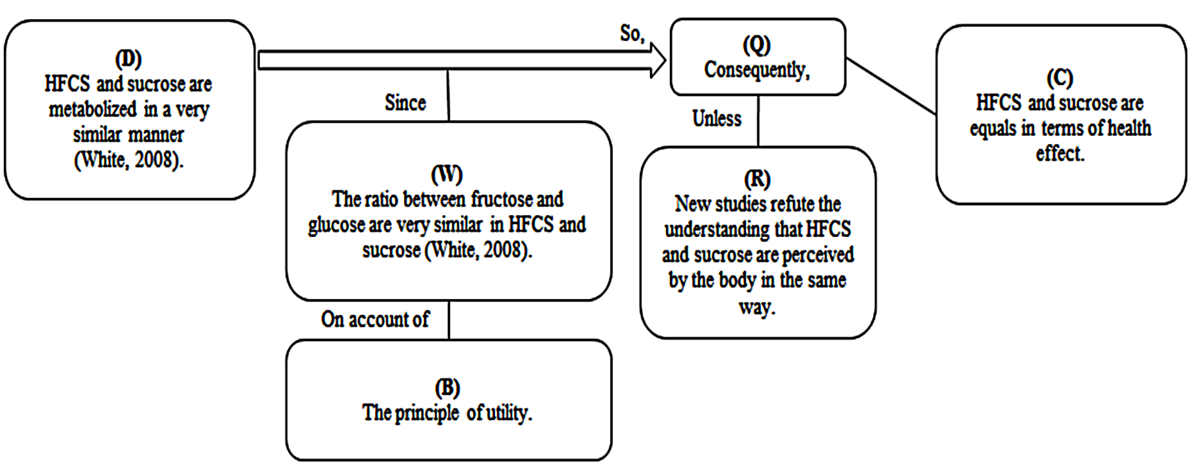


Figure 10. Health-based argument supporting HFCS innovation (2)
Source: Author's composition.

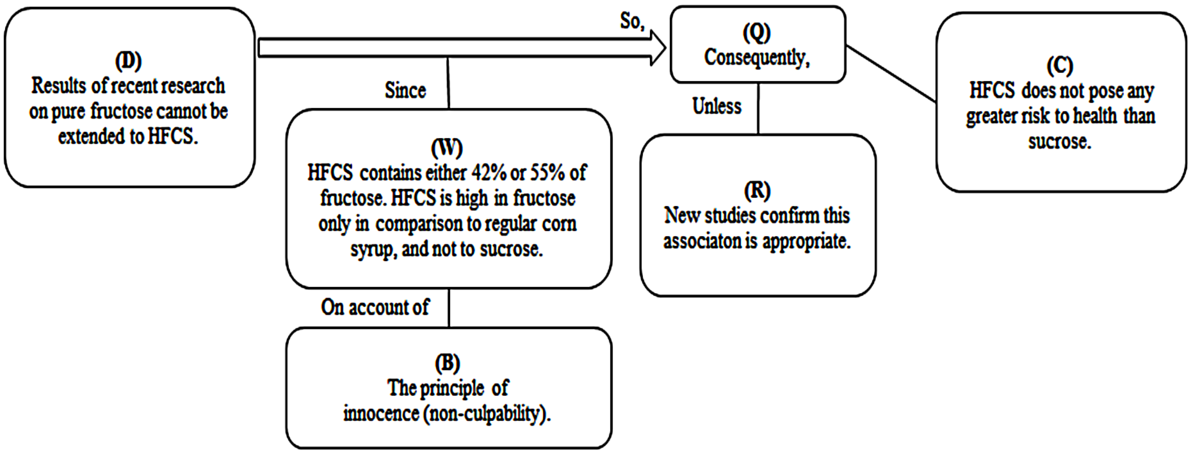
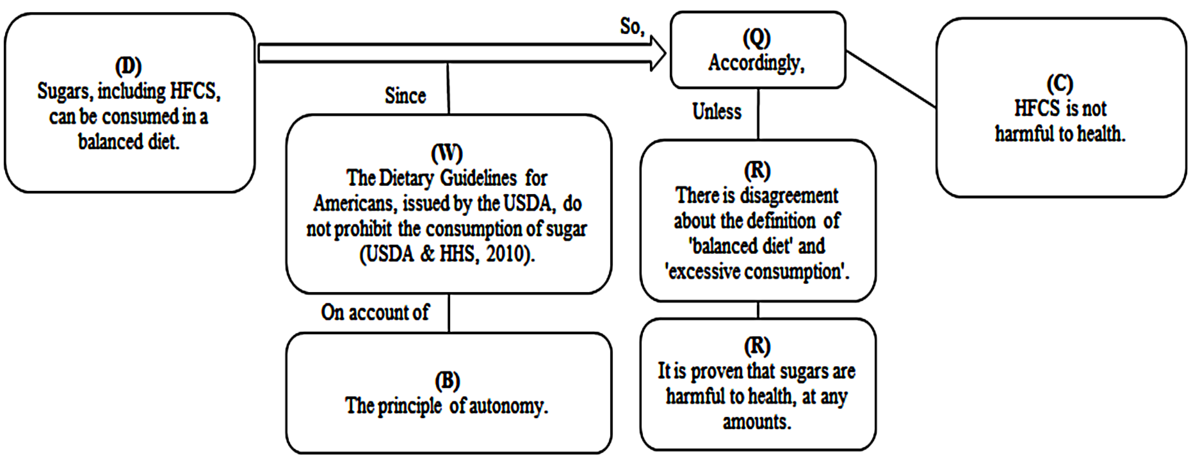


Figure 11. Health-based argument supporting HFCS innovation (3)
Source: Author's composition.

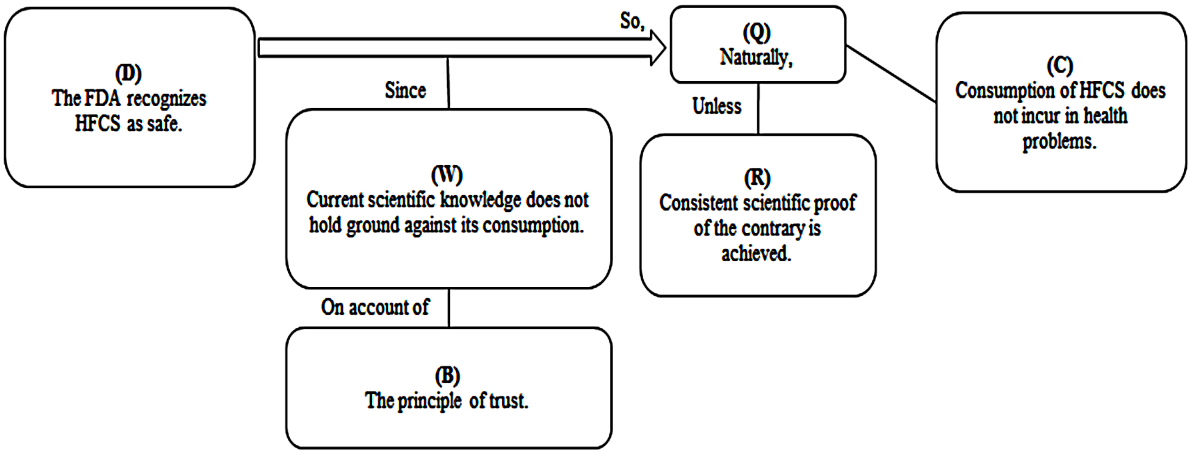


other types of sugar, all of which have been proven to be harmful to health. The next health-related argument is illustrated by Figure 10.

The arguments presented in Figures 9 and 10 are similar in the sense that instead of claiming HFCS is not harmful to health, they claim there are no significant differences in relation to sucrose. Sucrose seems to be better accepted by the public opinion, because it is an older, better-known sweetener. This argument is grounded on the principle of innocence, in the sense of non-culpability. The argument holds that HFCS cannot be condemned on the grounds of the harms of fructose, due to the fact that it is only high in fructose in relation to regular corn syrup, and not sucrose. This argument relates to the ethical theory of negative consequentialism, as it implicitly claims that among many unhealthy choices, HFCS is the least harmful, given its economic advantages. Figure 11 explores another health-related argument in support of the innovation.

The argument in Figure 11 claims that HFCS can be a part of a regular diet, provided that it is consumed with moderation. The argumentation

Figure 12. Health-based argument supporting HFCS innovation (4)
Source: Author's composition.



relies on the dietary guidelines that have been published by the USDA and the HHS since 1980. Even though the dietary guidelines recommend the reduction of the consumption of particular nutrients – among which is sugar – it does not prohibit the consumption of these completely. The USDA has the primary role of promoting sales of food commodities, and this causes conflicts in relation to giving advice about what people should eat. Moreover, the governmental agencies face strong pressure from the food industry for not being straightforward in their recommendations. In any case, the principle that underlies the argument is the principle of autonomy, in which people are encouraged to make informed decisions for themselves, and in this way, pursue balanced diets. This principle relates with the duty-based ethical theories. The main reason for this is the implicit notion that it is not the duty of the industry to care for what each individual eats. Instead, it is on the responsibility of each individual to do so. In this sense, the principle of autonomy becomes the principle of responsibility, and the notion of duty is inverted to the consumer, rather than the suppliers. The final health-related argument in support of HFCS is broken down in Figure 12.

The last health-related argument holds that, if HFCS was responsible for any harm, the FDA would not allow its production and commercialization. It mentions that even though hypothesis have been raised against the innovation in the recent years, the mainstream scientific nutritional knowledge does not disprove the innovation, as the FDA generally recognizes HFCS as safe, even though this product categorization does not require investigation within the FDA for approval. The underlying principle in this argument is the issue of trust. For it to make sense it is necessary to rely on the trustworthiness of the FDA and its procedures. This argument is also based on duty-based ethical theories, in the sense that the corn wet milling industry complies with the law and the required procedures set by the regulatory agency responsible for regulating the product.

The following section explores the arguments that refute the innovation, meaning that their ultimate perception is that HFCS was a negative innovation.

ARGUMENTS REFUTING THE INNOVATION

This section presents the main arguments against HFCS, and their analysis. These arguments build to the perception that HFCS was not a good innovation, and for this reason, its use should be discontinued. These arguments are related to the stakeholders who reject the innovation. The reasoning is organized in thematic groups:

1. Health aspects,
2. Economics, and
3. Environmental aspects.

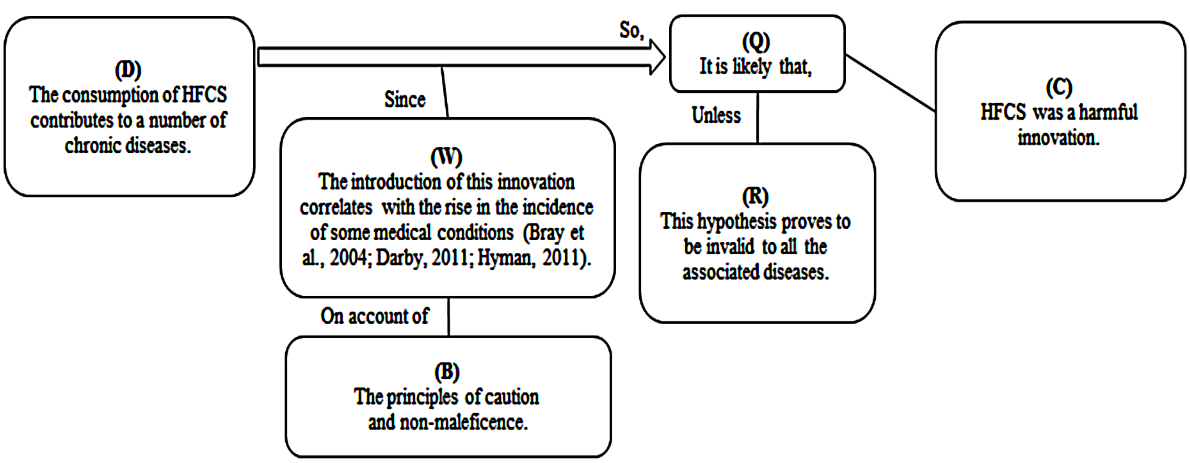
Aspects of Health Concern

The first and most recurrent argument against HFCS is based on the notion that it may have negative health impacts, in particular causing – or at least contributing to – metabolic diseases. Even though genetics do play a role in such diseases, it does not explain the increasing rate of its incidence, especially in the USA; therefore, environmental factors explain the phenomenon in a more plausible manner (Bray et al., 2004; Lustig, 2009). There is a correlation between the introduction of this innovation in the American market in the 1970s and the incidence of metabolic diseases in the recent years (Bray et al., 2004; Darby, 2011; Hyman, 2011). Among the medical conditions that have been associated with the diffusion of HFCS are obesity, diabetes, resistance to leptin, inflammation, leaky gut syndrome, fatty liver, cardiovascular disease, contamination with mercury, autism, among others (Dufault et al., 2009; Hyman, 2011; Lustig, 2009). This argument is expressed in the Toulmin model, in Figure 13.

This argument holds that HFCS was a harmful innovation, due to the correlation between the introduction of HFCS in the American market and the increase in the incidence of such diseases. Even though a correlation does not prove causation, the stakeholders supporting this view are grounded on the principles of prudence and non-maleficence, in the sense that it would not be advisable to wait for irrefutable proof, when different symptoms and maladies have been associated with the innovation. These principles rely on the ethics of care, in which values of care surpass values of the existing standard rules.

The second health-based argument refuting the innovation is that HFCS is not a natural sweetener. Even though it is in the category of nutritive sweeteners – that is, a sweetener that has calories – in contrast with chemical sweeteners (e.g. aspartame) (Nestle, 2006), HFCS is an industrial product, which depends on chemical enzymatic processing, and is heavily modified from what is found in nature (Hyman, 2011). Claiming that HFCS

Figure 13. Health-based argument refuting HFCS innovation (1)
Source: Author's composition.



is natural is "like calling tobacco in cigarettes natural herbal medicine" (Hyman, 2011). HFCS is a technological innovation and as such, cannot be considered as natural, in spite of meeting the FDA criteria for a product to have this label. In this criterion, only honey could be considered natural, as it is found in the wild (Corn Refiners Association, 2013b). This argument is expressed in the Toulmin model, in Figure 14.

The argument in Figure 14 refutes the argument of the corn refiners association that HFCS is a natural sweetener, due to the fact that it is chemically processed with an artificial enzyme. This argument not only questions the industry claims, but also the FDA criteria for the classification of products as natural. The argument holds that the current criteria is misleading, and calls on the principle of honesty to challenge the perspective that HFCS, an artificially manufactured product, is natural only because it is made from corn. The principle of honesty is backed by the deontological ethical theories, in which being honest – not deceiving or misleading – is one's duty.

Lastly, it is maintained that the presence of HFCS in a food product signals the product is not appropriate in a balanced diet. "HFCS is almost always a marker of poor-quality, nutrient-poor disease creating industrial food products or 'food-like substances'" (Hyman, 2011). This notion lies upon the observation that the foods that contain this ingredient are highly processed, and are not intended to nourish, as food is supposed to. Therefore, if not due to the potential harms of HFCS by itself, the sweetener should be avoided by consumers because it is associated with products containing chemical additives, empty calories, and ultra-refined ingredients. This argument is expressed in the Toulmin model, in the Figure 15.

This argument uses the principle of discernment to raise the issue that HFCS is frequently – if not always – found in products of low nutritional value. The argument proposes that if HFCS is in fact present in the food system, it should then be used as a hallmark of what to avoid eating, considering that this is a relatively known component by consumers, whereas other maleficent food additives and ingredients may not be so widely discussed. Similarly to the first argument on this section, this is based on the feminist ethical theory of care. This theory proposes a shift in the current logic of efficiency and rational-based decisions to a focus on caring for people and mindful-based decisions.

Figure 14. Health-based argument refuting HFCS innovation (2)
Source: Author's composition.

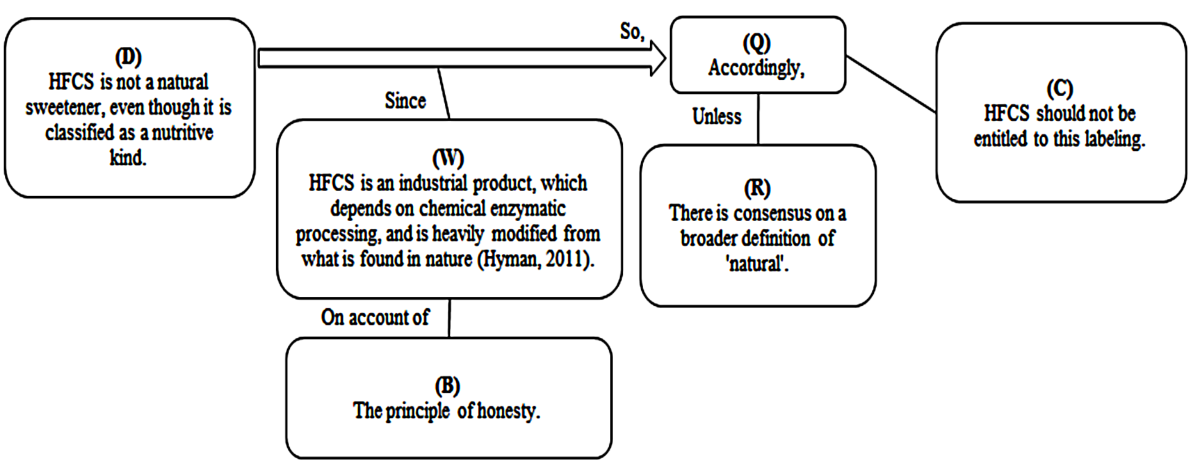
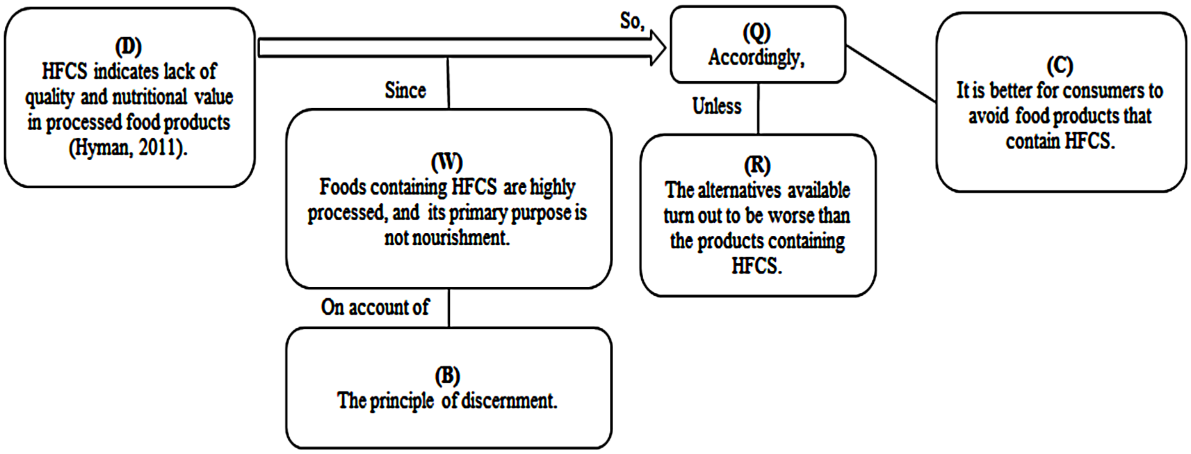


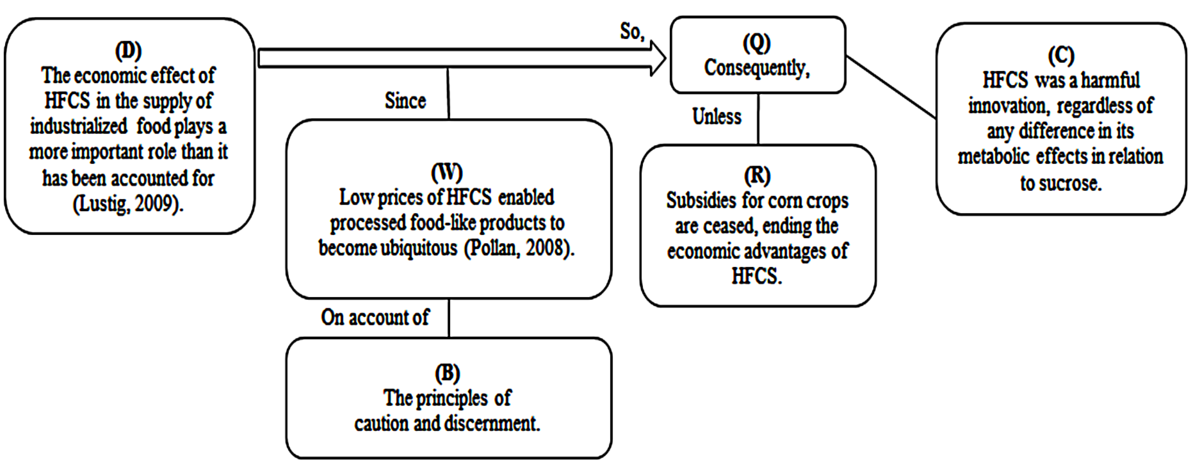
Figure 15. Health-based argument refuting HFCS innovation (3)
Source: Author's composition.



Economics Elements

Regardless of whether the impact of HFCS in modern healthcare problems are confirmed, on what refers to the way it is metabolized by the body, the innovation offers an important economic effect. Because it is much cheaper than ordinary sugar, HFCS manufactured products became more abundant, at lower prices. Corporate agriculture is what promotes such extraordinary yield. This strong supply, in its turn is what keeps prices at very low levels. Thus, cheap corn, in the figure of HFCS "is what allowed Coca-Cola to move from the svelte 8-ounce bottle of soda ubiquitous in the 70's to the chubby 20-ounce bottle of today. Cheap corn, transformed into cheap beef, is what allowed McDonald's to supersize its burgers and still sell many of them for no more than a dollar" (Pollan, 2003). These examples are the seed to marketing techniques that stimulate overconsumption, such as bundling, supersizing among others. Figure 16 breaks down this argument.

Figure 16. Economic argument refuting HFCS innovation (1)
Source: Author's composition.



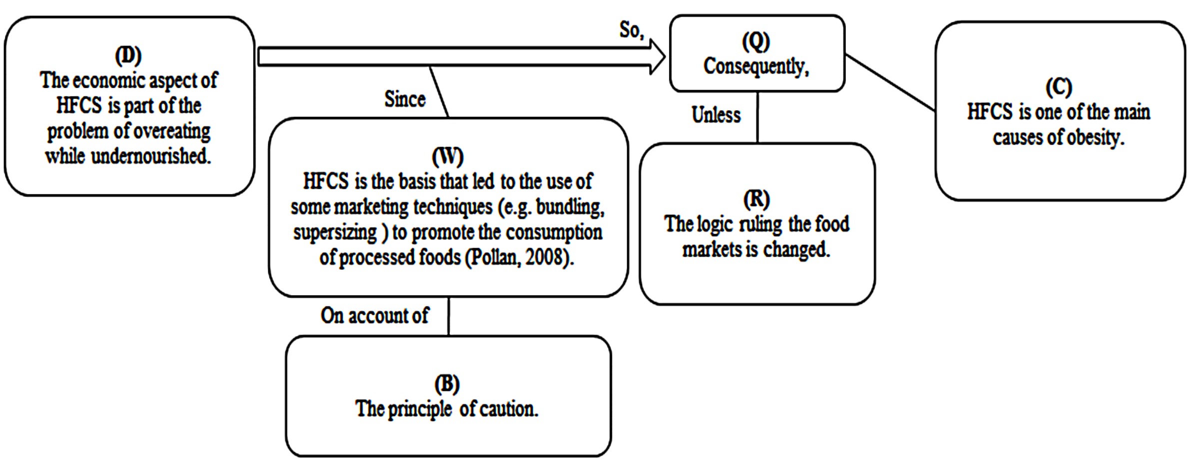
This argument perceives HFCS as a harmful innovation, not because of it health effects, but because of its economic impact. The argument calls attention to the economics of food, as this has been underestimated, in favour of the nutritional aspect, however essential it is. In similarity to first and last of the health-based argument, this also relies on the principles of prudence and discernment. The principle of prudence refers to the need of being attentive to the fact that since the product became ubiquitous, as a consequence of its low prices, it is likely that people will consume more quantities of it, in comparison to the previous alternative (sucrose). The principle of discernment evokes the distinction between the economic and nutritional elements of this discussion. Being aware of this distinction contributes to the debate, as it brings clarity to the different aspects of the issue. The two principles are related to the ethics of care, as the argument proposes that, though the economics made sense, the effects are not desirable. Therefore, there needs to be a shift in the values underlying this logic, including the care for people, society and mindful decision-making criteria. Figure 17 explores one additional economic-based argument in opposition to the innovation.

This argument holds that HFCS was a harmful innovation as it is one of the main causes of obesity, even though people are reportedly undernourished, to the extent that weight imbalances have become a bigger problem worldwide than malnourishment (Pollan, 2008). This is because many empty calories have been consumed, through means of industrialized products, most of which containing large quantities of HFCS. One of the most important factors that enable this prevalent consumption is the artificial low cost of raw materials, and as a consequence, the low cost of HFCS. Once again, this argument is funded on the principle of prudence, and relates to the ethical theory of care.

Environmental Aspects

The production of HFCS incurs considerable environmental impacts and carries an important environmental footprint (Pollan in The Washington Post, 2008; Darby, 2011). The first element is the production of corn, which due to corporate or industrial agriculture requires the use of increasing amounts of chemical fertilizers and pesticides (Darby, 2011). Corn crops require

Figure 17. Economic argument refuting HFCS innovation (2)
Source: Author's composition.



chemicals and cause more damage to soil than other kinds of crops (Pollan in The Washington Post, 2008). In the USA alone, every year corn crops are treated with 162 million pounds[8] of pesticides and 17.8 billion pounds[9] of synthetic fertilizer (Darby, 2011). One other consequence of corporate agriculture, and HFCS, is the establishments of monocultures – in this case of corn – which depletes the soil in nitrogen availability and feeds the need for fertilizers (Darby, 2011). In turn, fertilizers contaminate watercourses "Runoff fertilizer from the U.S. Corn Belt flows from the Mississippi River to the Gulf of Mexico, where it has contributed to a massive 'dead zone', where sea life cannot survive" (Darby, 2011: 238). The use of chemicals in the crops account for about 37 billion pounds of greenhouse gas emissions per year (Darby, 2011). In regards to energy, a single bushel of corn "requires between a quarter and third of a gallon of oil to grow" (Darby, 2011: 238).

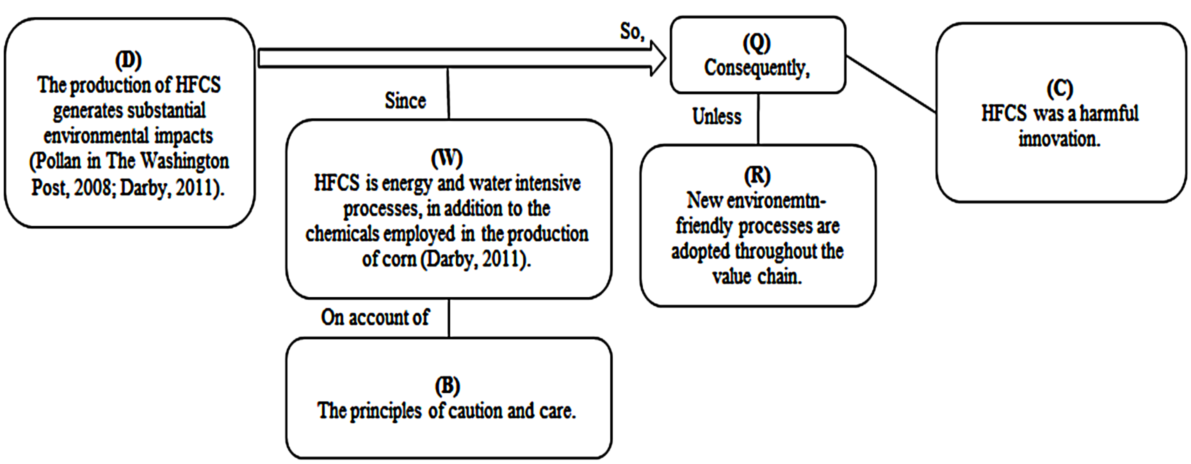
Nonetheless, corn crops and the pollution associated to it are only a part of the environmental footprint caused by HFCS. Its production is also an energy and water intensive process. More energy is invested in the process, than it is extracted in calories for consumption, as for every calorie of output, ten need to be invested in the process (Darby, 2011). To sum up "the more fuel, energy and chemicals that go into processing a food, the less nutritious that food probably is. So steering clear of high-fructose corn syrup can't be bad for your health - or the planet" (The Washington Post, 2008).

This argument perceives HFCS as a harmful innovation given the fact that its processing incurs substantial environmental impacts. The main principles funding this line of argumentation are prudence and care, in the sense that it is essential to be attentive to issues of sustainability and care for the environment by reducing – if not eliminating – negative impacts that may cause harm. This principle relate to the ethical theory of care.

DISCUSSION

This chapter discussed a product innovation in the food sector known as high-fructose corn syrup. It has been claimed to be "one of the most successful food ingredients in modern history" (White, 2008: 1716S). Nonetheless, in the recent years, controversy over this innovation gained increasing attention. Judging whether or not this innovation was beneficial depends on the values of the observer. Nonetheless, it is indisputable that in any case, several different stakeholders need to have

Figure 18. Environmental argument refuting HFCS innovation (1)
Source: Author's composition.



their interests considered, as opposed to limiting the debate to those who hold the most power. Innovations are intensely sought in modern society, and they indeed have the potential to solve an array of problems. Yet, solutions to particular problems are likely to incur new ones, from different perspectives. This is not different with HFCS. In this case, the most relevant ethical implications of the innovation of HFCS are the following:

- There is a correlation between the introduction of HFCS and the increase in the incidence of different diseases. Though correlation does not prove causation, the phenomenon deserves careful and independent investigation.
- Given the different properties and versatility of HFCS, it has been used in larger amounts than sucrose ever was (Lustig, 2009).
- Food safety is currently an everyday concern. The suspicious about the safety in the HFCS value chain, related to the contamination of chemicals, metals and unidentified organisms raises the question: who is supposed to audit the food safety throughout the chain? Why does the FDA not conduct this? Should they be responsible for auditing, or should self-policy be enough?
- Is the FDA manner of classifying a product – in this case HFCS – as 'generally recognized as safe' in the best interest of the society? Who funds the research that approves the products in question?
- In trying to improve the image of a product that has been perceived in a negative connotation, to what extent is the popularization of information just a mere simplification and when does it become a fallacy, or a manipulation? This case has several of examples of this:
    - The proposal of changing the product's name from HFCS to 'corn sugar';
    - The labelling of HFCS as a natural product;
    - The dissociation of nutritional aspects from economic aspects;
    - The insistence in comparing the health to sucrose, and not discussing the health merits of the innovation in an independent manner.
- In a society where people are overweight and undernourished at the same time, is it beneficial to foster HFCS, which is mostly empty calories – with the potential of distorting metabolic processes – based on the claim that it is not different from sucrose?
- In a society that struggles with environmental challenges, is it beneficial to foster an innovation that incurs in significant environmental footprint and is not in any way essential to life?
- Is it possible that the super-exposure to corn cause adverse health effects such as allergies? Is it possible to make an analogy between corn products and wheat products, in which super-exposure to gluten may have led to the rise in celiac disease?

The majority of the ethical implications above are pointed as questions rather than statements due to the fact that answering all of them depends on one's moral values as well as the determination of additional information. Even though the answers are beyond scope of this chapter, the rise of the inquiry enables the discussion that may point to alternatives. This discussion should take place in different stances of society, encompassing all of the stakeholders. Moreover, as ethical implications, it is important that we deliberate upon them, and do not rush to 'solve' them without appropriate elaboration. In any case, the argumentative analysis showed that the disputes over these matters exist because the arguments are grounded in different principles and values. These, in turn, can be referred to different ethical theories that underlie the reasoning. Table 2 presents a summary of these principles and the correspondent ethical theories.

As it can be seen, the arguments from the group in support of the innovation have in common the consequential ethical theories, in particular egoism. The one time in which the duty-based theories are approached the argument refers to the duty of complying with the law instead of other moral related duties. This kind of rationale is deeply rooted in the current economic paradigm, which also relates to the egoistic theory. In regards to the group in opposition to the innovation, there is a consistency in pointing at care as an essential ethical paradigm. This is due to the fact that the principles approached by this group reinforce values such as community and mindfulness as important factors. Duty-based ethics is also related in terms of the duty of being honest. In conclusion, establishing what moral values shall prevail is the key to solve the disputes raised by this innovation.

FUTURE RESEARCH DIRECTIONS

The field of innovation ethics is promising, given its importance for fostering quality innovations. Further studies on ethics in innovation studies can take different perspectives. The first and most evident one concerns similar investigations in different sectors (e.g. biotechnology, pharmaceutical, energy) in order to compare to what extent an analogy can be drawn from the ethical implications within the food sector in other scenarios. Alternatively, in a descriptive stance, one could also seek to measure to what extent ethics is a part of the corporate understanding of innovation. One potential way to do so could be by conducting either a survey, or interview, with companies that claim to be innovative, or have an inherent innovative nature, and ask their CEOs and R&D managers about their perceptions on innovation. From the answers, analysis on the ethical reasoning could be performed. Lastly, the conception of qualitative related indicators for innovation performance is also a further development that can be based on the concepts presented in this chapter. This could be useful in assisting policy makers in fomenting quality innovations that better serve overall social interests.

CONCLUSION

At the broader societal level, innovation does not always represent a Schumpeterian process of 'creative destruction', renewing society's

Table 2. Relationship between arguments principles and ethical theories

HFCS: Supporting the Innovation		
Themes	**Principles**	**Ethical Theories**
Cost effectiveness and versatility	Self-interest and utility	Egoism
Economic aspects	Caution, self-interest and utility	Egoism, Utilitarianism
Health-care	Utility, non-culpability, autonomy, trust	Negative consequentialism, Duty-based (law)
HFCS: Refuting the Innovation		
Themes	**Principles**	**Ethical Theories**
Health concerns	Caution, non-maleficence, honesty and discernment	Care, Duty-based
Economic aspects	Caution, discernment	Care
Environmental aspects	Caution, caring	Care

Source: Author's composition.

dynamics and hence leading to higher levels of economic development and welfare – destroying a few incumbents to the benefit of many newcomers –, but rather represents now and then the exact opposite pattern: a process of what I will call here 'destructive creation'. Innovation benefitting a few at the expense of many with as a result an opposite pattern of a long term reduction in overall welfare or productivity growth. (Soete, 2011: 7).

The view of innovation as a positive concept is deeply rooted in business and academic cultures ever since Schumpeter coined the concept of creative destruction. This chapter sought to highlight the potential ethical issues that derive from innovations. Innovation studies are a specific branch inspired by evolutionary economics. Often enough, the connection between innovation and ethics is not promptly seen, in spite of the large body of literature in innovation studies; nonetheless, it is crucial to remind that economics was once, and for long, seen as a branch of ethics (Sen, 1987). An example of this is the fact that Adam Smith, the father of modern economics, was a professor of moral philosophy at the University of Glasgow (Sen, 1987). Therefore, innovation studies, though often grounded in economics, should also be related to ethics. The importance of re-establishing this connection is the focus here.

The analysis of the arguments of different stakeholders as well as the principles and ethical backing of each reasoning showed that there is, in fact, a level of ethical reasoning in the innovation processes. It derives from the ethics of general economics, which is essentially based on the principle of self-interest and the theories of egoism and utilitarianism. Nonetheless, this ethical thinking is so deeply rooted in society that people are not aware of it. This is when it becomes dangerous. This lack of awareness leads to the deprivation of questioning about whether this ethical support, with its values and principles, are still appropriate. Even the root of the current economics ethical reasoning has been put in question. Amartya Sen (1987) challenges the ordinary widespread interpretation of Adam Smith's work that seems to endorse the egoistic nature of the current paradigm. "Man (…) ought to regard himself not as something separate and detached, but as a citizen of the world, a member of the vast commonwealth of nature. (…) to the interest of this great community, he ought at all times to be willing that his own little interest should be sacrificed" (Adam Smith (1790: 140) cited by Sen, 1987: 23). In parallel to this critique, social values have been progressively introduced in the corporate scenario, with the rise of CSR and Stakeholder theories. Nonetheless, the matter of who holds the power for reinforcing the status quo, as well as influencing the innovations that are introduced and promoted, still plays a dominant role.

In innovative activities, the consequences are frequently neither known, nor can they be predicted. For this reason, an appropriate value to be considered as central is one of care. This suggestion is based on the notion that this principle focuses on the moral sentiment of concern for others' well-being (Bunnin & Yu, 2004b). Even though at times both duty-related and consequence-related reasoning are appropriate, by having the notion of care at heart, and cultivating values of commitment and humanity, the likeliness of potential destructive results is diminished. The next question is then what should be cared for? What are the things that ought to be preserved and protected? Disagreements will also be present in answering these questions. Some will argue that the environment is a priority, other will argue for social welfare; taking people out of poverty conditions. In any case, the ethics of care offers a cooperative perspective, instead of a competitive one, in a manner that solutions to these problems may be addressed in conjunction, not in exclusion of other issues. In this way, the interests of the different stakeholders can be preserved in a moral manner, and innovation can be used to empower the achievement of a better society.

To conclude, the main message of this chapter is that innovations have inherent ethical dimensions and that quality innovations depend on systematic consideration of these dimensions in the innovation process. Most of the villains pointed to as causers of ethical conundrums insist in the position that they cannot be blamed alone for the problems of modern society. Though it is clear that the dynamics and interconnectivity of the modern economy cannot be defined by single isolated elements, it is also clear that each element plays a different, but important role, and that one's actions impact the whole. An essential factor in overcoming these dilemmas lies in clarifying and seeking agreement between different stakeholders on principles that are valued by all participants. At the end of the day, it is on the hands of society, in the figure of each of its participants, to act in accordance to the values that promote the kind of society people want to live in.

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KEY TERMS AND DEFINITIONS

Argument: The attempt of justifying a conclusion, defending a standpoint or persuading an audience of one's position. Employs critical reasoning and can be presented both in speech and written form.

Argumentative Analysis: Method frequently used in the field of philosophy that aims at examining either the form (e.g. rhetoric, linguistics) or the content (e.g. philosophy, communications) of arguments. It exposes and studies the inadequacies and inconsistencies of arguments.

Consequence-Based Ethics: Consists of a group of ethical theories that place central importance on the consequences of an action, all of which maintain that an action is morally right only when its positive outcomes are maximized, and its negative effects are mitigated (e.g. utilitarianism, egoism).

Duty-Based or Deontological Ethics: Consists of a group of ethical theories that take obligation as a central notion. It advocates that an action is moral only when one acts in accordance to one's duties, based on the prevailing moral rules (e.g. social contract theory, natural law theory).

Ethics: Can be defined as the philosophical questioning and reflexion upon morality. Though ethics is a field of philosophy, its applied notions are present in different fields (e.g. business, medical sciences and the law, for instance).

Innovation Ethics: An emergent concept that connects ethical theories to innovation studies. It advances that critical reflexion upon the morality of innovations is required, once innovations cannot be assumed to be amoral. Innovation ethics should be embedded in the innovation process, from the conception of an innovation to its latter stages of diffusion.

Innovation: A concept with diverse elements; three of which can be highlighted for its definition: invention, adoption and diffusion. An innovation can be both the originated in technological inventions, and the product of broader sociological changes.

Stakeholder: A party that is either interested in or impacted by an organization and its activities. It complements the concept of shareholder, which comprehends only the financial facet of an organization. This concept was diffused by R. Edward Freeman in his book 'Strategic management: a stakeholder approach' of 1984.

Toulmin Model: A framework for analysing arguments developed by Stephen Toulmin in 1958 in the book 'The uses of argument'. The model challenged the widespread view at the time that arguments are simply composed of premises and conclusions. Toulmin argued that in supporting a claim, providing additional data is not the only way to go; an alternative path for challenging a conclusion is to make rules, principles, inferences, and other information that leads to the conclusion. The model is composed of the following parts: data, warrant, qualifier, rebuttal, backing and claim. The Toulmin model is widely employed in the fields of philosophy and communication studies.

Virtue-Based Ethics: Consists of a group of ethical theories that both describe and prescribe the types of character that are to be well-regarded within a certain society/culture.

ENDNOTES

1 The term 'processed food' is here used as opposed to home-cooked food, or a synonym for industrialized food. There are different levels of processing of food. The simplest forms of processing involve turning food from a raw product into a more edible one, such as chopping vegetables or peeling fruit. There are also ancient traditional forms of processing, such as salting, sun-drying, fermenting and smoking (EUFIC, 2010), which are also not included in the scope of the concern of this paper. In a more modern fashion examples of processed food include frozen fruits and vegetables, or a pre-washed package of salad. Even though all of these examples could be classified as food that has gone though some form of processing, they do not significantly alter the nutritional content of food. Processed or industrialized food, in this sense, is heavily altered and has very low nutritional value (Nestle, 2006). "The more that is done to a food between harvest and eating, the lower its nutritional content will be" (Nestle, 2006: 308).

2 Approximately 1,77 litres.

3 A bushel is a unit of measure for dry goods. It equals 35.2 litres (Oxford Dictionaries, 2013a).

4 Currently, up to 90% of what feeds cattle is based on grains, even though this is not their natural feeding source (Woolf, 2007). This not only has the purpose of using a cheap feed, but also causing the animals to gain weight, which will result in a tenderer meat, because of its fat content (Waskey, 2011).

5 BMI = (weight in kilograms) ÷ (height in meters) × (height in meters).

6 A monosaccharide is the simplest form of sugar (e.g. glucose and fructose) (Nestle, 2006). "It is a class of sugar (e.g. glucose) that cannot be hydrolysed to give a simpler sugar" (Oxford Dictionaries, 2013b).

7 The association is composed by the following members: Archer Daniels Midland Company, Cargill Inc., Ingredion Inc. Penford Products Co. Roquette America, Inc. and Tate & Lyle Americas.

8 Equivalent to approximately 73 million kilograms.

9 Equivalent to approximately 8 billion kilograms.

Chapter 5
Business Ethics, Strategy, and Organizational Integrity:
The Importance of Integrity as a Basic Principle of Business Ethics that Contributes to Better Economic Performance

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ABSTRACT

With a focus on the role of integrity in relation to business ethics versus economic strategy, this chapter contains following sections: 1) the concept of organizational integrity as a moral notion as it is described in the work of Lynn-Sharp Paine on organizational integrity, 2) the concept of integrity as an economic notion as it is described in the recent work of Michael Jensen—this section discusses recent efforts in the business economics literature to consider integrity as an important notion of strategy—, 3) Paine contra Jensen: a virtue or a workability concept of integrity—here, the authors discuss the basic dilemmas and problems of integrating integrity, economic performance, and strategy in the perspective of the two theories about integrity of Paine and Jensen.

INTRODUCTION

What is the role of integrity in business ethics and how does it relate to management education? Initially, I considered integrity as philosophical value of virtue, linked to the ideas of autonomy, dignity and vulnerability (Rendtorff, 2009). However, integrity is also becoming a very popular concept of business strategy, indicating coherence, purity or completeness of a totality. And integrity signifies a personal and organizational virtue of commitment and loyalty. Recently business economists like the famous Harvard economist Michael C. Jensen together with his colleagues Werner Erhard and Steve Zaffron has argued that integrity is the most important concept for dealing with ethics in a paradigm of economic performance and instrumental agency. Moreover, the business

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lawyer and ethicist Lynn Sharp Paine argues for an "integrity strategy" where integrity is considered important for the strategy of the firm. So the notion of integrity is not only associated with true identity, honesty respect and trust, but it is also related to concepts of strategy and the economic performance of the firm. Thus, the paper looks at the function of integrity in the development of economic strategy and discusses why integrity is important as a basic principle of business ethics in order to build a good strategy and the economic performance of the firm.

Accordingly, with this focus on the role of integrity in relation to strategy and economic performance the chapter will contain the following sections:

1. The Concept of Organizational Integrity as a Moral Notion as It Is Described in the Work of Paine on Organizational Integrity. This concept can be defined as "ethical integrity".
2. The Concept of Integrity as an Economic Notion as It Is Presented in the Recent Work of Erhard and Jensen. This concept can be defined as "economic integrity". This section will discuss recent efforts in the business economics literature to consider integrity as an important notion of strategy and performance.
3. The Ethical View Contra the Economic View: A Virtue or a Workability Concept of Integrity. Here we confront the ethical view with the economic view of integrity and discuss the basic dilemmas and problems of integrating integrity, economic performance and strategy in the perspective of the two theories about integrity of Paine and Jensen.
4. Conclusion: Towards Integrity as Corporate Citizenship. Here, I summarize the discussion of the article with focus on the consequences for management education and I briefly present my own point of view of integrity as corporate citizenship that goes beyond the confrontation of Paine and Jensen.

With this approach the chapter addresses a very central, but also rather narrow, topic within the literature and possible research questions related to integrity. The reader may ask what the reason is for doing this and what the criteria for selection of literature and authors may have been. Moreover, a relevant issue is whether the selected literature brings us further on in the study of integrity related to management education.

In my response to these methodological questions I would like to stress that I have addressed the problem of integrity in a number of books and articles (Rendtorff, 2000; Rendtorff, 2002; and Rendtorff, 2011) and also in my recent book *Responsibility, Ethics and Legitimacy of Corporations* (Rendtorff, 2009). The topic of this paper is an attempt to look at the major problem of the relation between ethical and economic approaches to integrity strategies – a problematic that emerged as central out of my earlier research on the topic. I have selected the work of Paine and Jensen, Erhard and Zaffron to discuss this topic because they represent the most influential views and most developed investigations of their views; namely the "ethical integrity view" as opposed to the "economic integrity view". The reason that I rely heavily on the theories of Paine and Jensen is to try to do a careful reading of their points of view in order show how we need to overcome the opposition between those authors when we really want to understand the need for integrity in management education. There is not really any need to look at other approaches within the literature on integrity because these two approaches and their essential content are very well represented by the selected authors.

The work of Paine may be said to represent the oldest and more classical approach to ethics, strategy and integrity in the sense that it wants to move "moral thinking" into the centre of management and management decision-making. Paine's contribution was based on an important, now classical, article "Managing for Organizational Integrity" in *Harvard Business Review* (Paine, 1994). This can be conceived as a critical reaction and important overcoming of the strict economic view that there should be no separate ethical reflection in management. The strict economic view held that management is an economic science where the manager and decision-maker must stay faithful to scientific management and the economic laws of the market in order to ensure the best management of the corporation. Paine shows how ethics and management must belong together.

In contrast to this view the recent proposals by Jensen, Erhard and Zaffron can be understood as an attempt to create an economic conception of integrity that avoids the integration of ethics, integrity and strategy as proposed by Paine. This approach is important because Michael C. Jensen is one of the most important business economists who contributed to the invention of the Principal-agency view of the firm (Jensen, 1976; Jensen & Meckling, 1976) and Jensen has also recently made a very strong criticism of stakeholder theory as not being faithful to the single objective requirement of economic management strategy leading to an impossible integration of stakeholder business ethics and main-stream managerial economics (Jensen, 2001). As such, Jensen may be considered as the most important contributor to a critical view of business ethics. Therefore, it is relevant to focus on his recent work together with Erhard and Zaffron on a financial concept of integrity which tends to avoid the mixture of ethics, management and economics as proposed by Paine and many business ethicists.

With regard to the question of the relevance for integrity in management education of opposing these two positions, I would argue that the debate about the confrontation of the "ethical integrity view" as opposed to the "economic integrity view" is a fundamental issue for management education. Indeed, the relation between these two view may be considered as the most important problem that we have to solve in order to deal with integrity in management education because we must decide whether it is necessary to teach integrity in the perspective of business ethics or whether it is possible to rely on a concept of integrity that is totally founded in pure economics and management science arguments. In short; the debate about integrity in management education must deal with the question of the relation between ethics and economics in order to find a solid foundation (Rendtorff, 2010).

FROM ETHICS TO INTEGRITY: PAINE'S CONCEPT OF STRATEGY "ETHICAL INTEGRITY"

The concept of integrity is an important ethical notion that has been proposed many times in ethics and ethical theory. However, only a few people have tried to link ethics and strategy. In particular, this was the innovative approach by Paine. This view has now become classical and it is essential for the idea of management education for ethical leadership that is a prominent tradition emerging from Harvard Business School. Paine has proposed the "ethical integrity view" making the concept of integrity as the core ethical notion of business strategy. Paine defines integrity as the "quality of moral self-governance" (Paine, 1997, p. 335). She emphasizes that integrity is linked to concepts of moral conscientiousness, moral accountability, moral commitment and moral coherence. Paine also emphasizes that integrity in strategy combines ethics and law in the sense that the manager combines compliance with legal regulations with ethical behaviour. It is an essential concern in Paine's to move from individual to organizational integrity. In organization theory and business ethics, Lynn Sharp Paine makes an effort to move from individual to organizations and define the concept of organizational integrity. Paine defines organizational integrity in a broad sense as "honesty, self-governance, fair dealing, responsibility, moral soundness, adherence to principle and consistency of purpose" (Paine, 1997, p. vii).

This concept of "organizational integrity" comes also from the Latin origin of the word, which is "integritas", meaning wholeness or purity. Integrity is closely linked to the identity of the organization. When defined in such a way the quality of integrity comes in degree in accordance with the status and stability of the organization (Paine, 1997, p. 98). Paine is concerned with how to build and maintain integrity in organizations. She is not only interested in the concept of personal integrity, but she wants to apply integrity at the organizational level as a particular basis for analysis. Paine emphasizes that high integrity organizations cannot exist without individual commitment to integrity, but it must also be recognized that individual integrity cannot persist without a more global commitment to integrity at the level of organizational policies and purposes. In this sense, organizational integrity may be determined as the goal of management and leadership of the organization. Organizational integrity can therefore be defined as the suggested outcome of successful policies of values-driven management, e.g. on human rights, environmental protection or product safety.

On this basis, we might develop a strategy in order to build and maintain organizational integrity. Indeed, responsible decision–making at all levels of the organization is the ultimate dimension of organizational integrity contributing to organizational effectiveness. Accordingly, organizational integrity means that policies and strategies in organizations are based on ethical principles and values that are promoted as the foundation of organizational excellence. In this way the company is considered as an agent, which shows its character and identity in its actions and capacity of self-governance. In such a perspective of organizational integrity we may define ethics as an "invisible infrastructure of norms" (Paine, 1997, p. 2). Ethics and values imply the effort to engage in right relationships with the stakeholders and constituencies of the firm in order to create an environment of trust and responsibility. Indeed, in the modern knowledge-based economy, these requirements for organizational integrity are becoming increasingly important in order to ensure cooperation for good performance in the organization (Paine, 1997, p. 3).

This strategic perspective on integrity does not agree with those who argue that there is a necessary opposition between economic efficiency and organizational excellence. Even though Paine is aware of the necessity to consider economic performance as a part of a successful integrity strategy of a company, she also suggests that an overemphasis of financial results may be damaging to organizational integrity as well as to the motivation and commitment of employees. Financial success and profit maximization is not likely to give the best outcome of integrity and long-term stability of a company. Organizational integrity relies on the ability to establish, maintain and communicate ethical standards throughout the company. Along with Paine we may cite Chester Barnard's classical study *Functions of the Executive* (1938) (Paine, 1997). In this book personal values and commitments of the executive managers are referred to as fundamental for organizational development. As we have seen as well, management have leading roles in enforcing and developing the values system of the firm.

A very important dimension of an integrity strategy for organizational improvement is the distinction between "compliance" and "ethics" oriented strategies. While compliance strategies focus on compliance as action in accordance with the law, integrity based strategies focus on values, ethics and organizational excellence. The ethical integrity view emphasizes that integrity based corporations do not only search to prevent wrongdoing, but they have the broader aim of ensuring ethical and responsible behaviour. Legal compliance and law enforcement are not viewed as the ultimate goals of management, but rather as some necessary means in order to attain the higher goal of corporate integrity.

Even though integrity based companies may adopt standards of compliance in their values and ethics program they also differ in the ethos, objective and behavioural assumptions lying behind their conception of a strategy for ethics management (Paine 1997, p. 94). Indeed, compliance is an important goal, but an integrity strategy is not satisfied with compliance with law. Some issues may be legal, but are still not very ethical and moral. Moreover, not being aware of ethical sensibility in the public and the specificity of ethical problems in a grey zone between ethics and law can cause huge problems for an organization. The law might be limited with regard to giving individual guidance for good and responsible behaviour. Indeed, legal approaches may presuppose knowledge of the law and well-developed legal systems and regulations (Paine, 1997, p. 96). But many specific corporate issues are marked by a striking absence of legal regulation. In addition, organizational excellence goes far beyond mere compliance with legal rules.

Accordingly, from the point of view of the ethical approach an integrity-based strategy, driven by values is much broader than the legal approach. In the integrity-driven approach, words like commitment, empowerment and accountability are central. Moreover, this strategy seeks to motivate the creativity and initiative of the employees (Paine, 1997, p. 96). Integrity-based strategies are more flexible and consider employees more responsible. But even though compliance strategies may be quite stiff and based on top-down management and rather bureaucratic police structures, there may not be an intrinsic opposition between integrity and compliance. Rather these two strategies can complement each other in a global strategy for organizational integrity.

In this context companies following an integrity-oriented strategy in their approach to values-driven management may develop very different concrete outcomes of their strategies following their specific corporate history, identity and symbolic structures. These different histories and identities are reflected in different formulations of corporate values and codes of conduct.

However, it is also possible to identify some general aspects going across the different corporate strategies. A general characteristic of a high integrity company based on values-driven management is the great commitment of the members to the organization. There is a high degree of coherence between principles and values and the daily practice of the organization. The organization works for little opposition between practice and principles. In an integrity-based organization, members take ownership of their conduct and their relations to the organization. Moreover, members tend to be fair, accountable and truthful about their actions in the organization. They are aware of their responsibility in the organization and they have a strong sense of the identity of the organization. They are very committed to the purposes and ideals of the organization. Indeed, an organization is capable of acting with collective identity, but a determinant characteristic of this identity is that the organization is committed to respectful and fair relations to its stakeholders (Paine, 1997, p. 98).

As the basis for judgment integrity expresses the virtues of self-control and self-respect of persons in organizations. Integrity is the foundation of the unity of the personality, but individual integrity is a part of the relation between individual and organizations. In this perspective judgment should not only focus on rules and compliance, but also rather go beyond compliance towards values as the foundation of organizational morality. Programs of values-driven management become instruments for judgment in order to promote a culture of responsibility and trust in the organization. In this way a room for personal responsibility and judgment of employees is promoted. It is important to be aware of the distinction between compliance and integrity strategies for organizational judgment. Integrity strategies aim at forming ethical cultures in organizations.

In order to be aware of the different dimensions of integrity, purpose, principle and people, we can use Paine's approach to develop a model of practical reasoning and managerial judgment. This model of managerial judgment works on the basis of our earlier presentation of reflective judgment with teleological, deontological and utilitarian considerations as framework for decision-making. These frameworks deal with ethical dilemmas of confrontation between different ethical concerns of utility versus duty, virtue versus need etc. Paine argues that the purpose of the organization refers to the teleological goal of the organization (Paine, 1997, p. 229). At this level primary aims and ideals are analyzed. Principle might refer to the deontological dimension of the organization. Principle interrogation might block teleological considerations if they are in contrast with fundamental rules of universability. This is the Kantian dimension of morality. Finally, we may also mention a utilitarian dimension of moral decision-making, which has to do with people, that is the preferences and commitments of specific individuals.

In an important article "Moral thinking in management: An essential capability" Paine makes a link between judgment, management and moral thinking. Moral thinking is closely linked to the concept of judgment and we can understand moral thinking as a realization of corporate citizenship in the sense that ethics initiatives are important for good business. They defy the wisdom that there is no relation between ethics and business and that they are incompatible. Ethics is something that companies should care about because it is right, not because it is effective (Paine, 1996, p. 477). Business leaders who care about ethics are on the right track. Ethics should be taken seriously. It is not only a question about strategy. Business leaders should use the concept of "moral thinking". Moral thinking is an essential capability for managers.

Paine refers to the British philosopher R. M. Hare (1982) who has developed the concept of moral thinking (Paine, 1996). Paine proposes this concept as the framework for her view of moral thinking. However, Paine changes the viewpoint of Hare in important respects. Hare talks about the level of intuitive and of reflective moral thinking. Paine proposes to swithc the level of intuitive moral thinking for the level of principled moral thinking. Principled thinking refers to immediate ruling out of specific moral actions according to given moral principles. At another level we have the level of reflective moral thinking. At that level we refer to prescriptive universalism.

Hare defines this as a kind of utilitarian pragmatism. However, Paine thinks that this level can be determined as a level of a reflective attitude. This attitude can be said to refer to the kind of utilitarianism which is included in stakeholder analysis and what she calls people oriented moral thinking. This level may be determined as the level of principled consequentialism. At this reflective level of moral thinking moral principles are evaluated at a reflective level according to the possible impact on the good of society. Moral thinking refers to the capacity of dealing with moral problems in management and it may be viewed as the capacity of reflection that we find in the ability of reflective judgment. It is this capacity of moral evaluation of company action which is essential for management.

Thus, with her "ethical integrity view" Paine argues that there is a close relation between moral thinking and trust: "Most effective managers realize that the corporation's success depends on securing the trust and ongoing cooperation of participants in these relationships, whether they are shareholders, customers, employees, creditors, suppliers, or the public. That trust and cooperation, in turn, depend on observing certain ethical principles and serving important interests of each constituency on an on-going basis". In this perspective moral thinking is an essential element in creating a good company. And we can say that Paine's concept of moral thinking illustrates what is needed in order to conceptualize the moral judgment and ethical engagement of a company with integrity.

FROM STRATEGY TO INTEGRITY: MICHAEL JENSEN'S ECONOMIC CONCEPT OF INTEGRITY

In contrast to Paine's moral concept of integrity we find in the recent, though not fully developed, work of the famous economist and business professor Michael C. Jensen and his colleagues Werner Erhard and Steve Zaffron an attempt to propose a new model of integrity of the firm that aims at increasing the economic performance and competitiveness of the firm (Erhard, Jensen & Zaffron, 2007). This work is interesting in the perspective of management education because now a main-stream and very important economist like Jensen has commenced to understand the importance of integrity. In many business schools and other management education institutions the economics of the theory of the firm as based on the Principal-Agent model. That model is proposed as the core of the science of business economics and many business people refer to the economic model of the firm as the most important educational concern for management education. So, we should study carefully what Jensen has to say about integrity because this will have essential influence on management education even though there may be a lot of literature on integrity that also could be important.

Jensen and his colleagues argue that philosophical and ethical concepts of integrity are not clear and that they leave confusion (Erhard & Jensen, 2007). This can be considered as an attempt to re-establish the purity of business economics based on the "economic integrity view" as the supreme science in order to get rid of the "ethical view on integrity" The authors want to develop a new concept of integrity that is void of normative moral content. With this they seem to want to eliminate the function of business ethics and the "ethical integrity view" in economics and management science. They argue that morality, ethics and legality is one realm and that integrity exists in another realm that has nothing to do with the normative realm (Erhard, Jensen & Zaffron, 2007). Ethics and morality belong to a realm of virtues while integrity belongs to a separate realm. The authors argue that the new model makes it possible to have a concept of integrity that is a purely strategic concept of integrity while at the same time dealing with the ethical virtue aspects of integrity in a separate theory.

With this "economic integrity view" Jensen and his colleagues consider integrity as a positive concept and not as a normative concept (Erhard, Jensen & Zaffron, 2008). This means that integrity is not considered as a moral concept that is obtainable of ethical reasons, but the idea of integrity is considered as a strategic cost-benefit concept that is dependent on the instrumental achievements of the corporation. With this different starting point, however, Jensen considers integrity with the same notions as Paine as implying "integer, being whole, complete, unbroken, perfect condition". Integrity in this sense is view as necessary for good performance. Management for integrity is therefore considered as an instrumental cost-benefit activity that is essential for good performance.

So the arguments for integrity that we find in the works of Jensen, Erhard and Zaffran are not moral but economic and strategic. We should behave with integrity because if we do not do it, it will destroy our competiveness and possibilities of good performance. Integrity is considered as "a factor of production" as well as the other values and assets of the corporation. When they talk about an unambiguous concept of integrity they refer to the fact that integrity as a performance based concept gives us clear performance based criteria for evaluating integrity that is different from normative moral criteria that may be ambiguous due to the different concepts of morality that are involved as the basis for integrity. It is therefore argued that is a condition for good performance that the person, group or organization is whole and complete. If people are not whole their performance and capacity to work will be at question and they will not deliver full performance.

The definition that Jensen and his co-authors Erhard and Zaffron keep returning to is based on the following dimensions according to an interview with Jensen in 2009 in *Rotman*, the magazine of the Rotman School of Management. He said: "An individual is whole and complete when their word is whole and complete, and their word is whole and complete when they honour their word": Moreover, in this context integrity is defined as "a state or condition of being whole, complete, unbroken, unimpaired, sound, in perfect condition" (Jensen, 2009b). Accordingly, we see that the most important dimensions of integrity is to speak the truth and preserve the wholeness and unity of personal identity. But according to Jensen this is not an ethical and moral view, but a view of integrity that is founded on the economic concept of integrity.

We can say that this approach to integrity considers the benefits of integrity from a purely rational and economic point of view. It is argued that it is much better for performance not to lie and to honour one's word than it is to be untruthful and not able to be trusted. It is also very important to keep one's promises in order to be a good leader (Erhard & Jensen, 2007). But also a personal life without integrity is a life that it is not possible to live and it will not at all increase maximum performance. It will only make people unable to perform and they will not be able to be good managers and leaders. Integrity is necessary to increase personal performance on the workplace and to be a person with integrity and wholeness makes you much better in your work life, according to this position. Therefore, in the perspective of the economic integrity view there is a close connection between workability, performance and integrity.

So the effort to develop a new model of integrity is directed towards creating better and more sustainable economic markets and structures of governance and management of firms. In this financial theory of integrity there is no focus on morals but rather on how firms with little integrity do not perform very well on economic markets. Integrity has nothing to do with morals, but from the economic point of view it is an important "factor of production".

Even though he is an economist Jensen goes into the field of philosophy to talk about integrity in the terms of ontology in order to defend his "economic integrity view". Generally, there is not much difference between the definition of integrity as proposed by Jensen and the definition of integrity as proposed by Paine. What are important for both authors is wholeness and the state of an unimpaired condition including completeness and wholeness. However, whereas Paine defends the moral concept of integrity as sound moral principle and honesty and sincerity, Jensen insists that he does not use integrity in the ethical, moral or religious sense, but instead as a scientific concept in finance (Jensen, 2009b). By doing so Jensen argues that he defines integrity in a positive way as a way to value maximization because there is a close link between value-maximization and profits in the long run. Jensen argues that an object without integrity will not be able to produce value because you need the wholeness, completeness and stability to ensure long-term value maximization. The consequence of this is the definition of integrity as implying honouring words and commitments and promises in time. This implies that everything the corporation does is honest and that nothing is hidden in the corporation. Respect for morals and legal standards of the society are a function of the effort to keep promises and honour the word. To honour the word according to Jensen does not only imply the relation to the shareholders but it also includes stakeholders and other customers. Integrity implies a basic honesty with regard to respect for the rules of the market economy and everybody is respected according to these standards.

So, on this basis Jensen goes on to demonstrate the close link between integrity and value maximization. In fact the major argument is a negative argument because he argues that without integrity nothing would work and that the reference to the principle of integrity should be viewed as heuristic principles for all management and strategy. When Jensen talks about workability he refers to the fact that the corporation cannot function and will go towards decline if there is lack of integrity in the business.

When Jensen, Erhard and Zaffron refer to integrity they think that the concept should be applied at the organizational level focusing on the design of an object or a system with regard to performance (Erhard, Jensen & Zaffron, 2008). Further this involves the implementation of the system on the basis of this design and it also includes the reference to the use of the system that has been designed with a specific purpose.

In particular it is in finance that we can perceive the importance of integrity. This may be the reason for introducing integrity as an "economic integrity view". There are many examples from the finance industry where integrity has no meaning. This is, for example, the case where finance focuses on fiduciary duties to current shareholders only without taking into account obligations to future shareholders. In some cases current shareholders have benefits of overvalued stocks that are of no benefit and possibly loss for future shareholders. But we can also mention sellers and buyers or CEO's who are not honest or truthful with their actions.

In fact Jensen tries to explain many of the irregularities on the financial markets that we also experienced in the global financial crisis with reference to the concept of integrity. When finance is not defined as aiming at a long term value, but instead short term gain we see the lack of integrity that leads to the destruction of the corporation in the long run (Jensen, 2008). This is also the case when investors are not following the interests of the clients all the way through. It may also be all kinds of investors and money makers who lie and keep things secret from their clients and customers. Or we can mention investment banks who keep things secret from people. Moreover, Jensen mentions managers who are making decisions that do not help to maximize value but instead seems to serve other purposes than value and profit maximization. Indeed there is also the case of people who manipulate financial reports or keep things secret from their customers.

Indeed, Jensen refers to corporate governance as an important instrument to ensure integrity in the management system of corporations. Good corporate governance is justified in terms of the "economic integrity view". With good corporate governance standards in place a corporation can ensure respect for the unity and wholeness of the corporation. Corporate governance ensures transparency about board decision making and it helps to ensure professional governance of corporation of all sorts that improve their integrity and wholeness.

In this context Jensen mentions some useful dimensions of statements that show when there is a danger to integrity in the corporation. These involve the following statements: "– everyone else does it. – We've always done it. This is the way this business works. If we don't do it, somebody else will. – Nobody's hurt by it. – It doesn't matter how it gets done, as long as it gets done. - It works, so let's not ask too many questions. – No one's going to notice. – It's legal, but... – it's too expensive" (Jensen, 2009a). However, the focus on these statements as an argument for the "economic integrity view" seems difficult to defend because such remarks have a moralizing edge and we seem to go slowly from the "economic integrity view" into the "ethics integrity view".

The explanation of the lack of integrity on financial markets and in the finance business according to Jensen is that there is too much short term activity and no concern for long term issues. Lack of transparency, lies and manipulations must be seen in this context (Jensen, 2009a). For example one can mention fraud in accounting and lies about earnings of the company in order to raise the stock price. Indeed, both managers and analysts may manipulate earnings of the corporation. Jensen also analyzes the different elements of the financial crisis as indications of the lack of integrity. This is for example the case of the mortgage crisis and the home mortgages that were too high and that the home buyers could not afford to pay back. One possible explanation of the crisis is according to Jensen a principal agency-problem in the sense that there are conflicts of interests between agents and principles and other stakeholders involved. The financial crisis is the result of many people's acting without integrity. Accordingly, the lack of integrity has lead to the failure the system and a great deficit of value creation (Erhard & Jensen, 2008).

This lack of integrity leads to the destruction of the companies and of the corporations. The search for short term profit and immediate success destroys the long term coherence of the system. Accordingly, integrity is fundamental for value-maximization in the sense that the market is not possible without integrity.

With this integrity model for leadership that incorporates morality and ethics and legality into the strategy of performance and value-creation, Jensen and his colleagues argue that we will see a high level increase in performance. It is argued that integrity manifests the pathway to good and strong leadership and that integrity also improves relationships of trust in the organization. The phenomenon of integrity, morality and ethics should no longer be considered as a unsolvable problem but rather integrity is conceived as an essential element in good corporate performance. With this "economic integrity view" Jensen and his colleagues seem to think that they have contributed with an objective and scientific concept of integrity that has eliminated every element of unclear morality that is the problem of the "ethical integrity view".

THE ETHICAL VIEW CONTRA THE ECONOMIC VIEW OF INTEGRITY: A VIRTUE OR A WORKABILITY CONCEPT OF INTEGRITY

So we are faced with the opposition between the proposed integrity strategy of Paine on the one hand and the workability concept of integrity as proposed by Jensen on the other hand – "the ethical integrity view" contra the "economic integrity view". With this opposition I would like to argue for mediation between the two concepts with the idea of organizational integrity as a moral notion of good corporate citizenship that combines individual and organizational virtue (Rendtorff, 2011). According to Paine the idea of integrity implies that moral virtue is the essence of integrity and with this moral virtue we can get superior performance.

Opposed to this concept, as we have seen, the workability concept of integrity in the economic approach to integrity implies that integrity is not important as a moral concept but it is argued that it is impossible to make an organizational system work without integrity as the core of the system. The argument is that without integrity the system will not function. It is stated that integrity is not a moral concept but essentially an economic notion that is mobilized in order to ensure the well functioning and sustainability of an economic system.

To deal with this opposition we can talk about three strategies for comparison. First of all we can argue, as I have done elsewhere, that integrity in the moral sense is more primordial than integrity in the economic sense (Rendtorff, 2010). This view on integrity is essentially what lies behind the analysis of integrity that Paine proposes. When integrity is understood as an ethical notion the concept is also conceived as a central foundation of a new economy that concentrates around ethical values.

When it is linked to the ideals of the economy integrity is also defined as the quality of moral self-governance in the new economy. In this approach to integrity that we find in the work of Paine, integrity is viewed as an aim in itself that makes the world a better place. The character and identity of the corporation based on moral self-governance makes the company in itself a good company. Integrity has first priority of action as a kind of deontological virtue that also implies a concern for moral wisdom.

In this view compliance should be considered from the point of view of integrity as based on internal motivation. We can say that responsibility and trust are based on a Kantian vision of morality as the basis for action. The fundamental moral reflection in this context goes beyond the principles and rules that define the basis of integrity. We can say that integrity in this perspective reflects a principled consequentialism, or rather what we can call a kind of Kantian consequentialism where the basic view is that the principle of integrity as the foundation of action is based on something more fundamental than is the moral reflection and that moral reflection should be based on integrity as the foundation of a strategy and economic performance of the firm.

The second way to proceed is to argue with Jensen and his colleagues that integrity is not a concept that can or should be integrated in moral reflection. According to this view integrity is essential to competition and economic performance. It is, as we have seen, argued that integrity should be considered as void of normative content. To be integrated, unbroken, whole, complete, or in a perfect condition has nothing to do with morality but is what is needed to make the corporate system work as basis for organizational unity. This production concept of integrity implies a strong separation between integrity and morality. Integrity is central to performance because it ensures that the system works.

It is, however, a question whether it really can be true that this concept can work without morality. Also it is an issue whether the concept of integrity really can be void of morality. To keep a promise or to be trustful are intrinsically moral notions and reflective morality is an integrated element in promise-keeping. We can propose a critical evaluation of Jensen's concept of integrity in the light of Paine's reflective principalism. A promise may not be kept on all conditions in the light of the critical evaluation from the point of view of moral thinking, as it is argued by Paine. Jensen's concept of integrity cannot be unconditional but is instrumental towards the aim of the organization that cannot exclusively be considered as strategic because it would be out of accordance with the integrity of the organization seem from the point of view of moral thinking. According to the criticism of the instrumental concept of integrity, we cannot define integrity without conceiving it as a moral notion of reflective moral thinking or rather as a notion of reflective judgment that must be considered as the core of the concept of integrity as it is proposed by Jensen.

On the basis of the confrontation between these two opposed views on integrity we might therefore defend a third concept of integrity as the most plausible view of integrity. This concept of integrity integrates integrity as morality and integrity as the core of reflective moral thinking with the view of integrity as instrumental workability of organizational systems. We can say that we face a concept of integrity that combines the core ethical aspects of the concept with the economic efficiency dimensions of the concept. Lack of transparency, lies and destruction of the unity of the organization have to imply a virtue oriented and aim oriented concept of integrity so that strategy is based on the aim of value-creation of the corporation. This view of integrity is not only economic but also ethical, so a workability concept of integrity cannot be void of ethical content.

But how should we describe this third moral of integrity that combines elements of Paine's model of integrity as reflective moral thinking with elements of the workability concept of integrity of Jensen? It could be argued that this model is closer to Paine than it is to Jensen because it insists on the moral core of the notion of integrity. However, we can also argue that with the idea of reflective moral thinking we move beyond a merely principle-based concept of morality towards a reflective notion of morality that is far from a purely normative idea of integrity because it integrates morality and economic performance.

This approach to integrity represents an advantage with regard to Jensen's effort to purify integrity of any normative content and change the concept into an instrumental concept. It is impossible to have a concept of integrity that is a moral concept when this concept is void of moral principles. Instead reflective thinking about the good is the aim of the strategy of integrity and the end of integrity becomes what we with the French philosopher Paul Ricoeur can call the "good life with and for the other in just institutions" (Ricoeur, 1992, p. 202).

We can argue that Jensen and his colleagues cannot have to imply this concept of the good aim of integrity as an important and fundamental aspect of their view of integrity. So when Jensen proposes his notion of integrity as instrumental integrity he makes the notion of integrity dependent on instrumental integrity which presupposes that integrity has a moral content. Against Jensen we can argue that without a moral content it is meaningless to consider integrity as important in business because the concept loses its moral aim of the good life with and for the other person in just institutions.

A further argument for this close connection between morality and performance in the concept of integrity is the view that there is a very important connection between identity and culture implied in the concept of organizational integrity. The view is that you cannot really mean what you say and be honest and trustful if it is not an integrated part of whom and what you are. To have inauthentic integrity for pure economic reasons does not work. You cannot fake integrity so therefore integrity is closely linked with true identity. Integrity is a part of what you really are as a person or as an organization.

This is also the implicit argument for the relation between integrity and strategy that is the core of a concept of reflective moral thinking that can deal with both moral standing and economic performance at the same time. If you are a person or an organization you cannot have a strategy that does not include your concept of integrity. Your vision of what the good life is must be dependent on your concept of strategy. Therefore your strategy would not be genuine without in some sense reflecting your ideals of integrity. A person of integrity is a person that is honest and faithful to the ideals of the core of dealing with strategy and performance. This means that the good corporation must combine integrity and performance as an element of a fundamental ethical view of the good life. Integrity combines a vision of the good with principles of morality and this is the foundation for a concrete formulation of a strategy of the corporation.

But how does this relate to the apparent tension between integrity and efficiency, between profit and principles? The answer is that there may not necessarily be a tension if we deal with an organization or a person who is faithful to the core principles of integrity and identity because values-creation and integrity are closely integrated. However, this does not mean that dilemmas of integrity do not exist. There may be very serious dilemmas for organizations built on core values of integrity. Those dilemmas emerge all the time for persons in organizations of integrity where those persons have to deal with the dilemmas in terms of respect for integrity as a condition of sustainability and survival of the organization and of the persons who feel committed to the organization.

CONCLUSION: TOWARDS INTEGRITY AS GOOD CORPORATE CITIZENSHIP

The conclusion is that Jensen and his colleagues have not succeeded in defining an "economic integrity view" that eliminates all aspects of the "ethical integrity view". Therefore, when we deal with integrity in management education we have to move beyond the economic view of integrity and teach students of management a broader ethical concept of integrity. The economic concept is important for performance, but this is not enough. We need the ethical concept to accomplish the economic concept. Therefore we need to combine the "economic integrity view" with the "ethical integrity view". Accordingly, even though there may be may paradoxes and tensions involved in defending the notion of moral integrity as the foundation of good organizational performance, it seems as though it is not possible to focus on integrity without seeing it as an ethical concept focusing on the good life and the ethical aim of human action in organizations.

Moreover, in this perspective the subtitle of this article may be somewhat ironical in the sense that it is only the ethical perspective on integrity that can help us to ensure better economic performance of the organization. Without integrity in the ethical sense there is no integrity in the economic sense. This is what we have learned and this is the conclusion that we need to draw for management education is that it is business ethics that ensures that an organization with economic integrity can make better performance.

So we need to discuss the notion of organizational integrity as an expression of the ideal moral and political unity of a corporation. This is a position of integrity that integrates Paine and Jensen and that is very important for good management education that is not only focusing on economic integrity or ethical integrity but provides a global view of integrity in management education.

According to this view organizational integrity can be conceptualized as a foundation for good corporate citizenship in the sense that organizational integrity is the result of good management. Organizational integrity in this perspective may also be understood as the theoretical conceptualization of the moral and legal responsibility understood in a broad sense as expressing the capacity of prudence, reflection and accountability. Here, the concept of integrity expresses an ancient republican virtue of citizenship and it can be promoted to indicate the commitment of individuals or corporations to be virtuous and faithful to their obligations towards social and political community (Rendtorff, 2011). The concept of integrity is also an essential concept in business ethics in this sense that it expresses the virtue of civic commitment of the corporation and its members. Hence, there is a close link between corporate citizenship, agency and corporate organizational integrity. Furthermore, a determination of corporate integrity is the content of an approach to organization theory from the perspective of organization ethics.

When dealing with corporate citizenship on the basis of business ethics we need integrity as the virtue that accompanies management education. At the level of the decision-making structure and of company policies integrity expresses the good character of the organization as a moral agent and political actor in society. And this is the kind of ethical integrity that goes beyond economic integrity that we have to teach managers. Accordingly, integrity can be said to constitute the application of moral virtue in the practice of business life. Integrity expresses the capacity to integrate ethical worldviews and values into the organization as a whole. The theoretical concept of corporate integrity is the foundation of integrity in business ethics in practice. With regard to the different concepts of business ethics we can define integrity as loyalty to the fundamental set of corporate virtues that constitute the specific corporation.

The concept of integrity in management education should therefore be understood more broadly as a moral virtue that is broader than practical rationality or autonomy of decision-making, but also narrower than the concept of moral judgment and practical wisdom. Integrity is also linked to honesty and uprightness in character in the sense that it implies commitment and conscious adherence to one's moral principles. Integrity is therefore important for management education for corporate citizenship because it expresses the willingness, capacity and readiness to be committed to act as a good citizen and responsible moral agent in society. In this sense, integrity becomes an important virtue of corporate citizenship and indicates the commitment of corporations to be involved in social community. Moreover, integrity is linked to concepts of identity and moral character because the concept expresses the capacity to be moral in ones choices, actions and concerns in a way that benefits others.

We may call this view of integrity an indication of the importance of judgment as the foundation of practical wisdom in organizational life. Judgment as reflective interrogation about the maintenance of the moral commitment of purity and wholeness focuses on the policies and principles of the organization with trustworthiness and accountability and accountability as the realization of the ethical aim of what we with the French philosopher Paul Ricoeur already have referred to as the "good life with and for the other person in just institutions" that is the basis for the promotion of the performance and workability of the organization in the perspective of maintenance of economic integrity in the movement towards good corporate citizenship.

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KEY TERMS AND DEFINITIONS

Economic Integrity: The economic and strategic wholeness of the organization.

Ethical Integrity: The ethical and moral wholeness of the organization.

Integrity Strategy: A strategy that combines focus on ethics and economics in strategy.

Organizational Integrity: Integrity at the level of organizational structures and policies.

Virtue Concept of Integrity: A concept that focuses on moral excellence.

Workability Concept of Integrity: A concept that focuses on wholeness in value-creation.

Chapter 6
Entrepreneurial Ethical Decision Making:
Context and Determinants

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ABSTRACT

This chapter looks into determinants and contexts that influence an entrepreneur's decision where ethical judgment is required. By looking into relevant theories and research in the field of ethical decision making, concepts of greed and power and their influence on ethical decision making, cognitive moral development, individual psychological characteristics, ethical ideologies, organizational, environmental, industrial, and moral intensity are discussed through relevant models. The aim is to provide a perspective on understanding ethical decision making in the entrepreneurial context by forming a bridge between our understanding of individual moral psychology and entrepreneurial decision making. This discussion further augments the existing research on entrepreneurship and SME literature within the ethical decision-making context. What is presented in this chapter provides an alternative understanding of reasoning when examining entrepreneurial behaviour.

INTRODUCTION

The entrepreneur's characteristics and decisions have a significant influence on both daily operations and long-term strategic manoeuvres of a company in micro and small sized enterprises. As the company size gets smaller in terms of employee numbers, the influence of the entrepreneur become more significant. This chapter explores the relevant concepts and existing theories on ethical decision making within SMEs context and entrepreneurs as individuals to understand how and in what ways they can influence their organizations. Management and ownership cannot be detached from each other and the entrepreneur's preferences on self-interest impacts on the company for better or worse (Spence & Rutherfoord, 2003; Smith & Oakley, 1994). When at least 95% of all private enterprises in most of the countries are SMEs and they are the primary source of employment, it is

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crucial to understand the decision mechanism of entrepreneurs who run these companies (European Comission, 2013).

At this point, a clarification on the distinction between entrepreneur and small and medium sized enterprise owner has to be made. Although small business owners are seen as managers who do not strive for growth and expansion and are perceived as seeking a stable approach in running their businesses and entrepreneurs are seen as individuals with a primary goal of growth, profitability and innovation (Kuratko, 2013) this distinction as such can be considered as misleading since not all SME owners are after stability and not all entrepreneurs carry similar characteristics. Existing literature frequently treats entrepreneurs as a homogenous group with identical powers and properties and they are treated as "equally capable" when it comes to starting up and operating a business and these lead to omission of those entrepreneurs that do not necessarily fit the stereotypical image of an entrepreneur (Kaŝperovà &Kitching, 2014). Considering the fact that, SMEs are profit-seeking companies, there is an element of growth and profitability orientation in SME owners as well. Furthermore, both entrepreneurs and SME owners are the principal decision makers, thus differentiating them from larger organizations and creating a commonality between them (Batchelor et al., 2011). Therefore, instead of making a distinction between the two and focusing on either category in the literature, this chapter assumes that there is varying degrees of entrepreneurial capacity in SME owners and uses the term entrepreneur to represent both entrepreneurs and SME owners.

Within this chapter, concepts of greed and power (Fassin, 2005; Gallo, 1998); cognitive moral development (Kohlberg, 1968; Gilligan, 1982); ethical ideologies (Forsyth, 1980; Rest, 1986) and entrepreneurs' psychological characteristics (Shane, 2003; Trevino, 1986) are explored from the literature in order to build a bridge between individual moral psychology and entrepreneurial decision making. Nevertheless, although individual ethical values correlate with the decision-making process enough research has been done to show that external factors play a very crucial role in that process as well (Allmon, Page & Roberts, 2000). Therefore, the chapter also critically discusses organisational factors and entrepreneurial environment (Hegarty & Sims, 1978; Wu, 2002; Longenecker, McKinney & Moore, 2006; Stead, Worrell & Stead, 1990) and how these can influence an individual decision making process of an entrepreneur.

When examining external factors, the claim is that the influence of the very same external factors changes from one entrepreneur to another since every individual's social constructs, experiences and expectations are different. This is why the main ideas that are put forward in this chapter revolve around the moral individuality of entrepreneurs and the discussions in this chapter a provide variety of perspectives on how moral individuality impacts decision making in SMEs. The objective of this chapter is to provide an alternative view on understanding the context and determinants of entrepreneurial ethical decision making by exploring factors influencing the individual ethical decision making process. The chapter acknowledges that the cognitive decision making process of entrepreneurs are limited due to human nature therefore expecting fully informed decisions on every occasion is unrealistic (Bommer et al., 1987). The discussion of decision making in SMEs is concluded with a theoretical framework that is useful for case analysis and future research.

Background

Derived from the root 'ēthos'the original meaning of ethics is character traits (Blackburn, 2005). Today, ethics has a deeper meaning: it evaluates human conduct and how human beings are essentially supposed to behave, particularly to each other (Honderich, 2005). We can say that business ethics deals with the moral issues that emerge when we apply the concept of ethics to the business environment and business practices.

According to Jones (1991) an ethical decision is one which is both legal and morally acceptable to the larger community (Jones, 1991, p.367). Conversely, an unethical decision is defined as a decision that is either illegal or morally unacceptable to the larger community (Jones, 1991, p.367). However, here, 'unethical decision' refers to a decision that is morally unacceptable and 'ethical decision' refers to a decision that is morally acceptable. These two particular definitions provided in this paper exclude those decisions which are legal but are morally unacceptable based on the notion of 'ethical'.

What is legal is not necessarily ethical; ethical and legal are not synonymous (Bommer, Gratto, Gravander & Tuttle, 1987). However, the legal dimension of ethics is an important element in ethical decision-making. Entrepreneurs do not act lawfully just because of the legal consequences an unlawful behaviour may lead to, but also because of society's perception of 'illegal' and obedience to what is morally required by the society. Business related crimes frequently cannot be prosecuted because it is difficult to understand the intricacies of the offence. Moreover, since the harm is often not physical but rather economic, the case may be given low priority in prosecution. This results in the evaluation of the relatively light prosecution against the relatively large personal or corporate financial rewards. Thus, an entrepreneur who does not perform a business-related crime restrained from acting corruptly not because of the law's existence but because of moral forces. (Bommer et al., 1987). Nevertheless, albeit the difference between the interpretations of moral and legal in defining 'ethical decision', they both play a crucial part in the entrepreneurial decision-making process.

ENTREPRENEURIAL BEHAVIOR

In 2012, 20 million European SMEs provided employment to 86.8 million people; which is the equivalent of 66.5% of the European jobs. In the same year, the SME sector provided 57.6% of the gross value added which was generated by private, non-financial economy in Europe serving as the backbone of EU economy (EU Commission, 2013). Given the importance of SMEs on economy, it is crucial to explore individuals (entrepreneurs) who give direction to our societies.

Empirical studies suggest that SMEs lack the motives to practice social responsibility (Thompson & Hood, 1993; Wu, 2002). However, it is not only the size of the business but also other factors that influence the ethical behavior of entrepreneurs. Business is about money, power and working with people and people are not perfect (Fassin, 2005). Successful entrepreneurs in particular have the tendency to decide on their own, take on risk, are more action oriented and adversity and uncertainty are not taken as reasons to give up by them (Emami & Nazari, 2012).

In order to understand a company's ethical behaviour, many ethical decision making researchers examine individual attitudes of the decision maker and their individual values (Wu, 2002). The literature on business ethics suggests that unethical behavior is attributed to individual characteristics such as lack of integrity (Frost & Rafilson, 1989), lack of empathy (Eisenberg, 2000), self-control (Marcus & Schuler, 2004), moral identity (Aquino & Reed, 2002; Reed & Aquino, 2003), low levels of cognitive moral development (Kohlberg, 1969; Trevino, 1986; Trevino & Youngblood, 1990; Weber & Waiseleski, 2001) and in some cases a diagnosable psychopathology (Babiak & Hare, 2006; Zona, Minoja & Coda, 2013). Since in small businesses firms are more likely to be managed by the owners, ownership and management are not separated as in the case of larger, multinational firms. As management and ownership cannot be detached from each other in SMEs, individual entrepreneur's preferences between individual interests and ethics impacts on corporate business ethics both positively and negatively (Smith & Oakley, 1994; Spence & Rutherfoord, 2003; Wu, 2002, p.163).

Greed and pursuit of profit; the nature of competition and the desire to beat the other party in a competitive environment, and the need to insure or restore some standard of justice that may have been violated have been identified as three major dimensions that may drive individuals to unethical practice (Fassin, 2005). Fassin (2005) argues that one of the elements that business is associated with is power, and it is the ultimate requirement for a manager to run a business (Fassin, 2005). When objectively examined power is neither something bad or nor good but rather is about the way it is possessed and it is utilised. If a company acts responsively towards its society, this is a positive utilisation of power (Gallo, 1998).

In both non-family owned SMEs and family-owned businesses the power might be misused as the owner runs the business. Since the owner has the power in the sense as it is discussed above, it gives him/her the control of company (Gallo, 1998). Any misuse of power, may result in the form of lack of social awareness. Then the question of why people misuse their power emerges.

Some people do always behave ethically in their private and social lives; whereas others do not. Entrepreneurs also differ in their behavior, inclinations and formations (Baumol, 2014). Therefore, it is questionable to what extent it is sensible to expect the same people that are not behaving ethically in their private and social lives to act ethically in their professional lives (Fassin, 2005). It is important at this point to mention that as the individuals' ethical attitudes are different from each other, as these depend on many variables, individual attitudes of entrepreneurs largely affect the company's ethical attitude. There is a significant literature suggesting that the size of a business influences business ethics. This argument can also be supported through the discussions presented up to this point, because an entrepreneur's influence is more significant when the organization is shaped dominantly based on an individual's decisions (Fassin, 2005; Wu, 2002). Forsyth's (1980, 1981, 1992) studies, which are also discussed in this chapter, provide useful tools to analyse ethical decision-making processes of entrepreneurs.

There are people who cheat in sports and in games. According to the Lombardian doping game example, for players 'winning is not everything, it is the only thing`; therefore some competitors cheat by using doping (Bird & Wagner, 1997, p.751). Berentsen & Lengwiler (2003) suggested that the doping problem in sport events is very similar and can be applicable to business to promote further understanding of competition in the business environment (Berentsen & Lengwiler, 2003).

As in sports participants, managers strive for success and the last thing that they want to do is fail. Failure in business, especially for new businesses, is a very likely incident and it can create a lot of pressure on entrepreneurs, as having the second chance is a very rare thing in the current market system. Therefore, in order to succeed, all means are 'acceptable' for them. Especially when psychological sides of this issue are considered the pressure that entrepreneurs experience can be understandable. (Fassin, 2005).

For example, acceptance of the failure and admitting this to family, friends and community is the main fear of business owners-managers since the case of overnight transformation form success to failure is very hard to cope with. It is understandable considering this pressure, how even an ethical, honest businessperson can be tempted to behave in an ethically questionable way as an option. Gellerman (1986) stated that 'Numerous rationalisations lead to unethical behaviour from usually intelligent, honest people who transgress the border between right and wrong' (as cited in Fassin, 2005). It is the belief of the most social observers that in most societies there is a major negative moral change and businesspeople, public figures and politicians engaged in ethical violations and this is a commonality in world of sports, religion, business, politics and academia (Fassin, 2005). This can be related to the competitive market forces of the current economic systems. In many of the transition economies such as Eastern-European countries, China and Russia as a result of the absence of regulations, entrepreneurs built fortunes in considerably short times without ethical considerations. Therefore, it can be concluded that not only individual factors but also economic and legal environments play a part in the entrepreneurial decision-making process. Following sections discusses all these various forces impacting decision-making processes of individual entrepreneurs.

Morality of an Entrepreneur

In order to understand entrepreneur's decision-making process the theoretical grounds of ethical decision-making first need be understood as they provide a psychological angle to human behavior.

The Cognitive Moral Development (CMD) theory proposed by Kohlberg (1968) and Expectancy Theory of Porter and Lawler (1968), which is an extension of Expectancy Model of Vroom (1964), constitute the theoretical bases of ethical decision-making. Expectancy Theory suggests that motivation is a function of the subjective probability that effort will lead to successful behaviour (expectancy); that such success will lead to a number of positive and negative outcomes (instrumentality) and finally the combined value of those outcomes (valence) (Knouse & Giacalone, 1992, p.370). Expectancy theory is similar to utilitarianism in the sense that in both concepts individual's decisions are based on rational choices. Their reasoning is based on possible consequences and both have the drawback of the identification and evaluation of all possible consequences by an individual before a decision is made which is a requirement for both systems to work correctly (Knouse & Giacalone, 1992, p,370). Rationality here refers to the best selection of means to achieve an objective consistent with the value system of the decision-maker (Bommer et al, 1987, p.274). However the ability of a human-being to identify and evaluate all the consequences is limited.

Although Expectancy Theory is a widely used framework for contemporary behavioural science, Kohlberg's CMD is still among the most cited work in this area and as mentioned before it is one of the key theories in the literature in ethical decision-making (Longenecker et al., 2006; McDonald & Pak, 1996; Trevino, 1992). In his theory, Kohlberg defines six stages of moral development, which are grouped into three general categories.

1. **Pre-Conventional (Pre-Moral):** In this category, individuals base their judgment of right and wrong base on their own physical needs, instead of societal standards. At this category, individuals follow the rules mainly as a result of fear of punishment.
2. **Conventional Level:** In this category the main determinant of an individual's perception of right or wrong is based on norms and regulations of society.
3. **Post-Conventional:** An individual at this category has the capacity of reflection, responsibility, an inner source of morality and justice, and logical reasoning. Even though (s)he accepts the legitimacy of the societal rules, at times s/he questions the demands of the society. (Bommer et al., 1987, p.273; Knouse & Giacalone, 1992; Kohlberg, 1968; McDonald & Pak, 1996).

There were many studies in business ethics regarding the consistency of the CMD, providing evidence that age and education are positively related with the increase of CMD (McDonald & Pak, 1996; Robertson & Fadil, 1999). However, Kohlberg is criticized with the claim that hierarchy of moral stages is not universal and that it can change from one culture to another as opposed to his proposition that moral development is universal (McDonald & Pak, 1996; Robertson & Fadil, 1999). Also, Gilligan (1982) criticized Kohlberg's Theory because of his assumption that his theory is applicable to both genders when he only conducted his study on an all male longitudinal sample. In her study on abortion decisions of women, Gillian suggested that Kohlberg's justice dimension and moral reasoning is gender biased. (Gilligan, 1982). However, for instance, Derry (1989) found no significant differences in the moral reasoning of men and women in a study of business managers (as cited in McDonald & Pak, 1996).

Once an individual completes the cognitive moral development process, past experiences have a significant influence on our decisions and the way we shape our future. In employment relations past experiences also are an important informative source points for individual entrepreneurs. Fern, Cardinal and O'Neill (2012) argues this on a macro scale and suggests that over relying on historical industry experiences may also lead to replicating similar approaches on the legacy firm (Fern et al., 2012).

'When a person is behaving morally, what must we suppose has happened psychologically to produce that behaviour?', Rest (1986) posed this question and provided the Four-Component Model to guide the analysis of an individual's moral decision-making process;

1. Recognition of the moral issue.
2. Making a moral judgment.
3. Resolving to place moral concerns ahead of other concerns (establish moral intent).
4. Acting on the moral concerns. (Jones, 1991, p.368).

During the 1980s, the work of Forsyth (1980, 1981, 1992) and Forsyth and Berger (1982) examined cognitive processes and their impact on ethical reasoning and decision-making started to be the focus of attention. From these studies a conclusion was drawn stating that individuals' moral judgments are significantly different from each other. (McDonald & Pak, 1996, p.976).

Similar to Rest (1986), Forsyth (1980) developed ataxonomy of ethical ideologies to provide a framework to study individuals' moral judgments on the assumption that decisions in certain business practices are influenced by individual moral philosophies (Forsyth, 1980). Forsyth's (1980) model assumes that "individuals' moral beliefs, attitudes and values comprise an integrated conceptual system or personal moral philosophy" and that they differ from person to person (Forsyth, 1980, p.461). According to Forsyth's typology, four ethical dispositions exists; subjectivism, situationism, exceptionism and absolutism. Whilst making ethical decisions, subjectivists decide according to the circumstances, and therefore they are considered as pure relativists. Situationists are considered as ethical individualists and they decide their act by using a combination of both situations and personal principles. Exceptionists are considered as pragmatists and they act according to the moral rules but in special circumstances they may change the application. Lastly, absolutists believe that best possible outcome can be achieved if universal rules of behavior are followed (Forsyth, 1980; Allmon et al., 2000).

Forsyth and Berger (1982) studied college students' ethical ideologies' impact on their moral behaviors; specifically they looked at the cheating tendencies (Forsyth & Berger, 1982). Their findings supported that even though there was no difference in cheating behaviors in relation to ethical ideologies; there were differences in moral reasoning and the way students felt about their moral misbehavior in relation to ethical ideologies (Allmon et al., 2000; Forsyth & Berger, 1982). Also, Forsyth's (1981) research findings about moral judgment and ethical ideologies suggested that the consequences of the situation and the responsibility change the way people judge moral events if they have different ethical ideologies. Forsyth's studies are considered as a good tool to analyze an individual's ethical ideology and it has been applied by many scholars; for instance Allmon et al. (2000) used Forsyth taxonomy in a study where they examined determinants of perceptions of cheating. Individual ethical values correlate with the decision-making processes to an extent; however enough research has been done to show that external factors also play a very crucial role in that process (Allmon et al., 2000).

As ethical ideologies have a significant influence on decision-making of individuals, it is crucial to look at the individual ethical ideologies and their differences in interpreting these social factors into their business lives. Forsyth gave the parallel philosophical standings of each ideology as such; situationism is parallel with 'utilitarianism' and 'value pluralism'; subjectivism is parallel with 'egoism'; absolutism is parallel with deontological ethical system; and lastly exceptionism is parallel with 'rule-utilitarianism' (Forsyth, 1992). Utilitarianism is used to define the philosophical ideology where an action is considered right only if it conforms to the principle of utility; meaning performance of the act should be 'more productive of pleasure or happiness, or more preventive of pain or unhappiness' (Mautner, 2005, p.636). Value Pluralism is interchangeably used with political pluralism and moral pluralism. It refers to the view that there are many of the things in question; as there are many different moral values and the value might be perceived in different ways. Egoism considers individuals as 'always motivated by self-interest' and rule-Utilitarianism refers to the distillations of past experience about the tendencies of actions that eliminate the need to calculate consequences in every case (Blackburn, 2005, p.110; Boatright, 2000, p.37).

Historically, it is assumed that most of the managers employ a utilitarian framework in their analysis of ethical problems. The limitation of 'comprehension of all' by the decision-maker is actually a counter-argument to the utilitarian perspective. Utilitarianism advocates 'generation of the maximum good for the greatest number' and being a consequential theory, utilitarianism proposes that a decision is made based on the evaluation of the end-results and promoted by a concerted effort to maximize outcomes. (McDonald & Pak, 1996). As mentioned earlier limited capacity of human-beings to interpret and evaluate all possible consequences is discussed in section 4.4. Besides the limitation of evaluation of all possible outcomes, there is a question of whether managers solely rely on a utilitarian framework to make decisions that require ethical thinking or not. There are other alternative paradigms in normative philosophy where those can be employed during an ethical decision-making process. These are;

- **Hedonism:** Extreme selfishness.
- **Pragmatism:** Whatever minimises conflict.
- **Salvation:**
  - Good works to earn redemption.
  - Isolation, mediation and devotion.
- **Golden Rule:** Based on faith, charity and reciprocity.
- **Divine Right:** Maintenance of the "pecking-order".
- **Egalitarianism:** Push down the rich, push up the poor.
- **Paternalism:** Protection and security.
- **Physiocrats:** Nature is sacred (McDonald & Pak, 1996, p.974-977).

When we look at the more recent work of scholars, such as Shane (2003) it can be observed that Shane's (2003) work is parallel with Forsyth's (1980) and similarly, Shane states the connection between psychological characteristics and decision-making. By organizing personal factors under the name of psychological factors provides an explanation of the possible reasons of why entrepreneurs decide to exploit opportunities (Shane, 2003). As entrepreneurs go through the decision-making of whether or not to exploit an opportunity, they may at the same time be faced with a dilemma of whether to seek the opportunity for their company's and/or their own personal gain or to behave ethically.

When entrepreneurs pursue certain opportunities for increase productivity or profits employees become consumed by the organizational goals and there are resulting ethical implications (Dale, 2008).

Shane (2003) grouped certain characteristics under three main themes which influence individuals to make different decisions even though they have same information and skills. These are core self-evaluation, aspects of personality and motives, and cognitive properties (Shane, 2003, p.96). Under core self-evaluation, Shane (2003) listed locus of control and self efficacy; these characteristics, especially locus of control, is mentioned frequently by other scholars as well such as Longenecker et al., (2006), Trevino (1986) and Stead et al., (1990). Aspects of personality and motives expanded as extraversion, agreeableness, need for achievement, risk taking, and desire for independence. For the third theme, overconfidence, representativeness and intuition are mentioned as cognitive characteristics. (Shane, 2003).

From the existing literature on individual ethical decision making, when an entrepreneur's behavior and the process of making that decision is investigated, we see that the person's ethical judgment is shaped by the way they were raised, the way they rationalize contexts, and motives they have to behave in certain way. These also shape their ethical ideology. Therefore, when we examine an entrepreneur's ethical decision making process, we know that their cognitive moral development has a significant impact on how and why they decide one way or another. This is also true for their motives for that particular behavior.

Companies that have sustainable ethical identities have 12 commonalities; and the three most relevant ones suggest that in these companies the founders had strong sustainable values; they managed their companies for a prolonged period of time; and the founders maintained almost complete control of their companies through private ownership or other means (Balmer, Powell & Greyser, 2011, pp.5-6). Employees have higher tendencies to behave unethically when there is cultural erosion within organization (Danley, Harrick, Schaefer, Strickland & Sullivan, 1996). Similarly, Weaver & Trevino (2001) suggests that if employees believe they are treated justly, they have lower tendency to behave unethically. Therefore, we can conclude that an entrepreneur's influence on organizational culture, which Romme, Antonacopoulou, Mulders & Taylor (2012) refers to as founder's blueprints and their perception of justice, have a significant influence on employees perception and practice of ethics.

However an entrepreneur's decision is not only influenced by individual circumstances but also a decision or a behavior is as a result of an interaction with external environment. The following section looks into external environment originated factors that influence an entrepreneur's decision making.

ORGANISATION AND THE EXTERNAL ENVIRONMENT

In the preceding section we explored the moral psychology of entrepreneurs as individuals. This provided us with an understanding of how their ethical rationality is shaped and factors that effects their individuality when ethical decision making is required. However, mere character is not sufficient to explain ethical decision making of individuals; in addition to that we need to understand the motivation of individuals when they act in a certain manner so that those individual characteristics are displayed (Crossan, Mazutis & Seijts, 2013). Thus, the following section helps us to understand individual entrepreneurs within the context of organisations and in interaction with the external environment which are the forces that create or destroy the individual motivation to act in a certain way. These contexts, when combined with their individual ethical position, leads to an individual decision.

A competing model to the previously discussed Rest's (1986) model is offered by Trevino (1986). Her model is based on person-situation interaction and it begins with an ethical dilemma proceeding to a cognitions stage. Moral judgments made in the cognitions stage, which is proposed by Kohlberg's CMD theory, are moderated by individual factors including ego strength, field dependence and locus of control and situational factors which include elements of immediate job context, organizational culture and characteristics of the work (Jones, 1991, p.368). Besides individual factors, Trevino (1986) also considered organizational factors as important influence on decision-making process of an entrepreneur.

Another important series of studies that was conducted to understand the way individual entrepreneurs perceive and deal with ethical problems was done by Longenecker et al., (1989) who suggested that entrepreneurial behavior may have association with individualism and this is linked with entrepreneurial behavior (Longenecker, et al., 1989). According to their study entrepreneurs show their strong need of control, they are autonomous thinkers who take independent actions in carrying out directions given by others and they often do not trust others (Hannafey, 2003). Longenecker et al, (1989) observed what was stated previously by Spence and Rutherfoord (2003); in smaller firms, entrepreneur's personality and attitudes are extensively reflected on the management practices (Hannafey, 2003).

Ford & Richardson (1994) reviewed the empirical literature on ethical decision-making covering the studies that had been done up to 1992, and O'Fallon & Butterfield (2005) covered the period of 1996-2003. A more recent study covered the ethical decision making literature from 2003 until 2011 (Craft, 2013). From these studies a list of factors that influence the ethical decision-making process are gathered (Ford & Richardson, 1994; O'Fallon & Butterfield, 2005). They divided these factors into two categories; individual and situational factors.. They have determined individual factors as; personal attributes; religion, nationality, gender, age, education and employment background, personality, beliefs and values. Under situational factors, there are three sub-categories; referent groups, organizational factors and industrial factors. Referent groups are peer group influence, top management influence, codes of conduct, type of ethical conduct. Organizational factors are organization effects, organization size and organizational level. Lastly, industry factors that are mentioned in these studies are industry type and business competitiveness. In their longitudinal study findings, which examined ethical attitudes of small businesses and large corporations for three decades, Longenecker et al (2006) stated the main influences on ethical perceptions and behaviors are multidimensional, made up of differences based on individuals, organizational settings and the interplay of these two (Longenecker et al., 2006). They stated that this claim is supported by previous research such as Trevino's (1986) 'Person-Situation Interactionist Model' which was mentioned previously. In their model, Longenecker et al (2006) used Rest's 'Four Component Model' (1986) and Kohlberg's (1968) CMD to consider personal variables as Kohlberg's (1968). CMD is one of the most important theories in the discussion of ethical decision-making (Longenecker et al., 2006; Loviscky, Trevino & Jacobs, 2007).

Ford and Richardson (1994) and O'Fallon and Butterfield (2005) studies provide most of the factors covered by the existing literature which show the impact of individual factors, organizational factors or both. However, besides individual and organizational factors, as it was discussed through the Lombardian doping game example, external factors such as competition and similar external environmental factors are also as important as much as individual and organizational ones when an individual decides how to behave.

In terms of external environment, it was found that besides personality, values and cultural orientation, environmental rewards and punishments all contribute to ethical decision-making (Hegarty & Sims, 1978). In 1990, Stead et al., (1990) developed a model of ethical behavior to demonstrate the relationship between the factors that influence a decision-making process. In the initial stage, the relationship between individual factors and its influence in the development of an individual's ethical philosophy and decision ideology is presented. This relationship reflects the influence of personality and background on a person's ethical beliefs and how and when those beliefs are applied (Stead et al., 1990). It is very likely that the interaction of ethical philosophy and ethical decision ideology of an individual influences his/her decision-making. Many studies including Frosyth's (1980) Stead et al., (1990) and Allmon et al., (2000) confirmed ethical ideologies' significant influence on individual decision-making.

Another factor in Stead et al., (1990)'s Model is ethical decision theory. When a person makes certain decisions, these are usually reinforced, mainly through rewards and punishments. Ethical decision theory is a result of this cause and effect relationship of the ethical choices and the reinforcement. Also, when an individual enters into an organization, his/her ethical behavior is influenced by certain factors such as the managerial philosophy and behavior within the organization; the reinforcement system adopted; and the job's characteristics. As the experience at work with reinforcements and management's influence combines, individual's ethical decision-making is influenced by all these factors.

According to Wu (2002) the literature of decision-making models indicates how significantly the ethical decision-making process can be influenced by number of factors at one time (Wu, 2002). Table 1 is a collective presentation of individual, organizational and environmental factors that have discussed in the literature. In number of circumstances, an entrepreneur's individual factors may lead to ethical HR issues such as discrimination, wrong employment policies and promotional practices.

Table 1. Factors influencing ethical decision making

Individual Factors	Situational Factors
Age	**Environmental Factors**
Awareness	Cultural Environment
Aspect of Personality & Motives	Social
Attitudes	Political Social Institutions
Behavior	Government and Legal
Beliefs	**Organizational Factors**
CMD /Ethical Judgment	Opportunity
Core Self Evaluation	Multiple Stakeholders
Education Background	Organization Performance
Ego Strength	Organization Culture
Employment Background	Organization Effects
Entrepreneurial Act	Organization Size
Ethical Decision History	Organizational Level
Ethical Decision Ideology	Codes of Ethics
Ethical Philosophy	Reinforcement Systems
Field Dependence	Peer-Group Reference
Gender	Policies / Procedures
Intentions	Rewards/Sanctions
Job Satisfaction	Subjective Norm
Knowledge	Training
Locus of Control	Teams
Machiavellianism	Top Management Influence
Nationality	Codes of Conduct
Need For Achievement	Type of Ethical Conduct
Past Reinforcement of Ethical Decisions	Managerial Philosophy

continued on following page

Table 1. Continued

Individual Factors	Situational Factors
Personal Attributes	Professional Relationship
Religion	Competitiveness
Sex Roles	Characteristics of the Job
Social/Reputational Costs	**Industry Factors**
Value Orientation	Economic Conditions
Work Experience	Business Competitiveness
Organizational Commitment	Industry Type
Decision Style	Scarce Resources
Personality	**Moral Intensity**
Personal Values	
Emotions/Mood	
Spirituality	
Situation	
Cultural Value	
Love of Money	
Empathy	
Integrity	
Ego Depletion	

In Craft's review (2013) besides the individual and organizational factors that influence ethical decision making process, moral intensity was included as a category. The perception of how important an ethical issue is discussed as an influence on behavioral intention as well as moral intensity as an influence on ethical decision making process (Craft, 2013). Besides factors listed in Ford & Richardson's (1994) and O'Fallon & Butterfield's (2005) reviews of the ethical decision making literature, Craft's list suggests a number of new factors such as awareness, behavior, cultural value, decision style, individual's commitment to the organization, personal values, personality, philosophy and situation under individual factors. Competitiveness, ethical culture, industry, organization culture, organization performance, policies and procedures professional relationship, rewards and sanctions; subjective norm, teams and training are given under organizational factors. When we compare compiled categorization of Craft to previous reviews' categorizations, we see industry is given as a separate categorization; whereas Craft categorizes industry under organizational factors (Craft, 2013). Also, rewards and sanctions factor listed in Craft (2013) is arguably quite similar with previously listed reinforcement systems under organizational factors. Lastly, in Craft's list individual factors peers and management suggested as individual factors, whereas previous research reviews provided peer and management under organizational factors in two separate terms; peer-group reference and top management influence.

Ego depletion is a "state in which the self does not have all the resources it has normally" (Baumeister & Vohs, 2007, p.2) and social consensus refers to the level of social agreement whether a proposed act is evil or good (Jones, 1991). Recent study by Yam, Chen & Reynolds (2014) suggested that there is a relationship between unethical behavior and ego depletion. They have concluded that ego depletion only leads to unethical behavior in lower social consensus, whereas in higher social consensus ego depletion leads to lower level of unethical behavior.

Another research study conducted by Singhapakdi, Vitell, Lee, Mellon & Yu (2013) concluded that love of money has a significant influence on ethical decision making of marketing managers.

LIMITATIONS OF ETHICAL DECISION MAKING

During the decision-making process an entrepreneur acquires and processes information. This can be in the form of hard data (i.e. laws, stated corporate policies) or in the form of soft data (i.e. an individual's self-concept and peer group with a range of information in between these states). After acquiring and processing the information, in order to make a rational decision the manager synthesizes and analyses the information. During the selective perception process, the manager filters environmental factors that influence him/her and the parameters of the situation, which are the two information inputs in the process. Then a conceptual model is built which is repeated being affected by the individual attributes and mediated by the manager's individual cognitive process. (Bommer et al., 1987).

Human-beings can process only a limited amount of information and as a result of this, perception of information, style of information processing and memory is affected.

Individual memory is affected in three ways;

1. Perception of information is selective; therefore the decision-maker may or may not choose the information that is most relevant to the situation.
2. Information processing is mainly done sequentially. Therefore, the sequence in which information is processed may bias a person's judgment and limit the evaluation of interrelated elements.
3. The access to information which might be relevant to the problem is limited, as a result of limited memory capacity of human-beings. (Bommer et al., 1987, pp.275-276).

Therefore, the decision-making process models discussed have the following serious limitation; decision-makers cannot construct an internal representation or model of the situation since they cannot comprehend all the probabilities, alternatives, consequences, values and the evaluation of these (Bommer et al., 1987).

SOLUTIONS AND RECOMMENDATIONS

Existing literature suggests that when we attempt to understand an entrepreneur's decisions, we cannot focus only on one of the influencers and ignore the complexity of the decision making process. That would merely provide us a one faceted understanding which would not be an accurate depiction of how the process takes place in practice. Due to nature, humans are complex beings and complexity and multi-faceted structures are common when we examine interpersonal relationships at work, competition in the market and the like. This is also true for decision making processes. Therefore, when entrepreneurs are examined it is crucial that all the factors presented in this chapter and possibly others that emerge depending on the context are taken into consideration.

FUTURE RESEARCH DIRECTIONS

Especially in small businesses, the influence of the entrepreneur is highly and in most of the cases, explicitly dominant. Thus, when we examine human resources within SME contexts, it is always promising to include an understanding of an entrepreneurial perspective. Due to their scale, in SMEs employees' cognitive and decision making processes are also promising to investigate the extent of each factor's as well as entrepreneur's influence on traditional human resources practices. This will contribute to gradual emergence of new research fields as such research will uncover new factors influencing decision making processes and practices.

A phenomenon can only be understood fully if it is examined in its original context with associated agents. Previously suggested complexity in humanity makes it a requirement that we use variety of tools, multi-level analysis and acknowledge the multi-dimensional structures. Therefore, while conducting future research, an interdisciplinary lens is highly promising in providing new momenta to our existing knowledge.

CONCLUSION

The chapter acknowledges that the cognitive decision making process of entrepreneurs are limited due to human nature; therefore expecting fully informed decisions on every occasion is unrealistic (Bommer et al., 1987). Every decision that is made in practice has a process to complete before it exhibits itself in action or behavior. Furthermore, regardless of the field or issues examined, when a decision has to be made, a moral judgement is existent in the decision maker's mind, either overtly or covertly. Within this framework, discussions put forward provide a moral understanding of entrepreneurs as individuals and within their organizational, industrial and external environments. It is only an awareness of reasoning of actions which can trigger a positive change in behaviour. Therefore, arguments suggest new angles of understanding of entrepreneur for both academics in the relevant field and for practitioners.

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KEY TERMS AND DEFINITIONS

Business Ethics: Deals with the moral issues that emerge when we apply the concept of ethics to the business environment and business practices.

Entrepreneur: A risk taking individual who forms, organizes and operates a business.

Ethical Decision: A decision that is both legal and morally acceptable to the larger community.

Ethics: Deals with character traits and human conduct; how human beings are essentially supposed to behave.

Morality: Deals with the welfare of both self and others both with welfare of self and others.

Power: The ultimate requirement for a manager to run a business; it can be in monetary, psychological, and sociological or know-how forms.

SMEs: Small and medium sized enterprises.

Chapter 7
Bridging the Foundational Gap between Theory and Practice:
The Paradigm on the Evolution of Business Ethics to Business Law

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ABSTRACT

This chapter addresses the relationship between ethics and law and the evolution from ethics to law so that practitioners can implement ethical business practices. Practitioners must first understand the differences in the foundational gap in theory between ethics and law as it applies to business in practice. This chapter provides a review of the foundation of the differences between ethics and law as addressed from a practical standpoint. Furthermore, a practical strategy in addressing business law is offered. Thus, the operational definition of ethics, in this chapter, is the study of business situations, activities, and decisions where issues of right and wrong are addressed based on the principles, norms, and standards of conduct governing an individual or group. Law, on the other hand, is essentially an institutionalization or codification of ethics into specific social rules, regulations, and proscriptions and represents the minimum acceptable standards of behavior in a society.

INTRODUCTION

Over the decades, the concept of corporate social responsibility (CSR) has continued to grow in importance and significance. It has been the subject of considerable debate, commentary, theory building, and research. In spite of the ongoing deliberations as to what it means and what it embraces, it has developed and evolved in both academic as well as practitioner communities worldwide. The idea that business enterprise have some responsibilities to society beyond that of making profits for the shareholders has been around for centuries. Concern for ethics and morality in business is a growing phenomenon. There is both theoretical argument and empirical evidence to support the claim that morals and ethics have an impact on conduct in the business world. Despite widespread acknowledgement of the importance of business ethics, many businesses still conduct themselves

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unethically. According to Tran (2008a, 2008b), higher levels of business ethics can be promoted, especially when public interest is given priority over self-interest. It is possible that businesses that are ethical can engage in moral judgments based on what is morally correct whether for purposes of self-interest or in the interest of the public.

The term 'corporate social responsibility' (CSR) is still in popular use (Carroll & Shabana, 2010), even though competing, complementary and overlapping concepts such as corporate citizenship, business ethics, stakeholders management, and sustainability are all vying to become the most accepted and widespread descriptor of the field. At the same time, the concept of corporate social performance (CSP) has become an established umbrella term which embraces both the descriptive and normative aspects of the field, as well as placing an emphasis on all that firms are achieving or accomplishing in the realm of social responsibility policies, practices and results. In the final analysis (Carroll & Shabana, 2010), however, CSR remains a dominant, if not exclusive, term in the academic literature and in business practice. The concept is always evolving though. For instance, the founding of CSR International, an exciting new non-profit organization supporting the transition from what it called the old CSR or CSR 1.0 to the new CSR (Corporate Sustainability & Responsibility) or CSR 2.0 was announced in 2009. Whether CSR 2.0 turns out to be substantially different remains to be seen.

In order to address the relationship between ethics and law and understand the evolution from ethics to law so that practitioners can implement ethical business practices, practitioners must first understand the differences in the foundational gap in theory between ethics and law as it applies to business in practice. In so doing, a review of the foundation of the differences between ethics and law are addressed from a practical stand point. Furthermore, a practical strategy in addressing business law is offered. With that said, the operational definition of ethics used here is that business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed based on the principles, norms, and standards of conduct governing an individual or group. Law, on the other hand, is essentially an institutionalization or codification of ethics into specific social rules, regulations, and proscriptions and represents the minimum acceptable standards of behavior in a society (Tran, 2014a).

CORPORATE SOCIAL RESPONSIBILITY: BACKGROUND AND HISTORY

The roots of CSR certainly extend before World War II. However, it should be noted the coverage in this paper will not go back that far. According to Carroll and Shabana (2010), Bert Spector has argued that the roots of the current social responsibility movement can be traced to the period of 1945-1960; the early years of the Cold War. Spector has argued that Dean Donald K. David[1] and other advocates of expanded notions of CSR used this as a means of aligning business interests with the defense of free-market capitalism against what was then perceived to be the danger of Soviet Communism (Spector, 2008). Dean David exhorted in 1946 to the incoming MBA class at the Harvard Business School that future business executives take heed of the responsibilities that had come to rest on the shoulders of business leaders (Spector, 2008).

In the 1950s, there was some limited discourse about CSR. Frank Abrams, a former executive with Standard Oil Company, New Jersey, introduced concerns about management's broader responsibilities in a complex world (Abrams, 1951) and Howard Rothamnn Bowen published his seminal book, Social Responsibilities of the Business (Bowen, 1953). William C. Fredrick, a noted contributor to the CSR literature, argued that there were three core ideas about CSR that stood out in the 1950s. These included the idea of the manger as public trustee, the balancing of competing claims to corporate resources, and corporate philanthropy (Frederick, 2006). Theodore Levitt closed out the 1950s by warning the business world about the dangers of social responsibility (Levitt, 1958), for according to Tran (2014b), social responsibility programs are like diversity programs. In other words, the dangers of developing and implementing CSR programs is that companies will invest in programs and training to comply with regulations and never experience a return on their investment. There is likewise a concern that a company who invests in CSR programs will have possible gaps in implementing such programs (Tran, 2014b).

In the US, the most important social movements of the 1960s included civil rights, women's rights, consumers' rights and the environmental movement. Thus, the foundation of CSR was being developed by a quickly changing social movement and pressures from others, especially activists, to adopt CSR perspectives, attitudes, practices and policies. As the 1960s transitioned in to the 1970s and beyond, the particular emphasis in the CSR concept evolved primary through the academic contributions in the literature and the slowly emerging realities of business practice. This history and evolution has been treated elsewhere (Carroll, 1999, 2008; Lee, 2008), so only some thematic highlights are touched upon here.

The CSR literature expanded significantly during the 1960s, and it tended to focus on the question of what social responsibility actually meant and its importance to business and society. Keith Davis argued that social responsibility referred to "businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest" (Davis, 1960, p. 70). At the same time, William C. Frederick argued that businesses' resources should also be used for broad social goals (Frederick, 1960, p. 60), and Joseph McGuire posited that social responsibility urges corporations to assume certain responsibilities to society which extended beyond their economic and legal obligations (McGuire, 1963). A later analysis by Patrick Murphy argued that the 1960s and early 1970s were the 'awareness' and 'issue' eras for CSR. This was a period of a changing social paradigm and recognition of overall responsibility, involvement in community affairs, concern about urban decay, correction of racial discrimination, alleviation of pollution, and the continuing philanthropic era in which there was a focus on charitable donations by businesses (Murphy, 1978).

From the 1959s forward, Hay and Gray characterized this period of CSR development as 'Quality of Life Management,' as contrasted with earlier periods, which emphasized profit maximization and trusteeship management (Hay & Gray, 1974). Frederick characterized the 1960s and 1970s as a stage of 'corporate social responsiveness' (Frederick, 2008). Another characteristic of the 1960s was an absence of any coupling of social responsibility with financial performance (Lee, 2008, p. 8). In other words, social responsibility was driven primarily by external, socially conscious motivations, and businesses were not looking for anything specific in return.

Formal definitions of CSR began to proliferate in the 1970s, and the overall trajectory was towards an emphasis on CSP (Carroll, 1999; Sethi, 1975). The 1970s was the decade in which corporate social responsibility, responsiveness, and performance became the center of discussions. Ackermann (1973) and Murray (1976) argued that what was really important was not that companies were assuming a responsibility, but that companies were responding to the social environment. Frederick (1978) formalized this distinction by differentiating corporate social responsibility (CSR_1) from corporate social responsiveness (CSR_2) (Visser, 2011). CSR_1 emphasized companies assuming a socially responsible posture, whereas CSR_2 focused on the literal act of responding or of achieving a responsive posture towards society (Visser, 2011). In the mid-1970s, an emphasis on CSP more clearly emerged. In one aspect, CSP was an attempt to reconcile the importance of both

CSR_1 and CSR_2, but it was also about placing an emphasis on achieving results or emphasizing the outcomes of socially responsible initiatives (Carroll, 1979; Visser, 2011; Wartick & Cochran, 1985; Wood, 1991).

On the CSR front, the 1980s produced fewer new definitions of the concept, more empirical research, and the rise and popularity of alternative themes. These CSR variants included corporate public policy, business ethics and stakeholder theory/management as well as further developments in CSP which arrived on the scene in the 1970s (Carroll, 1999, pp. 285-289). Frederick termed the 1980s as the beginning of the corporate/business ethics stage, wherein the focus became fostering ethical corporate cultures (Frederick, 2008). Research seeking to link CSR with corporate financial performance (CFP) exploded during this decade, and the search for tighter coupling with firm financial performance became the order of the day (Lee, 2008, p. 58). Once could well argue that the search for the business case for CSR begun and came-of-age during this decade, especially for academic researchers.

This trend continued in the 1990s and the quest for CSR accelerated in terms of its global outreach. The 1990s and 2000s became the era of global corporate citizenship (Frederick, 2008). The early 2000s became preoccupied with the Enron Era of scandals, and these headlined the news until 2008, when the Wall Street Financial Scandals Era began wreaking havoc all over the globe and will most likely be at the forefront of concerns for some time (Carroll, 2009). The quest for the business case for CSR certainly became a dominant theme during this period, especially as the business community was seeking to rationalize and legitimize many of its activities. In the early 2000s, the business community became fascinated with the notion of sustainability, or sustainable development, and this theme became an integral part of all CSR discussions.

BUSINESS ETHICS

Concern for ethics and morality in business is a growing phenomenon. There is both theoretical argument and empirical evidence to support the claim that morals and ethics have an impact on conduct in the business world. Despite widespread acknowledgement of the importance of business ethics, many businesses still conduct themselves unethically. Hence, the need to promote the practice of business ethics is paramount, because the benefit for the greater whole outweighs the benefit for individuals.

The term business ethics is used in a lot of different ways. Business ethics is a form of applied ethics (Velentzas & Broni, 2010) that examines ethical principles and moral or ethical problems that arise in a business environment (Solomon, 1991). It applies to all aspects of business conduct (Baumhart, 1968; Ferell, 1997; Ferrell, Fraedrich, & Ferrell, 2012; Singer, 1991) and is relevant to the conduct of individuals and business organizations as a whole (Bernard, 1972; Donaldson, 1982, p. 36). Applied ethics is a field of ethics the deals with ethical questions in many fields such as technical, legal, business and medical ethics (Preston, 1997, p. 6-11).

Business ethics consists of a set of moral principles and values (Jones, Parker, & Bos, 2005, p. 17) that govern the behavior of the organization with respect to what is right and what is wrong (Badiou, 2001; Donaldson & Werhane, 1993; Jansen & von Glinow, 1985; Kubal, Baker, & Coleman, 2006; Seglin, 2003; Sims, 1992). It spells out the basic philosophy and priorities of an organization in concrete terms (French, 1979, 1995). It also contains a delineation of actions prohibited in the workplace (Collier & Esteban, 2007, p. 19; Duska, 1999). It provides a framework on which the organization could be legally governed. With time, certain moral philosophies have helped in the evolution of four basic concepts of ethics. According to Velentzas and Broni (2010), these philosophies are deontologism, relativism, egoism, and utilitarianism.

Business ethics is the behavior that a business adheres to in its daily dealings with the world (Borgerson & Schroeder, 2008). The ethics of a particular business can be diverse (Solomon, 1983). They apply not only to how the business interacts with the world at large, but also to their one-on-one dealings with a single customer (Solomon, 1991). Many businesses have gained a bad reputation just by being in business [(Carr, 1968) i.e. from abortion clinics and marijuana dispensaries, to massage parlors (with adult services)]. To some people, businesses are interested in making money, and that is the bottom line (Solomon, 1983). This could be called capitalism in its purest form (Antoniou, 2008). Making money is not wrong in itself. It is the manner in which some businesses conduct themselves that brings up the question of ethical behavior [(Maitland, 1994) i.e. from restaurants that utilize questionable (expired or unsanitary) inventories to companies utilizing sweetshops in foreign (third world) countries].

Business ethics can be both normative and a descriptive discipline (Abrams, 1954). As a corporate practice and a career specialization, the field is primarily normative. In academic research descriptive approaches are also taken. The range and quantity of business ethical issues reflects the degree to which business is perceived to be at odds with non-economic social values. Historically, interest in business ethics accelerated dramatically during the 1980s and 1900s, both within major corporations and within academia (Cory, 2005, p. 11).

Business Ethics: Background and History

The term business ethics usually refers to the idea of applying society's ethical norms to business dealings. The origin of this concept goes back a long way—some say as far back as to early philosophers such as Aristotle or to the origins of biblical doctrines, with their prohibitions against theft and other immoral actions (DeGeorge, 2005; O'Toole, 2002). Others believe business ethics is better traced to the middle Ages and to works by Dominican friars (Wren, 2000), particularly the Mendicant Friars Minor (Nider, 1966, p. 5), led by Francis of Assisi. The *De Contractibus Mercatorum* examined business ethics as it was derived from "attempts to reconcile biblical precepts, canon law, civil law, the teachings of the Church Fathers, and the writings of early philosophers with the realities of expanding economic activity" (Wren, 2000, p. 109). For example, McMahon (1991, pp. 211-222) traced the "just price" doctrine and usury through history to St. Thomas Aquinas to illustrate that there was something on the subject of business ethics between Aristotle and Max Weber (Nider, 1966). Perhaps befitting Nider's calling as a friar, the ethical principles Nider preached was *vaveat venditor*, which is the opposite of today's more commonly used *caveat emptor*. Nider was one of several thinkers during this time period exploring ethical issues.

It can be argued that the next great flowering of ideas about ethics occurred in the 17th and 18th centuries with the rise of philosophers such as Immanual Kant. Kant posited the categorical imperative theory, which stated that moral law is product of reason and must be obeyed out of respect for that reason (Catholic, 2003). Another important figure was Adam Smith, author of *An Inquiry into the Nature and Causes of the Wealth of Nations*, who is well known for his invisible hand theory of economics and is seen by many as the father of modern economics. Smith is celebrated by those who argue that businesses should be left alone to pursue profits. But Smith was also a moral philosopher and did not believe that the realms of economics and morality are separate (DeGeorge, 2005).

Then there was consequentialism, developed by such thinkers as Jeremy Bentham, William Godwin, and John Stuart Mill. Consequentialism says that it is the results of an act—or of something related to the action—that determines whether it is morally right (Zalta, 2013). In the 1800s, philosopher Karl Marx wrote his influential and radical works critiquing capitalism. "Marx's critique in one form or another continues up to today, even when not attributed to Marx," writes Richard T. DeGeorge (2005), Co-Director of the International Center for Ethics in Business at the University of Kansas. In response to Marx's works, various thinkers have worked to show how ethical labor practices are possible under a capitalist system.

Even while the ideas and philosophy behind ethics evolved in the West, explorers were discovering new geographic territories leading to new ideas, and governments were seeking ways to capitalize on those discoveries. Businesses evolved and new ethical challenges emerged. In the 17th century, for example, England offered monopolistic charters to businesses, such as the East India Company and the Massachusetts Bay Company, to encourage settlement. The idea was that colonies would serve as sources of raw materials and markets for English exports. Some experts argue that the subsequent American Revolution was more than just a revolt against English rule; it was a struggle to be independent of royal-charted companies (Macauley, 2004).

Raymond Baumhart's (1961, 1963, 1968) groundbreaking studies in the 1960s are generally understood to be early contributions to business ethics. Richard DeGeorge (2005) dates academic business ethics to the 1970s, identifying Baumhart as a forerunner to a self-conscious academic business ethics. Prominent contemporary business ethicist Norman Bowie (Velentzas & Broni, 2010) dates the field's first academic conference to 1974. Although academic instruction explicitly devoted to the relationship between ethics and commerce can be found in U.S. business schools as early as the first three decades of the 20th century, particularly in Catholic colleges and universities, creation of academic positions dedicated explicitly to business ethics in U.S. business schools tracks closely waves of corporate scandal from the 1980s to the present (DeGeorge, 2005).

Academic business ethicists address questions that range across the functional areas of business, giving rise to various recognized specialties in business ethics (i.e., marketing ethics, finance ethics, accounting ethics). But despite the wide range of questions pursued, the bulk of the academic literature and discussion is focused more closely on, and much of the function-specific work is connected closely to, the largely corporation whose ownership shares are traded on public exchanges. In this broad sense ethics in business is simply the application of everyday moral or ethical norms to business (Bennett, 2003; Boylan, 1995). Perhaps the example from the Bible that comes to mind most readily is the Ten Commandments, a guide that is still used by many today (DeGeorge, 2005). In particular, the injunctions to truthfulness and honesty or the prohibition against theft and envy are directly applicable. A notion of stewardship can be found in the Bible as well as many other notions that can be and have been applied to business. Other traditions and religions have comparable sacred or ancient texts that have guided people's actions in all realms, including business, for centuries, and still do.

In the West, after the fall of Rome, Christianity held sway, and although there were various discussions of poverty and wealth, ownership and property, there is no systematic discussion of business except in the context of justice and honesty in buying and selling. Marx claimed that capitalism was built on the exploitation of labor. Marx's claim is based on his analysis of the labor theory of value, according to which all economic value comes from human labor (Marx, 1867). The only commodity not sold at its real value, according to Marx, is human labor. Marx's notion of exploitation was developed by Lenin in Imperialism (Lenin, 1917). The Highest Stage of Capitalism, Marx claims, is that the exploitation of workers in the developed countries has been lessened and the workers' conditions have improved because the worst exploitation has been exported to the colonies. Marx's criticism has been adapted by many contemporary critics who claim that multinational corporations derive their profits from the exploitation of workers in less developed countries (DeGeorge, 2005).

The idea of ethics in business continues until the present day. In general, in the United States (Darcy, 1999), this focuses on the moral or ethical actions of individuals. It is in this sense also that many people, in discussing business ethics, immediately raise examples of immoral or unethical activity by individuals. Included with this notion, however, is also the criticism of multinational corporations that use child labor or pay pitifully low wages to employees in less developed countries or who utilize suppliers that run sweat shops. Many business persons are strongly influenced by their religious beliefs and the ethical norms that they have been taught as part of their religion, and apply these norms in their business activities. This strand of the story is perhaps the most prominent in the thinking of the ordinary person when they hear the term business ethics. The media carries stories about Enron officials acting unethically (Dembinski, Lager, Cornford, & Bonvin, 2006; Elliott & Schroth, 2002) and about the unethical activities of Arthur Andersen or WorldCom (Cook & Cook, 2005) and so on, and the general public takes this as representative of business ethics, or more particularly the need for ethics in business (Sethi, 1995).

Business Ethics: Moral Responsibility

Morality indicates what ought to be done and what ought not to be done. The acceptance of what ought to be done and what ought not to be done is not static. It can be asserted that the moral requirements define what is right and what is wrong. We should also recognize that some practices considered unacceptable by our predecessors are now widely recognized as acceptable, illustrating that what is considered morally required or prohibited within a society can change. In this regard, there may well continue to be moral progress. It can be stated that it is important to view moral requirements with a sense of objectivity and to provide a reasoned basis for condemning practices that are morally unacceptable as well as morally acceptable.

Morality then, is part of ethics and moral thinking is a subset of ethical judgments (Kupperman, 1983). In business, if leaders are sensitive to the practice of ethics, then they must have moral standards (Jackling, Cooper, Leung, & Dellaportas, 2007). Moral standards are the basis of ethical conduct. Ethical conduct in business can be considered as that which is consistent with the principles and standards of business practice that have been accepted by society (Trevino & Nelson, 2004). There is much evidence to suggest that businesses can be motivated by ethics because it is the right thing to do in the interest of the welfare of society or they may be interested in being ethical to avoid punishment, in which case their moral reasoning is guided by protecting their own interests.

Lawrence Kohlberg developed a theory of progressive moral development represented in six stages that has since become the basis for much of the literature surrounding moral development (Dorasamy, 2010). Kohlberg's theory of moral development states that as people progress through the three levels of moral development, their capacity to understand the concept of morality and eventually to be able to apply ethical reasoning through appreciation and conformity with the moral values and norms of society to the potential for questioning on ethical grounds of organizational purposes and activity. As such, three theories of moral responsibility particularly relevant to business practice have been propounded by Western moral philosophers:

1. Deontology,
2. Utilitarianism, and
3. Social contract.

Deontological theory is founded upon concepts of duty which serve as guidelines to moral behavior. Utilitarian theory is outcome-oriented. Social contract theory is concerned with specific procedures or principles for allocating wealth, rights and responsibilities among the members of society.

BUSINESS (CORPORATE) LAW

The history of corporate law is an unfinished story of convergence in two parts. The more important part ended more than a hundred years ago, when the corporation displaced other entities as the principal legal entity of large-scale enterprise in advanced jurisdictions. At the start of the nineteenth century, there were no general corporation statutes anywhere; by its end, the corporation was the dominant mode of organizing large firms throughout North America and Europe. Of course, jurisdictions differed, then as now, in the fine structure of their corporate laws as well as in their corporate governance practices, financing techniques, and reliance on capital markets. These differences persisted—and, in some cases, grew more pronounced—during much of the twentieth century.

Over the past two decades, however, the centripetal tendencies at work in corporate governance have reversed, and the second part of the story has begun. Powerful new pressures are pushing corporate law into another phase of convergence. Chief among these pressures is a widespread acceptance of a shareholder-centered ideology of corporate law among international business, government, and legal elites. There is no longer any serious competitor to the view that corporate law should principally strive to increase long-term shareholder value. This emerging consensus has already profoundly affected corporate governance practices throughout the world; its influence increasingly conditions the reform of corporate law as well.

Corporations in America: Their Legal Character

America had no history of companies, according to Vasudev (2010), as private arrangements in the common law. This was unlike the case in Britain. In America, there were only corporations created by a charter—earlier under individual legislative act orr by a process of incorporation under statutes. Often, the terms 'company' and 'corporation' are used interchangeably to refer to the legal entities that engage in business activities. The two, however, have distinctive meanings in law. The term 'company' has been used consistently in the United Kingdom and other countries in the British Commonwealth such as India and New Zealand. The term 'corporation,' on the other hand, has been generally applied in American law. The characters of companies and corporations are distinctive and the use of the respective terms in Britain and America was not an accident. It was shaped by history. Equally important, the doctrinal differences between the two—companies and corporations—influenced the way in which corporate enterprises were regulated over time.

Historically, the term company had a literal meaning; it meant a group of individuals who had come together for a common purpose—in this context, contributing risk capital for joint business activity. The term 'joint-stock company' is descriptive. It refers to a group of individuals who pool their stock-in-trade or capital stock which would become their joint-stock and this group of individuals, in the collective, would be a company (Berle & Means, 1968; Gower, Kenneth William Wedderburn Weddervurn of Charlton, & Weaver, 1969). Companies are, in simple terms, their shareholders in the aggregate. This understanding is the foundation of a number of key concepts such as the ownership of companies by the shareholders, the shareholder primacy principle and the tendency to use the principal-agent idiom in describing the relationship between the shareholders and corporate directors and managers.

Britain had a history of large unincorporated associations, usually styled as companies, at least since the 17th century (Gower, Kenneth William Wedderburn Weddervurn of Charlton, & Weaver, 1969). These companies existed as private arrangements in the common law. They were usually created under documents with titles such as 'deeds of co-partnery' or 'deeds of settlement' and issued shares which were traded in the stock market (Gross, 2009). The position is different with corporations. Historically, corporations were entities created by law, and had predefined terms of reference (Gross, 2009). This position was clearly reflected by Lord Mansfield in *Kirk v. Nowill and Butler* (1986):

A corporation in the definition of it is a creature of the Crown created by letter patent… Those corporations which are created by Act of Parliament have no other additional powers incident to them than those [sic] have which are created by Charter unless they be expressly given (Du Bois, 1938, p. 522).

Corporations in the American colonies, later the United States, were based on the same principle. In an echo of Lord Mansfield, cited above, Chief Justice Marshall famously ruled in *Trustees of Dartmouth College v. Woodward* (1819):

A corporation is an artificial being, invisible, intangible, and existing only in contemplation of law. Being the mere creature of law, it possesses only those properties which the charter of its creation confers upon it, either expressly, or as incidental to its very existence. These are such as are supposed best calculated to effect the object for which it was created.[2]

In this framework, it is only by operation of law that corporations would come into existence. Consistence with this, all American corporations were created under legislative charters. Unlike in the UK, joint-stock companies as arrangements in the common law, without any enabling role of the state, were unknown in America (Davis, 2008).

Joseph Davis noted that early American corporations fell into three major groups: public, private, and commercial (Rawls, 1999), also known as for-profit, not-for-profit, or for charitable purposes (McBridge, 2011). The public corporations were mostly established for the local administration of cities and boroughs, and the private ones were meant for religious and charitable purposes. The commercial corporations, which would later become business corporations, had a business element in them. Their major function was pooling of capital for project that required substantial investments—mainly, turnpikes, canals and the like. An element of public interest was implicit in the commercial corporations, and efforts were made to balance the commercial element in them with their service or utility function (Vasudev, 2010). It was not always so:

The word [corporation] refers to any association of individuals bound together into a corpus, a body sharing a common purpose in a common name. In the past, that purpose had usually been communal or religious; boroughs, guilds, monasteries, and bishoprics were the earliest European manifestations of the corporate form. They all owed their existence, and the privileges stemming from a corporate charter, to an act of a sovereign authority. It was assumed, as it is still in nonprofit corporations, that the corporate body earned its charter by serving the public good. The same thinking applied in the shattering of joint-stock companies in the age of exploration and colonization (Easterbrook, 2009; Posner, 2011, p. 97-99; Stiglitz, 2010, p. 151-155)

In conception, corporations are simple, precise and specific. They are legal entities created for limited purposes. Corporations come into existence under their constituent statutes and function according to the terms of the statutes (Hessen, 1978). This basic fact is valid to the present despite a number of developments, such as the idea that corporations are merely groupings of their shareholders or that they are equivalent to natural persons (Horwitz, 1985; Millon, 1990). The character of corporations as creatures of statutes was vital in defining the regulatory regime applied to them.

Corporations to the 1840s

In the decades before the Revolutionary War (1773-1787) corporations were hardly significant in the American colonies that later became United States. There was a change in the trend after the establishment of the republic, more so in the 1800s. Post Revolution, quite a few corporations were chartered, and the 19th century saw further increases in their numbers. In this period, incorporation could only be obtained through special charter granted by the legislatures. It was clearly understood as a privilege to be granted by the state in its discretion (McBridge, 2011).

Corporations in the New Republic

The new republic started with reservations about encouraging corporations. Given the history of the American Revolution the concerns were, understandably, about corporate power, which was perceived as being opposed to the ideal of individual liberty. The first signs of resistance were seen in the deliberations in the Continental Congress about the legislative jurisdiction for incorporation.

The Rise of the Corporate Form

By the end of the nineteenth century, the law of business corporations had already achieved a remarkable degree of worldwide convergence. By that time, new large-scale enterprises in every major commercial jurisdiction had come to select the corporate form, and the core functional features of that form were essentially identical across these jurisdictions. Those features, which continue to define the form today, are:

1. Full legal personality, including well-defined authority to bind the firm o contracts and to bond those contracts with assets that are the property of the firm, as distinct from the firm's owners (Hansmann & Kraakman, 2001);
2. Limited liability for owners and managers;
3. Shared ownership by investors of capital;
4. Delegated management under a board structure; and
5. Transferable shares.

These core characteristics, both individually and in combination, offer important efficiencies in organizing the large firms that have come to dominate developed market economics (Hansmann, 1996; Kraakman, Davies, Hansmann, Hertig, Hopt, Kanda, & Rock, 2004). What is important to note here is that, while those characteristics and their associated efficiencies are now commonly taken for granted, prior to the beginning of the nineteenth century there existed only a handful of specially chartered companies that combined all five of these characteristics. New York introduced the world's first general corporation statute in 1811. The joint stock company with tradable shares was not made generally available for business activities in England until

1844, and limited liability was not added to the form until 1855 (Blumberg, 1987, pp. 9-20). By around 1900, however, every major commercial jurisdiction appears to have provided for at least one standard-form legal entity with the five characteristics listed above as the default rules, and this remained the case ever since. Thus, there was already strong convergence a century ago on the basic elements of the law of business corporations. It is, in general, only in the more detailed structure of corporate law that jurisdictions have varied significantly since then.

The five basic characteristics of the corporate form provide, by their nature, for a firm that is strongly responsive to shareholder interests. They do not, however, necessarily dictate how the interests of other participants in the firm—such as employees, creditors, other suppliers, customers, or society at large—will be accommodated. Nor do they dictate the way in which conflicts of interest among shareholders—will be resolved. The issues have been foci of experimentation and debate throughout most of the last century. At the start of the twenty-first century it is coming to a close.

Legal Innovation and Propositions

According to Pistor, Keinan, Kleinheisterkamp, and West (2003), Hayek (1973) emphasizes the importance of legal evolution and change and points out that judge-made law is evolutionary by nature, such that a judge-made law is a law rooted in a judiciary decision, not an act of legislation made by lawmakers or a regulation created by a government agency with the legal authority to do so (wiseGEEK, 2014). Statutory law enacted by legislatures may be swifter at times and may serve to correct judge-made law, but statutory law may also be used to restrict innovation and to infringe on individual liberties. Several authors argue that the common law is efficient, because the process of lawmaking by judges on a case-by-case basis lends itself to efficient rule selection (Priest, 1977; Rubin, 1977). Thus, a comparative legal analysis emphasizes the differences between code and case law in bringing about legal change (Merryman, 1985; Merryman, 1996; Zweigert & Kotz, 1998). Building on this literature, Beck, Demirgue-Kunt, and Levin (2003) use case law, defined as a dummy variable that indicates whether judicial decisions are a source of law, in addition to requirements that statutory law rather than principles of equity are a basis for court ruling as proxies for the adaptability of legal systems.

Given the importance of statutory corporate law in all jurisdictions, the simple distinction between case law and statutory law is unlikely to capture major differences across legal families. Therefore, Pistor et al. (2003) classify corporate laws on the continuum from mandatory to enabling corporate law following Coffee (1989) and Gordon (1989). Mandatory law means that private agents may not opt out of the allocation of control rights prescribed in the statutory law. By contrast, an enabling law makes most of the statutory provisions optional and allows parties to reallocate control rights. The classification of a corporate law as enabling or mandatory has important implications for the relevance of judge-made law. When law is mandatory, judges may be called upon to enforce these rules, but they have comparatively little lawmaking functions because the mandatory nature of the law implies that these functions are reserved for the legislature. When law is enabling or optional, judges play an important role in determining the boundaries of the permissible reallocation of control rights and in settling disputes among private actors with different claims to control rights.

This classification allows businesses to distinguish between legal systems that belong to the same legal family. In particular, Pistor et al. (2003) show that there are important differences within the common law family in the mandatory vs. enabling dimension. The law in Delaware, which is the leading jurisdiction for corporate law within the U.S., represents a highly enabling corporate law. However, England, as well as Malaysia and

Israel, is located somewhere in the middle of a continuum form mandatory to enabling law. A highly mandatory corporate law limits the ability of private actors to reallocate rights and also limits the scope of judge-made law. The lack of private innovation and judge-made law may also affect adversely the rate of statutory legal change. This may be somewhat counterintuitive because statutory legal change can serve to implement radical legal change immediately. However, to the extent that statutory law limits the ability of private actors to experiment with new legal forms and restricts the courts' ability to review these experiments, it limits the source of legal innovation to the legislature. Kaplow (1997) argues that legislatures can collect relevant information that would allow them to assess the demand for legal change. From this perspective, limiting the source of innovation to the legislature may not impede innovation. However, litigation may be superior to survey work in revealing critical information that may prompt a reversal in case law or an intervention by the legislature.

Conversely, a highly enabling law that gives private actors substantial discretion in allocating and reallocating control rights among themselves requires an effective neutral arbiter to resolve disputes among competing claims. The more innovations by private actors, the more difficult it is for courts to keep up with the pace of change and the more likely it is that legal systems will suffer from deterrence failure (Xu & Pistor, 2002). Therefore, highly enabling laws governing the corporate enterprise may result in market collapse, unless the legal system has sufficient capacity to create new institutions to make up for the deficiencies in law enforcement. Put differently, a highly enabling law provides a fertile ground for legal innovation. Unless a legal system proves capable of responding to the new challenges arising from legal innovations, this strategy may be self-defeating.

THE EVOLUTION OF BUSINESS ETHICS AND LAW IN THE UNITED STATES

To understand business ethics and law in the United States today and in years to come requires that we look at the early years of the United States. Historically, business ethics and law are far from being simple subjects. They are vast and complex, and need to be examined in chronological order before we can look clearly at events today and in the future. In the early years of the United States, corporations were usually given state charters that held the organizations and officers to strict rules that included full liability, full disclosure of documents, the performance of a public purpose, and a limited life span. Corporations were also barred from making political contributions. But as the new country struggled with England and France in the early 1800s, President Thomas Jefferson imposed embargoes on goods from those nations. Americans created companies to replace embargoed products. These new corporations were no longer simply vehicles for providing public services but were geared toward making money for the individuals who formed them (Macauley, 2004).

After the Civil War, the country expanded westward and the Industrial revolution kicked into high gear. The robber baron business owners created huge enterprises—some of them monopolies—and gained much political clout. In response, the U.S. Congress began passing some of the first laws designed to regulate the behavior of corporations. Those included the National Banking Act, the Tariff Act and the Homestead Pacific Act (American Management Association/Human Resource Institute, 2006). To evade these, some corporations formed cartels and trusts with the goal of earning large profits by charging high prices and squeezing out the competition. Public outcry resulted in the Sherman Antitrust Act of 1890. Other laws were to follow as corporations began to be run by managers rather than by individuals (Macauley, 2004).

Then-President Woodrow Wilson suggested in a 1910 speech before the American Bar Association that the government had a role to play in regulating business behavior. Some thinkers argued that true business competition and market pressures are needed to force companies into more ethical behavior, so there was a drive toward trust-busting (Witzel, 2002). This zeal eventually waned, however, as in 1932 one-half of all corporate wealth was held by just 200 companies, according to a study by Adolph Berle and Gardiner Means (Macauley, 2004). In addition to laws intended to mandate more ethical business behavior, the 20th century also saw the creation of the first codes of conduct for businesses. For example, department store founder and pioneer of social responsibility Edward Filene's personal code of ethics came from two standards: "A business, in order to have the right to succeed, must be of real service to the community" and "real service in business consists in making or selling merchandise of reliable quality for the lowest possible practicable price, provided that merchandise is made and sold under just conditions" (American Management Association/Human Resource Institute, 2006, pp. xi-xii; Witzel, 2002).

In the U.S., business ethics concerns were tied to labor conditions, as well as to worries about monopolies. Among the most important laws were the Fair Labor Standards Act of 1938 and subsequent amendments, the Equal Pay Act, the Civil Rights Act of 1964, and the Age Discrimination in Employment Act in 1968 (Brown, 2005). In the 1950s and 1960s, there were once again public outcries for more oversight of corporations, and this resulted in antitrust actions (American Management Association/Human Resource Institute, 2006). The 1960s also saw a new movement arise as large corporations began replacing mom-and-pop operations. Some groups looked at those corporations and questioned their impact on the environment, employees, and society itself. Partly in self-defense, the companies developed the notion of corporate social responsibility. The post- World War II era also saw the rise of the idea that business ethics could and should be taught to students. Indeed, by the 1970s, business ethics had become a full-blown course in many business schools (DeGeorge, 2005).

Meanwhile, businesses became more interested in developing internal structures to encourage employees to act ethically even as markets became more global in nature. The concept of business ethics gained real strength, Professor DeGeorge says, in 1977 after a series of scandals involving foreign bribery (American Management Association/Human Resource Institute, 2006). By 2002, a white paper entitled *Corporate Governance: The New Strategic Imperative* reported that the majority of international executives in surveyed organizations said their companies have a code of ethics in place. Still, the scandals have continued over the past three decades.

The 1980s saw an era of junk bonds and corporate raiders, and some of the events and policies of the 1990s set the stage for the scandals that emerged as the 21st century dawned. These notorious scandals at corporations such as Enron made many believe that companies needed greater oversight at the corporate governance level. This prompted Congress to pass tougher new laws such as the Sarbanes-Oxley Act and to provide the Securities and Exchange Commission with more funding designed to increase oversight and toughen enforcement (Macauley, 2004; Robertson & Fadil, 1999, pp. 385-392; Salehi, Saeidinia, & Aghaei, 2012). Nonetheless, recent studies indicate that new legislation is not silver bullet. It may do something to inhibit, but will not prevent, ethical misconduct among businesses. As for the future, the globalization of the marketplace, the emergence of new business models, and the continuing influx of new technologies will create new ethics challenges. Therefore, business people will be obligated to give much attention to the subject of business ethics in coming decades.

RECOMMENDATION

In 2005, Citigroup responded to a series of legal mishaps, ranging from internal-control violations that prompted Japanese regulators to close its private banking unit in Japan (Hovanesian, Dwyer, & Reed, 2004) to alleged securities fraud that resulted in its agreement to pay $2.6 billion to former WorldCom shareholders (Steffy, 2004), by instituting a mandatory online ethics course for all of its 300,000 employees (Nolan, 2005). Similarly, a number of U.S. business schools added new courses and materials on ethics to their curricula (Garten, 2005) after the collapse of Enron Corporation, Adelphia Communications and other high-flyers, the criminal conviction and imprisonment of high-profile executives once canonized as innovators and visionaries, and the payment of record fines by companies ranging from TAP Pharmaceuticals to ten investment banks. A 2005 survey of 91 business schools revealed, according to Bagley, Clarkson, and Power (2006), almost a 60% increase since 2001 in the percentage of business schools requiring at least one course in ethics, corporate social responsibility, business and society, or sustainability—fully 54% require such a course (Pulley, 2005). Christiansen and Peirce (2006) findings, on the other hand, suggest that when it comes to making ethics, CSR, and sustainability courses mandatory, 84% of the schools that responded require students to take courses that address one or all of these topics. This finding is interesting in that it indicates that the majority of top schools have made one or more of these topics non-negotiable elements of their curriculum. It many also be interesting to note that the breakdown of schools that require that students take one topic versus the others (see Appendix).

According to Christiansen and Peirce (2006), of the 44 responding schools, 11 reported that their institutions require MBA students to study ethics through a stand-alone course, representing 25% of the respondents. Respondents from some schools reported that they require ethics to be taught in combination with other topics. The most frequently cited combinations were ethics, CSR, and sustainability taught together in one required course (27%); ethics and CSR taught together in a required course (16%); and ethics and leadership (9%) taught together in a required course. Overall, these findings suggest that the most prevalent way ethics is addressed as part of a required curriculum is either:

1. Labeled as a stand-alone topic (25% of the responding schools reported this), or
2. Taught in combination with CSR and sustainability (27% of the responding schools reported this).

Meanwhile, scholars and practitioners continue to debate whether ethics can be taught at all (Williams & Dewett, 2005). A majority of the ethics officers surveyed by the Conference Board indicated their belief that ethics training would not have prevented the massive wrongdoing at Enron or WorldCom (Taub, 2002). Even scholars who conclude that ethics can be taught recognize that "additional research is needed to determine how best to teach ethics in the business school" (Williams & Dewett, 2005, p. 109). The increased emphasis on teaching business ethics is both predictable and surprising. Ethical lapses certainly can escalate into legal violations. Thus, Lynn Sharp Paine may be correct in arguing that the best way to ensure legal compliance is to create a culture of organizational integrity (Paine, 1994). But ethical breaches alone do not result in criminal convictions, fines, or imprisonment. Violations of law do. Ken Lay and Jeff Skilling of Enron and Dennis Kozlowski of Tyco were convicted of multiple counts of violating the law, not of just being unethical.

Ultimately, organizations want employees to play by the rules to avoid sanctions for illegal behavior, to attain legitimacy (DiMaggio & Powell, 1983), and to comply with the organization's own ethical standards. Even employees with a low level of moral reasoning (Kohlberg, 1984; Weber, Kurke & Pentico, 2003) may respond to exogenous factors, such as the likelihood of getting caught and going to jail, as a matter of enlightened self-interest. As such, the author would argue with several legal scholars, including Prentice (2002), that what today's business students need is not more ethics but more law. As of 2005, only three top[3] (Wharton, Michigan, and the University of Texas at Austin) twenty graduate schools of business required a law course. In contrast, in 1959, when Robert Aaron Gordon and James Edwin Howell authored the influential Ford Foundation report *Higher Education for Business* (Gordon & Howell, 1959), every top business school required at least one course in business law.

CONCLUSION

Law and business are part of the broader system of society (Bagley, 2005; Preston & Post, 1975). Failure to meet society's expectations of appropriate behavior or to treat stakeholders fairly (Jensen, 2001) can jeopardize a firm's ability to compete effectively. Corporations are legal artifacts (Cragg, 2002, p. 126) that rely on legislative action for their very existence. Historically, corporations were granted charters and limited liability only when private funds were needed to finance quasi-public functions, such as bridges and banks (Bagley & Page, 1999). Notwithstanding the frequent incantation in the ethics literature that managers have a fiduciary duty to "exercise their responsibility with the exclusive financial interests of the company's shareholders in mind" (Cragg, 2002, p. 114) that is simply not how the courts have interpreted the law.

Law helps shape the competitive environment and affects each of the five forces that Porter (1996) identified as determined the attractiveness of an industry: buyer power, supplier power, the competitive threat posed by current rivals, the availability of substitutes, and the threat of new entrants (Shell, 2004). Law also affects the internal context of the firm, that is, its resources (Barney, 1991) and capabilities (Teece, Pisano, & Shuen, 1997), including the way the firm is organized. In particular, law affects:

1. The allocation of firm resources among stakeholders;
2. The environment in which resources are converted into products;
3. The marshaling of human resources;
4. The marshaling of physical capital; and
5. The uniqueness of resources.

Failure to comply with the law can result in the loss of resources, such as cash paid out as fines and damages or lost business, and place the firm at a competitive disadvantage (Baucus & Baucus, 1997). Compliance is path dependent—firms that violate the law once are more likely to violate the law again (Baucus & Near, 1991). On the upside, effective use of the law can help firms protect and leverage the firm's valuable resources (Bagley, 2005).

Given the public law, the competitive environment of the industry, and the firm's resources and capabilities, the legally astute manager can use a variety of legal tools to assess opportunities, to define the firm's value proposition, and to select and perform the activities in the value chain. Law is not static, however, for public laws will change in response to corporate lobbying, firm action, and societal demands. The passage of the Sarbanes-Oxley Act of 2002, in response to widespread financial fraud, and the Foreign Corrupt Practices Act of 1978, in response to government bribes by multiple firms, are just two examples of this. As a result, "anticipating, understanding, evaluating, and responding to public policy developments within the host environment" is a critical managerial task (Preston & Post, 1975, p. 4).

Moreover, law is rarely applied in a vacuum and legal inference is often ambiguous (Langevoort & Rasmussen, 1997). Especially in common law jurisdictions, such as the United States and England, the application of legal rules to a given set of facts is often not clear-cut. As U.S Supreme Court Justice Oliver Wendell Homes (1897) explained, legal advice is often just a prediction of what a judge or jury will do in as future case. Furthermore, the distinctions that certain scholars make between legalistic and normative approaches to preventing ethical abuses (Sama & Shoaf, 2005, p. 179) are not as crisp as they may appear on first glance. In fact, "moral and ethical considerations impinge upon most legal questions and may decisively influence how the law will be applied" (American Bar Association, 2002, p. 70).

Business law generally responds to business needs and is shaped by market forces. Since the 1950s, the primary interpreters of those needs and initiators of change have been the committee of the Section[4]. During this period, the overall trend of business law has been toward greater flexibility of structure and greater freedom of contract. In the last decade of the nineteenth century and the early decades of the twentieth century, substantial efforts were made to codify commercial law and make it uniform across the United States. Business law has been made primarily in three places: the legislature, the regulatory agencies, and the law offices. The courts have had a relatively small role in making it, though they have had some role in unmaking it. Accordingly, little will be said about the courts. What goes on in law offices is hard to trace, especially in past periods, so relatively little will be said about that development.

Businesses must take into account all of the laws and regulations that will apply to it, so that they are in compliance. If a business is found not to be in compliance with a law, it could possibly be subject to very heavy fines. U.S. state laws governing corporations try to ensure, among other things, that decisions made by a corporation are made in the interests of the business and its shareholders, rather than the company's management or other third parties. Business law also governs things like social responsibility and responsibility to employees to ensure that the business is not unfairly using or abusing individuals for gain. As such, the following are some areas in which laws and regulations affect businesses: administrative laws, tax laws, laws and regulations regarding protection of consumers and employees, employment antidiscrimination and wage and hour laws, laws intended to protect the environment, and laws intended to protect consumers from fraud.

The rule of law establishes rules that people—and businesses—must follow to avoid being penalized. The rule of law not only allows people to understand what is expected of them in their personal capacities but also sets forth rules for businesses so that they, too, know what is expected of them in their dealings and transactions. In addition, it restrains government and others from infringing on property rights. Should disputes arise, the rule of law provides a peaceful and predictable means by which those disputes can be resolved. The rule of law provides guidance and direction in every area of business, such that, when necessary, we know that we are permitted to file a complaint in the proper court to commence litigation. This expectation is reasonably only because we have a rule of law.

The rule of law also governs contracts between people and between merchants. Under the common law system, certain elements of a contract must exist for the contract to be enforceable. Under the Uniform Commercial Code (UCC)[5], merchants are governed by a separate set of rules that anticipate and allow for flexibility in contractual terms, to facilitate business needs. In the event that terms conflict in an offer and acceptance between merchants, the UCC allows gap fillers to complete the terms of the contact without need for the contract to be rewritten or for formal dispute resolution. Moreover, businesses rely on the rule of law to help them enforce contracts against contractors who fail to perform. Additionally, because we have a rule of law system, employers know the rules of the game regarding their relationship to employees, and employees know the rules with respect to their obligations to employers. Likewise, business partners, members of boards of corporations, and members of limited liability companies all know what is expected of them in their roles vis-à-vis the business and other people within their organizations (Tran, 2014c). When someone does something that is not permitted, there is legal recourse.

The rule of law also protects businesses from government. Since everyone is subject to the rule of law, this means that government itself may not over extended its reach when regulating or investigating businesses. Government must play by the rules too. The rules of law system in the United States sets the rules of the game for doing business. It creates a stable environment where plans can be made, property can be protected, expectations can exist, complaints can be made, and rights can be protected. Violation of the law can result in penalties. The rule of law protects business, protects consumers from harmful business practices, and limits government from engaging in abusive practices against businesses. As such, what today's businesses and business students need is not more ethics, but more laws, because ethical breaches alone do not result in criminal convictions, fines, or imprisonment, but the breach of laws will.

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KEY TERMS AND DEFINITIONS

Applied Ethics: The field of ethics the deals with ethical questions in many fields such as technical, legal, business and medical ethics.

Business Ethics: A form of applied ethics that examines ethical principles and moral or ethical problems that arise in a business environment.

Company: A group of individuals who had come together for a common purpose—in this context, contributing risk capital for joint business activity.

Corporate Social Performance (CSP): Has become an established umbrella term which embraces both the descriptive and normative aspects of the field, as well as placing an emphasis on all that firms are achieving or accomplishing in the realm of social responsibility policies, practices and results.

Corporate Social Responsibility (CSR): Still in popular use even though competing, complementary and overlapping concepts such as corporate citizenship, business ethics, stakeholders management, and sustainability are all vying to become the most accepted and widespread descriptor of the field.

Corporation: Any association of individuals bound together into a corpus, a body sharing a common purpose in a common name.

CSR 2.0: Corporate Sustainability & Responsibility (CSR).

Ethics: The study of issues of right and wrong on the principles, norms, and standards of conduct governing an individual or groups.

Law: Essentially an institutionalization or codification of ethics into specific social rules, regulations, and proscriptions and is the minimum acceptable standards of behavior in a society.

Morality: Indicates what ought to be done and what ought not to be done. Morality then, is part of ethics and moral thinking is a subset of ethical judgments.

ENDNOTES

1. Donald K. David (born 1896) was the third dean of the Harvard Business School, serving from 1942 to 1955. Donald K. David, the Chairman of the Committee for Economic Development (CED), established a national Commission on Money and Credit (CMC), November 21, 1957. The report of the Commission was published in June 1961 and it was subsequently disbanded.
2. 17 U.S. (4 Wheat.) 518 (1819).
3. As rated by Business Week or U.S. News & World Report.
4. The Section was created by the Board of Directors of the State Bar at the Annual Convention in 1953 as a result of the efforts to modernize the then-archaic Texas corporation laws. The section was formally organized in Dallas on March 13, 1954. Paul Carrington was the first Chairman, Dillon Anderson of Houston was the first Vice-Chairman, and George Slover, Jr. was the Security-Treasurer. The firs council of the Section consisted of Mr. Carrington, Mr. Anderson, Rex Baker of Houston, Earl

A. Brown of Dallas, Thomas B. Ramey of Tayler, Hugh B, Smith of Fort Worth, and Lewis of Houston. Initially, the Section had a Membership Committee, an Annual Meeting Committee, a Committee on Revision of Corporation Laws, a Committee on Securities and Investment Banking, a Committee on Antitrust Matters, and a Committee on Unicorporated Business Entities. The Section today is the second largest section of the State Bar. It has over 4,000 members, has 15 working committees, and is governed by a council, often members with four ex-officio members (Bromberg, Egan, Nicewander, & Trotti, 2005).

5 In 1967, Texas thoroughly modernized its commercial law by adopting the 1962 version of the Uniform Commercial Code (UCC). This replaced the Negotiable Instruments Law, the Uniform Stock Transfer, Trust Receipt and Warehouse Receipts Acts, and various chattel mortgage and conditional sales laws. Much of the impetus for the UCC initially came from banks and other lenders, but the impetus for updating the UCC has come from the Commercial Code Committee (Bromberg, Egan, Nicewander, & Trotti, 2005).

6 Appendix is adapted from page 2 of Christiansen, L. J., & Peirce, E. R. (2006). *Teaching ethics, CSR & sustainability: Trends among the top 50 global business schools*. Faculty Article. Kenan-Flagler Business School at the University of North Carolina, Chapel Hill, North Carolina.

APPENDIX

Table 1

Table 1. Schools that require classes in one or more area[6]

			Required Courses					
FT Ranking	School	Ethics	CSR	Sustainability	Ethics and CSR	Leadership (and Ethics)	Ethics, CSR, and Sustainability	Ethics and Other Topic
0	Wharton	√						
2	Harvard				√			
3	Stanford				√			
4	Columbia						√	
5	London Business School						√	
6	University of Chicago					√		
7	NYU: Stern	√						
8	INSEAD	√						
10	MIT: Sloan					√		
13	IESI					√		
14	IMD						√	
15	University of Michigan: Ross	√						
16	UC Berkeley: Haas	√						
17	Northwestern: Kellogg	√						
18	York University: Schulick						√	
21	CEIBS: China	√					√	
22	HEC: Paris						√	
24	RSM Erasmus University						√	
25	University of Toronto: Rotman	√						
26	University of Virginia: Darden	√						
27	ESADA: Spain		√	√				
28	Duke University: Fuqua					√		
29	University of North Carolina: Kenan-Flagler	√						
30	Lancaster Management School: UK						√	
31	University of Western Ontario: Ivey						√	
32	Michigan State: Broad				√			
34	SDA Bocconi: Italy							√

continued on following page

Table 1. Continued

			Required Courses					
FT Ranking	**School**	**Ethics**	**CSR**	**Sustainability**	**Ethics and CSR**	**Leadership (and Ethics)**	**Ethics, CSR, and Sustainability**	**Ethics and Other Topic**
35	University of Cambridge: Judge						√	
36	Georgetown University: McDonough				√			
38	University of Maryland: Smith	√						
39	University of Illinois-Urbana Champaign				√		√	
41	Carnegie Mellon: Tepper							√
42	Penn State: Smeal				√			
44	McGill University				√			
45	BYU: Marriott						√	
47	City University: Cass – UK		√					
50	Boston University							√

Section 2

Business Ethics Education:

Integrating Ethics into the Business Curriculum

This section treats issues of business ethics education. Each chapter deals with issues involving the integration of business ethics into the business school curriculum or best practices in business ethics education and training.

Chapter 8
Ethics for Students Means Knowing and Experiencing:
Multiple Theories, Multiple Frameworks, Multiple Methods in Multiple Courses

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ABSTRACT

There is growing interest in ethics education and the literature is replete with methods for approaching this complex and challenging subject. This chapter reviews the state of ethics education in business programs from infusion across the curriculum to standalone courses, the potential impact it may have on ethical behavior, and outlines several approaches to addressing ethics in the classroom. An instructional module in ethical decision making, grounded in scholarly literature, is presented. The authors discuss implications for practice and suggest utilizing several approaches from multiple perspectives to facilitate the development of ethical thought and action.

INTRODUCTION

"Ethical problems are truly managerial dilemmas, because they represent a conflict between an organization's economic performance (measured by revenues, costs, and profits) and its social performance (stated in terms of obligations to persons both within and outside the organization)" (Hosmer, 1991). The first, called the shareholder or stockholder interest, originally defined by Friedman (1970), is a top priority in business and to some the only priority (Ferguson, et. al., 2011). It is profit maximization. The second, identified by Freeman (1994), includes stakeholders: employees, customers, and suppliers, as well society in general (Murphy, 2011).

Business globalization and recent economic recessions have sent business managers scrambling to maintain economic performance in terms of the stockholder interest. At same time, business

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scandals from Enron and WorldCom to Martha Stewart focused the media spotlight on business schools, demanding that graduates be sent to the workplace with knowledge of and sensitivity for the impact their business decisions have on their stakeholders and a more socially oriented approach to managing ethically.

Indeed, Business schools have increasingly come under fire to help play a more active role in shaping the leaders of the future (Fletcher-Brown et al, 2012). In light of the current environment, it is imperative for educators to incorporate ethical decision-making into their curricula in an effort to help equip future leaders with tools or strategies that can be used to navigate murky areas (Swanson & Fisher, 2008). In addition, the need for ethics instruction has also been supported by external accrediting agencies such as the Association to Advance Collegiate Schools of Business (AACSB) and the Accreditation Council for Business Schools and Programs (ACBSP). Further work by a global initiative consisting of all academic stakeholders of the UN Global Compact (2008) resulted in the Principles of Responsible Management Education.

The extent to which ethics instruction can change moral standards, however, has been debated. Several educators suggest teaching an ethical system of analysis to raise self-awareness rather than teaching, or trying to teach, moral standards which may perhaps change over the course of one's development or vary based on cultural background (Oddo, 1997; McDonald, 2004; Ritter, 2006; Awasthi, 2008; Cagle, Glasgo, & Holmes, 2008). From the multiplicity of published articles about how to teach ethics and in the opinions of many scholars, there clearly is a need for business ethics instruction.

Following a review of the extent literature, Lau (2010) concluded that business ethics instruction did appear to be worthwhile but that design and methodology varied widely between studies. His own study of undergraduates concluded that ethics education was able to enhance students' ethical awareness and moral reasoning. However, in other studies, he noted that no change was found (Ritter, 2006).

This chapter summarizes the literature about ethics instruction, describes ethics instruction modules grounded in the research, and offers several keys to effectively teaching ethics in the business classroom. The instructional method focuses on teaching a system for ethical analysis and awareness development rather than imposing one set of moral standards in an effort to allow for contextual difference, nuance and complexity. A single definition of "ethical leader" is elusive; it varies based on many factors such as culture, religion, location, age, and situation. Using a multidimensional approach to study ethical decision making allows students to investigate alternatives, find common ground, or at least, gain clarity around their own notions of ethical leadership. The next sections of the chapter will discuss when, what, and how to teach ethics. When one considers the first issue, when to teach ethics, three major placements in the curriculum will be discussed: stand-alone single ethics course, ethics units of study integrated into several courses throughout students' years of study, and a combination of these two. Next, concerning what to teach, four ethical frameworks that may form the content of basic ethics instruction will be explained. Finally, suggestions for how to teach ethics by incorporating learning activities that allow students to practice with the content of each framework and then engage in reflection are outlined. These activities include studying scenarios and cases related both to students' personal lives and to business situations related to their coursework. Including student-experience situations adds relevance and helps students to bridge the ethical reasoning gap between their present world and the future workplace.

TEACHING ETHICS

When to Teach Ethics: Single Course or Integration?

Although there has been significant debate about whether ethics should be taught in a single course or integrated in several courses throughout the curriculum, the consensus that is emerging suggests that both methods are necessary for impact (Brinkmann, Sims, & Nelson, 2012; Dzuranin, Shortridge, & Smith, 2013).

Proponents of the single course model assert that it provides a clearer focus, makes a more profound impact on students, and establishes a framework for future decision-making (O'Leary, 2009). The argument for a stand-alone course also highlights the difficulties with the integration model: many professors do not want to teach ethics for fear of imposing their moral judgments on students; they may feel that they lack the background preparation to teach ethics; and they may be concerned about the time an ethics component will take in an already packed curriculum (Oddo, 1997; McDonald, 2004; Moberg, 2006: Cagle, et al, 2008). Floyd, Xu, Atkins, and Caldwell (2013) advocate for the single course, believing that the integrated model may fail because some instructors will not incorporate ethics modules into their courses and that the over-all effect for those who do will result in piecemeal, unorganized coverage of ethics.

May, Luth, and Schwoerer (2013) were able to demonstrate that taking one course made a positive difference in students' confidence in their ability to handle a situation (moral efficacy), increased the relative importance of ethics in their professional lives (moral meaningfulness), and encouraged them to be more courageous in addressing ethical issues even when they are unpopular (moral courage). The course was designed to improve ethical decision making by developing awareness of the importance of ethics; recognizing common ethical issues in management; recommending solutions for ethical dilemmas; identifying organizational influences on ethical behavior; and describing approaches that might be utilized in international settings. In this case, content was presented to an MBA class over the course of eight weeks utilizing a variety of methods such as cases, video clips, interactive lectures, and analysis papers.

Moberg (2006) also supports the standalone course model and asserted that the infusion model of ethics does not adequately cover core theory. The author proposed a schema for upperclass or graduate students that systematically covered normative theories first, organizational context second, and then lastly, applications relating to specific disciplines. He suggested that students would be much more inclined to translate theory into behavior when ethics issues are embedded in the context of the organization's social system, since members of the system rarely act independently. This approach not only presents students with declarative knowledge but also helps formulate tactics for navigating complexities of the organization.

Changes in ethical stance have also been reported in technology mediated coursework, a growing trend in higher education. Chang (2011), using Kohlberg's Cognitive Moral Development Model as the measure, reported that student values related to the use of information technology were positively influenced after they had taken an e-learning course, most notably around privacy and intellectual property issues.

The integration model of ethics education, which favors infusing ethics modules throughout the curriculum, appeared to be the norm in many institutions. McDonald (2004) cited a 2003 study of MBA programs that found that the majority of business schools infused ethics study into several courses. A smaller number combined a standalone course with integration, and fewer than 10% relied on a single course. Yet, interestingly, 64% of *Business Week* readers during that same time period thought ethics should be covered as a separate course for MBA students.

According to O'Leary (2009), most researchers prefer integration because it gives a wider variety of experiences closer to future situations students will encounter in their different professional fields. The limitation lies in the time allotted for ethics instruction which may be as low as 5 hours or 7.5% of a typical course. The stand-alone course model has also been criticized as leaving the false impression that ethics considerations are separate from business decisions and may require hiring an ethicist (McDonald, 2004).

The infusion model however, seems to be losing ground. Litzkey and MacClean (2011), in their study tracking the appearance of ethics courses in the curricula of the top 30 MBA programs from 2004 to 2008, found that the number of standalone courses had risen from 27% to 57% while the use of the infusion method declined from 47% to 27%. To date, the AACSB does not recommend or require a separate course (Brinkmann, Sims, & Nelson, 2012; Rutherford, Parks, Cavazos, & White, 2012). In fact, the organization dropped its required stand-alone course in 1991 and has not reinstated it despite considerable pressures in light of corporate scandals beginning in 2001 (Rutherford, Parks, Cavazos, & White, 2012).

O'Leary (2009) reviewed multiple studies that support ethics education as a stand-alone topic, integrated in courses, or as a combined approach which requires a general ethics course followed by integration in multiple courses via case studies. The conclusion that was offered was that multiple approaches may have more effect on the ethical attitudes of students over time. The combined approach seems to be holding steady as the best choice and more recent findings corroborate this (Dzuranin, Shortridge, & Smith, 2013).

Others support a multi-faceted approach which combines coursework covering ethical theories with applications throughout the curriculum embedded in the context of each discipline (Ritter, 2006). Dzuranin and colleagues (2013), for example, offer a comprehensive approach that includes the provision of specific courses designed to teach theoretical perspectives, develop one's awareness of personal values, and the utilization of a common framework and application guide for decision making. Ethics is also infused throughout the curriculum and is part of a comprehensive assessment process. Ethical behavior is also supported outside of the classroom in various extracurricular activities such as guest speakers, student organizations, and corporate endorsements. Program initiatives are reinforced through faculty development and other mechanisms of administrative support. Results indicate that this approach is making a difference.

What to Teach: The Use of Ethical Frameworks

Four frameworks are commonly used to teach students about the basic nature of ethical thinking: Kohlberg's stages of moral reasoning, a guided question-based approach, the use of business codes, and normative philosophies. All four frameworks could be incorporated into a single course, but any one of the frameworks could also be readily adapted for use as a unit of study in any business-related course. A brief review of each framework follows.

Framework One: Kohlberg's Stages of Moral Reasoning

The Kohlberg model (1984) is the most prevalent mechanism for teaching ethics, according to O'Leary (2009), quite appropriate (Cooper, Leung, Dellaportas, Jackling, & Wong, 2008, & Frank, Ofobike, & Gradisher, 2010), and well documented in terms of reliability and validity (Fletcher-Brown, et.al., 2012).The Kohlberg model, focusing on maturation, encompasses three levels, each consisting of two stages. Explanations may be found in Crain (1985), Chang (2011) and Fletcher-Brown, et.al. (2012).

This model could be utilized within a first-or-second year undergraduate business course or at the beginning of an entire course focused solely on ethics. Students could elevate their awareness by engaging in discussions of their own stages, exploring whether they could advance their stages of reasoning, whether the stages are context-dependent, etc. One must keep in mind, however, that progression to the final stage is rarely achieved, even in later adulthood. The framework is summarized in Table 1.

Framework Two: Guided Questions

A series of questions designed to facilitate ethical reasoning could fit appropriately as a discrete unit within any business course or as a strategy to evaluate several scenarios embedded within a single ethics course. This approach could be combined with the Global Business Standards Codex explained in the third framework discussed later in this section. Two examples are outlined as follows.

Paine (2007), in a *Harvard Business School Note* entitled "Ethics: a Basic Framework," recommends using the questions listed below to evaluate one's decisions about a course of action:

1. Is the action consistent with the actor's basic duties?
2. Does it respect the rights and other legitimate claims of the affected parties?
3. Does it reflect best practice?
4. Is it compatible with the actor's own deeply held commitments? (p. 2)

The author also suggests that three additional questions be considered to correct for self-serving or other biases:

1. **Visibility:** Would I be comfortable if this action were described on the front page of a respected newspaper?
2. **Generality:** Would I be comfortable if everyone in a similar situation did this?
3. **Legacy:** Is this how I'd like my leadership to be remembered? (p. 4)

Another framework developed by Dzuranin and colleagues (2013) utilizes a Decision-making Guide developed by the business faculty for students to use in their study of ethics throughout the curriculum; it is provided as a wallet-sized card to encourage students to consider ethics in their daily lives. The seven step process designed to facilitate effective decision making includes a series of twelve question based tests (p.105):

Table 1. Kohlberg's stages of moral reasoning

Kohlberg's Stages of Moral Reasoning			
Level	**Stage**	**Key Question**	**Relative Age**
Level One Pre-conventional Morality	**Stage 1:** Punishment/ Obedience Orientation **Stage 2:** Instrumental Relativist Orientation	How can I avoid punishment? What's in it for me?	Pre-teens
Level Two Conventional Morality	**Stage 3:** Good Boy/Nice Girl Orientation **Stage 4:** Law/Order Orientation	What's socially acceptable? Is it legal?	Teens Up to middle age
Level Three Post-conventional Morality	**Stage 5:** Social Contract Orientation **Stage 6:** Universal Ethical Principle Orientation	What's best for the most? What's best for all?	After middle age Rare

Step 1: Determine the facts and state the problem.
Step 2: Identify the stakeholders.
Step 3: Identify relevant factors.
Step 4: Develop a list of 3-5 options.
Step 5: Assess options using various "tests."

- **Harm Test:** Does this option do less harm than the alternatives?
- **Legal Test:** Is this option legal?
- **Precedence Test:** Does this option set precedence, which, while the outcome in this fact pattern in not problematic, this option under another fact pattern could cause a dramatically different outcome?
- **Publicity Test:** Would I want my choice of this option published in the newspaper?
- **Defensibility Test:** Could I defend my choice of this option before a Congressional committee or a jury of my peers?
- **Mom Test:** What would my Mom say if she learned of this option?
- **Reversibility or "Golden Rule" Test:** Would I still think the choice of this option good if I were one of those adversely affected by it? How would I want to be treated?
- **Virtues Test:** What would I become if I choose this option?
- **Professional Test:** What might my profession's ethics committee say about this option?
- **Peer or Colleague Test:** What do my peers or colleagues say when I describe my problem and suggest this option as my solution?
- **"How Does It Make Me Feel?" Test:** This is your conscience. How does this option make you feel physically or emotionally? Are you able to sleep?
- **Organization Test:** What does the organization's ethics officer or legal counsel say about this?

Step 6: Make a tentative choice.
Step 7: Review steps 1-6.

The strength of the checklist approach is that the very process of answering each question establishes a framework for decision making without requiring much advanced instruction. It therefore could be used frequently in courses with limited instructional time available for ethics study to encourage students to continuously and routinely consider the ethical dimensions when problem solving. One could easily apply this sequence when evaluating decisional alternatives related to finance, management, leadership, marketing and advertising, quality management, product safety and liability, human resource management, etc. To add more relevance, the students themselves could be requested to reflect upon one of their own decisions they have made in the past or apply the framework to current struggles in their lives.

Framework Three: Business Code of Ethics

The third model is based on the utilization of a business code of ethics. After an extensive study of national and international legal, business, regulatory, and academic codes of ethics, Paine, Deshpande, Margolis, & Bettcher (2005) devised the Global Business Standards Codex to be used as a means to assess current codes of conduct or as a guide to the creation of a new one. It covers six stakeholder groups – customers, employees, investors, competitors, suppliers/partners, and the public, and contains eight principles and standards for each. This model could be best placed as a unit of study in an upper level undergraduate or graduate course. The standards might also be leveraged through an experiential learning component that requires students apply them in the assessment of current practice within their own organizations. They could also be charged with developing a code of conduct of their own based on the standards.

The Codex principles are summarized below from Paine, *et. al.* (pp. 125 – 131):

1. **Fiduciary Principle:** Act as a fiduciary for the company and its investors. Carry out the company's business in a diligent and loyal manner, with the degree of candor expected of a trustee.
2. **Property Principle:** Respect property and the rights of those who own it. Refrain from theft and misappropriation, avoid waste, and safeguard the property entrusted to you.
3. **Reliability Principle:** Honor commitments. Be faithful to your word and follow through on promises, agreements, and other voluntary undertakings whether or not embodied in legally enforceable contracts.
4. **Transparency Principle:** Conduct business in a truthful and open manner. Refrain from deceptive acts and practices, keep accurate records, and make timely disclosures of material information while respecting obligations of confidentiality and privacy.
5. **Dignity Principle:** Respect the dignity of all people. Protect the health, safety, privacy, and human rights of others; refrain from coercion, and adopt practices that enhance human development in the workplace, the marketplace, and the community.
6. **Fairness Principle:** Engage in free and fair competition, deal with all parties fairly and equitably, and practice nondiscrimination in employment and contracting.
7. **Citizenship Principle:** Act as responsible citizens of the community. Respect the law, protect public goods, cooperate with public authorities, avoid improper involvement in politics and government, and contribute to community betterment.
8. **Responsiveness Principle:** Engage with parties who may have legitimate claims and concerns relating to the company's activities, and be responsive to public needs while recognizing the government's role and jurisdiction in protecting the public interest.

Framework Four: Normative Philosophies

This final framework incorporates multiple philosophies that are routinely addressed when studying ethics in general. The use of multiple perspectives encourages one to gather a more complete understanding of an issue as well as choose a more suitable course of action depending upon the context (Brinkman, Sims, & Nelson, 2012). Furthermore, applying multiple lenses to a particular decision can help validate the action, give the decision maker more confidence in the decision, and create a more defensible position if that decision is questioned later (Johnson, 2007). The framework below, expanded from Cohen, Pant, & Sharp (2001, p. 323) incorporates five different philosophies:

- **Justice:** The idea of fairness to all, equality based on need, merit, or contribution.
- **Relativism:** The extent to which an action is considered acceptable in a culture.
- **Deontology:** The extent to which an action is consistent with an individual's duties or unwritten obligations, doing what is "right".
- **Egoism:** The extent to which one chooses an action based on self-interest; this stance argues that even altruism is motivated by self-interest.
- **Utilitarianism:** The extent to which an action leads to the greatest good for the greatest number of people.

Table 2 explains these philosophies in more detail and is based on work by Reidenbach and

Table 2. Five ethical philosophies

Five Ethical Philosophies
Justice Theory: This is Aristotle's principle of formal justice – ". . . equals ought to be treated equally, and unequals ought to be treated unequally" (p. 650). Philosophers developed six defining principles of distributive justice: to each person (1) an equal share, (2) according to individual need, (3) according to that person's rights, (4) according to individual effort, (5) according to societal contribution, and (6) according to merit. Societies used different ones in different situations. Kohlberg and Rest rely on the justice theory in their moral development literature. Example of need: unemployment compensation. Example of merit: a raise or promotion.
Relativism: All beliefs depend upon culture or individual values and there are no universal ethics standards that apply to everyone. Anthropologists sometimes espouse this philosophy in explaining the different behaviors of different peoples. Critics of the theory – Mill and Aristotle – would believe that relativism does not allow people to pursue a stable and happy life; Kant would maintain that relativism does not achieve good will toward others. Some would purport that one society's acceptance of a belief does not mean it is "right." Example: A routine business practice in one culture is considered bribery in another culture.
Deontology: It means "duty." We have a duty to satisfy legitimate needs of others – pay debts, care for children, tell the truth. It is the right thing to do. Kant's Categorical Imperative: "I ought never to act except in such a way that I can also will that my maxim should become a universal law" (p. 651). These duties create rights for the others, for example, rights of children. Critics of the theory say that whatever rule or duty one constructs, an exception will be needed. For instance, most people think lying is not ethical, but can list times when it is the most ethical thing to do. John Rawls has an adaptation called the social contract or contractarianism or contractualism. Examples: the Church, the Bill of Rights, the boy-and-girl-scout pledges, the military's duty, honor, country.
Teleology – Egoism: Teleological theory measures ethics based on the consequences of actions. According to egoism, ethics should focus solely on the individual (as opposed to the society), under the assumption that people all act in their own self interests. The most prevalent version centers on the individual's long-term interests. Critics believe that following the theory creates blatant wrongs and does not solve differences between people (between egos). A person will help others, give gifts, etc., if it is in the person's own best interests. Adam Smith's writings follow this philosophy. Example: Withholding information to gain an advantage.
Teleology – Utilitarianism: Ethics should focus on the greatest good (compared to evil) for all of society (as opposed to the individual). A less efficient action has less utility. Critics reply that it is hard to measure consequences of actions and that considerable harm can come to individuals or small groups to get small gains for the large group. Examples: capitalism, majority rule.

Summarized from Reidenbach and Robin, 1990.

Robin which began in 1990. This model, recommended by Oddo (1997) and McDonald (2004), provides more substantive content for extended study in a single ethics course but may also work as integrated into a regular business course as a major unit of study. Because of the diversity of perspectives and richness of content, this model could be incorporated into several courses at the undergraduate and graduate levels. The scale introduced later in the chapter is based on this model. Students could be asked to evaluate certain scenarios using the scale to determine their own preferred philosophy. Results could then be discussed as a group to illustrate and reconcile the diversity of perspectives that emerge. An alternative that further engages the students would be to ask them to provide one of their own dilemmas to evaluate individually or as a group.

These normative philosophies are admittedly Western in nature. Fleischmann, Robbins, and Wallace (2011) urge that Western students have at least some exposure to Eastern philosophies (Indian, Buddhist, Classical Chinese, Islamic, and African) and feminist philosophies (ethics of care and situated knowledges) for today's multicultural, global business world. Depending upon the course, Eastern philosophies might be subjects for research papers, presentations or arguments when evaluating a situation.

Recently, the philosophy of Virtue Ethics has gotten more attention in the research about teaching ethics. Based on the works of the Western philosophy of Aristotle as well as Eastern philosophies of the Buddha and Confucius, it focuses on the nature of one's character and the qualities and traits one needs for living a moral life (White & Taft, 2004). Aristotle focused on two kinds of virtue: moral (character traits like courage) and intellectual (wisdom and judgment) (Maclagan, 2012). Some see virtue ethics as a competitor to utilitarianism and deontology but others consider it as a supplement. It has been criticized for not providing definitive rules for evaluation and for potentially allowing community influence to overcome individual ethical reasoning (Murphy, 2011). Maclagan (2012) posits that managers are more comfortable with the normative theories because they are more rule-based, focusing on the quality of actual decisions rather than focusing less well defined notions such as character and virtues.

How to Teach: The Use of Scenarios

A common strategy for teaching ethics uses specific cases or scenarios related to the discipline being studied (Pearce, 2013). Historically there has been little consistency in ethical scenarios among studies. Researchers have generally created their own scenarios, which have been defined as "relatively short narratives presenting key information or data pertinent to a situation" (Loo, 2001, p. 198).

Several methods have been proposed for the development of ethical scenarios to measure and compare ethical beliefs (Fritzsche &Becker, 1983; Fredrickson, 1986), some involving business issues (Reidenbach & Robin 1988, 1990). Although ethical scenarios may be useful as a means for studying ethical issues, the nature of the scenario used is important (Lysonski & Gaidis, 1991; Loo, 1996, 2001) and major shortcomings can be their vagueness and generality (Randall & Gibson, 1990). Scenarios must fit the business curriculum as well as the specific course (McDonald, 2004) and include topics "that arise in different business functions like marketing ethics, human resources ethics, finance ethics, and ethics applicable to international commerce" (Moberg, 2006, p. 314).

Even then, the technique is limited in that scenarios cannot fully depict the complexities of the real world. Undergraduate students may have limited work experience and this may hinder their ability to relate to issues featured in the scenarios. In the first decades of research on teaching business ethics, scenarios tended to focus entirely on business story lines, notably those developed in the work of Reidenbach and Robin in 1988 and 1990. MBA students might have sufficient experience to understand and respond meaningfully, but less so for juniors and seniors in their undergraduate years. Students in the first two years of college likely lack the experiences necessary to benefit from discussion of business scenarios; even if the students were working part-time in entry level positions, they lack common knowledge with the owners, managers, and professionals often depicted in ethical dilemmas. Bay and Nikitkov (2011) noted that knowledge of the situation, gender, and role perspective of the protagonists in scenarios must match the respondents' experience. For example, a general manager with minimal experience in accounting background might still not be able to relate to an ethical dilemma of an accountant.

The types of scenarios utilized in studies related to the impact of ethics education have not been consistent from a content perspective. For example, Lau (2010) conducted a study involving undergraduate business students who were asked to assess 10 vignettes, all related to business. In contrast, Pearce (2013) asked questions of managers in an executive MBA program to rate 12 scenarios, 10 of which were business related. The other two covered more personally oriented issues related to online activities such as social networking. In addition, different dimensions of ethical decision-making may come into play based on the nature of the scenario (Ellis & Griffith, 2001; Loo, 2002). Since scenarios or vignettes are often brief (50 to 100 words) and therefore lacking in detail, it may be difficult for less experienced respondents to think deeply about the situations or assume details implied but not included in the scenario.

Although the use of hypothetical scenarios appears to be a practical way to study ethics and develop awareness about one's own viewpoints, the instructor must be careful to construct scenarios that avoid being too vague or general. Especially in lower level undergraduate courses, the inclusion of scenarios or cases drawn from student life will create deeper, more animated discussions than those pertaining to business situations. For example, Dzuranin and colleagues (2013) used student scenarios about pressure to cheat to help students bridge their experiences as students to adult situations involving similar dilemmas. Kuntz, et.al. (2013) used scenarios about harassment and gender discrimination relevant to women respondents. The importance of matching respondents' experiences with the subject matter of the scenarios prompted the authors of this chapter to write scenarios about student life issues in order to enrich the understanding, relevance and learning about ways of thinking and acting ethically (Roper & Roberts, 2012).

Mudrack and Mason (2013, p. 649) offer guidelines to reduce ambiguity in interpretation as well as ensure that they are normatively appropriate for the audience at hand:

1. Is the protagonist able to make a free choice whether or not to engage in the activity?
2. Does the protagonist benefit personally from this activity?
3. How salient are the victims in the vignette description?
4. Have respondents been asked to evaluate the appropriateness of the most questionable activity described or implied in the vignette?

The authors also identify six themes in scenarios designed to elicit student responses:

1. **Dilemma:** Two possibilities exist but neither is practically acceptable.
2. **Classic:** A person has complete freedom to act or not and is not subject to outside pressures to choose one way over the other.
3. **Conspiracy:** Two persons agree to break a law or act unethically.
4. **Sophie's Choice:** A person must choose between two equally undesirable choices.
5. **Runaway Trolley:** Helping one or a group creates harm for another person or group.
6. **Whistle Blowing:** One person decides whether to expose the wrong doing of another.

They suggest that instructors need to be aware that some, conspiracy for example, may not be meaningful to students unless embedded within a specific module of instruction, like accounting, where students have the background education to judge the legality and ethicality of actions portrayed in the scenario. Scenarios need to have sufficient detail to ensure that all respondents evaluate similar behaviors and are able to evaluate from the perspectives of all actors. Instructors should ensure that they are offering a variety of themes and are doing so in a venue relevant to the students.

The texts of several scenarios may be found in Table 3.

How to Teach: The Use of a Scale or Instrument

Questionnaires and surveys purporting to give respondents an idea of their degree of "ethicality" abound in popular magazines and websites, many without substantiation. The development of a defensible instrument to measure ethical beliefs is an arduous task in light of today's complex, ever-changing world. Ethical decision-making is not a simple, single matter of considering a situation and determining "Is this ethical?" A unit of study on ethical decision-making, therefore, must be substantial, relevant, and equally complex, leaving students with methods of reasoning to take forward for use in their own ethical dilemmas of the future.

One instrument garnering substantial support in the literature, created by Reidenbach and

Table 3. Sample scenarios

Sample Scenarios from the Literature
The Car Service
A person bought a new car from a franchised automobile dealership in the local area. Eight months after the car was purchased, he began having problems with the transmission. He took the car back to the dealer, and some minor adjustments were made. During the next few months he continually had a similar problem with the transmission slipping. Each time the dealer made only minor adjustments on the car. Again, during the thirteenth month after the car had been bought, the man returned to the dealer because the transmission still was not functioning properly. At this time, the transmission was completely overhauled. Action: Since the warranty was for only one year (12 months from the date of purchase), the dealer charged the full price for parts and labor. (Reidenbach & Robin, 1990)
The Grocer
A retail grocery chain operates several stores throughout the local area including one in the city's ghetto area. Independent studies have shown that prices do tend to be higher and there is less of a selection of products in this particular store than in the other locations. Action: On the day welfare checks are received in the area of the city, the retailer increases prices on all of his merchandise. (Reidenbach & Robin, 1990)
The Construction Project
You are asked by one of your largest customers to accept their bid for a construction project to expand your plant. This bid is more costly than other firms. (Lysonski & Gaidis, 1991)
Dismissal Choice
A firm has been hard hit by recessionary times and the partners realize that they must scale back. An analysis of productivity suggests that the person most likely to be terminated is a long-time employee with a history of absenteeism due to illness in the family. Action: Instead, the partner-in-charge lays off a younger, but very competent, recent hire. (Cohen, Pant, & Sharp, 2001)
Loan Officer Friend
A promising start-up company applies for a loan at a bank. The credit manager at the bank is a friend of and frequently goes golfing with the company's owner. Because of this company's short credit history, it does not meet the bank's normal lending criteria. Action: The credit manager recommends extending the loan. (Cohen, Pant, & Sharp, 2001)
Security Scanner
A bright graduate student developed a tool that would contact corporate sites, scan their networks, and find flaws in their security system. He made the software available to everyone, including hackers and cyber-criminals, over the Internet. Corporations felt he was assisting criminals. He felt he was providing a tool for network managers to troubleshoot their security systems. (Ellis & Griffith, 2001)
Budget Cuts
Regan Preston is the Production Manager for a company that manufactures gift bags. Sales have been weaker than expected, and Regan has been told to review her department's budget and find some way to cut \$40,000 in expenses over the next four months. Regan has decided to temporarily cut 100 employees' salaries by \$400 each (\$100 per month for four months). (McMahon & Harvey 2005)
Salary Cuts
Regan Preston is the Production Manager for a company that manufactures gift bags. Sales have been weaker than expected, and Regan has been told to review her department's budget and find some way to cut \$40,000 in expenses over the next four months. Regan has decided to temporarily cut five of her employees' salaries by \$8000 each (\$2000 per month for four months). (McMahon & Harvey 2005)
Make-Up Test
A student was injured and missed classes for four weeks at the end of the semester. She is not physically able to go to class to take the final test. The professor offers to email the test so she can take it at home if she promises not to use her textbook or notes. Action: She uses her textbook to look up answers. (Roper & Roberts, 2011)

continued on following page

Table 3. Continued

Sample Scenarios from the Literature
Access to Confidential Material
Sue is a college student working part-time in the student services center with the registration office, where she has signed a confidentiality pledge. Although the written policy mentions no exceptions, she knows from the confidential records that occasionally full tuition fees are returned to a student after the deadline has passed on the request of the administrator in charge. Sue's friend must drop her classes late in the semester because her new job has hours that conflict with the classes. Action: Sue tells her friend about the exceptions that she has seen (Roper & Roberts, 2011)
College Clothing Production
Joe leaves his ethics class and drives to the college bookstore to purchase a sweatshirt with the college's logo to wear in his organization's fund-raising event this evening. He notices several students picketing in front of the door. One student whom he knows approaches, hands him a leaflet and asks that he not enter the store. The leaflet explains that the clothing with college insignia was produced in a far-eastern country that employs workers as young as 10 years old working 14-hour days under very poor conditions for a wage of less than $.25 per day. Action: Joe walks away and drives home. (Roper & Roberts, 2011)
Sample Scenarios Generated by Students
Schedule Conflicts
The owner of a small family restaurant is very short staffed and hires an employee who has openly stated that he cannot work on the Sabbath even though it is a day of normal business. The owner agrees and employs this person who turns out to be a great employee and wonderful cook. The owner, however, fires him as soon as he finds someone who is available to work on all days and shifts.
Too Much Information
A clerk who works in an insurance agency in a small town processes insurance applications and claims from many people whom she knows. She routinely has access to information because of the strong local network which sometimes contradicts what the clients have claimed on their applications. She struggles with the decision to share that information with her company.
Daycare Dilemma
I work at a daycare, and at my daycare the parents get to choose the days they want their child to attend and their drop-off and pickup times the Thursday prior to the week services are needed. Since the parents are in complete control of their scheduled times we have pretty strict rules about being early to drop-off and late to pick up. There are add-on fees if you drop your child off early or pickup late. A lot of the time, I am at work by myself, especially in the afternoons and evenings. There have been some instances, mostly in the winter, where a parent has called to tell me they are running anywhere from fifteen to forty-five minutes late because of the weather. The parents are charged for every fifteen minutes they are late, and that can add up. If I know they are late because of icy, snowy, or bad road conditions I tell them to go slow and take their time and please don't rush. If they are not a repeat offender of being late I usually cut them a break and write down their scheduled time for pickup and not the late time. Is it wrong?
Who Done It?
I overheard the manager talking to the assistant manager about how the assistant manager had entered several pieces of important inventory information wrong. However, the assistant manager blamed it on of his employees, Shawn. Later in the day I heard the assistant manager confront the employee he had blamed. The employee said that he had never been trained on the equipment, so there was no way he could have done it, and that in fact the assistant manager was the one who had messed up the inventory. The assistant manager agreed that this was true and said that he would train him on that part of inventory. The assistant manager never went to the manager to correct who had actually done the inventory wrong and let the employee, Shawn, take responsibly. At my place of work, inventory is very important and major mess-ups like this one are recorded in the employee records. Meanwhile, Shawn did not know that he is being blamed for the mistakes. My ethical dilemma was whether I should bring light to the truth of the situation.
Naughty Mike
A few years ago, I was working as a server on the night shift at a restaurant. The job had its up and downs, especially with many of the customers being intoxicated when they would come in for food. We hired in a new worker as a dishwasher/busser for the graveyard shift. We will call him Mike. Mike was a really friendly guy, almost a little too friendly at times. I had heard some of the other female servers talking about him and I wondered what was going on. One of my friends told me that Mike had made a proposition to her about paying her to do him sexual favors. Later on that night, Mike came up to me and asked me if I would accept money to perform a sex act with him. Even later on that same night, he made advances on another employee, cornering her in the bathroom. What should I do?

Robin (1988, 1990) and later refined by others (Ellis & Griffith, 2001; Cohen, Pant, & Sharp, 2001; Loo, 2001; McMahon & Harvey, 2005; Nguyen, Basuray, Smith, Kopka, & McCulloh, 2008; Roper & Roberts, 2012), was derived from a content analysis of five ethical philosophies which coordinate with Normative Philosophies discussed in Framework Four. This instrument, entitled the Multidimensional Ethics Scale (MES), has been subsequently used to measure students' beliefs about scenarios or cases.

In the original study (Reidenbach & Robin, 1990), respondents were asked to read several scenarios, then select their interpretation of the action described by scoring a variety of items on the MES using a seven-point Likert scale. For example:

Just _____: _____: _____: _____: _____: _____: _____ Unjust

The study supported the idea that ethical choices are based on multiple measures and concluded that " . . . individuals tend to rely on a broad sense of moral equity dominated by concern for fairness and justice, tempered by relativistic and social contract dimensions" (p. 649). In support of the MES, Loo (2002) also concluded that there was no one simple approach to ethics, believing that "familiarization with different ethical theories as well as organizational ethical guidelines, if they exist, can help persons make better informed decisions" (p. 493).

Based on the support found in the literature, the MES as adapted by Cohen, Pant and Sharp (2001) serves as a substantial instrument to measure students' ethical beliefs. In using the instrument, the authors of this chapter found that students had difficulty understanding the items associated with egoism and they therefore revised the egoism items for further clarity. The last four questions which are general in nature were retained. The intention items provided additional insight to discussions and helped to ameliorate criticism that surveys such as this one have an inherent self-serving bias. The second intention item (probability that peers would act the same) is a check and balance for the first one (probability that the responder would act the same). The revised survey, reproduced in Table 4, is rich in its diversity of philosophical perspectives, some of which may be culturally contingent, but clear and brief enough to encourage students' attention. Category titles were added for clarity and items with the "most" ethical position were listed on the left (Roper & Roberts, 2012). In use with students, the instructor should omit categories, jumble the order, and reverse the descriptor extremes on some items to encourage students to think about each item separately.

How to Teach: Beyond the Scenario

Recent studies suggest that knowledge of ethical philosophies or frameworks are important in ethical awareness or moral reasoning but may not lead to changes in ethical behavior. In fact, the data suggest that over 50% of MBA students admit to cheating and some of the recent scandals can be traced back to graduates from top MBA schools (Floyd, Xu, Atkins, & Caldwell, 2013; Fletcher-Brown, et. al., 2012; May, Luth, & Schwoerer, 2013).

In order to increase the impact of teaching, it is important to engage students' emotional responses to have empathy for the pain that unethical actions may bring to others or to feel guilt in causing pain to others (Jagger & Volkman, 2013). This extra step of moral sensitivity in addition to moral reasoning may be necessary for effective ethics instruction. One manifestation is to involve stu-

Table 4. Multidimensional ethics scale

Justice		
Just	|___|___|___|___|___|___|___|	Unjust
Fair	|___|___|___|___|___|___|___|	Unfair
Relativism		
Acceptable in my culture	|___|___|___|___|___|___|___|	Unacceptable in my culture
Traditionally acceptable	|___|___|___|___|___|___|___|	Traditionally unacceptable
Acceptable to my family	|___|___|___|___|___|___|___|	Not acceptable to my family
Egoism		
Acceptable to me	|___|___|___|___|___|___|___|	Not acceptable to me
Action is not shameful	|___|___|___|___|___|___|___|	Action is shameful
Utilitarianism		
Produces the greatest utility (most useful)	|___|___|___|___|___|___|___|	Produces the least utility (least useful)
Maximizes benefits while minimizes harm	|___|___|___|___|___|___|___|	Minimizes benefits while maximizes harm
Deontology		
Does not violate an unwritten contract	|___|___|___|___|___|___|___|	Violates an unwritten contract
Does not violate an unspoken promise	|___|___|___|___|___|___|___|	Violates an unspoken promise
Morally right	|___|___|___|___|___|___|___|	Not morally right
Other		
Shows compassion or caring	|___|___|___|___|___|___|___|	Shows no compassion or caring
Intention Measures (2nd mitigates social desirability bias)		
The probability that I would undertake the same action is		
High	|___|___|___|___|___|___|___|	Low
The probability that my peers would undertake the same action is		
High	|___|___|___|___|___|___|___|	Low
Overall Measure		
The action described is		
Ethical	|___|___|___|___|___|___|___|	Unethical

Adapted from Cohen, Pant, and Sharp (2001). Adaptations by Cynthia Roberts, Carolyn Roper, and Ronald Brownie.

dents in debates in which they must articulate the pros and cons of various stakeholders in an ethics dilemma (Peace, 2011). Another has students in small groups play various roles in a simulation (Fleischmann, Robbins, & Wallace, 2011). Some authors suggest that case studies may offer more in-depth circumstances for study and are therefore preferable to scenarios (Moberg, 2006; Cagle, *et. al.*, 2008; Cooper, *et. al.*, 2008) and assess higher levels of Bloom's Taxonomy (Nichols, Hair, Ragland, & Schimmel, 2013).

OUR TEACHING EXPERIENCE

In this section, we describe our teaching experience using a combination of scenarios and scales, drawn from the five normative philosophies throughout several of our courses at the undergraduate and graduate levels. A representative process follows:

1. Scenarios are developed that contain either a professional or student-life dilemma.
2. Students are asked to respond individually and anonymously to each dilemma using the scale.
3. Results are then compared to others in the group as well as the group as a whole.
4. Instruction is provided around the philosophies.
5. Students are encouraged to mull through choices, reflect upon their experiences, establish their personal decision-making framework, then capture their thinking through a variety of written assignments (essays, journal entries, etc.).

We have used multiple scenarios based on business situations as well as student life. We frequently use two borrowed from Reidenbach and Robin (1988, 1990), one about an auto dealer with a malfunctioning car and another about a retail store manager who raises prices on welfare check day. To those we added two student-life situations, one about a work-study student who signed a confidentiality agreement and another about an ill student who promised to take a test at home without using notes or text. (See Table 3 for texts of scenarios.)

We have routinely incorporated student scenarios in the process in order to bridge between situations students could recognize from their experience and business circumstances they might face in the future. This has been particularly helpful at the undergraduate level and we found that student scenarios stimulated more robust discussion than the business scenarios, most likely because of students' limited professional experience. Conversely, at the graduate level in the MBA program, we have found the case to be the opposite, again most likely due to the level of experience within the participants, as many have been working full time for some years (Roper & Roberts, 2012).

To supplement the instructor-supplied scenarios and cases, experiential learning activities allow students to learn through their own discovery. For example, if the college setting includes international students, those studying ethics might create their own list of ethical choices and survey members of different cultures to discern whether the perspectives vary by culture. Another contemporary experiment might be student views on privacy versus campus security measures to prevent violence. Whatever the subject, students involved in experiential learning activities remember the lessons long after text material has been forgotten. The results from this exercise using the scale as presented in Table 4 has provided a useful framework for discussing the complexity of ethical decision-making both at the undergraduate as well as graduate level. Several examples are highlighted below.

Undergraduate Level

The ethics scenario and scale were incorporated into two courses – one in which ethical decision-making is covered as one component of a 200-level survey of leadership course and the other a 400-level ethics course.

In the first course, the students read the scenarios, completed the scale, then participated in discussions in which they were asked to use the different philosophies to reflect on the ethical dilemmas. The discussions were enriched with thoughtful comments and counterpoints far beyond, "That's not fair." Or "That's wrong of her." Occurring early in the course, the ethics unit created awareness in students, allowing the instructor to make references throughout the semester. On occasion students would make their own connections to ethical reasoning concerning text material or current events that they encountered in the media.

In the second undergraduate ethics course which focused primarily on ethical leadership, we used the same approach to launch the semester. Students were given the survey just prior to a formal lecture on the various ethical philosophies. Results of the survey, presented upon completion of the lecture, brought each theory to life and assisted in illustrating the various frameworks from which one can operate. Even in the single class setting, responses varied widely based on the perspective utilized. Students were further challenged to share a difficult situation from their own experience as further stimulus for discussion and analysis.

The student generated scenarios also generated extensive discussion as issues were examined from various philosophical standpoints. The discussion, coupled with the material presented, helped the students discover their own views, develop an awareness for the complexity of each issue and the diversity of perspectives, and clarify their primary frame for decision making. The use of student-generated scenarios also adds saliency as suggested by Mudrack and Mason (2013). Several examples are illustrated in Table 3.

In an effort to further reinforce learning, students were also given a reflective writing assignment after the session in which they were to reflect upon a recent decision that they had made, consider their frame of reference used to make the decision, and discuss their satisfaction with the outcome. If they were not satisfied with the outcome, they were also asked to suggest an alternative approach that may have culminated in a better result. This provides yet one more opportunity for the students to practice ethical decision making as well as reinforce the utility of a framework that they can use well after the semester is over. Over time, dilemmas generated by this reflective writing exercise have also proven to be useful for developing scenarios for the next group of students.

Graduate Level

The students in a Saturday Masters in Business Administration program are leaders or want to become leaders within their firms. Almost all of them are full-time workers and the majority of them are between 30 and 40 years of age. They are very comfortable with data and their unit of study therefore concentrated on analysis. After they read the scenarios and completed the scale, they received a lecture in each philosophical perspective and were then charged with correlating each item on the scale back to each philosophy. They were given the raw data as well which included frequencies and counts and were asked to develop an analysis. They could choose to focus on the results by either philosophy or scenario; some did both. They were then challenged to explain the results. The students were surprised by the range of responses even among themselves, a relatively homogenous group. This variety provided for many "teachable moments" about the complexity of ethical decision-making.

In one instance of their ruminations, they were able to explain the discrepancies in results between justice and relativist philosophies which emerged when analyzing the case about charging customers more on welfare check days. In a scenario about a work-study student sharing confidential information about student aid, students pondered the different outcomes in comparing their duty (deontology) with fairness (justice) and their own best interests (egoism). These and many other comparisons of situations in assigned work and examples offered from their own lives led to students appreciating the facets and apparent conflicts of ethical decision-making.

The culminating assignment for students in the class was to write a paper in which they reflected on what they had learned about themselves and how they could use the knowledge to make effective business and personal decisions they might encounter. In the paper, they were challenged to create a strategy for their further development as ethical leaders after reading and reflecting on an article by Brown, Trevino, and Harrison (2005), which proposes social learning theory as a theoretical basis for understanding ethical leadership. The authors define ethical leadership as "the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making" (p. 120).

FROM CLASSROOM TO REALITY

Although students may cognitively develop more robust understanding of ethical decision-making, in many instances, it is difficult for them to make the transition to the application of ethical behavior when faced with their own situation in the business setting. Moberg (2006) suggests strategies one can use to assist students to shift from studying ethics to behaving ethically. There are four types of declarative knowledge covered in ethics instruction (psychic struggles, moral dilemmas, ethics leadership, and collective action) and three ways that tacit knowledge is transmitted (through experience, through narrative, and through social interaction). He suggests using films in addition to specific cases to assist in the accumulation of both types of knowledge as well as a reliance on mentoring and advice from others once one transitions from the abstractions of the university to the realities of the professional environment.

Gentile (2010) outlines a strategy for dealing with values conflicts that are part of every organizational reality and argues that one may know that an issue is difficult but be ill equipped to determine how to approach a resolution based on the political realities of the situation. She suggests that increased self-awareness coupled with a proactive, practiced strategy for responding can enhance one's ability to actually effectively enact the desired behavior. This has been incorporated on our campus in a senior level undergraduate leadership course as well as an MBA course, providing yet another opportunity for reflection on experience as well as setting direction for future action. In this reflective exercise students are requested to write about a time when they struggled with an ethical dilemma and they were not satisfied with the outcome or their behavior. They are asked to systematically assess personal as well as organizational factors that led to their decision, then recraft an acceptable strategy they would use if they were able to relive the situation. Students are requested to develop their strategy in light of organizational issues related to power balance, degree of support, extant policies, rationale from which to create their argument, as well as appropriate timing and venue for dialogue. As a supplement to the exercise, numerous situations described by students in their reflective writing have served to create very relevant vignettes for overall class discussion (once all identifying factors have been removed).

Lennick and Kiel (2005) suggest that in order to have moral behavior, one must develop moral intelligence, which has been defined as the mental capacity to determine how universal human principles should be applied to values, goals and actions. Components of moral action include moral sensitivity (recognition that the issue has an ethical component); moral reasoning (a decision making process that utilizes an ethical perspective); moral motivation (having a desire to do the right thing); and moral action (a persistence to do the right thing). In order to develop moral intelligence, it is necessary for students to first have an awareness of their own personal values, attitudes and beliefs. Secondly, they must develop moral skills such as acting consistently with values, making decisions using an ethical lens, keeping promises, taking responsibility for actions, actively caring for others, and maintaining the process of reflection and introspection in order to maintain a conscious focus on ethics. Clearly the practice of teaching ethics in depth as well as across the curriculum utilizing multiple approaches that develop explicit as well as tacit knowledge can assist in the moral development of our future business leaders.

A Note on Diversity

An important consideration in what to teach is the diversity in defining ethical behavior among cultures and religions. Ethical leadership is a combination of philosophical ideas and multiple religious traditions and leaders should not force their own faith and ethical convictions on others but incorporate multiple perspectives (Hicks, 2005; White & Taft, 2004). Substandard wages, child labor, and dangerous conditions are not tolerated in the cultural setting of many developed countries like the U.S., however, in some developing countries, citizens eagerly seek work under these conditions to escape from poverty. A company's promise to hire a child of an employee is a benefit of employment in a far-eastern country, but would be considered nepotism or contrary to equal employment opportunity in other countries (Donaldson, 1996). Attitudes toward bribery, gender, and many other matters differ significantly from one culture to another. The study of ethical leadership should include diversity in cultural and religious standards to raise students' awareness in assessing whether an action is universally unethical or merely different from the familiar standard. Donaldson suggests three principles to discriminate between "unethical" and "different":

- Respect for core human values which determine the absolute moral threshold for all business activities.
- Respect for local traditions.
- The belief that context matters when deciding what is right and what is wrong (p. 52).

Donaldson considers these principles as middle ground between cultural relativism (accept the standards of the country where you are) and ethical imperialism or absolutism (apply the standards of your own country, no matter where you are). The Global Business Standards Codex discussed earlier is an attempt to develop an ethics system applicable globally.

KEYS FOR EFFECTIVE ETHICS INSTRUCTION

As many other instructors, the authors of this chapter were troubled by the unrest in the literature concerning whether ethics instruction actually results in changes in ethical behavior but nonetheless heartened by the growing attention it is receiving. Many studies were confined to the comparison of pre-and-post test results over an abbreviated time span to measure the effectiveness of one brief module of study in a single course. Even though a growing number of studies show moderately positive results, the outcomes are not stellar. Perhaps "a little study" is not "enough study." Ethical dilemmas have grown so pervasive in our culture that far more attention to ethical instruction is warranted in university plans of study. Therefore, several recommendations are offered below in an effort to improve the effectiveness of ethics instruction.

1. Ethics instruction should be infused as important modules in several traditional courses throughout the student's degree work as well as in a culminating intensive single course with applications that directly fit the major, be it accounting, marketing, economics, management, leadership, or other. Ethical development happens slowly over time and a variety of opportunities for reflection and learning will therefore help reinforce this process.
2. Ethics instruction should include multiple discussions of scenarios with their often limited details and more fully developed cases richer in detail, nuance, and complexity. In addition, students can add more relevance and derive further benefit when presenting, discussing, and reflecting upon their own experiences.
3. Especially for students with limited professional experience, ethics instruction should begin with examples from student personal and campus life before going on to those dilemmas they may face in their chosen future careers.
4. Ethics instruction should include more than the memorization of definitions or labeling of various behaviors to reach a level of understanding that can lead first to awareness and then to thoughtful application. The inclusion of sophisticated frameworks like the normative philosophies and others accompanied with varied discussions, experiences, and reflections are necessary.
5. Ethics instruction should include activities such as debates, simulations, scenarios and cases with issues that are salient to the students. The experience will be more impactful if actors, roles, and situations evoke an emotional response from the students such as empathy, guilt, outrage, etc.
6. Ethics instruction should provide a mechanism to assist the student in the transition from the university setting to the professional setting, which includes movement from merely acquiring knowledge to enacting new ethical behavior.

Of particular note, is the growing field of positive organizational behavior, and specifically positive organizational ethics (POE). POE (Sekerka, Comer, & Godwin, 2014) has been defined as "the study of people, practices, and contexts that cultivate and sustain individual and collective ethical strength to achieve successful and durable moral performance in organizations (p. 439)." In this stream of thinking, one focuses study on identifying and cultivating the drivers for positive ethical cultures and outcomes rather than aiming to remediate deficits and unethical behavior. Although this is an innovative and relatively new approach, it is an encouraging development and provides multiple opportunities for further research as well as new approaches to teaching going forward.

CONCLUSION

Although the need for ethical leadership is dire, and educators have been called on to assist in the development of ethical leaders, ethical decision-making is indeed challenging to teach because of its complexity. In this chapter, an overview of multiple strategies for ethics education is presented, as well as an instructional module in ethical decision-making, grounded in scholarly literature. The module can be used to provide depth and richness for undergraduate and graduate university students. It creates an opportunity for students to consider ethical situations, mull them over, dispute alternatives, and arrive at decisions, which are probably not identical, but personally defensible. The students know why they feel as they do, but may also develop a deeper level of understanding and self-awareness as issues are processed. As Hicks (2005) notes, many descriptions paint a "too-simple dichotomy between ethical and unethical leadership" (p. 45). Using a multidimensional approach to address and develop ethical decision-making allows students to investigate alternatives, find common ground, or at a minimum, clarify their own notions of ethical leadership. New approaches such as positive organizational ethics may provide further insight into creating and sustaining more ethical organizations in the future.

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KEY TERMS AND DEFINITIONS

Deontological Ethics: From the Greek word for "duty," it concentrates on what should be done according to fundamental principles, often tested over a long period of time. Motives matter more than the consequences of an act. It fits well with religious revelation from God, from Natural Laws, or from human reason.

Descriptive Ethics: A description or account of those standards or customs that actually guide behavior; how a person or group does behave.

Egoism Ethics: Self-interest is the motive of all human conduct. The consequences to the individual are more important than any other result, thus making this another version of Utilitarian Ethics.

Ethics: Standards for how people live and act. From the Greek "ethike" or "ethos," it means custom or norm. A key question is, "How should people live their lives?" The term tends to be used for abstract or theoretical applications and is considered a branch of philosophy.

Justice Theory: Fairness. Treat equals equally. Each person should receive what the person is due or owed, according to what is deserved. If two people behave differently, they may receive returns proportionately different.

Morals: Standards for personal decision-making. From the Latin "mos," "moris," and the plural "mores," it means custom or habit. Key questions are, "What type of person ought I be?" and "What would a morally competent person do in this situation?" The term tends to be used for more practical applications. These questions are also applicable to Virtue Ethics or Character Ethics, two similar terms.

Normative Ethics: The establishment of standards or customs for how a person or a group should behave.

Relativistic Ethics: Rightness or wrongness is defined by a particular group (or person) at a particular time and place. There are no (or very few) universal rules.

Teleological Ethics also termed Consequentialist Ethics: Like Utilitarian Ethics, one should decide the ethical or moral worth of a situation by evaluating the outcomes (consequences).

Utilitarian Ethics: One should determine the ethical significance of an act by studying its consequences. One should maximize the overall good (utility) or seek the greatest good for the greatest number of people and the least harm to the fewest people.

Virtue Ethics: One should behave as a virtuous person or as a person of good character would in all matters, regardless of duty, consequence, or situation.

APPENDIX

Additional Resources

Cases and Other Resources for Ethics Instruction

- CasePlace.org. a project of The Aspen Institute Center for Business Education. http://www.caseplace.org. Contains an online library of reading materials, multimedia content, and teaching modules that focuses on social, environmental and ethical issues in business searchable by keyword or category, or product type (like case).
- Center for Ethical Deliberation, a project of the University of Northern Colorado Institute of Professional Ethics. http://www.unco.edu/ethics/. Contains cases for education, business, and health care. Online ethical deliberation tool and instructional resources especially for business, education, and healthcare.
- Center for Ethics, Vanderbilt University Center for Ethics. http://www.vanderbilt.edu/CenterforEthics/cases.html. Contains categorized list of over 50 websites with cases for ethics study in bioethics, business, science, computer, technology, engineering, journalism, education, military, and others.
- Institute for Global Ethics. http://www.globalethics.org/dilemmas.php. Contains real-life dilemmas in business, education, children and family, medical, philanthropy, personal, and military.
- Markkula Center for Applied Ethics, Santa Clara University. http://www.scu.edu/ethics/practicing/focusareas/cases.cfm. Contains cases for government, public policy, personal, student, and general.
- Online Ethics Center for Engineering and Research, maintained by the National Academy of Engineering. http://www.onlineethics.org. Contains cases and scenarios for use in classes, seminars, or research and other reference information.
- Principles for Responsible Management Education. http://www.unprme.org/index.php. Contains a variety of resources as well as six principles for responsible management education. It is a collaborative initiative between multiple entities to inspire and champion responsible management education, research and thought leadership globally.
- Web Miner's Guide to Business Ethics Cases. http://www.web-miner.com/busethics.htm#cases. Contains many cases and codes of ethics.

Other Teaching Resources

- Brown, M. E., Trevino, L. K., & Harrison, D. B. (2005). Ethical leadership: A social learning perspective for construct development and testing. *Organizational Behavior and Human Decision Processes, 97*, 117-134.
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Chapter 9
Identifying Corporate Social Responsibility (CSR) Curricula of Leading U.S. Executive MBA Programs

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ABSTRACT

Our society has witnessed large enterprises collapse from a disregard for Corporate Social Responsibilities (CSR) and illegal and unethical comportments. This chapter provides an understanding of the basic concepts of CSR in the context of lawful and ethical responsibilities, while recognizing the power of CSR branding. Moreover, in accordance with the theory that higher education can elevate the importance of CSR strategies, it reports the results from a qualitative content analysis study identifying explicit and implicit inclusions of CSR, law, and ethics in course titles and descriptions from 20 leading Executive Master of Business Administration (MBA) programs at institutions of higher education in the United States. The results report that while law and ethics are commonly part of the reviewed Executive MBA programs, CSR has minimal representation in these programs.

INTRODUCTION

Instances of bait and switch marketing, defective products and services, credit security infractions, poor customer service, and company-government agency complicity leave many American citizens feeling that corporations are more concerned with image rather than moral, ethical, and lawful conduct.

Not that long ago the tobacco industry claimed there was no evidence that smoking caused cancer or heart problems. In addition, there is an ongoing resistance by automobile manufactures for recalling vehicles even when dangerous defects have been identified. Moreover, various pollutants released in environmental accidents are declared as not harmful. For example, a website identified as *EPA Response to BP Spill in the Gulf of Mexico*

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(EPA, n.d.) the EPA states that they have moved all reporting of EPA actions to the *RestoreTheGulf.gov* (EPA, n.d.) website. On the new website the EPA reports that the last time that the agency posted samples for gulf waters and beach and bottom sediment was in September, 2010. While the new website leaves one to assume that the oil spill crisis is over, Young (2014), a BP oil spill litigation attorney, states that data from a Florida Department of Environmental Protection 4/15/14 daily beach oiling report show:

Yesterday's findings indicate that oil from BP's Deepwater Horizon spill is still quite prevalent. A total of 164 tar balls were collected during the survey, amounting to over two pounds of Deepwater Horizon oil product removed from these sections of beach - by one person.

Currently, Congress is holding hearings on General Motors' (GM) failure to recall over 7 million vehicles with ignition switch failures that led to at least 13 deaths (Taper, 2014; Isidore, 2014). GM continued to use the defective design despite being warned of the defects by their supplier. It remains to be seen as to whether Congress will acknowledge the complicity of the auto industry's lobbying efforts in causing these tragedies from their efforts to subvert the effectiveness of the National Transportation Safety Board (NTSB).

While these cases demonstrate CSR abuses, corporations are now beginning to realize the importance of good citizenship. Perhaps the recent catastrophic failures of Enron and Arthur Anderson have demonstrated the cost of unethical and unlawful conduct (Benston & Hartgraves, 2002). Furthermore, the globalization of corporations and their access to new markets leave little choice for these companies but to integrate new corporate values. Demonstrating the academic stance, the literature supports the perception that the development and adoption of CSR strategies can create a positive effect on corporate performance (e.g., Lindgreen, Yue, Maon, & Wilcock, 2012; Porter & Kramer, 2006; Werther & Chandler, 2005). However, Zimmerli, Richter, and Holzinger (2007) refer to CSR as the current "buzzword", which is based upon the belief that:

Companies are responsible not only for profits, but also for the ecological and social side effects of their economic activities. There are hardly any companies today that would not define themselves—or wish to be perceived—as a "good corporate citizen" (p.11).

This chapter describes the realm of CSR and more importantly, reports higher education's role in providing awareness and positive outcomes in CSR education. The researchers examined course curricula and content areas of 20 leading Executive MBA (EMBA) programs that emphasize and promote the importance of CSR. In particular, they searched for explicit and implicit references to CSR, law, ethics and other related terms in higher education curriculum course titles and descriptions from these 20 institutions of higher education in the United States.

BACKGROUND

Corporate Social Responsibility

Given the complexity of ever changing business and social environments, there is a great deal of confusion regarding CSR. This chapter will provide examples of CSR initiatives to encourage the reader to identify and analyze possible motives for companies engaging in CSR implementations. If academia is to promote CSR strategies thorough research and instruction, it must understand what motivates corporations to implement CSR strategies.

There is much discussion that centers on CSR as being more than merely a branding exercise

(Brusseau, Chiagouris, & Brusseau, 2013; Vallaster, Lindgreen, & Maon, 2012). Moreover, CSR has become an umbrella term used to bring together several overlapping concepts defining the relationship between business and society, as well as legally and ethically guided behaviors (Matten & Moon, 2004). Nonetheless, Thumwimon and Takahashi (2010) provide a comprehensive definition of CSR from which the researchers will use as a basic definition in this chapter:

CSR refers to business decision-making linked to ethical values, compliance with legal requirements, and respect for people, communities and the environment. It is seen as more than a collection of discrete practices, occasional gestures, or initiatives motivated by marketing, public relations and/or other business benefits…viewed as a comprehensive set of policies, practices and programs that are integrated throughout business operations, and decision making processes that are supported and rewarded by top management (p. 14).

Perhaps another approach to understanding CSR is to examine personal social responsibility (PSR) by using an analogy of vehicle operators' responsibilities. Using an example of a traffic light, one can differentiate between legal, ethical, and social constructs. Traffic lights have three colors: red, yellow, and green. One can think of the red color as a legal obligation. One must stop or be in violation of that law. Yellow and green lights are not specifically legal commands, but bring to mind ethical rules open to interpretation. A driver may proceed to drive ahead with a green light and may still proceed with extreme caution under a yellow light. Green and yellow lights are ethical in nature, leaving it up to a driver to weigh self-benefit against the risks to others. Red light compliance is not negotiable, and must be obeyed to avoid legal consequences. Overall, the driver must adhere to a PSR strategy to make driving safe and workable based upon legal requirements, ethics, and respect for other individuals. CSR is much like PSR, having thousands of "traffic lights" on which corporate decisions must be made and actions taken on an ongoing basis. Moreover, in this analogy, one must remember that states grant the privilege of driving to people; it is not a right. However, it is implied that there are responsibilities that must balance their granted authorities.

Legal Responsibilities

Because corporations are legal entities granted the opportunity to exist by their respective societies, they are members of that society, enjoying the benefits as any member of the licensing society would enjoy. Moreover, corporations have long lobbied their societies to protect their interests; so it seems reasonable that corporations should be held accountable for their fair share of social responsibility. Yet, while there are a plethora of laws and regulations governing commerce, discrimination, and the environment, because of its complexity, CSR compliance is open to interpretation. In areas where legislation has seemed to oppose the welfare of corporations, associations representing the corporations lobby governments for relaxation of current laws, and provide new laws and regulations that further benefit corporate interests. Congress, often unknowledgeable about complex industry issues, usually expects industry insiders to write and rewrite significant portions of industry regulations. Although subject matter experts are definitely assets in the regulation development process, Dorn and Levi (2006) refer to this kind of private sector involvement in the reforming and restructuring of industry laws and regulations as "inverted regulation" (p. 258) or the regulated becoming the regulators. Moreover, it is not unusual to see congressional committee members receiving significant campaign contributions from the industries that they regulate (Bennett & Loucks, 2011). Still, there are areas in which the public demands that corporations be held accountable. Public safety and environmental concerns reside with the public in a very personal manner.

Ethical Responsibilities

Ethics presupposes the existence of personal morality and are generally rules within an industry that guide professional obligations. Areas such as confidentiality, equal pay for equal work, and diversity in the workplace are repeatedly addressed on ethical levels. However, industry ethical rules can be self-serving. For years the American Bar Association stated that it was unethical for attorneys to advertise (American Bar Association, 2014). As the practicing attorney numbers grew, completion increased, and courts decisions supported freedom of speech (in advertising) these ethical rules were reversed, rendering it ethical to advertise. While business ethics may have some basis in moral values, they should not be perceived as synonymous with personal morals. However, the public often circumscribes to the opinion that all ethical behaviors are moral and should go above and beyond what is required by law. Thus the expectations between corporations and society are often at odds.

Corporate Social Responsibility Outcomes

Successful CSR outcomes have become recognized as important to corporate sustainability. Leaders and organizations, which understand the importance of stakeholder perceptions, positively promote CSR. Employees, stockholders, regulators and the served community identify much closer with organizations that support CSR strategies (Bhattacharya, Sen, & Korschun, 2011). As a result, recruitment of quality employees and retention rates improve. Overall, corporate morale is higher and according to Joyner and Payne (2002):

There is growing recognition that good ethics can have a positive economic impact on the performance of firms. Many statistics support the premise that ethics, values, integrity and responsibility are required in the modern workplace. For consumer groups and society at large, research has shown that good ethics is good business (p. 297).

Much of the current literature speaks of CSR as being associated with branding and good public relations (e.g., Isaac, Nada, & Andrew, 2009; Lindgreen, Yue, Maon, & Wilcock, 2012; Vallaster, Lindgreen, & Maon, 2012). Reputation Institute's 2013 Global CSR RepTrak 100 study surveyed more than 55,000 consumers from 15 countries and concluded that *Microsoft* has the best reputation for CSR, as they did in the previous year. The software giant was rated number one followed by The Walt Disney Company and Google. (O'Reilly, 2013). Sterling (2012) provided an excellent example of a corporate CSR branding strategy. Sterling reported that the Ford Motor Company recently announced that:

Partnering with REPREVE, who specialize in recycled fabrics, Ford will divert around 2 million plastic water bottles from festering in a landfill to create seat fabric for the new Focus Electric vehicles. It will be the first car able to boast an interior of 100% clean technology (p. 1)

Hence, Ford Motor Company demonstrates how companies use CSR to present an image to society. However, society is not oblivious to circumstances that tend to negate positive CSR efforts. People remain skeptical in regard to corporations having society's best interest at heart. They remember how Ford blamed Firestone over the issue of Ford Explorer vehicles overturning under certain conditions despite Ford's complicity in the Explorer tire design (Noggle & Palmer, 2005). On a broader industry scale, they remember that most vehicle manufacturers opposed the mandated installation of seatbelts in the 1960s (Russell, n.d.) and airbags in the late 1990s (History, 1998). Moreover, when one considers that auto manufacturers do not publicize that their associations fund extensive lobbying efforts against reducing pollutant emissions, increasing safety standards, or increasing fuel economy standards, the question becomes; how committed are corporations to CSR? Corporations should consider examining policies and positions that negate positive CSR strategies. Higher education must promote the idea the CSR strategies are inclusive of lawful and ethical conduct.

Corporate Social Responsibility Dilemma

A corporation's primary responsibility is to its stockholders (Friedman, 2002). The highest achievable return on investment, while protecting those investments, is paramount to the mission of a corporation. A corporation is not a government, nor a socially based charity. Thus, some argue that a corporation has no social responsibilities beyond following legal statutes and regulations. Therefore, the academic profession must research, develop and promote CSR strategies through education and training initiatives. Corporations must have leaders, managers and employees who are educated and attuned to the demands of a wide range of CSR decisions and implementations.

Corporate Requirements for Leaders and Managers

CSR branding is important. While all employees at all levels within a corporation can affect the well-being of a corporation, executive and management leadership often define the culture of CSR. Guamieri and Kao (2008) suggest that "both CRS and leadership are deeply rooted in concepts of service integrity, and inspiration to others" (p. 41). With this in mind, the support often includes support for CSR efforts at all levels of the organization, keeping in mind stakeholder perceptions. Organizational commitment is essential. Corporate leadership must be well versed in CSR decision-making and implementation strategies. Leaders must also be cognizant of policies and activities that reflect badly on CRS branding.

A common administrative CSR strategy is to provide documentation of acceptable/unacceptable behaviors. Ferrell, Fraedrich, and Ferrell (2005) describe documentations of "codes of conduct" as an important organizational tool for influencing ethical behaviors (as cited in Rottig & Heischmidt, 2007). Valentine, Godkin, and Lucero (2002) cite a Singhapakdi and Vitell (1990) study that posits employees who worked for companies with formal codes of ethical conduct were more likely to identify themselves as being more ethical.

Another common approach to fostering CSR support is through the Human Resource Development (HRD) strategies. Thumwimon and Takahashi (2010) advocate that HRD programs should include these CSR strategies (p. 24):

1. Prepare owners and employees to understand CSR concepts.
2. Study surrounding community and employee needs.
3. Establish CSR policy and HRD for CSR policy of the company, including promoting and creating ethical workplace and setting up the simple and flexible systems.
4. Determine specific needs.
5. Establish specific CSR activities for training objectives.
6. Select CSR activities for training methods and delivery systems.
7. Implement CSR activity for training programs.
8. Evaluate CSR activity for training programs.

Employee training is an effective method of providing cognitive frameworks for employees to recognize unlawful and unethical behaviors and the consequences of such actions (Delaney & Sockell, 1992; Valentine et al., 2002).

If prevention fails, corporations have begun to adopt "whistle blowing" policies. While Godkin and Allcorn (2011) describe whistle blowing as a "career ending decision" (p. 568), it encourages ethical leadership support and ethical behavior of others in the organization. This ethical leadership must protect whistle blowers against organizational retaliation (Bhal & Dadhich, 2011). Corporate policies for supporting whistle blowing represent positive CSR strategies.

MAIN FOCUS OF THIS CHAPTER

Does Higher Education Provide Direction and Clarification?

This chapter studies the issue of higher education's role in addressing the needs for providing executives with CSR strategy education. Higher education has been very concerned with teaching business law and ethics in response to market demands. Accordingly, many universities advocate producing future professionals equipped with the knowledge and experience needed for positive responsible contributions to society.

Mayes (2013) emphasizes a shift toward higher education focusing on ethics across all disciplines:

Much has been discussed in popular media these days about ethical behavior or perhaps the lack of it (Organ, 2003). Many of our recent economic misfortunes have been portrayed as resulting from unethical behaviors. Reports of the mortgage crisis, the savings and loan crisis, Enron, and Chernobyl are just a few examples….Continuing in the same vein; it is almost commonplace and unnecessary to provide examples of unethical behavior by government officials and employees. Our society recognizes that we have a problem and looks to us, the field of higher education, for a solution, or at least part of a solution.

Unfortunately, image polishing and marketing campaigns without a true respect for society are not enough. Higher education must move to the forefront in providing convincing evidence and education of the benefits and strategies in CSR.

RESEARCH DESIGN

To gain perspective into what higher education currently offers business students regarding CSR instruction, the researchers investigated the curricula of Executive MBA programs through qualitative content analysis. This type of study is not unusual. Sharp and Brumberger (2013) conducted a similar study on business communications curricula from the top 50 undergraduate schools using Bloomberg's *Businessweek* rankings for 2011.

Berleson (1952) describes qualitative content analysis as a research methodology looking at words which describe a phenomenon. Qualitative content analysis includes the systematic mapping of words and ideas (Drabble, O'Cathain, Thomas, Rudolph, & Hewison, 2014). The words are quantified by looking for repeats (similarities). Moreover, the meanings of the words are used to qualify and assign importance to the phenomenon. The process is repeated at least two times or until new meanings cannot be identified. The researchers followed an approach employed by Kuchinke's method of studying core curricula (2002) and used in a similar report investigating the topic of "Diversity" in Executive MBA programs (Gavrilova Aguilar, Bracey, & Allen, 2012).

Population

This study reviewed twenty (20) Executive MBA programs taken from the top twenty-five (25) ranked 2012 EMBA programs compiled by Poets

& Quants. Poets & Quants, a website serving business executives, used a composite of five major MBA rankings as published by *Bloomberg BusinessWeek, The Economist, The Financial Times, Forbes, and U.S. News & World Report*. Poets & Quants blended the most current rankings using a system that accounts for each of the rankings strengths as well as potential flaws to come up with a comprehensive ranking of EMBA programs. The list is meant to eliminate anomalies and other statistical distortions that are often present in any single ranking.

Data Collection

Once the researchers established the list of the top twenty Executive MBA programs, they collected lists of available course titles and descriptions specific to each Executive MBA program from each of the institutions of higher education's websites. The researchers recorded whether courses were part of the required core program or program electives. Table 1 exhibits the universities selected for this study in alphabetical order.

DATA ANALYSIS

After the researchers established the sample, they examined university websites for the feasibility of applying content analysis methods (Bauer, 2000). The researchers then examined course titles and descriptions using an approach similar to Kuchinke's (2002) method of analyzing core curricula. According to Krippendorf (1980), when conducting a content analysis study, explicit references are perceived as mostly objective for identifying a topic while implicit references are more subjective in nature. The researchers proceeded through the content analysis process looking for explicit and implicit references to Corporate Social Responsibility within the EMBA curricula textual content, using the meaning of Thumwimon and Takahashi's (2010) definition of CSR.

Limitations

Many Executive MBA programs are cohort driven with core programs from the regular MBA program and additional programs voted upon by the general interest of the cohorts. Executive MBA programs often were flexible in offerings year to year, incorporating weekend and global travel offerings. While most Executive MBA programs provided access to robust course titles and descriptions, occasionally the researchers had to record generic course titles and descriptions. Moreover, websites did not always provide readily available course titles and course descriptions with core and elective differentiations.

Table 1. Detailed breakdown of sampled universities (alphabetized)

Sampled Universities
Columbia University (New York, NY)
Cornell University (Johnson - Ithaca)
Duke University (Fuqua – Durham NC)
Emory University (Goizueta – Atlanta GA)
New York University (Stern - New York NY)
University of North Carolina (Chapel Hill NC)
Northwestern University (Kellogg – Evanston IL)
Ohio State University (Fisher – Columbus OH)
Southern Methodist University (Dallas TX)
University of California (Haas - Berkley CA)
University of California (Anderson - Los Angeles CA)
University of Chicago (Booth – Chicago IL)
University of Maryland (College Park MD)
University of Michigan (Ross - Ann Arbor MI)
University of Notre Dame (Mendoza - South Bend IN)
University of Pennsylvania (Wharton - Philadelphia PA)
University of Southern California (Marshall - Los Angeles CA)
University of Texas at Austin (McCombs-Austin TX)
Vanderbilt (Nashville TN)
Washington University (St. Louis MO)

DISCUSSION

Typically, Executive MBA programs admit professionals with several years of managerial experience from a wide variety of institutions including Fortune 500 companies, non-profits, and small businesses. For example, the Kellogg Executive MBA program is promoted as meeting "the needs of mid-career executives who are preparing for senior management roles, and it enhances the skills and effectiveness of senior executives", (Northwestern University, n.d.).

Most of the universities examined in this study accommodated various types of Executive MBA programs. Full time, weekend and global programs were the most common. Most of the Executive MBA programs reviewed offered between 20 to 50 courses. Most full time programs were geared to a 21 month curriculum, or four semesters and a summer session.

In general, the programs had courses in financial, managerial, and cost accounting and pricing strategies. Moreover, various leadership, management, communication, and negotiation courses were common amongst the Executive MBA programs. Macro and Microeconomics were required in most curricula. Statistics as an analytical decision making tool was consistently required as a course. Marketing, sales, and branding courses were available in most programs. Normally a capstone course was required to demonstrate that the student could apply what they had learned. Several schools provided simulation software for end of term projects. Students interested in global studies had various outreach programs which introduced them to foreign countries and economies.

However, the study found only one course with the words "Corporate Social Responsibility" in the course title. There were three other courses with the word "responsibility" in the title. It was common to find courses with the words "law" and "ethics" in their titles. Most Executive MBA programs had at least, and sometimes both, law and an ethics courses.

Table 2 Contains a count of the explicit and implicit course title and description references to CSR, Ethics, and Law (pre-codes included) in each university curriculum. The table rows represent (anonymously) each institution of higher education and have been placed in order of the most to least number of identified references (explicit and implicit). Both core and elective courses were included in the study.

While there are similarities between course titles across Executive MBA programs, marketing efforts sometimes leave titles open to interpretation. Table 3 identifies course titles that indicate the course content is related to CSR, Ethics, or Law.

In both Tables 4 and 5 the researchers used the list of potential implicit references that could be used to identify CSR, Ethics, or Law topics included in course descriptions words such as 'altruism, integrity, liable, dilemma, legislation, ordinance, branding, fraud, trust, value, moral, code, contract, principle, practice, policy, obligation, regulation, mandate, authority, governance, compliance, environment, social, cultural, diversity, power, politics, decency, sustainability, leadership and organizational change' and the context around these words.

Titles alone do not completely reveal the material covered by an Executive MBA course. The researchers examined the course descriptions for evidence of implicit references to CSR, ethics, or law. Table 5 illustrates some of the phrases embedded within the course descriptions that could imply inclusions of CSR, law, or ethics course content. While it might be assumed that all Executive MBA program courses would focus on leadership and organizational change, the researchers identified explicit links between leadership development and organizational CSR, ethics, or law topics.

Table 2. References to CSR, ethics, or law for the top 20 EMBA programs

	Total References	Explicit Reference Title	Implicit Reference Title	Explicit Reference Description	Implicit Reference Description
Program A	15	3	1	4	7
Program B	12	3	5	2	2
Program C	11	2	2	2	5
Program D	8	3	0	3	2
Program E	6	2	0	2	2
Program F	5	1	0	3	1
Program G	4	1	1	1	1
Program H	3	3	0	0	0
Program I	3	1	0	1	1
Program J	3	1	0	1	1
Program K	3	1	0	1	1
Program L	2	2	0	0	0
Program M	2	1	0	1	0
Program N	2	1	0	0	1
Program O	2	0	1	0	1
Program P	2	1	0	1	0
Program Q	1	0	0	1	0
Program R	0	0	0	0	0
Program S	0	0	0	0	0
Program T	0	0	0	0	0
Totals	84	26	10	23	25

Table 3. Examples of EMBA course titles with explicit references of CSR, ethics, or law

Course Titles with Explicit References of CSR, Ethics, or Law
Responsibility in Global Management
Business, Politics, and Ethics
Ethics and Executive Leadership
Law and the Corporate Manager
Law in Business
Leadership and Ethics
Professional Responsibility
Legal Environment of Business
Legal and Ethical Environment of Business
Ethics and Responsibility in Business
Ethical Aspects of Management
Ethics
Business Law
Managing the Legal Environment of Business
Strategic Corporate Social Responsibility and Consulting Projects
Legal Environment
Ethics in Business

SOLUTIONS AND RECOMMENDATIONS

Merriam-Webster (N.D.) defines altruism as "the unselfish regard for or devotion to the welfare of others", (n.p.). Thus, the researchers were concerned with the following: "Is CSR altruistic in nature or a marketing effort to develop an acceptable brand and foster goodwill with a corporation's stakeholders?" The researchers "word searched" all of the course descriptions and could not locate any form of the word "altruism" or "altruistic" in the text. That may affirm the apparent profit centered motivation for CSR. If and when higher education includes wide spread instruction of CSR in its curriculum, it may be assumed that

Table 4. Examples of executive MBA course titles with implicit references of CSR, ethics, or law

Course Titles with Implicit References of CSR, Ethics, or Law
Corporate Governance Power and Influence in Organizations Power and Politics Energy & the Environment Brand Strategy Managing Growth & Sustainability Metrics of Sustainability Social Investing: Recent Finding in Management and Finance Entrepreneurship for Sustainability Social Sector Solutions: Nonprofit Consulting Projects Health Care in the 21st Century Values-Driven Leadership

CSR acceptance in business will be based upon market or branding strategies that have positive return on investment.

In order to develop and promote CSR strategies for use in Executive MBA programs, academia should examine all higher education curricula areas to which corporations currently subscribe. Program developers, administrators, and instructors must ask "What impact can each course have on CSR?" In response to this question, the researchers suggest that some form of a social responsibility impact statement (SRIS) be created for every EMBA instructional course. Similar

Table 5. Executive MBA course descriptions with implicit reference of CSR, ethics, or law

Course Title	Example of Description Inference
Global Strategy and Economics	(… impact of government policies…)
Macroeconomics	(…monetary and fiscal policy, budget and trade deficits, interest and exchange rates…)
Negotiation Strategies	(…people from different cultures…address multicultural and multiparty issues…)
Futures and Options	(…positive benefits of derivatives that have fueled growth…derivatives that have led to disasters…)
Macroeconomics	(…studies national and global economic activity)
Multinational Business Management	(…cultural, political, competitive, technological, legal and ethical environment…)
New Venture Financing	(…basic questions of trust and fraud…)
Power and Politics	(… political processes and power structures influence decisions …political dimensions…)
Microeconomics for Management	(…the role of government…)
Business, Government, and the Global Economy	(…global economy that is strongly influenced by the "visible hand" of governments and international institutions)
Brand Management	(…psychological principles at the customer level to improve managerial branding decisions…)
Corporate Governance	(…Sarbanes-Oxley Act and its implications…)
Strategy and Sustainable Business	(… frameworks of sustainability…)
Executive Integral Leadership	(…moral and spiritual components of an effective leader…)
Leadership and Decision Making	(…use power and influence…)
Change Management	(…diverse constituencies…)
Ethical Aspects of Management	(…dilemmas that confront managers…)
Values-Driven Leadership	(…actions, philosophies and values of real leaders…)
Global Economics	(…Economic Policies…)

in nature to environmental impact statements (EIS) which describe the positive and negative environmental effects of a proposed action, the SRIS should define how all or any of the content from the course could potentially have positive or negative effects on society and individuals.

Corporate Governance courses offer higher education an opportunity to affect corporation board members exposure to CSR either directly or indirectly from colleagues having Executive MBA degrees. Board members have a fiduciary duty to the stockholders and must fully understand the implications of any CSR strategies the corporation employs. Moreover, the board of directors may express interest in initiating CSR strategies. In addition, abuses of ethics and illegal acts by board members have led to corporate failures.

Executive and Leadership Development courses offer higher education the vehicle for proffering CSR strategies to current and future business leaders and managers. While the employees enjoy the affiliations with CSR corporations, the executive and management levels initiate, drive, and support the sustainment of CSR strategies. Abuses of ethics and illegal acts by executives and managers have led to CSR fiascos.

Marketing and branding courses offer higher education opportunities to educate students on the worth of CSR on short and long term strategy implementations. These courses are excellent ways to implement successful CSR strategies which educated society on the research and development efforts that a corporation makes to provide services and products consumers require. However, marketing and branding efforts which deceive and/or omit relevant information can damage CSR efforts.

Finance and Accounting courses are often the backbone of CSR strategies. These courses provide a comprehensive look into the workings of a corporation. Investors and lenders need this critical information for financial support. Positive CSR models include open and honest reporting of information used for investment risk assessment. Misuses of this discipline can result in catastrophic corporate failures resulting in massive losses. Enron, WorldCom, and Tyco are excellent examples of failed CSR by misuse of finance and accounting rules and regulations (Freeman, Stewart, & Moriarty, 2009).

Research and Development related courses drive innovation. Positive CSR issues include environmentally sound technologies, humane testing, product sustainability, and consumer safety. Misuses of research and development can severely damage CSR strategies leaving a corporation with "bad-press", at a minimum, and in continual litigation.

Acquisition and Production courses often include cost and availability sensitive topics. Positive CSR includes using business partners who share similar CSR ideals and policies. Misuse of acquisition and production processes often leads to partnerships with enterprises which tarnish the corporation's image and CSR strategies. A prominent athletic shoe and clothing company is still known for partnering with foreign firms which employ child slave labor (TED, n.d.).

Human Resource Management and Development courses represent large numbers of legal and ethics challenges.

The globalization of business had made altruistic CSR difficult to strategize. For example, an American company who had products made in developing countries to sell in the United States could face a variety of conflicting CSR issues. While countries with few labor laws and no pollution controls may provide a company with the ability to compete in a very competitive market, the CSR implications can be devastating. Unfortunately, society looks favorably on companies who practice CSR at home, yet ignore corporate irresponsibility beyond its borders. One only has to read about Chinese employees of Foxconn, a factory for Apple, who have been reported as jumping out of factory windows to commit suicide to know that Apple might have a serious CSR problem in China (Sarno, 2012).

Academics must lead the way to an understanding of the global implications of CSR. Corporate leaders must look at sustainable long term policies. Global conditions will always be in a rapid state of change. Moreover, higher education must formulate CSR impact statements on every EMBA course. Raising corporate awareness in every aspect of management will promote the concept that CSR is important.

FUTURE RESEARCH DIRECTIONS

The increased public concern for Corporate Social Responsibility initiatives will create a plethora of research opportunities for higher education. However, higher education needs to ask itself if research is going to make a difference. Every researcher must extend their reach beyond the process of publication and use their findings to promote education and training of leaders and managers on the benefits of CSR.

First, higher education must research CSR and the marketplace. Researchers must identify branding and its effect on the bottom line. They must differentiate between short term profits and long term sustainability. Furthermore, research on corporate actions which could jeopardize CSR branding efforts should be identified using risk assessments.

Second, higher education must encourage corporations to move beyond CSR as just a branding strategy. CSR research has to promote the idea of building a culture of CSR at all levels of the organization. Empathy for the human condition at all levels is imperative. New human resource development research should demonstrate the importance of attitudes and individual contributions to further CSR initiatives and strengthen human resources.

Finally higher education must provide strategies for CSR implementation. Research in both successful and unsuccessful CSR strategies and the underlying motivations can provide a great deal of insight on what works and what does not. Higher education must seize the opportunity to provide strategies for continual CSR program development.

As outstanding CSR curricula are identified, additional studies can be designed to identify the influence that leadership development and organization change curricula have on CSR outcomes. Graduates can be surveyed to identify what influence they have had on CSR organizational change initiatives. Higher education must support what society owes its children and its children's children.

CONCLUSION

This chapter summarizes results from a study which indicates that higher education has not consistently addressed CSR in leading Executive MBA programs. While there is evidence of coursework in business law and business ethics in most of the Executive MBA programs studied, there was little evidence of CSR. Most of the sampled universities provided little, if any, exposure to CSR in their Executive MBA programs. The researchers found over 20 explicit references to law or ethics from the course titles they reviewed and another 10 implicitly linked course titles, but only one course has CSR as part of its title. While some additional implicit references to CSR existed in the course descriptions, it appeared that CSR was largely a side issue to most Executive MBA programs.

This chapter recommends that higher education take a more direct role and develop course social responsibility impact statements and educate students on various CSR strategies in various courses, promote the idea of sustainability, and provide an understanding of the risk of spin and deceit. Students must understand that corporations are granted the privilege of existence and protection by society and must shoulder the responsibilities that come with these privileges. Society believes, if not expects, that "Doing well and doing good can go hand in hand" (Guamieri & Kao, 2008, p. 35).

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KEY TERMS AND DEFINITIONS

Business Ethics: What a person is obligated to do in his corporate duties.

Business Law: Laws and regulations that business is exposed to during the course business activities.

Corporate Altruism: The actionable concern for the welfare of society, even when there is a corporate sacrifice for undertaking such actions.

Corporate Branding: The development of a recognized company name used to promote product and services.

Corporate Culture: The human behavior, attitudes, and artifacts that define the values, beliefs, and activities of corporations.

Corporate Social Responsibility: Self-regulation policies adopted by corporations regarding legal, ethical, and international norms including environmental protection and stakeholder considerations.

Dilemma: Problem with two potential outcomes, both which are not totally acceptable.

Diversity: Cultural or demographic differences among individuals.

Explicit Identifier: Terms used in content analysis to classify directly or specifically.

Governance: The authorized process of defining and interpreting rules used to regulate decision making and organizational activities.

Implicit Identifier: Terms used in content analysis to classify by inference or description.

Morals: Personal guidelines rendered from religion, culture or philosophy defining "right or wrong".

Policies: Defined guideline used to direct and support decisions and actions.

Strategy: The planned means to an intended end.

Sustainability: The ability for a corporation to endure despite diverse and changing business and political climates.

Values: The personal measurement of importance a person places on another person, or actions, objects, or properties; often associated with morals and ethics.

Chapter 10
Globally Responsible Management Education:
From Principled Challenges to Practical Opportunities

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ABSTRACT

Responsible management education is a crucial step in shaping our common future. This chapter reviews how the Principles of Responsible Management Education (PRME) offers a platform for institutional commitment and leadership engagement toward business ethics and poverty alleviation. Specifically, this work critically analyzes the challenges and opportunities in adopting the educational principles for practical outcomes in the context of other trends in socially responsible global engagement. Through a review of the institutional trends in relation to PRME, the authors offer practical opportunities for curricula development, academic engagement, and ethical education for the 21st Century.

INTRODUCTION

Management education is first and foremost about leadership development for social impact. In the ever-changing complex world, management education should challenge those candidates whose priority is simply self-enrichment. It should prepare students to be responsible leaders in the world. Even within traditional fields like finance, accounting, business administration, and public service, management programs emphasize their social and global responsibility for a shared sustainable future. A growing number of studies have been highlighting these trends and the possibilities and responsibilities that management education has for world benefit and global prosperity (Muff et. al. 2013; Werther & Chandler, 2014; Williams, 2014). These trends are already visible in numerous managerial and leadership practices of corporations engaged in sustainable development,

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human rights, labor rights, and the anti-corruption agenda of the United Nations Global Compact (Lawrence & Beamish, 2013; Rasche & Kell, 2010). However, many worldwide management programs still have to make several changes in their curricula offerings and strategic priorities to become more relevant to the global responsibility trends for sustaining profits, people, planet and partnerships (Fisk, 2010; Sosik & Jung, 2010; Wankel & Stachowicz-Stanusch, 2011; Wankel & Stoner, 2009).

The United Nations' Principles for Responsible Management (PRME) emerged from the United Nations' Global Compact (UNGC) in 2007 in order to offer a shared platform for academic institutions to engage in globally responsible management education. Through a set of shared common principles and a commitment to regularly shared information with its stakeholders on the progress made in implementing the principles, PRME is becoming a valuable tool in shaping the future of responsible management education. "The PRME is the first organized relationship between the United Nations and management-related academic institutions, business schools, and universities" (PRME Secretariat, 2014). The PRME's objective is to increase social responsibility and sustainability in management education; both are concepts that acknowledge managers as moral actors (Lavine & Roussin, 2012) and socially responsible agents (Katamba, 2012).

The idea that business schools have a role in educating socially responsible managers and leaders engaged in sustainable development is relatively new. For example, at the 1992 UN Rio Earth Summit there was a marked absence of business school representatives. In contrast, twenty years later, a conference entitled "PRME Global Forum" included 300 attendees from some of the most prominent business schools in the world that came together at the UN Rio+20 Earth Summit. Now, there is a rapidly growing acceptance of business school's role in sustainable development starting from the private sector. This acceptance has helped make PRME into an important base for business educators and has given management education a role in positive, progressive social change (Kelley & Nahser, 2014).

Much of this acceptance can be attributed to the mid-2000's financial crisis which led business educators to ponder whether the curriculum was adequately addressing bad management practices, or if it was even encouraging these practices. However, most of the ethical implementations in management curricula have been simply a 'patchwork' without fully integrating ethics across the curricula (Boylan & Donahue, 2003) or placing ethics as a world benefit at the core of good management education (Melé, 2012). In addition, much of the teaching resources devoted to ethics center around individual-level values with an emphasis on short-term exercises, rather than focusing on the interconnectedness of individuals and their organizations with long-term, in-depth projects that equip students with an understanding of the complex issues regarding business and society (Lavine & Roussin, 2012).

Currently, more and more business schools and management programs have joined or are in the process of joining the movement to partner businesses with socially responsible principles. PRME, along with other similar engagement initiatives for academia and corporations, is a realization of the effort to provide a principled platform for socially responsible global engagement. In the following sections we will examine the ethical implications of adopting the principles and engaging in a shared process to foster sustainable and socially responsible educational practice. Although the institutional reasons for joining, and ultimately the level of commitment of PRME academic institutions, may vary the basic principles offer a common ground for expressing their specific commitments in line with the initiative's purpose. Similar to the voluntary participation of corporations in the United Nations Global Compact

(UNGC), academic institutions following PRME engage in an open stakeholder disclosed forum aimed at sharing best practices and promoting effective strategies. Ultimately, the goal of such academic institutions in educating leaders and managers should be aligned with PRME's shared aim at developing globally engaged leaders and socially responsible managers.

Do these trends represent a beginning of a 21st century education more centered on sustainability, social responsibility and ethical practices? According to the Aspen Institute's biennial Beyond Grey Pinstripes (BGP) Survey, more and more business management schools integrate social responsibility into their education. The Institute's 2011-2012 report shows that management curricula are changing with a striking increase in social, ethical and environmental content (Aspen, 2012). Such trends appear to overcome the narrow interpretations – almost paternalistic and not integrated - in corporate social responsibility (CSR) (Laszlo, 2003, 2008; Laszlo & Zhexembayeva, 2011). They also challenge Milton Friedman's controversial CSR statement that argued that business's social responsibility was only to increase its profits. Various business ethicists have challenged such dichotomous or narrow interpretations of CSR (Werhane, 1999) defining it as a "truncation of the moral imagination that virtually precludes the possibility of sustainable value creation" (Kelley & Nahser, 2014). The PRME affirms the opposite idea, that business can maximize profits while responding to societal ills such as local and global poverty. It proposes that the management curricula can and should be a source for innovation in solutions to social problems, and that business schools indeed have an essential role in the creation of sustainable value. Although some academics still question the importance of ethics and social responsibility in management education, there is a progressive transformation occurring.

THE 'DOING GOOD' ETHICAL CHALLENGE OF MANAGEMENT EDUCATION

Integrating ethics into management education has become a priority in many academic programs and institutions. Numerous studies have highlighted the growing importance of integrating social responsibility into management education (Forray & Leigh, 2009; Giacalone & Thompson, 2006; Waddock, S. 2006; Wankel & Stachowicz-Stanusch, 2012). Teaching ethics in management education is more than imparting students with an ethics code. It is about creating a principled culture for ethical practices, global responsibility and sustainability. The debate on the role of ethics in business ethics is not as central as the practical, institutional and pedagogically effective implementation of educational programs that teach good management knowledge relevant to the most pressing needs of our societies. Therefore, the ethical challenges are not just about 'avoiding wrong doing' but mostly about how to 'do most good'. Such a shift from a negative ethics view to a positive ethics view in management education requires more than a simple set of courses and programs. It requires institutional commitments to basic global responsibility principles which in turn aim at engaging academic institutions to become collaborating agents for world benefit. The stakes are high and the pressure is on for creating a more sustainable, secure, inclusive and possible future for all. As the population continues to grow, development requires more resources, and the complexity of relations requires more accountability; academic institutions have an all-important educational challenge. Acknowledging how societies rapidly evolve into more globalized systems with shared challenges, the main responsibility of academia is to prepare current and future generations of managers and leaders to be positive agents for a better world - for all.

The original purpose of management education to link economics, professionalism and universities has a new fundamental challenge today. David Cooperrider calls it a challenge of making business a positive (appreciative) agent for world benefit linking the power of transformation of organizations into ecology, peace and poverty (Cooper- rider, Whitney, Stavros, & Ebrary Inc., 2008). The real challenge and responsibility of management education is therefore not simply to develop good MBAs but to create transformational agents and committed global leaders for a better world (Pless & Maak, 2009). Responsible management education is more than an ethical call for willing individuals – it is a systemic responsibility for administrators and faculty to direct their programs and institutions through their discernments, priorities and decision-making.

Should management education share the responsibility to address world problems? The answer emerging from this analysis of the PRME initiative is that the adoption of the principles and the processes connected with it, offer an opportunity to effectively engage in addressing word major problems. As Schram and Harney (2003) highlight in their review of 2,300 research papers, most business and manager researchers focus on solving 'small technical problems' like product placement and the supply chain, while failing to examine the larger social and political questions that could provide fundamental answers about how to create a better world. The PRME are about revising teaching and researching in management programs so that academic institutions and leaders engage in solving global social problems and serving the common good. (Godfrey & Grasso, 2000).

Hans Küng (1998, 2004) has highlighted the importance of creating new political and economic ethical systems to adequately answer the main moral dilemmas of our globalized societies. The pressing challenges of the 21st century revolve around development, human rights, sustainability, climate change and human security. Globalization has created numerous opportunities but also exasperated issues such as inequality, corruption, urbanization, climate change, and state fragility. The United Nations has been on the forefront of creating a common plan in the Post 2015 development agenda. The 2012 Rio+20 conference, following other important milestones, represented a groundbreaking moment to finally integrate the priorities for human development with sustainable development. Other elements, however, especially in the area of human rights and human security, would need to be further integrated in the global priorities and the formation of adequate educational management programs (Tavanti & Vendramini, 2014).

The integration of ethics across the curricula, global social responsibility, multi-sector partnerships, sustainable development, poverty reduction, human rights and human security would need to be included in current and future management degrees including masters' in business administration (MBA), public administration (MPA, MPP), nonprofit / nongovernmental (MNA, MNM) as well as in specialized degrees in law (LLM) and development (MDP). Responsible management education offers some general guidelines for institutional commitment that should be the foundation to formulating adequate curricula responses which effectively integrate the preparation of managers and leaders with solutions for world problems.

RESPONSIBLE MANAGEMENT EDUCATION

Responsible management education faces both a challenge and an opportunity. The time has come for business schools and public service management programs to center their education around global challenges of sustainability and poverty reduction. Social responsibility and ethics are no longer electives in the business of adequately preparing 21st century leaders (Gasparski, 2008). Social responsibility pertains to all stakeholders but it begins with a value-based commitment of management faculty and program administrators. Academia can provide opportunities for students to learn appropriate competencies in order to develop globally responsible leaders and organizational practices for world benefit. These include actively contributing to poverty eradication, replenishing and restoring nature, and building foundations for peace (BAWB, 2006). These renewed management values are already priorities among the 363 academic institutions and programs (as of April 2014) who adopted the Principles of Responsible Management Education (abbreviated PRME and pronounced PRIME). Developed in 2007 by the academic institutions connected to the United Nations Global Compact (UNGC), the adoption of the principles creates opportunities for participating academic institutions to exchange best practices in teaching, learning and engaging for world benefit.

The idea of the PRME was introduced by the UNGC at the Global Forum "Business as an Agent of World Benefit" at Case Western Reserve University in October 2006. Inspired by the internationally accepted business values of the 10 principles of the United Nations Global Compact (UNGC) and the 8 Millennium Development Goals (MDGs), the PRME offer a boost for making management education an engaged, responsible and sustainable response to world poverty and inclusive development. The PRME were developed in July 2007 by an international task force consisting of 60 deans, university presidents and official representatives of leading business schools (PRME, 2007). At their official launch during the Global Compact Leaders Summit in Geneva, UN Secretary-General Ban Ki-moon said, "The Principles for Responsible Management Education have the capacity to take the case for universal values and business into classrooms on every continent" (Forray & Leigh, 2010).

Today, PRME represents a growing movement of academic institutions and management programs committed to the promotion and integration of socially responsible principles and practices. They represent a platform for dialogue and implementation of social responsibility in education and for making management education relevant to local and global poverty reduction and sustainable development. Social responsibility and sustainability are not simply a "buzz word" in management education (Christensen, Peirce, Hartman, Hoffman, & Carrier, 2007). They reflect a fundamental shift in our societies and economic systems that will hopefully develop in the years to come. The PRME offer an engagement model for management schools and academic institutions who want to stay "ahead of the curve" by integrating sustainability and social responsibility into their learning outcomes and programs (PRME, 2011b).

The PRME are part of a growing movement promoting education for global citizenship, sustainable development, social accountability and leadership for the common good (Ball & Osborne, 2011; Godfrey & Grasso, 2000). The late-2000s financial crisis is also a 'good' opportunity to get serious about business ethics and placing social responsibility and sustainability at the core of management education (Rasche & Escudero, 2010, p. 244). Dr. Ángel Cabrera, president of Thunderbird University and a strong promoter of the PRME, has made sustainability and social responsibility values the hallmarks of his academic institution, a leader in global management education. Commenting on PRME, he argued that 'the time is ripe for change to professionalize business schools by starting a reform process towards accepting the broader responsibilities of management in society (Cabrera, 2009). As demonstrated by innovative leaders such as Mohammad Yunus (Yunus & Weber, 2010), profit maximization can be aligned with alleviating poverty and systemic solutions to societal problems (Wankel, 2008; Werhane, Kelley, Hartman, & Moberg, 2010). Dr. Cabrera explains how the 'private' interests of business can be in line with a responsibility for the 'common' good. "A professional ideology of service to the greater good is not at odds with the principle of shareholder value creation. It actually grounds shareholder value morally and integrates it in a richer multidisciplinary context. It reaffirms the importance of shareholder value as both a source of societal prosperity in itself as well as an indicator of other forms of value. But it acknowledges that businesses create multiple forms of value and it attributes to managers responsibilities that go beyond profit maximization" (Cabrera, 2009).

This analysis of the PRME assumes that management education through the right principles and processes can be instrumental in advancing sustainable solutions to world problems. The authors reviewed the principles in their values and practical application for educating managers and leaders engaged in world poverty reduction. After framing the connection between the social responsibility of academia in relation to management education, the PRME is reviewed in the values and meanings of each principles. We will then make a case for adopting the PRME beyond 'moral' principles and in relation to the beneficial processes for engaging the entire management program and academic institution to center education around social responsibility and sustainability. The benefits of adopting PRME are reviewed in relation to practical possibility of engagement for poverty reduction and in relations to the United Nations Global Compact (UNGC) and the Millennium Development Goals (MDGs). The many global challenges, along with the recent corporate scandals and the current economic crisis, compel us to revisit management education. The PRME offer a framework and an opportunity to help make academia an agent for world benefit by educating socially responsible leaders and engaging in poverty reduction.

PRINCIPLES AND PROCESSES OF THE PRME

The PRME include simple and straightforward values for orienting education toward societal and global responsibility. However, they do not include any specific technical insights of teaching and learning methods. The principles are not meant to be understood as a set of measurable standards for ranking classification or the like (Waddock, Rasche, Werhane, & Unruh, 2011, p. 14; Wolfe & Werhane, 2010, p. 146). Much like the UNGC 10 principles, the PRME six principles are more goal-oriented and voluntary rather than prescriptive and compulsory. Building on the Global Compact mission to inspire responsible management practices, the PRME aim to "inspire and champion responsible management education" (PRME, 2008, p. 2). The premise of both the UNGC and the PRME is that businesses and management education can be powerful forces to creating socially responsible leaders engaged to make the world a better place.

Under the guidance of Dr. Manuel Escudero, Head of Academic Initiatives of the UN Global Compact, the many institutional representatives convened in Geneva in July 2007 developed six key principles focusing on:

1. Creating the necessary capabilities among students so that they can become inclusive and sustainable value leaders;
2. Incorporating into the education programs the values of global social responsibility as illustrated by initiatives like the UNGC's 10 principles around human rights, labour rights, ecological sustainability, and anticorruption;
3. Creating methods, educational processes and material that enable effective and responsible leaders;
4. Engaging in research that advances understanding about the impacts of companies in creating sustainable social, environmental, and economic value;
5. Interacting in partnerships with managers and academics to meet environmental challenges and social responsibilities; and

6. Facilitating dialogue among stakeholders representing multiple sectors on critical social and sustainability issues.

The PRME offer an opportunity to inspire educators, administrators and professionals to embed the values of sustainability and corporate responsibility into the core mission of management education programs. They offer a timely global call to business schools and management programs to gradually but systemically adopt values and practices for sustainability, social responsibility, human rights, labor rights, environmental rights and anti-corruption mechanisms. Beyond the adoption of the principles, the process of engaging the whole institution or program toward a commitment for socially responsible education can be transformative. The PRME offers a framework for engagement of management related academic institutions at three levels:

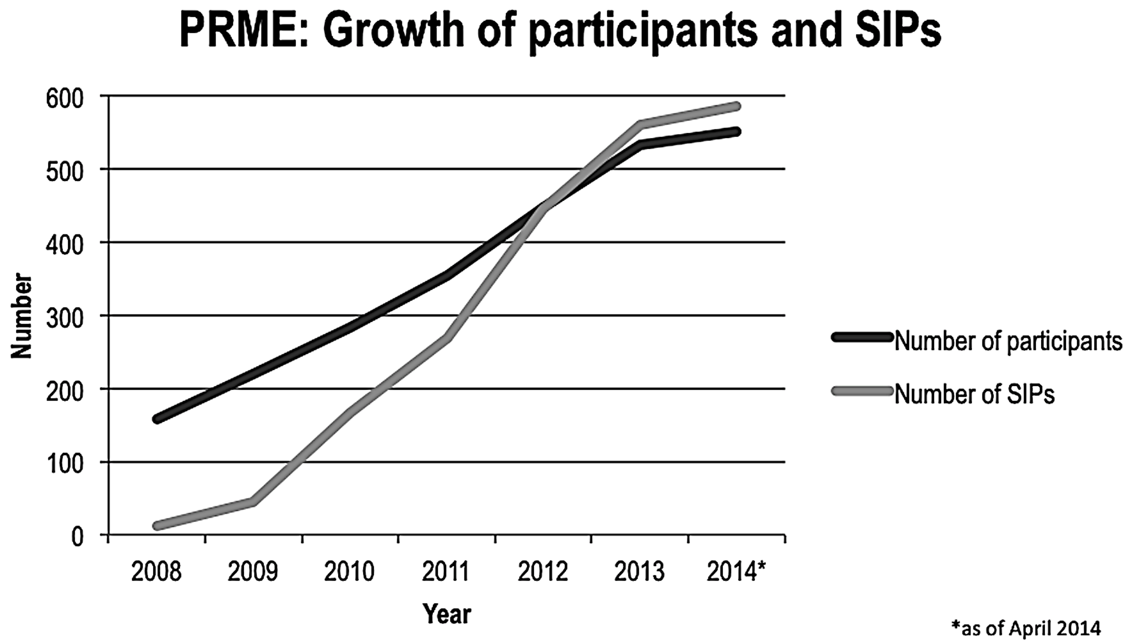
1. **Continuous Improvement:** Any school that is willing to engage in a gradual but systemic manner is welcome to join the initiative. Implementation of the Principles should be understood as a long-term process of continuous performance improvement and the PRME provides a framework of general principles through which to engage faculty and staff, and build institutional support.
2. **A Learning Network:** The PRME initiative also functions as a learning network. By collecting and channeling good practices, it will facilitate an exchange of existing and state-of-the-art experiences within the PRME network.
3. **Report to Stakeholders:** Adopting the PRME implies that the signatory school is willing to report regularly - annually - on progress to all stakeholders. Public reporting is the best way to ensure the credibility of the initiative and allows giving recognition to good performances (PRME, 2011a)

Much more than a general organizational value statement, the formulation of these principles are more like a commitment for participating academic institutions to practice these values and share their practices. Several management programs have been joining PRME and most of them maintain very informative annual or bi-annual Sharing Information in Progress (SIPs). The growth of the number of PRME participants and the submissions of SIPs are evident in Figure 1. As of April 2014, more than 550 academic institutions and management programs have joined PRME and almost 600 SIPs were submitted.

The process of joining and reporting on PRME also generates innovative ways of integrating sustainability and ethics across the curricula and in the learning outcomes of the program(s) (Matchett, 2008; Swanson & Fisher, 2011). Business ethics, social responsibility and corporate sustainability have entered into the teaching of most management programs; however, they have not become an integral part of the strategic core of most management education colleges and universities. Social entrepreneurship, business ethics, green business and sustainable development management are increasingly present topics in management courses and curricula worldwide, but they are often relegated to electives and not placed at the center of the core courses and competencies of the programs (Net Impact, 2008). The adoption of the PRME can enhance these processes in academic institutions that want to adequately respond to the growing demands of a new generation of students more concerned on sustainability and global citizenship values. The voluntary adoption of the Principles along with the institutional commitment to engage in the processes of PRME can provide dynamic opportunities for preparing world engaged, socially responsible and sustainable business leaders for the 21st century.

In tackling sustainable and inclusive solutions to complex world problems such as world pov-

Figure 1. PRME membership and reporting
Author's illustration; data retrieved from the PRME website (April 2014).



erty and exploitative and unsustainable business practices, the PRME recognizes the importance of involving multiple stakeholders and sectors. The representatives of key institutions in the steering committee and larger academic networks point out to the need of multi-stakeholder dialogue and worldwide collaboration. Currently the PRME Secretariat works in coordination with PRME steering committee representing the United Nations Global Compact (UNGC), the Association to Advance Collegiate Schools of Business (AACSB International), the European Foundation for Management Development (EFMD), the Aspen Institute's Business and Society Program, Globally Responsible Leadership Initiative (GRLI), the European Academy of Business in Society (EABIS), Association of MBAs, Central and East European Management Development Association (CEEMAN), Latin American Council of Management Schools (CLADEA) and Net Impact, a student organization with more than 13,000 members (PRME, 2011c). The effective education of future socially responsible leaders requires the commitment of current higher education leaders, administrators and scholars of key organizations and institutions (Khurana, 2007; Nemerowicz & Rosi, 1997).

MEANINGS AND VALUES OF PRME

The principles, which appear to be very general at first, provide undersigning institutions with a holistic perspective on responsible management education. Adopting these principles gives institutions the possibility to integrate ethics, social responsibility and sustainability into the curricula; promote and engage cutting edge socially responsible research and establish dialogues and collaborations between academics and practitioners. Institutions of higher learning involved in the education of current and future managers won't

Figure 2. PRME values and commitments
Source: Adapted from www.unprme.org.

The Principles of Responsible Management Education (PRME)

Principle 1 Purpose:	We will develop the capabilities of students to be future generators of sustainable value for business and society at large and to work for an inclusive and sustainable global economy.
Principle 2 Values:	We will incorporate into our academic activities and curricula the values of global social responsibility as portrayed in international initiatives such as the United Nations Global Compact.
Principle 3 Method:	We will create educational frameworks, materials, processes and environments that enable effective learning experiences for responsible leadership.
Principle 4 Research:	We will engage in conceptual and empirical research that advances our understanding about the role, dynamics, and impact of corporations in the creation of sustainable social, environmental and economic value.
Principle 5 Partnership:	We will interact with managers of business corporations to extend our knowledge of their challenges in meeting social and environmental responsibilities and to explore jointly effective approaches to meeting these challenges.
Principle 6 Dialogue:	We will facilitate and support dialogue and debate among educators, business, government, consumers, media, civil society organizations and other interested groups and stakeholders on critical issues related to global social responsibility and sustainability.

find "what to do" in the six principles. Rather, it is the responsibility of the diverse worldwide institutions to complete these six principles with contextualized meaning based on reflections and discussions (Rasche & Escudero, 2010). In his analysis of German Universities, Andrew Rasche (2010b), recognizes how the PRME are a practical call to action. The principles have an emphasis on 'what' are the values of social responsibility and sustainability; on 'how' to implement these principles and 'within' what institutional and social sectors they can best be put into practice (p. 9). The meaning and values of the six Principles create a framework for implementing long term academic social responsibility (PRME, 2007, p. 4).

Principle 1: Purpose

We will develop the capabilities of students to be future generators of sustainable value for business and society at large and to work for an inclusive and sustainable global economy. This principle summarizes the primary purpose of PRME to provide academic conditions for developing sustainable and engaged leaders. The most important aspect here is to engage all parts of the academic program (faculty, staff and administrators) in a process to integrate the principles in the curricula and educational sup- port services. This engagement process is critical especially for those disciplines that traditionally do not include ethical issues in their courses (e.g., finance, accounting and marketing). The principle can be integrated into the course by including reflections on the school's mission in relation to the PRME.

Principle 2: Values

We will incorporate into our academic activities and curricula the values of global social responsibility as portrayed in international initiatives such as the United Nations Global Compact. This second principle explicitly recognizes the UN Global Compact values as foundation for socially responsible education. The UNGC principles along with the values of human rights, labor issues, environmental issues, and anti-corruption act like a 'moral compass' for concerned institutions. These values are not exclusive. Other value-based practices like fair trade, sustainable development and peace could also integrate the purpose of the 'values' principle.

Principle 3: Method

We will create educational frameworks, materials, processes and environments that enable effective learning experiences for responsible leadership. Teaching responsible management and sustainable ethics can take many shapes and forms. Most top-ranked MBA programs worldwide teach ethics and social responsibility as an integrated unit across the curricula (Christensen, et al., 2007). Many professors resist this integration as they find it burdensome to include ethics systematically in their area of expertise (Swanson & Fisher, 2011). PRME can not only help to initiate a process to integrate ethics across curricula, but it also helps create collaborations among institutions for travel courses, international development projects and other innovative teaching methods in the field of management (Rasche, 2010b).

Principle 4: Research

We will engage in conceptual and empirical research that advances our understanding about the role, dynamics, and impact of corporations in the creation of sustainable social, environmental and economic value. The practical application of teaching through real project is inherent to management education (Wankel & DeFillippi, 2005). Yet, integration of research that benefits not only organizations but adequately responds to communities in developing countries, for example, needs to be coordinated by competent and collaborative institutes and centers. Unfortunately the coordination between business ethics centers and other institutes working on human rights, intellectual property or community development is often limited by the sectorial fragmentation of the disciplines. Effective engagement in complex and multifaceted problems such as poverty reduction requires coordinated multidisciplinary and multi-stakeholder efforts across universities and in collaboration with businesses, government agencies, international nongovernmental organizations and local nonprofits. PRME with the United Nations support has the possibility to assist academic institutions to act as agents for change through their engaged research across disciplines.

Principle 5: Partnership

We will interact with managers of business corporations to extend our knowledge of their challenges in meeting social and environmental responsibilities and to explore jointly effective approaches to meeting these challenges. Although partnerships are important for the necessary practical and hands-on purpose of good management education, it cannot be limited to business corporations. Although primarily targeting for-profit organizations, the UNGC attempts to engage them in a larger dialogue with NGOs, academic institutions and government and inter-governmental agencies. The United Nation's broad experience offers numerous opportunities to engage in multi-sector partnerships.

Principle 6: Dialogue

We will facilitate and support dialogue and debate among educators, business, government, consumers, media, civil society organizations and other interested groups and stakeholders on critical issues related to global social responsibility and sustainability. The most important value added by PRME is that of engaging institutions and leaders in dialogue toward cutting edge education trends in sustainability and social responsibility. The recently concluded 2nd Global Forum for the Responsible Management Education is an example of the benefits produced by these intersectoral partnerships and international dialogues. This is accompanied by the growing importance of the exchange of best strategies shared in the required self-reporting of participating institutions.

ADOPTION AND RECOGNITION OF PRME

The PRME can also serve as a framework for systemic change for business schools and management-related institutions on the basis of three distinctive characteristics of the initiative. First, PRME can provide schools and universities a gradual but systemic trajectory for a long-term process for continuing performance improvement. Second, PRME can function as a learning network collecting and exchanging good practices and effective strategies across institutions, programs and national education systems. Third, PRME can engage educational institutions and communities of stakeholders through the required public annual reporting. Although self-reporting, PRME public reporting is the best way to monitor institutional commitment and progress over time. It also gives institutions opportunities to highlight their social, ethical and environmental stewardship practices through curricula, research, service and administrative commitments (PRME, 2011a).

Dr. Ángel Cabrera recognizes the importance of adopting PRME. The value resides both in the 'principles' and 'process' of PRME. Rather than a generic membership, the academic institutions can find in the PRME the opportunity to engage in shared process for educating socially responsible leaders. "The process of adopting the principles can be as important as the adoption itself. The PRME framework offers a unique opportunity to ask some fundamental questions about our educational mission, to test some of the core assumptions that currently dominate our curriculum and research, and to generate a multi-stakeholder conversation to drive change" (PRME, 2008, p. 4).

The benefits of a school adopting PRME resemble the strategic advantages that a business has to adopt socially responsible and sustainable business model (Olson, 2010; Tan & Geh, 2008). First, they can become leading institutions ahead of the competition, in line with important trends and along internationally recognized standards (Rasche, 2010a). Second, business schools and management-related institutions can increase their visibility and effectiveness in engaging with stakeholders and the local and global communities they serve. In the same way that most schools strive to balance sound scholarship with excellent practice, PRME offers a context for appreciating research that is relevant to world problems (either in the pure or applied research modes). Third, PRME gives scholars, schools, students and practitioners the platform to seriously invest in socially responsible and sustainable development educational practices. Taking part of the PRME networks and publically reporting on the progress forces participating institutions to go beyond superficial 'green-washing' in reference to sustainability or 'blue-washing' in reference to the relation with the United Nations. Taken into account that PRME is at its beginning stages, it already represents, and will surely stimulate, new processes for enhancing, measuring, teaching, researching and practicing socially responsible management in schools and society.

Although accreditation bodies like the Association to Advance Collegiate Schools of Business (AACSB), the Association of MBAs (AMBA) and the European Foundation for Management Development (EFMD) have endorsed the principles, the PRME is not a certification/verification standard. While the provision of general principles acts as a catalyst for the formation of innovative education practices championed by leading institutions and scholars, this strength can also be considered a weakness of PRME. It is understandable that the PRME seeks to act more as a vehicle for reflection and action rather than a measuring stick to enforce practices. However, the principles need to be accompanied and reinforced by a process (not necessarily headed by PRME) that stimulates measurement, accountability and criteria for assessing achievements (Waddock, et al., 2011). Indeed, the PRME will acquire more practical relevance as clearer assessment criterion are developed for measuring progress on faculty development, curricula integrations, research accomplishments and community engagement (Wolfe & Werhane, 2010).

The PRME are not intended to create criteria for program accreditation and ranking. However, with the adoption of these values, along with the participation in their global networks, management educational programs and institutions could enhance their academic quality while refocusing on their ethical mission. Swanson & Fisher's (2008) comprehensive analysis of administrators of AACSB accredited business programs finds that 80% of administrators believe that business schools should place more emphasis on ethics education. They conclude that accreditation agencies have contributed to management school's lack of integration (or superficial adoption) of business ethics, social responsibility and sustainability in their curricula. For example, the Association to Advancement College Schools of Business (AACSB) in their attempt to become the primary accrediting body of business schools internationally did not emphasize ethics and social responsibility in their standards (Swanson & Fisher, 2008, p. 44). The National Association of Schools of Public Affairs and Administration (NASPAA), the main accreditation body for public service programs, appears to face similar challenges in their internationalization of accreditation standards (McFarland, 2007). In the shift from 'mission-driven" accreditation to "quality standards" even public service management programs risk undermining the ethical foundation and service orientation of their educational mission. By adopting the PRME in both the principles and the processes connected to it, business and public service management curricula could receive positive support to integrate ethics, sustainability and social responsibility across the curricula. Martell and Castiñeira (2011) suggest that the use of PRME could be instrumental in directing the qualifications of a management program more toward the alternative ranking of ethics and social responsibility as measured by the Aspen Institute's Beyond Grey Pinstripe (p. 110).

PRME is gaining momentum by offering participating institutions the possibility to excel in socially responsible management education through global forums, shared best strategies and worldwide cutting edge trends. The growing interest in socially responsible themes is also clearly manifested in the growing participation of member institutions associated with PRME (Wolfe & Werhane, 2010). In less than 4 years, the initiative witnessed a tremendous growth starting from 40 to more than 360 participating institutions (PRME, 2011b). Most of the participating academic institutions and management programs are from Europe (38%) and United States (23%), but there is a large representation also from Latin American and South-East Asia. Of the 364 participants, 138 (38%) have completed an annual public report on their progress showing some good practices in implementing the PRME across the curricula and in the service of communities (PRME, 2011b). The growing relevance of the PRME in management education is also reflected by the high participation rate in the first and second Global Forum for Responsible Management Education held at UN headquarters in December 2008 and 2010, respectively.

The PRME also reflects the new generation of management students' growing interest and demand for social responsibility, business ethics and sustainability education. The 2008 Net Impact survey of more than 2,980 MBA students across 95 programs showed that 60% of students indicated a strong interest to learn more about concepts such as social entrepreneurship, environmental sustainability and Corporate Social Responsibility (CSR) (Net Impact, 2008). Academic institutions sensitive to these trends will likely participate in important forums and networks created by the PRME and their corresponding contexts of the UN Global Compact and the UN Millennium Goals.

THE PRINCIPLED AND PRACTICAL CONTEXTS FOR PRME

The PRME go beyond merely adopting general ethical principles. They attempt to inspire academic institutions to rediscover their educational mission in the context of their social responsibility for poverty reduction. Clearly, the adoption of PRME only as principles but without a commitment to align such principles with actual institutional commitments, strategic planning, and effective enhancements of management curricula and programs is not enough. To aid academic institutions and management programs to properly engage in global social responsibility PRME is a must. However, there are other initiatives that academic institutions can engage with. In addition to the 10 principles of the United Nations Global (UNGC), PRME parallels others initiatives to engage academic institutions in global social responsibility. One of those is the United Nations Academic Impact (UNAI), an initiative to align institutions of higher education, scholarship and research with the sustainable development, the Millennium Development Goals (MDGs) and the United Nations' global mandate. In the words of United Nations Secretary-General Ban Ki-moon: "The Academic Impact aims to generate a global movement of minds to promote a new culture of intellectual social responsibility. It is animated by a commitment to certain bedrock principles. Among them: freedom of inquiry, opinion and speech; educational opportunity for all; global citizenship; sustainability; and dialogue" (Ki-moon, 2010).

Although still in its infancy and exclusively targeting academic leadership, UNAI attempts to extend academic engagement into academic social responsibility beyond management and into other global areas of concerns of the United Nations (UNAI, 2014). The value added of the UNAI is to bring academic institutions closer to the actual core activities of the United Nations and to establish a leadership dialogue for leveraging education with the important pressing issues of the world today. UNAI too has a set of principles (ten) as a commitment to promote and advance both theoretical understanding and practical solutions for poverty, sustainability, human rights, peace and conflict resolution. Specifically, UNAI asks academic institutions to align their educational missions along the United Nations Charter (Principle 1) and to engage in the capacity development of other higher education institutions throughout the world (Principle 5). Although UNAI asks partnering institutions to demonstrate activities in line with at least one of the ten principles, the general expectation is to align administrative academic leadership with the global values of the United Nations and promote integration of academic programs with the UN mandate.

In the United States, other initiatives have emerged to engage academia in global social responsibility and practical solutions for development. Among them is the Higher Education Solutions Network (HESN) and the Higher Education for Development (HED). Both are connected to the United States Agency for International Development (USAID) and these initiatives have been instrumental for engaging academia with innovative solutions for poverty reduction and for supporting capacity development through North-South academic partnerships. HESN is a USAID group of seven Development Labs that capture the intellectual power of American and international academic institutions. The Labs "focus on the development and application of new science, technology, and engineering approaches and tools to solve the world's most challenging development problems (USAID, 2014). Today, discovering and sharing innovative, efficient and accessible solutions to development challenges in areas of health, food security, and chronic conflict is essential to fight global poverty. Outdated development assistance models have perpetrated well-known systemic problems (Moyo, 2009; Easterly, 2006) making ending poverty, the main possibility and responsibility of our generation, a slower and less effective process (Sachs, 2005; Collier, 2007). Although academics thrive on theoretical debates, it is the creation of sustainable solutions that is a priority. USAID-HESN recognizes the vital role that academic institutions have not only for vetting theoretical economic models, but also for providing concrete innovative solutions to the problems affecting least developed countries and the poorest populations on earth. The network enables the aid agency to improve its understanding of development problems, test, evaluate, and catalyze technology for development, design, create new approaches to change and promote entrepreneurship to sustain these tools and approaches (USAID, 2014).

The Higher Education for Development (HED) initiative aims at practically engaging higher education institutions in development projects worldwide. The model is based on establishing financed innovative partnerships between U.S. colleges and universities with institutions of higher learning in developing countries. The level of engagement is more than principles. It is based on concrete capacity development partnerships with shared resources of U.S. higher education engaged in global development. For HED, these partnerships address a broad range of development goals across the globe. By forming, supporting and promoting partnerships between U.S. institutions and institutions in the global South, HED provides a platform for developing human and institutional capacity to make an impact on world poverty through education. In 2011, the HED initiative engaged 58 US higher education institutions in partnerships with 81 host-country institutions. Programs ranged from programs focusing on environmental concerns to workforce development and civil society capacity development. The partnership fosters new possibilities for sustainable relations beyond the short-term project.

PRME, UNAI, HESN and HED are principled and practical examples of academic global engagement for a better world. They are expressions of the social and global responsibility that academic institutions have toward to the current and future challenges of our global communities. Academic social responsibility (ASR) is therefore a practical challenge for universities in general, and management programs in particular, to create the appropriate educational opportunities to engage with other sectors of society in solving social problems. ASR includes social responsibility elements like

1. The provision of affordable quality education,
2. The alignment and integration of teaching, research and service to find solutions for global and community problems,
3. The institutional commitment, strategic planning and sharing of resources toward societal benefits, and
4. The provision of multi-sectorial dialogues and collaborative initiatives for promoting intellectual and engaged global social responsibility (Tavanti & Mousin, 2008).

To fully understand and integrate academic social responsibility with global social responsibility it is instrumental to place PRME and other academic-based initiatives in the development, human rights and academic contexts. Figure 3 illustrates how the relationship between socially responsible initiatives shares a continuum relation between the trends in academia (management programs) and development (corporations). Though many disciplines carry a role in the global social responsibility call for discovering and implement-

Figure 3. The context of responsible management education
Authorship: Marco Tavanti, 2014.

ing solutions for global poverty, human rights, climate change and human security, management programs have a particularly responsibility as they are closely connected to CSR. In addition to responding to the call of management scholars to renew management education and integrate it into more sustainable practices for world benefit, PRME represent an entry step into the larger contexts of multi-sector partnerships (represented by the UNGC) and the sustainable development challenges (represented by the MDGs). These contexts are reinforced by and connected with the growing trends in management education advocating for programs in line with sustainability, business ethics and social responsibility.

Within the human rights and development context, four important trends are influencing the responsibility and possibilities for global engagement and social responsibility: Millennium Development Goals (MDGs), the Post 2015 Development Agenda, the United Nations Global Compact (UNDG) and the Ruggie's principles on business and human rights. The 8 MDGs which gave a shared agenda for improving global conditions through poverty alleviation, access to education, global health, sustainable development and multi-sector partnerships. These are continued in the new Post 2015 development agenda and extended with additional goals incorporating specific sustainability challenges and mainstreaming human rights (United Nations, 2013a). The Report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda proposed 12 goals including:

1. End Poverty,
2. Empower Girls and Women and Achieve Gender Equality,
3. Provide Quality Education and Lifelong Learning,
4. Ensure Healthy Lives,
5. Ensure Food Security and Good Nutrition,
6. Achieve Universal Access to Water and Sanitation,
7. Secure Sustainable Energy,
8. Create Jobs, Sustainable Livelihoods, and Equitable Growth,
9. Manage Natural Resource Assets Sustainably,
10. Ensure Good Governance and Effective Institutions,
11. Ensure Stable and Peaceful Societies, and
12. Create a Global Enabling Environment and Catalyze Long-Term Finance (United Nations, 2013b).

The idea of engaging private sector organizations and management educational programs for global social responsibility originated from the United Nations Global Compact (UNGC). The UNGC is a strategic policy initiative to engage businesses committed to fulfill the 10 universally accepted principles in the areas of human rights, labor justice, environmental sustainability and anti-corruption. With the creation of the Global Compact (UNSG, 1999) the United Nations officially recognized the importance of the private sector to collectively achieve more humane, sustainable and responsible globalization. Since its foundation on July 26, 2000, the UNGC has been engaging corporations and business organizations in a global platform of dialogue and collaboration with various inter-governmental agencies of the United Nations, nongovernmental organizations (NGOs) and academic institutions. As a result of various collaborative initiatives, UNGC created numerous documents and forums providing concrete solutions for integrating business practices with human rights, labor rights, sustainable development, and anti-corruption. In addition, the UNGC has provided collaborative initiatives that generated guidance in other key areas such as sustainability leadership, sustainable supply chain, business partnerships, and women empowerment among others (UNGC, 2014).

The Global Compact recognizes how academia adds critical dimensions to its objectives and has been instrumental in the creation of PRME. Moreover, UNGC offers academic institutions the possibility to participate directly in the 10 principles through the Global Compact Academic Network. Such a network is open to all those universities, colleges, and business schools; university departments, research departments willing to collaborate as strategic partners and committed to implementing the 10 principles.

The UNGC human rights principles were strengthened by the work of United Nations Secretary General's Special Representative on Business & Human Rights, John Ruggie. Dr. John Ruggie, Professor in Human Rights and International Affairs at Harvard's Kennedy School of Government, was appointed as Special Representative from 2005 to 2011. During this time he proposed a policy framework for better managing business and human rights challenges based on three complementary and interdependent pillars: "the state duty to protect against human rights abuses by third parties, including business; the corporate responsibility to respect human rights; and the need for greater access by victims to effective remedy, judicial and non-judicial" (Ruggie, 2013). Although recently developed and approved by the UN Human Rights Council the Ruggie "Protect, Respect and Remedy" Framework has been applied by a variety of stakeholders including academia.

The PRME, along with the UNGC, the Ruggie Framework and other initiatives have the potential of engaging academia – both in principles and practices – in global development, social responsibility and poverty reduction. They are complementary to the core mission and main responsibility of higher education - educating engaged scholars and competent practitioners equipped to tackle the problems of this and future generations.

CONCLUSION

Through the analysis of PRME principles, their practical implications and contexts for academia and development we have argued how PRME offers a platform for developing globally responsible managers and leaders. Indeed, PRME represents a timely initiative to stimulate and assist management schools and universities worldwide to make these integrations more relevant to their curricula, research, teaching methods and institutional planning. However, merely signing on to PRME or even just reporting about a few initiatives reflecting the 6 principles will not be enough to integrate management education with business ethics, sustainable development and poverty reduction. Undeniably, sustainable values, global ethics, and social responsibility have entered into most management education programs but they have not been fully integrated with the mission and main objectives of academia. PRME offers a principled platform along with the possibility of engaging with other contexts for practical solutions for development and human rights practices. In addition, PRME recognizes the importance of dialogue, implementing social responsibility in education, and involving multiple stakeholders and sectors in partnerships.

Beyond diverse economic theories and systemic change methods, the fundamental management education question remains: what kind of person should an MBA or MPA graduate be if she/he is ultimately going to help shape the direction of our world's most powerful organizations and institutions? Unfortunately, most business school discourse today emphasizes a narrow technical vision over a broader overview of the principles and social values behind the student's career (Parkin, 2010, p. 123). Courses in fields related to business ethics, social entrepreneurship, sustainable business or socially responsible investing still occupy a marginal or elective role in most MBA programss. Indeed, in most MPA programs, ethics, good governance, sustainability and multisector partnerships for poverty reduction are still not fully integrated in the curricula (Bowman & Menzel, 1998; Plant & Ran, 2009). In addition, the promises of higher salaries, quicker promotions or personal decisions in a degree programs for business administration (MBAs) and public administration (MPAs) should not be replaced by marketing strategies centered on innovation for social benefits and positive impact on world society. Henry Mintzberg, in his critique of management education, invites educators to rethink the wrong approaches and make room for a more engaged type of managers and leaders:

The trouble with "management" education is that it is business education, and leaves a distorted impression of management. Management is a practice that has to blend a good deal of craft (experience) with a certain amount of art (insight) and some science (analysis). An education that overemphasizes the science encourages a style of managing I call "calculating" or, if the graduates believe themselves to be artists, as increasing numbers now do, a related style I call 'heroic.' Enough of them, enough of that. We don't need heroes in positions of influence any more than technocrats. We need balanced, dedicated people who practice a style of managing that can be called "engaging." Such people believe that their purpose is to leave behind stronger organizations, not just higher share prices. They do not display hubris in the name of leadership. The development of such managers will require another approach to management education, likewise engaging, that encourages practicing managers to learn from their own experience. In other words, we need to build the craft and the art of managing into management education and thereby bring these back into the practice of managing (Mintzberg, 2005, p. ix).

Increasing complexity and interdependence requires new approaches in management education (PRME, 2007, p. 4). The complexity of world problems requires the integration of environmental, social, and governance responsibility with strategic thinking and hands-on educational opportunities both locally and globally. With new emerging human development inequities, the threats of climate change, energy and food shortages and the international financial markets crisis, we cannot continue to do business as usual. The creation of sustainable and responsible societies with appropriate principles, practices and institutions begins in academia (Global University Network for Innovation., 2009). Management programs in particular have the possibility and responsibility to shape the values, attitudes and behavior of managers and leaders that can generate a new wave of positive change worldwide. As management affects every organization, program and operations, a principled education for responsible management can be beneficial in many fields and sectors. In addition, academic institutions that integrate socially responsible principles and practices into their curricula and experiential learning can become agents for social change. They can educate and engage leaders for world benefit. Recent analysis of worldwide higher education indicates the need for programs to be more clearly directed toward human and social development, civic engagement and sustainable development (Global University Network for Innovation., 2009, pp. 55-56).

World engaged and competent leaders for the 21st Century require more than the usual managerial skills. Twenty-first century leaders need to develop values, skills and attitudes capable of effectively engaging in complex international environments, multi-sector collaborations and multicultural contexts. 'They require talented and ethical leaders who can not only advance organizational goals and fulfill legal and fiduciary obligations to shareholders, but who are also prepared to deal with the broader impact and potential of business as a positive global force in society' (PRME, 2007, p. 4).

Management programs and business schools have the primary responsibility to revisit the effectiveness of their education programs in developing socially responsible managers and engaged value leaders. They have the responsibility to adequately prepare students for a more integrated and interdependent world. As the corporate scandals at the beginning of the 21st century suggested a prioritization of ethics in management curricula, the current crisis should remind us that the interdependence of our global economy and the necessary integrated look at the economic factor in relation to social and environmental consequences. Business scandals and economic crises should be strong reminders of the importance of teaching integrated systemic analysis of ethical and practical managerial education centered in 'social responsibility' and 'sustainability' principles.

Social responsibility and sustainability are not just business ethics buzzwords. They are an opportunity to transform our management programs into laboratories for engaged world leaders capable of promoting sustainable business and societies. The growing awareness and interest in sustainability of young leaders and students entering management programs in business and public service should suggest a stakeholder approach for adopting PRME in academic institutions. Following the example of the Thunderbird School of Global Management and other best practices in adopting PRME, management programs and institutions can implement university-wide processes for integrating sustainable management and socially responsible leadership into their management education. The European Foundation for Management Development (2006) has recognized the crucial role of academia in making the idea of responsibility a cornerstone for global leadership development:

Globally responsible leaders at all organizational levels face four key challenges. First, they should think and act in a global context. Second, they should broaden their corporate purpose to reflect accountability to society around the globe. Third, they should put ethics at the centre of their thoughts, words and deeds. Fourth, they - and all business schools and centres for leadership learning - should transform their business education to give corporate global responsibility the centrality it deserves (European Foundation for Management & Global, 2006, p. 2).

Academic institutions and management programs have the social responsibility to develop engaged world leaders and globally responsible and sustainability leaders. This requires the right vision, oriented by sound universal principles and values as expressed in PRME, the UNGC and the MDGs. The pursuit of experiential and principles-based leadership development programs oriented toward economic and societal progress and sustainable development is based on the recognition of prioritizing management practice in a global context. The foundation of capable, globally responsible, engaged world leaders must be value-based. Hence the process toward the integration of socially responsible practices in management education must be principle-based. This overview of the PRME's values, meaning and practical application in academic engagement exemplify a trajectory toward world engaged management education. Academic leaders who embrace the values of social responsibility and sustainability will agree that joining PRME is a necessary stepping stone toward a commitment for academic social responsibility. Educating people for a shared responsibility in the common good - a core element in public service careers – should be central in every management education. Young leaders have the right to receive an education that is not just based on skill-management trainings but also on values and principles for social responsibility and sustainability. Management education can no longer be simply presented with its lucrative career outcomes. With the right leadership and academic commitments to PRME and initiatives for global responsibility, management education can be instrumental for making the world a better place. Socially responsible management education programs can inspire young leaders toward the creation of economically inclusive social development progress in a globally responsible and sustainable way.

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KEY TERMS AND DEFINITIONS

Academic Social Responsibility: A concept extending the educational mission of academic institutions into actively engaging for the benefits of society though teaching, research, service and partnerships.

MDGs: The United Nations Millennium Development Goals include eight international development goals and 21 targets that all 192 United Nations Member States have agreed to achieve by the year 2015. The goals include eradicating extreme poverty, reducing child mortality rates, fighting disease epidemics such as AIDS, and developing a global partnership for achieving sustainable development worldwide.

Poverty Reduction: Also called poverty alleviation, is a process which seeks to reduce economic and non-economic poverty levels in groups of people, communities or countries. Poverty reduction strategies may include programs in education, health, entrepreneurship, technology, income redistribution and various forms of economic development.

PRME: The six Principles for Responsible Management Education. They are about purpose, values, method, research, partnership and dialogue to implement socially responsible organizational practices as models for students.

Social Engagement: A concept referring to the individual, collective or institutional relations or involvements with some elements of society particularly communities and social service organizations.

Social Responsibility: An ethical theory that an individual, organization, or institution (including a university) has the obligation to act positively act to benefit society at large. Although some interpret it simply as passive value, avoiding engaging in socially harmful acts, it includes an active obligation to perform activities that directly advance social goals.

Sustainable Education: A concept that involves active academic participation to create economic, social and environmental programs improving life standards, generating empowerment and respecting interdependence.

UNGC: The United Nations Global Compact conveys businesses, academic institutions, non-governmental organizations and intergovernmental agencies and programmes of the United Nations around ten principles the areas of human rights, labour, the environment and anti-corruption.

World Benefit: It implies leadership and commitment toward producing positive impact to the planet, people and the economy and promoting initiatives for poverty alleviation, peace building and the promotion of human rights.

Chapter 11
Techniques for Preparing Business Students to Contribute to Ethical Organizational Cultures

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ABSTRACT

This chapter distinguishes among four corporate cultures with respect to ethics—cultures of defiance, compliance, neglect, and character—and outlines a plan for constructing an ethical organizational culture. Some proven ideas are then shared for showing business students how to contribute to such a culture. These include (a) describing how to establish an effective learning context for teaching about business ethics, (b) offering a number of practical suggestions for student assignments and experiences that can empower students to understand, appreciate, and contribute to ethical organizational cultures, and (c) explaining how to enhance experiential learning by conducting an effective debriefing session. The chapter concludes with three examples from the authors' experience illustrating how these ideas can be incorporated into programs designed to teach business students how to contribute to organizational cultures grounded in moral character.

INTRODUCTION

The ethical crisis in business is very real and appears to be continuing unabated (Zutshi, Wood, & Morris, 2012). For extensive evidence of this fact see Audi (2009), Quatro and Sims (2008), Sauser (2005a), Shaw and Barry (2010), Stanwick and Stanwick (2009), and Wankel and Stachowicz-Stanusch (2012b). The ever-increasing sophistication and interconnectivity of modern information technology has exacerbated ethical problems in business worldwide (Balkin, Grimmelmann, Katz, Kozlovski, Wagman, & Zarsky, 2007; Stamatellos, 2006). Countering this crisis by creating ethical

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organizational cultures—*cultures of character* as they are termed in this chapter—is a key challenge faced by business leaders if they are to regain the respect and confidence of the public. As the present authors have noted earlier,

Organizations with cultures of character not only comply with legal and ethical standards, they also internalize them from top to bottom such that every member of the firm becomes a guardian of integrity. A culture of character is built by intention. Its leaders possess strong moral fiber and seek to appoint, develop, and reward others like them throughout the organization. They work hard every day to infuse character into the organization through their decisions and their interactions with others. They seek to develop the next generation of leaders so the integrity of the organizations they have served will continue into the future. (Sauser & Sims, 2012, p. 233)

Business teachers have extensive opportunities to influence their students' ideas about ethical (and unethical!) actions in business. How can business professors best prepare their students to understand, appreciate, and contribute to the establishment of ethical cultures of character in the businesses that seek to employ these students—and which these students may ultimately lead? Are there new approaches to teaching ethics in business (Knapp, 2011; Sauser & Sims, 2012; Sims, 2008; Sims & Sauser, 2011a; Wankel & Stachowicz-Stanusch, 2012a) that can be employed for this purpose? In this chapter the authors distinguish among four corporate cultures with respect to ethics—cultures of defiance, compliance, neglect, and character—and outline a plan for constructing an ethical organizational culture. The authors then share some proven ideas for showing business students how to contribute to such a culture by

1. Describing how to establish an effective learning context for teaching about business ethics,
2. Offering a number of practical suggestions for student assignments and experiences that can empower students to understand, appreciate, and contribute to ethical organizational cultures, and
3. Explaining how to enhance experiential learning by conducting an effective debriefing session.

The article is concluded with three examples from the authors' own experience—one from an undergraduate class, one from an Executive MBA class taught at a distance, and one from a case study prepared for advanced students and professionals—illustrating how these ideas can be incorporated into programs designed to teach business students how to contribute to ethical organizational cultures. This chapter further develops and expands upon ideas expressed in some of the present authors' earlier works (e.g. Sauser & Sims, 2012, 2014).

ORGANIZATIONAL CULTURES AND CHARACTER

Trevino and Nelson (2004, p. 225) state, "'Culture' has become a common way of thinking about and describing an organization's internal world—a way of differentiating one organization's 'personality' from another." Schermerhorn (2005) defines 'organizational culture' as "the system of shared beliefs and values that develops within an organization and guides the behavior of its members" (p. G-12). "Whenever someone, for example, speaks of 'the way we do things around here,' they are talking about the culture," continues Schermerhorn (2005, p. 96). Using such important components of culture as core values, stories, heroes, symbols, and rites and rituals, ethical leaders must influence the organization and its members to incorporate and exhibit desirable virtues and behaviors (Sauser, 2005b).

Sauser (2005b) has distinguished among four types of organizational culture with respect to their stance toward ethical behavior in business. This classification scheme, modeled in part on Schermerhorn's (2005, pp. 75-76) typology of strategies for corporate responsibility, holds that there are four basic types of organizational culture with respect to moral thought and action in business. They are

1. Defiance,
2. Compliance,
3. Neglect, and
4. Character.

An organization displaying a culture of defiance would be expected to exhibit behaviors aligned with Schermerhorn's (2005, pp. 75-76) obstructionist strategy of corporate social responsibility. More bluntly, this organization would be likely to scorn the law and other ethical standards and seek to resist or defy them wherever possible. 'Bending' the law, cutting ethical corners, breaking the law when the likelihood of detection is perceived to be low (or reward for breaking the law is gauged to be high enough to risk the consequences), and other such tactics would be rewarded and encouraged in this type of culture. Top management would model the way with questionable behaviors and messages indicating that defiance of the law is acceptable when necessary to meet or exceed economic goals. 'Pursue economic success at any cost; just don't get caught' would be the theme of an organization embracing a culture of defiance. Denial of guilt would be expected if illegal or unethical behaviors of members of such an organization were detected and made public.

The organization characterized by a culture of compliance would be expected to exhibit behaviors associated with the defensive and accommodative strategies of corporate social responsibility described by Schermerhorn (2005, pp. 75-76). Their leaders and members may not agree with the legal and ethical standards they are forced to operate within, but they would take actions designed to meet their legal and ethical requirements, at least from a surface perspective. In fact, this is an important distinction between compliant organizations and those with character as defined below. In psychological terms, compliance means yielding to standards one does not necessarily accept (McGuire, 1969, p. 190). It is only when one internalizes (accepts and incorporates within one's value system) the principles underlying 'the letter of the law' that character can be inferred as the underlying cause of behavior aligned with laws and ethical standards. In other words, compliance infers a grudging sort of acceptance of laws and ethics, not a true incorporation of the 'spirit' of those standards within one's individual personality or corporate culture (Krech, Crutchfield, & Ballachey, 1962). The present authors believe ethically-questionable businesses are more interested in compliance-based than character-based cultures. One way of distinguishing between the two has to do with the predominance of 'mixed messages' found in cultures that focus primarily on avoiding legal sanctions.

Here are a few examples of 'mixed messages' one might find in a culture of compliance, where the letter, but not the spirit, of laws and ethical standards may be embraced:

- "I don't care how you do it, just meet or beat your quota."
- "Ship more to that customer this month than you did last."
- "Find a way to fire that person." (Murphy, 1988, p. 911)

In these cases, the supervisor could be expected to deny ever having given permission to 'break the rules,' and in fact may express shock that the order was perceived in that manner. Nonetheless, these messages from supervisors often actually provide a distinct signal to employees that the organization may be going through the motions to do what is right but does not really value what is right. This is the culture of compliance, a reluctant acknowledgment of laws and ethical standards and a grudging attempt to abide by them when others are observing.

The culture of neglect is all too often a tragic case. The leaders of the business may be seeking to follow Schermerhorn's (2005, pp. 75-76) strategy of accommodation or even proaction, but one or more flaws in the culture lead to a failure to achieve the goals of this strategy. Such shortcomings might include a failure to know or understand the laws and ethical codes regulating the business, a failure adequately to communicate those standards, a failure to detect and/or punish wrongdoers within the firm, or even a certain blindness within the culture, caused by one or more tragic flaws, that leads to unintentional moral failure. While leaders of cultures of character are constantly vigilant to detect and correct ethical shortcomings on the part of themselves or their employees, leaders of cultures of neglect fail in their responsibility of due diligence. The consequences of this failure of due diligence can be devastating.

The final of the four types of organizational culture in Sauser's (2005b) taxonomy is the culture of character. This is the organizational culture whose leaders and members, according to Sims (2005),

… are truly committed to ethical conduct [and] make ethical behavior a fundamental component of their every action. They put a stake in the ground, explicitly stating what the organization intends and expects. Value statements and codes of ethical conduct are used as a benchmark for judging both organizational policies and every individual's conduct. They do not forget that trust, integrity, and fairness do matter, and they are crucial to [everyone] in the organization. (p. 396)

Carl Skoogland, the former ethics director of Texas Instruments, made an important and telling observation in a speech he made on October 16, 2003: "Ethical managers must know what's right, value what's right, and do what's right" (Skoogland, 2003, emphasis in original). The present authors believe these are indeed three key principles that are essential in the practical and successful management of ethics at the organizational level. With respect to Skoogland's (2003) three key principles, leaders and members of cultures of defiance may (or may not) know what is right, but they certainly neither value what is right nor do what is right. Leaders of cultures of compliance, from this same perspective, know what is right and often do what is right, but do not really value what is right. Consequently, members of these firms may be tempted to bend or break the rules when opportunities occur, and may even be surreptitiously rewarded by their supervisors and peers for doing so. In cultures of neglect, there may be a conscious effort to know what is right, value what is right, and do what is right, but—through some (often unconscious) flaw in the culture—this effort flags through lack of diligence, resulting in a breach of moral standards. Finally, in cultures of character, positive moral values are ingrained throughout the organization such that all of its members strive without fail to know what is right, value what is right, and do what is right. This is an ethical organizational culture grounded in moral character.

ELEMENTS OF A CULTURE OF CHARACTER

A culture of character thus is the type of organizational culture in which positive moral values are ingrained throughout the organization such that all of its members strive without fail to know, value, and do what is right. Turknett and Turknett (2002) provide this definition of a company with character: "Like people with character, they get results, but they do it with integrity and a respect for people. Like people with character, companies with character are able to balance accountability and courage with humility and respect" (p. 2, emphasis in original).

Organizations with character not only comply with legal and ethical standards, they also internalize them from top to bottom such that every member of the firm becomes a guardian of integrity. In fact, as noted above, this is the characteristic that distinguishes between the two cultures. In a culture of compliance, members of the organization seek to live by the 'letter of the law,' but do not take to heart the 'spirit of the law.' In a culture of character, what is right, what is legal, what is good, what is ethical is ingrained in the fabric of the organization. Ethicality is valued in the culture of character, and every member of the organization seeks to live by that key value.

Pastin (1986) describes organizations exhibiting what the present authors have termed a culture of character as those that possess the following four stylistic markers:

- They are at ease interacting with diverse internal and external stakeholder groups. The ground rules of these firms make the good of these stakeholder groups part of the organization's own good.
- They are obsessed with fairness. Their ground rules emphasize that the other person's interests count as much as their own.
- Responsibility is individual rather than collective, with individuals assuming personal responsibility for actions of the organization. These organizations' ground rules mandate that individuals are responsible to themselves.
- They see their activities in terms of purpose. This purpose is a way of operating that members of the organization highly value. And purpose ties the organization to the environment. (p. 14)

To Pastin's (1986) list, Sims (2005) has added:

- There exists a clear vision and picture of integrity throughout the organization.
- The vision is owned and embodied by top management, over time.
- The reward system is aligned with the vision of integrity.
- Policies and practices of the organization are aligned with the vision; there are no mixed messages.
- It is understood that every significant leadership decision has ethical value dimensions.
- Everyone is expected to work through conflicting-stakeholder value perspectives. (p. 406)

How can business leaders establish an organizational culture of character? There are a number of ideas available, including pragmatic guidance offered by Aguillar (1994), Sauser (2005a), and Sims (2005, 2008), some of which is summarized in a section of this chapter below. PricewaterhouseCoopers (undated, p. 1) describes the process of building such a culture as "marrying substance to form and achieving compliance with the spirit of new standards and expectations." Trevino and Nelson (2004) suggest that "organizations can and should proactively develop an ethical organizational culture and…organizations with 'ethics problems' should take a culture change approach to solving them" (p. 225). Purdy and Lawless (2012) show how to use a portfolio of tactics to build a culture of integrity in an academic setting, such as integrity codes, written policies and procedures, reporting mechanisms, consequences, symbols and ceremonies, and open, truthful exchange of information. Norman and Money (2012) have offered two decision aids that may be useful in this context.

Perkins and Van Valkenburg (2004) are insistent—and rightly so, in the present authors' opinion—that the creation of ethical organizations must begin at the top. Cultures of character are built by leaders of character. Here are some of the characteristics Perkins and Van Valkenburg (2004) believe are essential in leaders of character:

1. Humility,
2. The ability to hear others while also stating one's own views,
3. Fact-based thinking,
4. Skills in creating better processes,
5. A tendency to give recognition rather than seek it,
6. Strong ability to build a quality executive team, and
7. A commitment to shaping basic business realities for the long term.

Leaders of organizations with cultures of character should possess wisdom and knowledge, courage, humanity, justice, temperance, and transcendence (Peterson & Seligman, 2004). Furthermore, they should devote considerable time and effort to modeling these virtues through their day-to-day interactions with the organization's employees and other stakeholders. They must seek out subordinates who also have these values, then work to shape and reinforce them throughout the organization such that these virtues come to define the organization. When organizational character becomes self-sustaining such that it transcends the leader's term at the helm, then a culture of character is well on its way to institutionalization. Cultures of character are established by persons of character who pass their values on to succeeding generations of leaders and employees. This truly is the key—and the test—of character-building within the organization.

Business leaders must be ever mindful that a culture of character is built by intention. Its leaders possess strong moral fiber, and they seek to select, develop, and reward others like them throughout the organization. They work hard every day to infuse character into the organization through their day-to-day decisions and interactions with others. They use techniques like leadership, structure, values, rewards, decision-making processes, norms, heroes and role models, rituals, myths and stories, and language to create a culture that reflects their personal values and those of their stakeholders. Then they seek to develop the next generation of leaders such that the integrity of the organization they have served will continue into the future. This is the blueprint for building a culture of character, a culture where everyone in the firm knows what is right, values what is right, and does what is right. This is the challenge offered to today's enlightened leaders. Attention is now turned to an outline of steps such enlightened leaders may wish to adopt.

BUILDING A CULTURE OF CHARACTER

How might a leader go about creating an organizational culture where ethics can flourish? The Ethics Resource Center (Joseph, 2003, p. 5) offers four elements as a beginning point: written standards of ethical conduct; training on standards of conduct; an ethics office or telephone advice line; and a means to report misconduct anonymously. Sauser (2008a) provides detailed guidance to corporate executives who wish to establish and maintain an organizational culture grounded in moral character. His approach includes eight important steps:

1. Adopt a code of ethics,
2. Provide ethics training,
3. Hire and promote ethical people,
4. Correct unethical behavior,
5. Take a proactive strategy,
6. Conduct a social audit,
7. Protect whistle blowers, and
8. Empower the guardians of integrity.

To this list are add these additional important steps based on a global review (Sauser, 2008b) of best practices in corporate ethics:

9. Assure commitment from the top,
10. Communicate the standards of conduct widely throughout the organization and the industry,
11. Designate an ethics officer with clear responsibility for enforcing ethical standards,
12. Establish a process for reporting violations of ethical standards and actively investigate all reported violations,
13. Assure due diligence by the organization's board of directors, and—perhaps most importantly—
14. Lead by example!

The business leader's chief tasks with respect to establishing a culture of ethicality are to lead by example and to empower every member of the organization to take personal action that demonstrates the firm's commitment to ethics in its relationships with suppliers, customers, employees, and shareholders. In an ethical organizational culture grounded in moral character, each employee of the firm, no matter what that individual's position in the organizational hierarchy, must serve as a guardian of the firm's integrity. When maliciousness and indifference are replaced with a culture of integrity, honesty, and ethicality, the business will reap long-term benefits from all quarters.

Elsewhere the present authors have written at length about how business professors can assist in this important process by leading professional development courses and employee training workshops focused on character building and ethical issues in practical business contexts (Sauser & Sims, 2011). In fact, the authors believe this is an important aspect of the mission of any business school and the faculty who comprise it. This chapter addresses an equally important aspect of the task of responsible business educators: empowering students to understand, appreciate, and contribute to the establishment of ethical corporate cultures in the organizations that seek to employ them—and which they may ultimately lead. If future corporate leaders can be equipped to undertake the crucial task of creating and maintaining organizational cultures grounded in moral character, the result can be an important impact in countering the current ethical crisis in business and thus regaining the respect and confidence of the public.

ESTABLISHING AN EFFECTIVE LEARNING CONTEXT FOR BUSINESS ETHICS

The authors believe emphatically that it is incumbent on all business ethics instructors to empower their students to contribute to organizational cultures of character. To do so effectively it must never be forgotten that a crucial component of teaching business ethics for effective learning is developing the necessary learning environment (Sims, 2011a). And that often means remembering that the learning environment is more about how a classroom or other setting feels than what it looks like. Content, context, conduct, and character are key dimensions of designing a business or information technology ethics course, each dimension having its own pedagogical consideration. As business professors take efforts to develop, attend to and manage the learning environment in their business ethics courses they should be answering the following questions: What is the appropriate context or learning environment one should try to foster? What is the most effective process or conduct to model when developing, attending to and managing the learning environment? What is the role of the business ethics teacher given the classroom learning environment? What are some of the process issues that one must attend to and manage throughout the business ethics course that support a learning climate that promotes respect, student involvement, clear expectations and rigor?

For the present authors the ethics course has to become a learning community—a community in which students support one another and are open with one another during discussions about their feelings and opinions related to various ethical issues, situations, and challenges. Students must be willing to confront or compare different opinions, responses, insights, and experiences if maximum value is to obtain from any effort to teach ethics in business. From the authors' perspective, learning to learn is important enough (and difficult enough) for students; thus faculty must commit their own energy to spending quality time trying systematically to build an environment where students may succeed. A key aspect of this sort of learning environment involves helping students learn how to utilize their experiences and those of others effectively.

The learning environment model recommended here differs in some key respects from the stereotype of a traditional business course and is based on the following concepts. First, it is based on a psychological contract of reciprocity. Reciprocity is a basic building block of human interaction which emphasizes that those relationships based on a mutual and equal balance of 'giving and getting' thrive and grow; conversely those based on unequal exchange very quickly decay. This process of reciprocity is particularly important for creating an effective learning environment when teaching business ethics because many initial assumptions about learning run counter to it. Learning is most often considered a process of getting rather than giving.

The process of 'getting rather than giving' is most evident in conceptions of the roles of teachers and students. Traditionally, faculty members give and students get. Yet, in the present authors' experience, for successful learning to take place both giving and getting by the teacher and the students is critical. In 'getting' there is the opportunity to incorporate new ideas and perspectives. In 'giving' there is the opportunity to integrate and apply these new perspectives and to practice their use.

A second characteristic of the learning environment model recommend here for use in ethics courses is one that is experience based. The motivation for learning comes not from the teacher's dispensation of rewards but from problems and opportunities arising from the student's own life and classroom experiences. Third, the learning environment recommended here emphasizes personal application. Since the students' learning needs arise from their own experience, then a main goal of learning about ethics is for students to be able to apply new knowledge, skills, and abilities to the solution of the kinds of business situations they will encounter in the real world.

Fourth, the learning environment suggested here is individualized and self-directed. Just as every student's experience is different, so are each student's learning goals and learning style different. A major concern of the present authors in the management of the learning environment in business ethics courses is to organize effectively resources in such a way that they are maximally responsive to what each student wants to learn and how each wants to learn it. Essential to achievement of this kind of learning environment is the students' willingness to take responsibility for the achievement of their own learning objectives. The authors believe that one of the most important of the students' responsibilities is evaluating how well they are getting the learning resources they need to achieve their goals and alerting the learning community (the instructor and other students) to problems when they arise, since they are in the best position to make this judgment.

Finally, in the business ethics courses the authors lead it is important to enhance the learning environment by integrating learning and living. There are thus two goals in the learning process. One is for students to learn the specifics of the business ethics subject matter. The other is for students to learn their own strengths and weaknesses as a learner (i.e., learning how to learn from experience). When the process has worked well, students finish the course not only with new intellectual insights, but also with an increased understanding of themselves (i.e., their learning style). This understanding of learning strengths and weaknesses helps students in the application of what has been learned to real-world situations and provides a framework for continuing learning. In this instance, learning is no longer a special activity reserved for the classroom; it has become an integral and explicit part of the work world business students will encounter upon graduation.

Clearly it is these authors' belief that nothing is more important to good dynamics in any business ethics course than rapport between the professor and students. Some behaviors that help promote the establishment of good rapport include:

- Willingness to share personal experiences,
- Willingness to admit uncertainties,
- Openness to new ideas,
- Ability to suspend judgment of others,
- Ability to listen carefully to others' statements,
- Tolerance of opposite points of view.

Building rapport is, of course, the same thing as creating a positive learning environment—and this is a critical first step to teaching business ethics in a manner that empowers students to understand, appreciate, and contribute to organizational cultures of character.

STIMULATING ACTIVE LEARNING IN BUSINESS ETHICS COURSES

Once rapport has been established among the students and professor and an effective learning environment has been created for the business ethics class, there are a number of techniques that can be employed to engage students in active learning (Sims, 2011b, 2011c). Those responsible for teaching courses in business ethics should use experiential learning exercises aimed at developing understanding and interpretation—which in the authors' experience involves a high degree of interpersonal action, sharing, dialogue and conversational learning by students and other participants. Examples of such experiences are learning about one's own and others' differing ethical viewpoints or opinions, which centers on the sharing of students' or participants' reactions, understandings and meanings.

Moral judgment is action-oriented. Students should participate in experiential learning exercises that require them to ask themselves: What is the right thing to do, or what is the wrong thing to do? Experiential exercises that expect students to respond to moral questions that are personal in nature and involve interpersonal relations require normative responses to determine the appropriate course of action (Sims & Sims, 1991). In this age of moral relativism, business school curricula—or programs or workshops for professionals—should provide students with continuous experience in examining the underlying moral issues. What are managers', leaders' or employees' responsibilities or obligations to an organization, work group, themselves, family, and society? And what will be the possible consequences of a particular action if they make an immoral decision and knowingly harm others?

As noted by Maglagan and Snell (1992), reliance on information-transfer approaches to ethics should be complemented by experiential methods. The use and value of experiential methods or exercises as a teaching medium are well recognized and have been widely reported (Sanyal, 2000). For example, Hemmasi and Graf (1992) show that experiential exercises have the following positive attributes: students retain material longer over time, students are actively involved in the learning process, actual work environments are simulated, and students enjoy them. Sanyal (2000) noted that experiential exercises serve as an effective training and teaching tool to prepare students to understand and cope with the ethical minefields they are likely to encounter when entering the business world.

The present authors' interest in using experiential learning (Kolb, 1984) exercises in teaching management and business ethics has spanned the past twenty-nine years (Sims & Sauser, 1985). Over that time span the authors have become convinced that it is important to draw upon students' or learners' experience to provide opportunities for them to be engaged actively in what they are learning about business ethics. Experiential learning exercises in teaching business ethics can span a wide variety of functional areas and formats. Indeed, the variety of exercises available and the creativity involved in developing them is amazing (Sims, 2002). Experienced teachers and trainers typically rely on a variety of different methods in their teaching or training endeavors: lecture, case study, role-play, behavioral modeling, and simulations. This sequencing reflects the theory that active experience facilitates learning better than passive techniques. Students or participants seem to learn better through interactive methodologies that are action oriented.

Here is just the beginning of a list of examples of active learning techniques (Sauser & Sims, 2012); others can be generated with a little ingenuity and some brainstorming among colleagues:

- Assessing corporate cultures through observation as well as examination of websites and annual reports.
- Analyzing case studies to identify the signs and symbols of corporate ethical culture.
- Researching and/or interviewing leaders with integrity to determine how they have infused character into the culture of their organizations.
- Identifying role models and organizational heroes who embody aspects of character.
- Studying important decisions made by business leaders and identifying the attributes of character that have guided them.
- Participating in experiential learning exercises that provide an active opportunity to self-reflect.
- Outlining personal action plans for contributing to a culture of character in an organization.
- Interviewing organizational leaders and identifying the behaviors that have led to their success.
- Analyzing popular movies, plays, and television shows to see how ethical issues are dealt with in the popular culture.
- Keeping diaries and journals of ethical issues encountered in daily life, then comparing notes.
- Discussing ethical breaches uncovered by the news media and analyzing 'what went wrong' and how the problems could have been avoided or mitigated.
- Attending presentations given by corporate whistleblowers and other champions of ethical behavior.
- Shadowing ethical leaders as they interact with organizational stakeholders, and observing the behaviors the leaders exhibit.
- Role-playing various stakeholders in a circumstance of organizational conflict.
- Conducting cross-cultural research to understand character and ethics as understood in other nations.
- Designing and actually leading a workshop on corporate ethics.
- Going on a field trip to observe ethical issues arising in context.
- Participating in a service-learning project and reflecting on that experience.

Any one of these ideas could be made into an active learning module for interested students. When effectively facilitated by an instructor who has established rapport with the class, these opportunities for active learning can begin to prepare business students to understand and appreciate the ethical challenges they will face when they take their places as organizational leaders. This certainly can lead to a broadening of business students' perceptions about ethical leadership, and a strengthening of their capacity to provide moral leadership as they move into the world of work.

When rigorously administered, experiential learning exercises can be a powerful form of teaching in which participants acquire new knowledge, skills and abilities by internalizing theory through guided practice. Of crucial importance in experiential learning is the process of debriefing, as is highlighted in the next section of this chapter.

DEBRIEFING THE EXPERIENCE

For purposes of this chapter, 'debriefing' is defined as the post-experience analysis designed to provide insight into the cases, journal keeping, role-plays or other experiential learning approaches used in teaching ethics. The historical roots of debriefing lie in military campaigns and war games (Pearson & Smith, 1985). Debriefing was the time after a mission or exercise when participants were brought together to describe what had occurred, to account for the actions that had taken place, and to develop new strategies as a result of the experience. This function of debriefing in relation to military action and training still continues today and in a number of ways the original purposes are directly relevant to teaching ethics via experiential learning exercises. However, debriefing in regard to experiential learning exercises in teaching ethics is more than simply describing events or accounting for actions. Debriefing provides the opportunity for structured reflection whereby experiential learning exercises are used most effectively for teaching ethics in business (Sims, 2002; Sims & Sauser, 2011b).

Pearson and Smith (1986) offer the following insight into the relationship between the experience of learning and the debriefing phase: "Active experience is involving and interesting, even exciting. Debriefing means the cessation of this experiencing and the deliberate decision to reflect on action" (p. 156). In his model of experiential learning, Thatcher (1986), drawing on the earlier work of Kolb (1984), emphasizes that reflective observation (debriefing) is the crucial link between experience and the process of change that makes the elements of the experience a part of the conceptual foundation of the learner. Thatcher (1986) notes: "Debriefing is the part of the process in which the reflection takes place and from which the change in the person will occur, because it is the part of the activity which focuses on the complex processes which took place in each individual and in the group as a whole. (p. 151)". Debriefing has always been a key component of successful experiential learning exercises. The link between objectives, course materials, and the experiential learning exercise seems rarely, if ever, crystal clear to the participants.

When debriefing is structured to promote reflection, encouraging students to analyze their own assumptions and think about how to enhance or develop more skills in handling (for example) ethical dilemmas, reflective practice should be involved. Like reflective practitioners who engage in introspection learn to self-correct and assimilate new experiences with prior ones and thus improve their professional competence (Rudolf, Simon, Rivard, Dufresne, & Raemer, 2007), students engaged in experiential learning exercises in business and information technology ethics classes can also improve their understanding and ability to address ethical dilemmas or make better ethical decisions. Debriefing provides opportunities to foster reflective learning, encompassing the ability to think-in-action as well as think-on-action (Schon, 1983).

The process of experiential learning in teaching ethics requires active engagement. To facilitate meaningful, active learning, students must have opportunities to "reflect on their experience in the (exercise), have a period of emotional release, receive behavioral feedback, integrate their observations, behavior and feedback into a conceptual framework and create mechanisms and pathways for transferring learning to relevant outside situations" (Warrick, Hunsaker, Cook, & Altman, 1979). These attributes—reflection, emotion, reception, and integration and assimilation—are the defining attributes of successful experiential learning debriefing in efforts to teach ethics.

Reflection is the opportunity to reexamine the experience. It can be a chronological review or simply thinking upon what comes to mind first and working through the experience from that starting point. It is time specifically set aside to engage thinking processes that makes for effective debriefing during experiential learning exercises used in teaching business ethics.

Emotion and emotional release are also important. Student engagement in the experiential learning exercise can cross boundaries of reality and call out significant emotional response (Dreifuerst, 2009). Emotion enhances learning by the way it frames the experience (Schon, 1983), but it can also inhibit learning if it distracts from engagement in the experience. Facilitating the honest expression of emotions acknowledges the power of the learning experience to set the frame for embedding it in the learner's memory. Emotional release can redirect the attention of the learner to reflection and ultimately to learning during the debriefing process.

Integration of the experiential learning exercise and facilitated reflection into a conceptual framework is one of the most challenging and least common attributes of debriefing. To be successful, those responsible for teaching business ethics must model framing and embed the elements of the experience into scaffolding that the students in the class are familiar with and can call upon when experiencing future situations. Pesut (2004) suggests that framing is attribution of meaning to a set of facts. In business ethics there are numerous frames, but the most common emphasized in teaching ethics is the decision making process. In most business ethics exercises emphasis is placed on making a sound decision related to the ethical dilemma presented. Integrating the elements of the ethical decision-making process into debriefing sets the stage for assimilating knowledge, skills, and attitudes into real-world ethical situations, thus providing a path for accommodation and transference into future work or other situations that require ethical decision making.

Integration using (for example) the ethical decision making process should be an important component of post-experiential learning exercise debriefing. Assimilation and accommodation to equip students to deal with real-world ethical dilemmas are the ultimate goals of efforts to teach business ethics, and thus they must also be the essence of reflection during the debriefing portion of the experiential learning exercises used. Those responsible for teaching ethics want students to demonstrate successfully that they can transfer what they have learned and experienced from one situation to the next. In addition, assimilation and accommodation involve anticipation. Anticipation and reflection are related. While reflection is often considered looking back or looking at, as in 'reflection on action' and 'reflection in action' (Schon, 1983; Tanner, 2006), it can also be looking forward, or 'reflection beyond action' (Dreifuerst, 2007). This critical aspect of reflection builds upon the work of Klein (1999), who describes "seeing the future while seeing the past" as a component of decision-making (p. 289). Klein's work thus supports the anticipatory nature of reflection (Dreifuerst, 2009) as an essential part of debriefing in any experiential learning exercise used to teach ethics in business (Sims, 2002).

First Example: Debriefing an Undergraduate Class

The following is an example of how one of the authors (Sims) used the debriefing model to debrief a modified version of the experiential learning exercise, "Instructor/Participant Interviews" (Kolb, Osland, & Rubin, 1995). This exercise was used in the first two sessions of an undergraduate Business and Society course, and treated the class as an organization itself to be experienced and studied. Briefly, the modified goal of this experiential exercise is for the instructor to learn from the students their expectations for the course regarding what they hope to learn; any concerns or fears they might bring into the class; and the virtues, values, or characteristics they admire and by which they would like an organization (i.e., course) of which they are a member to be guided. An additional goal is to try to learn what students feel they can contribute to the achievement of their expectations and to the learning process.

During the exercise the instructor first interviewed the students, representatives of the class then interviewed the instructor, and finally, before the debriefing discussion, the total group compared the interviews and identified potential pinches (differences that will influence the learning process). It should be noted that the exercise was preceded by reading, lecture and in-class discussion based on Kolb's (1984) experiential learning model and Sherwood and Glidewell's (1972) psychological contract and pinch model. Briefly, Sherwood and Glidewell have developed a simple but powerful model, the pinch model, which describes the dynamic quality of psychological contracts and suggests ways of maintaining the potentially dysfunctional consequences of shifting expectations. In preparation for the first two classes the students also read a summary paper on traditional and contemporary ethical theories and models. All of these were intended to begin to develop a classroom climate of trust, openness, and sharing.

In the first step (concrete experience) of debriefing the exercise, students were asked to take 3-5 minutes to write down their individual feelings, perceptions, and thoughts that occurred during the exercise. The instructor also completed the task at the same time. The students were then asked to take ten minutes to share their work with other members of the groups in which they were working during the exercise. Following the group discussion the instructor then asked members of each group to share some of the information gathered in their group discussion with the total class.

Some of the comments generated by students were, "We weren't sure what we were supposed to learn from the first two classes and we all agreed that these classes were very different from other classes we had taken here at the College." "We weren't sure whether or not you really care about our fears, concerns and expectations, but time will tell!" At this stage of the debriefing process it is important to remember that the instructor was concerned with getting as many students' feelings, perceptions, and thoughts expressed as possible. To accomplish this goal he asked students, "Are there any more questions?" and, "Did other groups have similar feelings, thoughts, etc.?"

After spending about 10 to 15 minutes on the first stage of the debriefing process, the instructor made a transition to the reflective observation stage by asking students to take a few minutes as a group to look back over what had occurred during the exercise and to reflect on the questions they raised during the first stage of the debriefing process. In particular, the instructor asked them to think about what ways their group's concerns, fears, virtues, values, or characteristics for an organization—and expectations and contributions—agreed or disagreed with his own. One of the key questions the instructor posed to students during this stage was "In looking back over today's exercise and your group's discussion, what did you observe?" "Did you make any assumptions about what I and your other class members expect of you, and of this course?" "What are the virtues, values, or characteristics you admire and would like an organization (i.e., course) to be guided by?" "What did the exercise mean for you and others?" With these questions the instructor tried to concentrate on encouraging students to reflect on their experiences during the exercise and articulate their perspective so the total class could explore these understandings and learn from them.

Some of the students' points that came out of this reflective observation stage of the debriefing were: "No course we had ever taken had asked us questions like -- What were my learning objectives for this course?" "Was I willing to participate actively in the setting of those objectives and in their attainment?" "What values or norms we wanted to use to guide this course?" "Several of us think this is what the exercise was all about."

As the instructor reflected upon the comments made by the students not only in this course but also in previous courses, he recognized that students have been conditioned to listen and accept objectives, to take a passive role in the learning process, and to not be expected to share their concerns (or fears). Thus, when they were asked during his first class to participate actively in objective setting and in an active learning process, many of them were unprepared to respond in a meaningful way. As a result, the instructor has become increasingly sensitive to the need for himself, in his role as an instructor, to recognize and appreciate how much diversity there is within the class in students' ability to understand and respond to a different learning expectation and environment.

In the next stage of the debriefing process (abstract conceptualization), the instructor asked the students first individually to think about, and then in their groups to discuss, the following question: "What ethical theories/models or course concepts that you heard in the lecture or read in preparation for class relate to your understanding of today's exercise?" While all the groups seemed to respond effectively to the question once the total class discussion began, one group's comments (with a little prodding from the instructor) were clearly on target with the learning and insight he wanted to come out of the exercise and the first two classes.

The following comments highlight the result of this debriefing stage: "First, this is to be an active learning experience. This sounds almost trivial but it is the basis of the psychological contract between you (the instructor) and the class (the organization) and furthermore is fundamental to learning in this course." A member of another group followed with: "To be active learners means that I and the rest of the class will learn about business ethics by not only reading but by also actively experiencing situations that require some ethical decision making, etc. We must scrutinize the functioning of individuals, groups and organizations of which we are members, observe important situations, behaviors, etc., make hypotheses about these interactions, and actively test these hypotheses within the group in order to learn." Finally, after some generous discussion amongst the students the instructor pointed out that these comments almost directly flow from the first element (students are active learners) and the second element (a psychological contract between the instructor and the students).

It has been the present authors' experience not only that conversations will be enhanced during the course through dialogue but also that students will have opportunities to apply various ethical theories themselves. Finally, working through the direct application of various ethical theories or models provides a challenging learning experience for the students and the instructor. Students and faculty who seriously work through the application of the material together discover new insights. The elements directly concerned the learning process in which the instructor engaged them in this course and fostered the substantive learning and teaching of business ethics itself.

These comments were intended to make a transition in the debriefing discussion from relating concepts and theories of the experience in the activities to focusing on the specifics (or rules of thumb) for students to be active learners in the remainder of the course. Both the instructor's and the students' comments about active learners in this course were the main focus of the active experimentation stage of the debriefing model for the first two classes.

To continue the discussion on active learning, the instructor then asked the students, "What will you need to do in future classes to meet your own and my expectations for this course?" He specifically asked the students to think about and generate rules of thumb or action resolutions. In response, one group commented, "In the future you (as the instructor) and we as students must take responsibility for raising a pinch (a point of disagreement in the model of psychological contracts) if and when it develops. We thought that pinches could either be raised via written comments or informal discussion, say at the end of class."

As evidenced in this example, the richness and strength of using the process of debriefing can be enhanced if debriefing proceeds through all of the stages of the debriefing model: from concrete experience to reflective observation to abstract conceptualization and, ultimately, to active experimentation. The model allowed for testing implications of course concepts and theories in new situations which, in turn, led to new experiences and learning.

An important learning point as related to the above example is that the two elements (i.e., the psychological contract between the instructor and students and the fact that the students have some responsibility for setting the learning objectives), in combination, led to a higher motivation to learn, provided students with a much better grasp of how the course would be conducted, and helped them realize that knowledge can allay students' fears (i.e., uncertainty as to material, what is expected of students, and the invasiveness of dealing with 'personal' values) often brought into an ethics course. Additionally, when the class agrees to the specific virtues relevant to the conduct of the course, students are provided with assurances of what norms are prescribed and what kind of classroom conduct is expected. Finally, the foundation is established for building a climate of trust and sharing in the classroom.

In point of fact, the instructor has found that both his attitude and that of his students toward learning—and the subsequent behavior of all—have reflected these efforts. As a result of using the debriefing model, the authors believe students are more inquisitive, more committed to learning and open to learning about ethics, and in short, more involved in the learning process. It has been the authors' experience that this involvement has resulted in large rewards for both the instructor and the students.

Second Example: A Distance Education Course for Executive MBA Students

For over a decade one of the authors (Sauser) has had the privilege of teaching Business Ethics to large classes of students enrolled in his university's Executive MBA program. That program features several intensive classes taught in residence, a number of classes taught at a distance, and an international experience abroad during which faculty and students travel together from the United States to one or more other nations to learn first-hand key lessons in comparative global business. A minimum of eight years of progressively responsible managerial and professional leadership experience is required for admission to the program.

The Business Ethics course in this program is a one-semester-hour required course taught at a distance. Since all the students enrolled in this Executive MBA program have considerable business and managerial experience to draw upon, this course makes use of extensive self-reflection so students can come to understand and articulate their own ethical code and how it can be applied in the particular setting of their own work. The course is appropriately rigorous and demanding of both students and the instructor. The student learning objectives for the course are fourfold and are stated on the syllabus as follows:

1. To become familiar with issues and terminology related to business ethics.
2. To consider the viewpoints of various experts in areas of business ethics.
3. To begin to formulate a personal code of ethics.
4. To promote ethical behavior in business.

The course is not designed to be a didactic exercise in 'teaching students what to think,' nor is it an introduction to the moral philosophy of ethics, nor even a case-based study as is so popular in business instruction these days. Instead, it is an opportunity for mature students to explore and broaden their own thinking about ethical issues in business, to formulate their own personal code of ethics based on this exploration, and to examine how that code can be applied in the business context that surrounds them in their leadership roles. It is an opportunity to learn about cultures of character and how to build them.

The course consists of five modules, each containing a lecture, an interview, a reading assignment, and a writing assignment. The course is designed to be self-paced. Students may work through the five modules at whatever pace they desire (as long as all assignments are completed before grades are due by the end of the semester). All written assignments are posted to EMBANet (a proprietary distance education software system) so other students in the class may read them and learn from them. Each written assignment is graded by the instructor, and individualized feedback and scores are sent to each student in confidence. Students are told that written assignments should be thorough but need not be lengthy, and they should be based on the student's own informed opinion. Students are also told it is not necessary that the written assignments conform to the viewpoints of the various authors and interviewees to whom they are exposed in the course—or the professor's opinions—in order to earn a high grade; what matters is that each response expresses the student's informed opinion with respect to the question asked. By asking each student to formulate an informed opinion on each of the issues addressed in the questions, and to share these opinions in writing with their peers on interactive distance education software, the instructor simulates (across time and space) a high-level discussion among the class, while also giving individualized attention to each student's work.

The commercially-available EMBANet software system incorporates a variety of options to facilitate distance education across time and space. For example, each student has his or her own password-protected mailbox (as does each instructor) so information can be shared confidentially when necessary. The system also includes boxes for each class and small discussion group, plus a 'chat room' for synchronous communication when desired. These options allowed the instructor to invite the students to share their written assignments with one another (which they did readily) while also communicating confidentially with the instructor as they progressed through the course. Students were encouraged to comment on one another's written assignments, and also to post current information about business ethics which they encountered during the course of the semester.

The instructor—and many of the students—took part in this ongoing discussion, although such participation was not a requirement of the course.

The lectures included in the five modules were produced in a television studio; likewise, the five interviews included within this course were produced in either a television studio (using a 'living room' set) or on location in the university president's conference room. The five interviewees are leaders in the private, educational, and governmental sectors of our economy and hold positions from which they assert considerable leadership influence in the community. Each interview was roughly twenty minutes in length and consisted of the instructor asking a series of questions intended to explore the interviewee's perspective on business ethics, how that perspective is applied in organizational and community leadership, and defining events in each interviewee's life that influenced his or her worldview. The interviewees are diverse in terms of age, race, gender, and perspective. The five interviews were included on a course DVD along with the lectures, syllabus, and required readings.

Each module required the students to read three papers, then attend to the lecture and interview before writing a brief reflective essay focused on the primary topic for the module. The five essay questions were as follows:

1. "What is your 'story' (e.g., personal history)? How has your story shaped your own worldview?"
2. "In your opinion, what are the major benefits and costs for businesses that seek to operate in a moral manner? Are the benefits worth the costs? Why or why not?"
3. "What do you believe are the five most critical ethical issues in your own field of endeavor? Why are they critical, in your opinion?"
4. "In your opinion, what are the responsibilities of business to society? How can these responsibilities best be met?"
5. "What is your own personal code of business ethics? In a 'final essay,' formulate (or at least begin to formulate) a statement of your own personal code of ethics. Use whatever format or approach is most comfortable to you. I'm interested in your own thoughts expressed in your own style."

The instructor was very pleased with the essays written by most of the students enrolled in this course. They were honest and straightforward, and often very moving. This was a special group of students, of course, carefully selected for ability, maturity, and leadership experience. These students came from large corporations, small businesses, not-for-profit organizations (such as hospitals, educational institutions, and charitable foundations), government agencies, the military branches, and professional practice. They were able to express themselves well in writing and had considerable life experience to draw upon as they prepared their essays. They were willing to share their experiences with one another and to discuss openly their differences of opinion. Most of the students were citizens of the United States of America, but other nations were represented in the class, and many of the members of the class had completed international assignments or tours of duty. As a class, this group scored very well on the graded assignments.

Student reactions to the course, to the instructor's delight, were very positive. On a standardized multi-question formal evaluation of the course, students scored it a 4.9 on a five-point scale. Anonymous comments provided by some of the students on the formal evaluation confirmed that the instructor's objectives for the course were understood, appreciated, and—for the most part—met. One student observed that there was too much work for a one-semester-hour credit course, and the instructor readily acknowledges that the course was demanding. However, most students thought the time devoted to this course was well spent. Here are a few sample anonymous verbatim comments:

- [This course] allowed me to stretch myself and analyze my career and ethical challenges that I face every day.
- The class taught me a lot and caused a good bit of personal reflection regarding my career and my life.
- [The instructor] was very engaging and created an atmosphere of open and candid communication that spurred lots of productive class discussion.
- [The instructor] provided an atmosphere conducive to self-reflection and development of clear ethical boundaries.
- [The instructor] helped strengthen our personal code of business ethics.
- [The instructor] got me to confirm why I believe what I believe and why that is so important in business. Ethics in business is a must.

Confidential communications from many of the students reinforced these anonymous comments. Several of them wrote to the instructor about ethical challenges they were facing in their own career and how the ideas presented in this course helped them understand and begin to resolve the problems they were facing. Others observed that the course gave them an entirely new perspective on business ethics—not as a 'dry and dull' subject for tiresome study but rather as a challenging aspect of their chosen calling. Active, student-paced, reflective learning methods clearly appealed to these mature students and the learning objectives established for the course were met in an effective manner.

Third Example: Analyzing a Case Study in Electronic Waste Disposal

The third example involves the use of a detailed case relating to the ethical disposal of electronic waste resulting from the ever-increasing global expansion of the use of information technology (Sauser, Sauser, & Sims, 2013). The case itself is based on a CBS News investigative report broadcast as a *60 Minutes* story on August 30, 2009 (CBS, 2009a, 2009b). This shocking story, titled "The wasteland," traced a container of cathode ray tubes (CRTs) from a computer recycling facility near Denver, Colorado, USA, to a town in China named Guiyu, where the CRTs had been shipped illegally. There the CRTs were being smashed, crushed, and washed in acid by unprotected peasant laborers who were extracting precious metals while being exposed to toxic chemicals in unsafe conditions. The waste from this process was being released untreated into the town's air and water supply. The basic ethical question posed in the case can be stated succinctly as follows: Is it ethical to ship (sometimes illegally) electronic waste from a wealthy developed nation—like the United States of America—to less developed areas of the world—like rural China—where it is recycled and disposed of in a manner that is harmful to workers' health and damaging to the surrounding environment?

The detailed case study examines the factual basis of the *60 Minutes* story by reviewing evidence from such credible sources as the U.S. Environmental Protection Agency (2000, 2008), the U.S. Government Accountability Office (2008), the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (2010), the United Nations Environment Programme (2006), *National Geographic Magazine* (Carroll, 2008), *Smithsonian* (Royte, 2005), *Environmental Impact Assessment Review* (Hicks, Dietmar, & Eugster, 2005), and *Libraries and the Academy* (Zazzau, 2006). Also within the pages of the detailed case study are quotations from the ethical codes of several important professional associations in the field of information technology (Stamatellos, 2006) that touch on this case, including those of the Association for Computing Machinery (ACM), the Institute of Electrical and Electronics Engineers (IEEE), the Data Processing Management Association (DPMA), and the Institute for Certification of Computing Professionals (ICCP).

The case study also includes Sauser, Sauser, & Sims' (in press) analysis of the circumstances described in the *60 Minutes* story from the perspectives of four philosophical viewpoints on ethics typically taught to students in American universities: individualism, utilitarianism, justice, and moral rights (Schermerhorn, 2010, p. 91). The case analysis concludes with the authors' own perspective on this case, plus a listing of potential solutions that others have posed for dealing with the rapidly expanding electronic waste disposal crisis.

This case was designed for use with advanced college students, graduate students, and professionals in business and information technology. It lends itself to a variety of exploratory discussions, all of which, if properly debriefed using the techniques described above, can yield considerable ethical thought and learning. For example, students could be assigned (individually, in small groups, or as an entire class) to:

- Watch the *60 Minutes* program in its entirety (it is 13 minutes long and available on the World Wide Web) then discuss it in terms of its emotional impact, its fairness of coverage, and the ethical issues it raises.
- Review the facts presented in the case write-up, and/or do independent research to discover on their own whether or not the *60 Minutes* story is based in fact.
- Examine the existing ethical codes of leading professional associations in information technology (and others with which they may be familiar), discuss how professional standards might apply to this case and provide guidance in determining what needs to be done, and even what new standards might need to be adopted.
- Read the philosophical analysis presented in the case write-up, and/or conduct their own analyses using the four philosophical viewpoints mentioned above, or others with which they may be familiar.
- Examine the proposed solutions listed in the case write-up for feasibility of implementation; conduct independent research on additional possible solutions; and even put together an implementation plan for a possible solution.
- Discuss the political, cultural, economic, and social factors surrounding the issue of electronic waste disposal.
- Explore how each of the various 'players' in the case might explain their actions.

It is likely that students participating in activities like those noted above would have a variety of strong reactions to the *60 Minutes* program. The program itself was written and produced in a manner that provokes emotions such as anger, disgust, and shock. Once students have expressed their emotions, it is possible to discuss the factual aspects of the case that provoke such emotions. Given the nature of the extant literature on this topic, it is highly likely that students would be able to identify articles in the popular and scientific literature that back up the facts presented in the story. A focus on how to solve this problem would reveal the complexity of the issues involved, including politics, cultural differences between the USA and China, and hard economic realities. For example, is it ethical to deprive Chinese peasants an opportunity to earn at least enough money to survive simply to assuage the conscience of a more-privileged observer? Students would also begin to realize the consequences a simple action (like throwing their electronic waste into a landfill) might have on the global environment if repeated by millions of individuals across the planet.

With increasingly challenging work situations, and clashes in norms, values, and cultures accompanying an increasingly globalized workplace as the world moves further into the twenty-first century, where are business students going to develop their own moral character and learn how to contribute to ethical organizational cultures? Where will students experience what one might call the 'rite of passage' as future leaders in learning, practicing and experiencing how to contribute to organizational cultures grounded in moral character? Where, specifically, will the risks come from which test students on the challenges that come within and without organizational cultures grounded in moral character?

Will they find those risks in dangerous ethical dilemmas or missteps that include unethical behavior or lapses in their own or their organization's moral character? Will they find them in newly popular forms of contrived risk taking, questionable business practices, or even perilous financial or technological ventures? The present authors hope not, because such a 'trial and error' approach to learning on the job could be disastrous! Instead, in the authors' view, providing early and continuing assignments which allow students to learn how to contribute to ethical organizational cultures grounded in moral character is crucial to their own ethical development. The authors believe the three assignments above all illustrate what is meant by 'active, engaged learning' and could be excellent opportunities for meaningful ethical development to take place—the kind of learning that will prepare students in business to contribute to ethical organizational cultures grounded in moral character, and ultimately to the resolution of the ethical crisis in business that has harmed the world for far too long.

CONCLUSION

Why should creating opportunities for students to learn how to contribute to ethical organizational cultures grounded in moral character matter so much? In part this is so because there are so many examples of its absence in corporate settings and legal proceedings. This can be seen in politics, sports and entertainment; and in personal, social and organizational relationships. If moral character is indeed one of the core virtues of humanity in general and organizations in particular (Griffin, 2012), it is essential that effective ways must be found to express it, support it, and teach it to future leaders. Teaching future leaders how they can help create a culture of character is paramount if there is going to be any hope of minimizing ethical breaches or scandals in the years to come.

The stated purpose for this chapter was to demonstrate how business ethics professors can empower their students to understand, appreciate, and contribute to the establishment of cultures of character in the organizations which employ them—and which they may ultimately lead. After summarizing the concept of a culture of character, the present authors sought to fulfill this purpose by exploring the idea of establishing an effective learning context, which they believe is essential if meaningful experiential learning is to occur. Next they presented a number of ways to engage business and information technology students actively in the process of learning about ethics. They listed a number of practical suggestions, drawn from their own and others' experience, for student assignments and classroom activities that can empower students to understand, appreciate, and contribute to organizational cultures of character. Next they considered how to 'debrief' the class following each activity such that maximum value can be gained from each experience. Finally they provided three examples from their own experience to illustrate these ideas.

The authors hope this chapter has convinced the reader of the value and importance of providing reflective experiential learning opportunities as a method of teaching ethics to students in business. Supplementing traditional 'lecture and discussion' classes with experiential learning methods like those described herein creates the possibility for enhanced learning opportunities, which should then translate into desired ethical leadership as business students graduate and take their places as leaders in business firms and other important organizations. In turn, this should empower them to contribute to the organizational cultures of character needed to counter the ethical crisis in business that has plagued us for much too long.

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KEY TERMS AND DEFINITIONS

Culture of Character: An organizational culture in which leaders and members are truly committed to ethical conduct and make ethical behavior a fundamental component of their every action. Leaders of cultures of character are constantly vigilant to detect and correct ethical shortcomings on the part of themselves or their employees, because they have internalized the spirit as well as the letter of the laws and ethical standards governing the organization's actions.

Culture of Compliance: An organizational culture that emphasizes yielding to laws and other ethical standards that the organization's leaders and members do not necessarily accept. Within this type of culture leaders and members grudgingly take actions designed to meet their legal and ethical requirements, but do not accept and incorporate these standards within their own value system.

Culture of Defiance: An organizational culture that emphasizes a scorning defiance of the law and other ethical standards and seeks to resist or defy them wherever possible. Cutting ethical corners, breaking the law when the likelihood of detection is perceived to be low (or reward for breaking the law is gauged to be high enough to risk the consequences), and other such tactics would be rewarded and encouraged in this type of culture.

Culture of Neglect: An organizational culture in which leaders fail in their responsibility of due diligence toward moral and ethical concerns. Such shortcomings might include a failure to know or understand the laws and ethical codes regulating the business, a failure adequately to communicate those standards, a failure to detect and/or punish wrongdoers within the firm, or even a certain blindness within the culture, caused by one or more tragic flaws, that leads to unintentional moral failure.

Debriefing: The post-experience analysis of experiential learning exercises. Debriefing is designed to provide insight through reflection on assumptions, actions, skills, behaviors, outcomes, feelings, attitudes, emotions, and other aspects of the experiential learning exercise.

Experiential Learning: Participation in exercises aimed at developing understanding and interpretation, which involves a high degree of interpersonal action, sharing, dialogue and conversation among students and other participants. Experiential learning exercises include role-playing, simulation, case study and group analysis, and service learning, for example.

Learning Community: An educational context in which students and teachers support one another and are open with one another during discussions about feelings and opinions related to various ethical issues, situations, and challenges. In a learning community students must be willing to confront or compare different opinions, responses, insights, and experiences.

Moral Character: The possession of such personality or cultural traits and virtues as wisdom, knowledge, courage, humanity, justice, temperance, transcendence, accountability, humility, and respect.

Organizational Culture: The system of shared beliefs, values, expectations, and taboos within an organization that influences the corporate and individual behavior of the organization's members; often referred to as "the way we do things around here."

Chapter 12

Voicing Possibilities: A Performative Approach to the Theory and Practice of Ethics in a Globalised World

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ABSTRACT

Business ethics is witnessing the emergence of new activity-based, communicative approaches to ethics theory and pedagogy that go beyond the conventional normative-descriptive distinction. The authors call this emergent approach "performative ethics" and recognise it as a fundamentally innovative new orientation towards theorising and teaching ethics. They apply this notion of performative ethics to the topic of sustainability, and illustrate their discussion using "Giving Voice to Values" (GVV). GVV is an innovative approach that focuses on implementing ethical values and how they might be expressed at multiple levels of organisational life. The challenge of intergenerational sustainability requires a multilevel orientation to the practical expression of core values in a globalised world. To illustrate this, the authors present three short case studies and explore them from a GVV perspective. They show how GVV can be applied, both theoretically and practically, to the task of expressing and acting on shared values for developing sustaining and sustainable personal, organisational, and global futures.

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INTRODUCTION

What if we asked theory instead to help us see openings, to provide a space of freedom and possibility? (Gibson-Graham, 2008, p. 7)

One of the distinguishing features of contemporary life is the increasing interdependence between the personal, the local and the global. We see this in the links between the local workplace and international economies, in individual consumer choice and its impact on the global environment and the links between personal ethics and the capacity of our planet to provide healthy and sustaining environments. The interconnectivity of contemporary worlds means that the expression of our values and ethical commitments plays a central role in shaping the social and natural environments that sustain us. However, this very connection between the local and the global is challenged by the growing passivity and sense of powerlessness that people feel in influencing the social environments they live in (Ritzer & Atalay, 2010). In particular, globalisation challenges our capacity for ethical behaviour and moral imagination because it is so difficult to see the network of impacts our choices and behaviours have on others. The vast networks of global supply chains, bureaucracies and regulatory systems that serve the purposes of government organisations and multinational corporations seem not only impervious to ethical concerns but also to actively contribute to the deadening of our ethical sensibilities. This is nowhere more evident than in the impact that our economic choices and behaviours have on social and environmental sustainability.

Ethics underpins both personal and collective human action for achieving the purposes that we aim for and the futures that we hope to build. With the increasing globalisation of organisational relationships and their impact on natural and social environments, there is a need to develop more sophisticated conversations about how our values can be expressed, from the personal all the way up to the global level of doing business (Collier & Fuller, 2004). This web of relationships is a multilevel phenomenon in that values find expression in our intrapersonal life, our interpersonal relationships, organisational work, community involvements, political and economic life and in the global network of associations that each of us contributes to. How then can we connect the practical expression of our ethical commitments with this multilevel web of work and organisational involvements? How can we situate the "how" of building values-based working lives within the "how" of building sustainable and sustaining organisations and global economies?

This challenge calls for a commensurate change in how we understand and teach ethics. In this chapter we propose that just such a change is occurring and that it needs to be recognised and further explored. This new approach, which we call 'performative ethics' (Edwards & Kirkham, 2014), has been emerging over the past several decades and is associated with a focus on such things as communicative dialogue, discourse, conversation, reflexivity, imagination and performativity. While several authors have used the term performative ethics to refer to various kinds of action-based approaches to teaching ethics (Hamington, 2012; Tudway & Pascal, 2006), theoretical aspects of identity and diversity politics (Butler, 1997; Tarin, 2009) or ethical performance (Parker, 2005; Weinstein, 1994), we follow the lead of Edwards and Kirkham (2013) in proposing performative ethics as a unique genre of ethics theory and practice that is separate from, and complementary to, the more usual domains of normative and descriptive ethics. We will describe this approach in more depth in a later section, but for now we suggest that performative ethics complements existing ethical theories and pedagogies with concepts and methods that are concerned with possibility, innovation and creativity as expressed in the communications and conversations that are the site and source of organisational and community life. To illustrate how a performative ethics can contribute to the development of a more relevant and effective ethical theorising and pedagogy, we will describe a new approach to business ethics called “Giving Voice to Values” (GVV) (Gentile, 2008; Gentile, 2010a). GVV explores how we can take action to imagine, construct and communicate our core ethical commitments when they are challenged or when the potentials of ethical possibilities are not being recognised.

The paper is structured as follows: before introducing the GVV approach, a brief discussion of the literature on globalisation and ethics will be presented. Globalisation is a complex and multifaceted range of phenomena and a great deal has been written about the ethical aspects of its varied forms and impacts. Whatever else it may require of us, globalisation requires the exploration of new ways of teaching and implementing ethical commitments. We then set out some limitations in the discussion of ethics and globalisation from the traditional perspectives of normative and descriptive ethics. We then describe a ‘performative ethics’ that can contribute to overcoming these limitations. Following this discussion, we present the GVV approach as an example of performative ethics theory and pedagogy. We then situate GVV within a multilevel model that shows how the expression of values can be contextualised within personal and interpersonal (micro), group (meso), organisational and inter-organisational (macro) and international and global (mundo) domains of interaction. Three case studies will be presented to demonstrate how the communication of ethical values can elicit change within each of these domains. Following these case studies, the contributions of the GVV approach to the study of ethics and globalisation will be described and their implications for the development of a more responsible global business culture discussed. The chapter concludes with some thoughts on how global ethics, as a way of connecting social players across multiple personal and social contexts, can be developed using the GVV tools and principles.

GLOBALISATION AND ETHICS

Globalisation is the multidimensional and rather chaotic transformation of world economic and social systems that arises from greater and more immediate human interactivity and interconnectedness. It is an ongoing process whose roots may well go back several hundred or even thousands of years and it impacts on political, cultural, technological, environmental and human realities at multiple levels (O’Rourke & Williamson, 2002). The empirical reality of globalisation should not be confused with the critical discussion surrounding the impact of this phenomenon (Papastephanou, 2005). In particular, globalisation is to be distinguished from ideological positions that assume the supremacy of global markets, or western democracy, or that global economic systems will create permanent material wealth and international stability. Such views, particularly since the events of the global financial crisis, are very much in question (Saul, 2009). The phenomenon of globalisation, as the growing international flow of goods, services, ideas, communications, people and cultures, is a real and unprecedented process of change that has correspondingly important ethical implications.

The interconnectedness of communities across the globe means that our values and their concrete implications are also becoming more interdependent. This is nowhere more evident than in the world of commercial pursuits and in the globalisation of organisational activities. The skills and workplace conditions of an IT worker in India have implications for the ways companies in Australia or Germany plan their telecommunications services. The choices we make about whether to buy local food produce has implications for global sustainability and environmental issues. The ethical climates that corporate leaders wittingly or unwittingly encourage can have serious ramifications for many different communities across the globe. Whatever we might think of its varied impacts, globalisation is making the interconnectedness of physical environments, social systems and cultural life more immediate and more obvious. Globalisation holds great potential as a source of positive development but it also carries with it immense and very real dangers. Globalisation contributes towards the improvement in living standards for many developed and developing nations (Dollar, 2005) and it also contributes to unsustainable environmental devastation and social damage on a vast scale (Jorgenson & Kick, 2006). Consequently, it is not unexpected that globalisation should attract considerable attention from ethicists.

A great many perspectives have been adopted for considering globalisation and ethics. Philosophical studies have adopted both utilitarian and deontological philosophical lenses and analytical frames (Apel, 2008; Commers, Vandekerckhove, & Verlinden, 2008; Singer, 2004). Scientific studies have taken critical perspectives on the harmful impacts on individuals and their communities (Brysk, 2002; Korgen & Gallagher, 2013; McCorquodale & Fairbrother, 1999; Winston, 2011). Others have looked at it from the view of poverty alleviation and wealth creation (Kaplinsky, 2013; Yao & Yueh, 2007). These scientific studies have been influenced by both normative and descriptive assumptions. However, traditional normative as well as scientific descriptive theories have struggled to connect ethics education and management education with the dynamic world of globalised business (Buchko & Buchko, 2009). Dealing with global sustainability presents some new problems that challenge our ethical theories and ways of teaching ethics. Never before have the ethical implications of how our societies function at the global level been tied so directly to the mindsets and behaviour of individuals. How might we build better theoretical and pedagogical links between the global and the personal and between the more immediate interests of business with developing sustaining long-term visions? And is the normative-descriptive approach to presenting ethical theorising up to this task?

GLOBALISATION AND THE NORMATIVE-DESCRIPTIVE DIVIDE IN ETHICS

The distinction between empirical (or descriptive) and normative (or prescriptive) approaches to ethics often appears in discussions of globalisation (see, for example, Ferguson, 2007). The questions of ‘what is’ and ‘what ought to be’ are fundamental to the reality of increasing global connectivity and the debate over globalisation as an actual empirical phenomenon or as a particular vision of our global future. In some ways this division is an artificial one and has limited utility. In a world where the ways we think about economics, commerce, international relations, sustainability and education can have such a powerful capacity to structure the bricks and mortar of natural and social environments, it is too simplistic to separate empirical reality from what our theories and conceptual frames deem as preferable. Our normative expectations constitute social and physical realities as much as the other way around. The question then is not one of whether we should take a normative or a descriptive approach to the study of ethical commitments. A more relevant question is how the expression of ethical values can be facilitated to enact a more open and responsive world? What sorts of conversations do we need to engage in to help bring our core ethical concerns and those of others into the open?

Globalisation challenges ethical theorising and pedagogy to move towards a more imaginative and forward-thinking form of ethical capacity building. There are several reasons for this. First, the dynamic and innovative world of business can easily reframe the traditional ethical discourses of following rules or applying codes as inappropriate. Second, the cross-cultural contexts of globalised business environments also lessen the power of cultural systems of morality. Third, the socio-cultural power of large organisations works to encourage loyalty to company goals and purposes rather than to those of the community or to particular moral sensibilities. Fourth, large impersonal corporations dilute the sense of personal responsibility and provide an easy source of justifications for taking no action to address unethical activity or shun ethical opportunities. Finally, the impersonal nature and sheer scale of globalisation sidelines traditional ethical considerations of personal consequences and reinforces psychological biases towards not addressing issues that do not directly impact on us.

Two integrative shifts are needed in ethical theorising and pedagogy:

1. A shift from a prescriptive focus on rules, "shoulds" and "oughts" to a creative focus on what "might" be, on the possibilities that emerge from ethical innovation, and
2. A shift from an instrumental and analytical focus on economic outcomes to a communicative focus on action and implementation.

There are many signs that this shift is occurring and that the applied field of business ethics is witnessing the emergence of new activity-based, communicative approaches to ethics theory and pedagogy that go beyond the conventional normative-descriptive distinction (Bird, 1996; Gentile, 2010a; McClean, Burris, & Detert, 2013). We call this emergent approach "performative ethics" and recognise it as a fundamentally innovative new orientation towards theorising and teaching ethics.

Performative ethics places communicative acts at the centre of all ethical problem solving. Engaging in dialogue, finding out what shared values and interests we may have in common is a starting point for a more honest engagement with ethical issues. Resolving an ethical dilemma from this perspective does not mean avoiding contention or reaching some forced consensus, rather it means engaging in a shared process that gives expression to peoples' closely held values. Possibility and engagement through the performing of speech acts is the key feature of performative ethics.

PERFORMATIVITY AND ETHICS

Performative ethics is not merely the idea of performing ethical actions or of performing virtuously (as suggested by, among others, Weinstein, 1994). A clear distinction needs to be made between performance and performativity (Strain, 2009). Where performance is about a public act, performativity is concerned with the interaction between identity, possibility and action. Morrissey argues that all performative understandings are founded on ethical concerns. As she says, "performative theory encompasses, and indeed relies upon, an ethical foundation" (Morrissey, 2005, p. 165). Performative ethics is an emerging new branch of ethical theorising, practice and pedagogy where the development of ethical capacity emerges through the interaction of social agents in ethical and values-based conversation. It is a view that highlights the co-creative and dialogical nature of ethical responses and the implementation of moral concerns. This view opens up the entrepreneurial and emancipatory nature of ethical acts (Rindova, Barry, & Ketchen, 2009). Strain remarks that the distinction between performance and performativity is "analogous to 'event' and 'possibility', which affords unrealized ethical and emancipatory opportunities" (Strain, 2009).

Performative ethics is described by Edwards and Kirkham as:

[T]he ability for discourse and conversation to produce new ethical realities and, in turn, to be guided by that productive process. Performative ethics focuses on the communicative activity

involved in creating and shaping moral futures. Hence, it lies outside of the normative–descriptive spectrum of theories defined by what is and what ought to be and creates a space for experimenting with what might be. (Edwards & Kirkham, 2014, p. 486)

Performative ethics focuses on the communicative activities and interactions involved in creating and shaping moral futures. Hence, it lies outside of the normative-descriptive spectrum of theories defined by what *is* and what *ought* to be and creates a space for experimenting with what *might* be. Several authors have highlighted the performative dimension of some ethical theories. For example, in his discussion of forms of ethical case study analysis, Maclagan stresses the importance of performative moral attributes such as "assertiveness and communication skills" (Maclagan, 2003, p. 27). Tudway and Pascal contrast normative ethics with "performative ethics" in their analysis of corporate ethical collapse. Their view is that where ethical analysis and philosophical debate is the province of normative ethics, "walking the talk" of practical action and active declaration is the focus of performative ethics (Tudway & Pascal, 2006, p. 99). But performative ethics moves beyond just an action-based explanation of change to include the creation of possibility through voice, values-based discourse, identity shifts, enacted purpose and skill development.

We see the emergent interest in performativity in all those ethical theories that employ dialogue and conversation, discourse and identity, creativity and emergence and pragmatic action and enactment to describe their ethical approaches. Gentile's "Giving Voice to Values" (GVV) (Gentile, 2010a), Habermas' theory of communicative action (Habermas, 1999), discourse ethics (Mingers, 2011), Bird's theory of moral silence (Bird, 1996), an ethics of praxis (Kemmis, 2011), Levinas' ethic of reciprocity (Lévinas, 1998) and Bauman's postmodern ethics (Bauman, 1993) are examples of this emerging trend in ethical theorising and pedagogy. We will illustrate the application of performative ethics to sustainability education using Gentile's GVV approach. GVV, with its emphasis on possibility, self-story, action, conversation and "scripting" exemplifies many of the definitive qualities of a performative approach.

"GIVING VOICE TO VALUES": A PERFORMATIVE APPROACH TO ETHICS

The Giving Voice to Values approach emphasises the role of values in the study and practice of ethics. It complements other approaches that focus on ethical awareness and the analysis of decision-making with a more practice-based approach to enacting values. Ethics, from a GVV viewpoint, is about developing skills, building confidence and finding and giving voice to express the ethical values that guide lives and communities. Values are experiential aspects of personal and cultural identity and so they carry a relevance and immediacy that the abstract discussion of ethics does not. GVV is both a theory of applied ethics as well as a curriculum for studying ethical behaviour through the expression of core values (Gentile, 2010a). On the theoretical side, GVV regards ethics as a structured process of conversing about what we regard as morally valuable in our lives and how we can express those values. GVV draws on multiple research paradigms to present a dialogical view of ethical behaviour. It is an applied ethics in that it focuses on implementation and *in situ* application. On the curriculum side, GVV takes an appreciative approach to pedagogy in that it recognises students' inherent ethical positions and capacities. The approach can be summed up with the question, "If I were to act on my values in this situation, what would I say and do?' It is different from other ethical theories and pedagogies in that it focuses on implementation and the practice of ethical actions rather than on the more usual approaches of analysing cases using ethical theories and values clarification. While these methods have their place, it is becoming ever more apparent that ethics programs need to focus on implementation in addition to theoretical analysis and decision-making.

In the wake of the global financial fiasco of 2008 and the role of business schools in shaping attitudes and practices that contributed to that crisis, several ethics educators have stressed the need for more action-oriented and values-based approaches in ethics analysis and practice (Butler, 2009). At the post-judgment and post decision-making level ethics becomes much more about the conversations we engage in regarding our values, particularly our experience of values conflicts. But there are many ways to express core values and the GVV metaphor of "giving voice" is meant to include multiple forms of expression, for example, in asking questions, data gathering, coalition building, finding allies, identification of stakeholders, exploring purposes, crafting responses and even choosing to be silent when appropriate. To give "voice" does not refer to some cathartic process of sounding off about one's ideals. It is a sophisticated process of implementing a considered response and it needs good leadership skills, practice and personal insight to be done effectively.

Implicit in this focus on implementation are some important assumptions about the purpose and process of both values conflicts and conversations. GVV starts from the premise that people possess a moral compass that guides them in sensing what is right or wrong. They may not always use or apply that compass but it's there. Essentially, we know that it is wrong to steal, to be dishonest, or, to remain silent when the organisations we work for act unethically. A fundamental and often overlooked aspect of ethical disasters like Enron, HIH or Siemens is not that the people involved were ignorant or confused over the ethical implications of their actions but rather, that they didn't say or do anything in response to the ethical challenges they faced. Many people involved in these cases of massive fraud and corruption knew that legal and professional codes were being ignored and violated. However, those who had misgivings about what they or others were doing rationalised their way into quiescence, silence and inaction. Often these rationalisations fall into common categories (Ashforth & Anand, 2003) such as locus of responsibility, "It's not my responsibility to speak out here" or loyalty, "I can't let these guys down", or self-interest, "I have a lot to lose if I raise my concerns". The issue here is not uncertainty about what is right and wrong, but of how to implement one's ethical convictions in a pragmatic and effective way. Once we doubt our capacity to act effectively and decide to suppress whatever concerns we might have it becomes more and more difficult to speak up and the rationalisation process neutralises our moral sensibilities and a culture of silence prevails.

But if we do want to act and pursue conversations about our ethical concerns, what should we then say, who should we speak to, and how should we say these things so that we might persuade others? Fear and anxiety over the repercussions of voicing concerns also plays a crucial role here and the performative focus of GVV enables students to find and experiment with ways of giving expression to values effectively and with a pragmatic eye to reducing those risks. This is the territory that GVV explores and the curriculum is designed to equip individuals and groups with the skills and experiences to engage in such conversations more often, more confidently and more effectively. The underlying philosophy of GVV is summarised in 12 assumptions (Gentile, 2010b).

1. We possess personal values that we want to express and act on;
2. We each have chosen to voice and act on our values on previous occasions;
3. We can improve our ability to voice and act on values;
4. Some contexts are more conducive to voicing and acting than others;

5. Our example is powerful and may encourage others;
6. We are never alone in voicing our values;
7. The better we know ourselves the more ably we can act on our core values;
8. Developing and rehearsing responses to frequently-heard rationalisations can empower ourselves and others;
9. Our capacity to voice our values is improved through practice;
10. We may not always succeed but it is always worthwhile to act on our core values;
11. The considered and open expression of values leads to better decisions;
12. The more we believe that the expression of values is possible and worthwhile, the more likely we are to do it.

These assumptions support a clear focus on implementing values in meaningful situations rather than analysing cases through the application of philosophical principles. It means that conversations are opened up about how to act rather than deliberations over whether to act because of the complexities involved. Consequently, ethics, whether in business or otherwise, becomes the study and practice of conversations about how to act and the skills and analytical tools that encourage the expression of deep commitments. Whenever and wherever we have conversations about issues of values-based concern, we are engaging in applied ethics. This can be done formally through writing and teaching and it can be done informally *in situ*, in the places and on the occasions when we discuss events and issues that are important to us. Through examining our innate sense of valuing, GVV aims to enhance individuals' ability to act on their values, express their opinions and develop action plans to address ethical concerns and/or take hold of ethical opportunities.

The GVV curriculum has been designed for application across many different levels and domains of organisation activity. In a following section a multilevel model is presented that explores how GVV can be viewed at the group, organisation, industry, socio-cultural and global levels. One of the many benefits of GVV in this multilevel context is that it does not create an either-or dichotomy between the "bad apple" and the "bad barrel" versions of addressing ethical issues (Ashforth, Gioia, Robinson, & Trevino, 2008). The "bad apple" approach places causal emphasis on the ethical character of individuals and on their personal decision-making capacities and psychological characteristics. The "bad barrel" approach takes a structural view of unethical behaviour. Theories based on this perspective focus on those organisational and regulatory environments that result in systemic corruption and other widespread unethical practices. In GVV, the unit of analysis is the "conversation" rather than the single individual or the social collective. Here a "conversation" is meant as a metaphor for any sort of voice and action, and the planning that makes it more likely to succeed: e.g., multiple conversations, one-on-one, group, iterative engagements, written communications, research/data-gathering, coalition building, etc. Conversations and communications are occasions for enacting new skills in articulating ethical concerns. This performative focus on dialogue and on the power of language to enact change means that GVV can cut across different levels of structure and agency. It can be used in research and in education to explore multilevel environments because it is a dialogical approach to ethical performance that includes the personal and the systemic nature of human communication.

In taking a performative stance towards individuals' moral potentials, GVV can focus on the question of 'how to act' rather than the question of 'what is ethical.' The "what" question has been the topic of analysis for many approaches to ethics and its analytical focus has offered many important insights. GVV complements this with a focus on implementation – the 'how' of ethics. The debate over normative or descriptive does not address this issue. Normative approaches to ethics can be thought of in two ways. On the one hand there is the bottom-up view of ethics as a set of popularly accepted moral principles and "normal" behavioural expectations. On the other hand, there is the view of normative ethics as the statement of universally desired norms and moral standards as opposed to actual norms and standards. For both of these approaches the GVV response is that, in addition to considering what might be normatively judged as right or desirable, we need to ask how those ethical commitments can be expressed. In a normative world where the tyranny of the majority may inhibit the individual voicing of contrary views, the challenge is to find ways of expressing core values despite prevailing attitudes. Doing this in a skilful and sophisticated way means, however, that connections across personal and cultural boundaries have to be identified and explored. This does not deny the controversy surrounding the nature of shared values. The point is to give people the hope that dialogue and learning and even common ground are possible, and to describe ways of finding the shared values that lie at the core of an issue, even when they are wrapped up in particular personal and organisational and cultural preferences, styles or conventions.

THE MANY LEVELS OF PERSONAL AND SOCIAL EXISTENCE

The study of business ethics through a multilevel lens has received relatively little attention from researchers. However, it's use in exploring issues such as organisational sustainability (Starik & Rands, 1995), global governance (Winter, 2006) and leader development (Day, Harrison, & Halpin, 2009) suggests that it has much to offer to the study of ethics. The multilevel approach recognises that complexity in organisations can be studied and understood not only from an individualist perspective but also from the collective perspective of group, organisational and societal values and behaviours (Klein & Kozlowski, 2000). Such an approach opens up not only a more nuanced understanding of individual behaviour but also of the interrelationships between levels of social context. A more integrative view of the role of ethics in organisations and society requires this multilevel approach. In their integrative study of leader development Day and Harrison stress that (2007, p. 362).

Multilevel issues are inherent to the study of organizational behaviour: Individuals often are nested within work teams that are in turn nested within organizations that are nested within industries (Kozlowski & Klein, 2000). Attempting to understand individuals devoid of the broader contexts in which they interrelate is to a large degree missing the point, and more important, can lead to incomplete models and biased estimates of relationships.

Two key features of the multilevel nature of organisational realities are that:

1. Levels are inclusively nested within one another, and
2. The constituents of each level continue to be active and influence the functions and cultures of all the other levels.

The nested nature of levels means that the micro sets the basis for the meso, which, in turn is the foundation of the macro, which sets the basis for the mundo. House, Rousseau and Thomas-Hunt (1995) call this nested layering of a multilevel system "inclusiveness". This inclusiveness does not mean that individuals lose their individuality within teams or within organisations or that organisations lose their capacity to make independent decisions because they are members of international economic systems. It means that the expression of values and culture and the actions, intentions and behavioural strategies that arise within any level are subject to multiple structural contingencies and interdependencies. These inter-level relationships can provide a space for the exercising of personal and group freedoms. They can also, however, be the means for restricting the range of behaviours and the kinds of values expressed at any level.

The immense scale of the organisational, societal and global spheres and the complex situational environments they engender holds great sway on the interior experience and exterior expression of behavioural and cultural life for all levels. Ethical commitments and behaviours are similarly subject to structural forces and environmental contingencies. For example, the cross-level influence of collective factors on how employees express their ethical values can be seen in the impact of various "neutralisations" (Ashforth & Anand, 2003) and "reasons and rationalisations" (Gentile, 2010a). The well-known effect of attributing responsibility to some other organisational or societal level – "that's the organisation's responsibility not mine" or "it's the job of government to care for people" – shows the powerful shaping of behaviour and attitudes through the interaction of levels. This shaping can also occur in multiple directions, upwards from micro and meso (individual and team) to the broader spheres of macro and mundo (organisational, societal and global), downwards from the organisational level to the micro world of individual employees and finally within each of the levels, for example from team to team or organisation to organisation. Speaking of the power of multilevel context on social behaviour, Johns (2006, p. 388) makes the point that:

Although upward effects are certainly possible (consider the context that rogue trader Nick Leeson supplied to the defunct Barings Bank), most cross-level conceptions of context are top-down, considering the impact of a higher level of analysis on a lower level. As such, context can have direct effects at the lower level, as well as moderate relationships between lower-level variables.

The example of upward effect, that is, of the emergent influence of the individual on larger social contexts, that Johns gives here is an interesting one. If one corrupt individual trader can have a systemic impact through multiple levels of organisation, it is possible that expressing one's personal ethical commitments could likewise have a positive effect through multiple levels of organisational and social ecology. The GVV assumption that one person's example can have immense power to encourage others is highly relevant here. But it is also true that the multi-layered nature of organisational existence makes the unencumbered expression of personal ethical commitments a very difficult thing in practice. The whistle-blower phenomenon highlights both sides of this issue. Their example shows both the power of the individual but also the constraining powers of the organisation to resist openness and candour. Perhaps the most notable feature of the whistle-blower phenomenon is the degree of harassment and retribution that whistle-blowers experience from their organisations. Whistleblowing is evidence of the systemic failure of many organisations to create environments that support the expression of values. This is why GVV is not about "whistleblowing". In fact, it was developed precisely because of the high costs often faced by all involved in whistleblowing (both the whistle-blower as well as the organization they blow the whistle on). GVV enables, encourages and trains for effective voice before the need for whistleblowing became unavoidable.

VALUES AND GLOBALISATION

The relationship between values and the globalisation phenomenon is a complex one. Some researchers find that globalisation is influencing our personal and community values (Whalley, 2008) while others discuss how globalisation is an expression of personal and local values writ large (Schrader, 2009). Whatever the dynamics of these complexities, personal values both influence and are influenced by the values that drive social exchanges at larger and more systemic levels. Although individuals might feel isolated from broader social events, the world of the personal is not independent of the macro and mundo worlds of societal and global exchange. Values are inherent within each of these levels. As David Schrader puts it in his discussion of the relationship between values and globalisation, "Values guide life. The values of individuals guide the lives of those individuals. The values of communities guide the lives of those communities" (Schrader, 2009, p. 22). There is a reflexive relationship between personal values and the kinds of activities that occur at the level of the global community.

No discussion of values and globalisation can evade the issue of universality, pluralism and the cross-cultural nature of values (Schwartz, 2005). Stating perhaps the obvious, to support the existence of a set of universal values is not tantamount to suggesting that all values are universal. In the context of globalisation, a useful basis for supporting dialogue is the recognition that sense-making regarding situational and ideological phenomena stems from a common point of reference, that is, from widely-shared values. The GVV approach offers a useful frame from which these common values can be utilised in conversation to explore and, ultimately, to resolve important ethical challenges. This is so because, while GVV recognises that differences and disagreements about ethical values exist, it is the goal of working toward achieving a shared understanding that establishes the capacity for holding ethical conversations.

These conversations can occur at multiple levels. The multilevel nature of social ecologies means that values across different levels shape each other in a multidirectional fashion. The world personal and interpersonal communications feed into and shape the organisational and broader societal climates. These more encompassing layers are not simply the aggregate of the individual expression of values but, in turn, form and contextualise personal and group values. GVV recognises that how we understand this complex relationship depends greatly on the conceptual lenses we use. In taking this position, GVV does not limit itself to either individualist or collectivist assumptions about social change, but recognises the need to include a multilevel perspective to appreciate the dynamics involved in complex social phenomena like globalisation. This point is made by John Whalley in his discussion of globalisation and values:

Understanding how collective identity enters individual decision making may be necessary to make realistic assessments of the impacts of globalisation on economic performance; and market-based globalisation itself may have important implications for values and collective identity. (Whalley, 2008, p.1511)

The macro level of collective identity, group norms and social influence has immense power to shape personal views and behaviours (see, for example, Heath, 2008; Zimbardo, 2008). However, it is also well documented that individuals can and do express their values despite overwhelming situational constraints (Larmer, 1992). Why might this be the case? How do individuals and groups develop the capacity to speak out on matters of importance to them irrespective of the inhibiting forces that surround them? How do organisations set new courses towards visionary ways of contributing to the collective good? How might the global community, find ways of expressing our shared values that call for more sustaining and more balanced forms of global development and globalisation? In the following section we discuss how a GVV approach to ethics opens up a new way of considering these kinds of questions.

THE MULTILEVEL POWER OF EACH VOICE

The relationships between the personal voice and the collective voice are dynamic and multidimensional. Any model for conceptualising the expression of values within the context of globalisation must be able to represent these relationships and connect the individual and his/her behaviour with the global scale of international organisational activities. At one level we can say that this task is too complex. While we can encourage individuals to communicate their ethical commitments and see the outcomes of that process at the micro and perhaps meso levels, it is clearly very difficult to link up personal acts with macro level outcomes for organisations, let alone at the societal or global levels. On the other hand, this level of spatial and temporal connection between the personal, the local and the global lies at the heart of what globalisation is all about. In this section, we attempt to capture this sense of connection and interdependency and consider how the expression of ethical values can be represented through the many layers of organisational engagements. To provide some specific material for describing the model three case studies will be presented.

Three Case Studies

The three brief case studies that follow are presented to illustrate the contribution of a performative ethical lens from a GVV perspective. The normative analysis of ethical dilemmas can sometimes devolve into a false dichotomy between the most virtuous versus the most politically expedient course of action. In contrast, the GVV thought experiment presents a pragmatic third option. GVV theory and pedagogy invites us to reflect on and enact our individual agency and intentions. The emphasis is on envisioning the possibilities we wish to create and then identifying the most effective way to create that future. Further, the GVV approach transcends and includes the guiding questions underpinning multiple ethical lenses. The cases highlight how individuals, organisations and large global networks have the capacity to make independent and deliberate actions to either express or suppress their core ethical commitments. But these capacities for agency and intention need to be seen within the context of social forces that can also enable or inhibit the articulation of values-based positions. Table 1 sets out some questions that might be asked at each ecological level in the presence of both agency/autonomy as well as structural forces.

At the micro level, each individual can be seen as having a choice to act but also as needing to respond to structural constraints. Similarly, at the macro level, each organisation can be regarded not only as making its own independent ethical choices but as also being subject to macro level pressures to conform to, for example, local customs, regulatory environments and competitive demands. At the

Table 1. Agency and social conditions across three levels

Levels of Social Ecology	Agency Conditions	Social (Situational) Conditions
The Individual (micro)	How are personal values expressed? How do they change organisational values and their expression?	What meso, macro and mundo factors enable or inhibit the expression of personal values?
The Organisational (macro)	How are organisational values expressed? How do they influence personal, industry and societal values?	What industry-specific, societal and global factors enable or inhibit the expression of organisational values?
The Global (mundo)	How are international values expressed? How do they shape personal and organisational values?	What industry-specific and societal factors enable or inhibit the expression of sustaining values at the global level?

mundo level, the global networks of commercial and organisational activity have a responsibility to promote sustainable, intergenerational wealth because, ultimately, they are reliant on the capacity of the planet to provide healthy and nourishing environments. Because GVV focuses on the conversations that occur across these agentic and structural dimensions it can provide a means for implementing actions as well as understanding what silences and stifles the communication of our core ethical principles at each of these levels and how to begin to counter those factors that silence and stifle.

THE CASE STUDIES

Case #1. The Micro-Level: "Robyn's Dilemma"

Transforming companies and industries into the sustainable organisations requires individual champions within these systems. Robyn is a principal partner in a small environmental consulting firm and board member of an innovative new renewable energy association. Robyn was asked to Chair a committee to develop an industry standard for public reporting. The key objective was to create transparency and consistency across the industry, ultimately contributing to a sustainability paradigm. The project was a perfect fit for Robyn given her personal commitment to the development of alternative energies and her overseas networks where similar codes were being developed. As preparations for the launch of the code were being finalized, Robyn became aware that the Head of the Association planned to limit its distribution to those willing to pay for its use indirectly by becoming members in the association (cost of $5000). Robyn felt uncomfortable with this change in strategy. The more she thought about it the more she thought it was counter to the basic intent of the initiative, which was to encourage a higher standard across the industry. The strategy was inconsistent with initiatives in other industries and jurisdictions – all of whom had given generously of their IP to the Canadian association.

Robyn considered each of the rationalizations she thought she might encounter: (i.e. the Chair might ask her why she felt it was her responsibility to raise these issues). Identifying this common rationalization motivated Robyn to review the association's incorporation papers and documented responsibilities of individual board members. She invested in considering the key stakeholders involved, what their interests would be, what she thought they might say and how she might respond to them. In short, Robyn developed a course of action that was most likely to lead to a useful conversation about the issue. She did not look for a 'silver bullet' argument that would get everyone to agree with her position. She prepared for a difficult conversation about something that really mattered.

Robyn sent an email to her fellow board members and invited comment on her thoughts. Some agreed with her assessment and some did not, but many called her to discuss their concerns. The result was that many voices emerged to create a third strategy for the launch of the industry code that addressed many of Robyn's concerns. The code was launched and hailed as a success. Robyn had embraced an opportunity to imagine and conceive of the association's potential purpose and identity. On a personal level she felt heard, effective and more skillful in facing values-based conflicts. Surprisingly, over the next few months, the Head of the association increasingly consulted Robyn's opinions and explicitly expressed gratitude for her contributions. Robyn was able to move herself and the association into a new sense of ownership with their work and relationship with stakeholders, in other words, a new sense of moral identity.

Case #2. The Macro Level: "Marshalls and Supply Chain Ethics"

It is believed that around 20 percent of workers in Indian sandstone quarries are children and some may be as young as six years old. This could mean that almost a million children are employed in very dangerous and physically gruelling work in these quarries. Working conditions in these quarries are very poor and exposure to disease and accidents is always present. Although regulations do exist to improve conditions, these standards are routinely ignored. Much of the produce of the quarries is exported overseas. The Marshalls Group, a United Kingdom based landscaping company, decided to do things differently and to reassess the working conditions of its Indian suppliers of sandstone.

Marshalls is a leading manufacturer of landscaping products and provider of design services and technical expertise for public, private and commercial landscaping projects. Marshalls operates its own quarries and manufacturing sites and employs almost 2,500 people. It also draws some of its supplies of natural stone from India. In 2003, Marshalls sent some senior employees to India to assess the conditions of workers in the suppliers' quarries. After finding that children were employed in many of the most difficult of jobs, for example in operating jack hammers to break up slate, Marshalls decided to change things. They became a member of the "Ethical Trading Initiative" and employed an auditing company to ensure that working conditions were dramatically improved, that children were no longer employed and that schools were established locally to provide schooling for children who could no longer work in the quarries. Issues of child labour and bonded labour were addressed and suppliers are audited to ensure good working conditions and that no children or bonded labourers are used in the production of the supplied materials and products.

One of the key figures in this transformation in supply chain ethics was Marshalls' Group Marketing Director Chris Harrop. It was Harrop who made the initial report to Marshalls' senior management. The key experience for Harrop on his first trip to India was seeing two young girls of a similar age to his own daughters sitting in a pile of broken sandstone picking out small chips for paving. The process of dramatically improving the whole supply chain conditions of workers and their families has been an important one for Marshalls and it has galvanised the Group to look at the whole sustainability and ethical nature of what they do. Harrop says of the new vision at Marshalls (Harrop, 2008):

Ultimately we believe that we cannot maximise long term profits by destroying the environment, exploiting workers or abusing our economic power – it is simply not sustainable. Operating our business in a sustainable and responsible manner means that we must not only make a profit but also take a proactive stance on our corporate social responsibilities.

Case #3. The Mundo Level: "The Code"

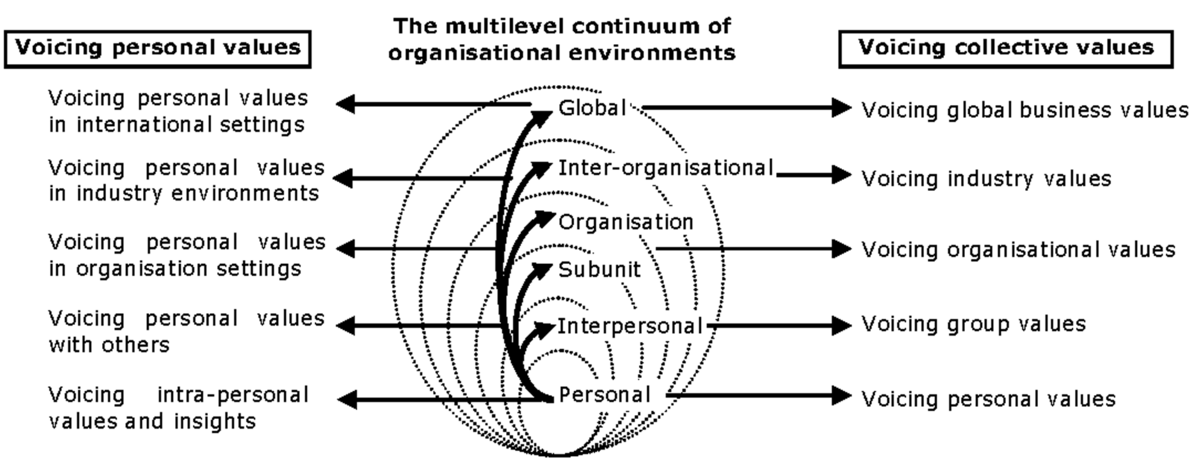
The global tourism industry is one of the largest and fastest growing economic sectors worldwide providing an excellent demonstration of the interconnections that exist between the personal demand for a good or service and the network of global organisations required to meet that demand. As the global marketplace becomes more aware of and sensitive to ethical issues, the values that guide industry players come under close scrutiny. A significant, complex and growing problem faced by the global tourism industry involves the sexual exploitation of children by tourists predominantly in South-East Asia, Latin America, Africa, and Eastern Europe. While the industry is not accused of encouraging such behaviour, it has been asked to collaborate and to react against the use of its networks and establishments for this purpose (www.thecode.org).

Given the vast size of many tourism industry networks, their knowledge and high skills in interacting with customers clearly have the potential to make a difference at both the point of destination and origin, indeed, throughout the value chain. The goal is not merely to prevent the sexual exploitation of children, but to contribute to its eradication. Globally, the tourism industry provides travellers with transport, accommodation, food and beverage, entertainment, and numerous other goods and service opportunities. Consequently, those working within the industry at all levels of the product experience supply chain have many unique opportunities to contribute toward the achievement of the above eradication goal. Committing to the implementation of The Code of Conduct, *The Code* as it is popularly known, demonstrates that by actively promoting socially responsible, non-sexually exploitative child-safe tourism, signatories put values and ethics above short-term, marginal profits (www.thecode.org), representing a top-down, global industry driven expression of giving voice to values. Of course, it is not just a question of becoming a signatory to The Code, what is required is a full behavioural commitment to its content in every sense. The Code acts as a rallying point around which performative acts, which support the adoption of its various principles, can be practiced. Intention becomes action and avenues for businesses to raise this sensitive topic and deal with it in the course of performing their commercial activities can be explored.

VOICING VALUES AT MULTIPLE LEVELS

The multilevel power of each voice can be represented within a framework where ethical issues themselves are seen as comprised of multiple spheres of expression. Figure 1 presents a view where values are expressed within and across levels of a broad holarchy of nested organisational and social environments. Given the power of these layers to support or dampen the expression of personal values, the issue becomes one of creating environments and social climates that encourage individuals, groups, organisations and institutions to give voice to their values. GVV shows how we can link the good/bad apple or individual approach with the good/bad barrel or systems approach to explaining ethical issues. The multilevel lens can be used to unpack these connections in two ways:

Figure 1. Giving voice to values at multiple levels of organisational involvements



1. **Voicing Personal Values:** As individuals acting on and expressing their values through what they think, do and say in each of the many spheres of organisational involvements, and
2. **Voicing Collective Values:** As collective groups of people expressing group values in what they decide, how they organise and what they work towards.

In both these multilevel ways of representing the voicing of values, the focus of a GVV perspective remains on the question – If I/We were to express our values in this situation, what would I/We say and do?. This simple question assumes action through conversation. In the GVV classroom, this means the discussions move directly into action-based possibilities rather than debates over whether to act or not.

Voicing Personal Values

Personal ethical commitments can be acted on and expressed through individuals in what they think, say and do in any workplace setting. The left-hand side of Figure 1 shows the many levels of personal and social activity through which the individual can convey his or her values. Each of these levels offers occasions and situations where the personal view can be articulated or suppressed. We can speak up or remain silent about our values in ways that range from the micro-world of reflection and emotion all the way up to the global level and how we respond at work to issues like international supply chain ethics, global warming, or the global financial crisis. The question 'if I were to act on my values…' invites us to channel our thinking into designing the most pragmatic strategy for voicing our personal values. Values-based conversations are moral acts where people can exercise significant influence through designing and rehearsing what they might say. The GVV curriculum frames this type of situation as a normal part of work. The task of ethics education is to prepare us for such opportunities to co-create the future through conversation.

Perhaps the most crucial level of all in dealing with ethical matters is the intra-personal level of self-knowledge and of knowing one's purpose and professional intent. Finding out how to deal with ethical dilemmas requires insight not only into one's own commitments and values but into those attributes and qualities of character that need to be considered when addressing ethical issues. The first case study - "Robyn's dilemma" exemplifies the kinds of self-knowledge and awareness of professional values that ethical workplaces depend on. Robyn experiences a conflict between her current experience and her personal values. Responding requires both self-knowledge and a commitment to upholding widely shared values. Robyn felt a personal sense of responsibility for environmental issues as well as fairness to her industry colleagues who had supplied their IP freely. She felt strongly that the reporting standards were important for creating sustainable and responsible practices. Expressing these values for her meant distributing the code as widely as possible. GVV recognises the importance of reflecting on one's personal "life story" and professional identity, values and purpose. Robyn's sense of environmental awareness was expressed in being involved in the work of the association and the committee. She had given up time with her family to participate in this work because she felt it to be worthwhile and personally rewarding. Robyn reflected on her sense of personal and professional purpose. She knew there were like-minded people on the board and that it was possible others felt the same way. She wondered about starting conversations about these issues. Robyn knew her example was powerful and it was conceivable others would be influenced by her decision to voice. And yet, there were many reasons to stay silent: why make waves and risk being unpopular with the Head; no one else had raised the issue; there was no explicit promise to her colleagues overseas that the code would be free, etc.

Our risk taking profile, our preferred communication style, and the strength of our social and professional networks are all important factors that count towards our capacity to act on deeply held convictions. Without some insight into our psychological makeup the likelihood of successfully influencing the shape of ethical decision-making or of addressing the specifics of ethical dilemmas is greatly reduced. One of the basic pillars of GVV is that ethical dilemmas are not extraordinary events and that there are frequent opportunities for speaking from values-based positions in our work. Given this, we need to acknowledge the normalcy of values conflicts as well as the opportunities that ethical dilemmas can open up. This kind of intra-personal awareness of the ubiquity of ethical values in our decision making underpins the GVV process of developing skills in expressing our ethical convictions. Robyn's actions to resolve her dilemma sprang from her capacity to find inner strength and to utilise her professional strengths to meet the inhibiting arguments that always arise when ethical alternatives are considered.

From the intrapersonal we move on to the interpersonal and the dialogical sphere of engaging with others about our ethical values. Holding a conversational view of ethics allows us to appreciate the role of interpersonal exchange as a key site for the implementation of ethical values. For example, Robyn decided the best way forward was to communicate her key points in a group email to the members of the association's executive group. She felt this would be the most effective way of communicating and that it would facilitate some useful one-on-one conversations before the next board meeting. Whether it is in having chats by the water cooler or in the candid expression of views in a formal meeting, the interpersonal level is the space where communicating with others about what we think and feel on ethical issues takes on a public and a more concrete reality. When values are expressed to others they enter the social domain of discussion, debate and contention. New possibilities emerge and innovative options become available for consideration. The interpersonal level is the realm of personal engagement, face-to-face contact and human relationships. In organisations we develop work relationships, we come to know colleagues, and we interact with peers and with individuals from various stakeholders groups. We consult with others and make decisions both as individuals and as groups. Our values permeate these decisions and the conversations that they initiate. From this perspective ethical issues are part of everyday organisational existence and therefore need to be addressed directly at the level of interpersonal communications. Because values-based conflicts have an emotional component, we can run the risk of sabotaging our best efforts through unskillful assertions, poor listening and offhand comments. By reflecting on and practising different conversations Robyn was able to polish and clarify her arguments and responses. Of course we can avoid these conversations and become, as Drumright and Murphy (2004) describe it, morally myopic to the ethical dimensions of everyday workplace decisions and acts. This moral myopia culminates in the kind of amoral management and a lack of moral imagination that characterises not only the corporate fiascos like the Enron, Lehman Brothers and HIH collapses, but also the impoverished forms of doing business that do not see the potential for real change. The lack of expression of core values at the interpersonal level results in people who are constrained by their work and who do not feel that they can contribute of their true selves in the workplace. This suppression is symptomatic of organisations that are morally blind to their responsibility for contributing to the intergenerational health and welfare of local and global communities.

Voicing personal values can also occur when we are involved in executive level decision-making or when we have the opportunity to inform statements of, for example, organisational vision, mission and policy. In the "Marshalls and supply chain ethics" case study we see that organisations can meet ethical challenges through the public expression of their views and the practical actions that follow from the unambiguous statement of organisational values. But how did those expressions of organisational values emerge? A major part of the story lies with the actions taken by individuals, in both formal and informal settings, when they let others know what they think and aspire to. In this particular case we see that one of the senior executives of the company played a key role in Marshalls taking a new position on how it regarded its suppliers. But there might well have been other events such as formal meetings of executive officers, in corridor discussions, or in the preparation of reports and memos where crucial conversations took place that crystallised in Marshalls taking their public position on child labour. They acknowledged the issue, they overcame the many inhibiting arguments ("this is not my responsibility", "this will damage the company" or "it's not impacting on anyone") and they offer enabling responses ("my professional values demand that I speak up about this", "this organisation has a responsibility to its customers") to address the ethical conflict they faced.

Within this context of organisational environments, leadership is a crucial factor for creating ethical climates and cultures. There is a powerful connection between the creation of ethical organisational climates and the kinds of leadership that are prevalent with that organisation. Research has shown that our perceptions of the ethical standing of leaders has an impact on our own values of trust and commitment (Den Hartog & De Hoogh, 2009). In their article called "What's needed next: A culture of candour" O'Toole and Bennis (2009) propose that it is the creation of atmospheres of honesty and openness that will mark out successful organisations of the 21st century. Of course, leaders exist within all positions in organisations but it is the particular responsibility of executive leaders to create organisational level environments that support the open articulation of values.

The GVV perspective on the expression of values does not limit itself to just those views associated with progressive or liberal perspectives. In fact, in many organisational settings where our ethics fail us, it is the lack of overt expression of traditional and conservative values that is the central problem. For example, in the context of leadership culpability, what are we to make of the swift distancing response of Rio Tinto following the jailing in China of four of their senior executives for accepting bribes? WorldCom's disregard for accepted accounting standards ran against conventional professional accounting practices and it was only through the speaking out of its internal auditor Cynthia Cooper that the scale of the fraud was uncovered (Scharff, 2005). In these instances the conventional values of professional loyalty and legal compliance were eschewed in favour of more opportunistic objectives.

The expression of values also means that assumed and often culturally dominant values become more available to public scrutiny. As with the Global Financial Crisis, it can be those silent, unquestioned and culturally dominant values that are the source of the most destructive ethical issues that we face. The sustainability paradigm requires that we explore the privileging of the profit motive and the resulting strategies organisations use to externalise costs. For example, the profit motive underpins specific strategies like low wage employment, which is coming under increasing scrutiny. Values related to the maximisation of shareholder wealth, or of the profit motive, or the role of management, often go unexpressed and yet dominate organisational goals, decisions and behaviours. These values too need to be expressed and injected into the interpersonal sphere of debate and reasoned argument so that they can be analysed and critically questioned.

Voicing Collective Values

Values can also be expressed collectively as depicted by the right hand side of Figure 1. Groups, organisational sub units, organisations and peak industry bodies can each enunciate their core values and demonstrate their ethical principles. The growing power of inter-organisational networks, peak representative groups, and multinational corporations means that collective values have an increasingly powerful influence on global issues. Globalisation itself has been discussed as the expression of certain kinds of values. The case of *The Code* and the expressed and collective intention of tourism industry bodies show that neither the complexity of a global network nor that of the ethical problem itself can stop values being expressed and actions being taken to address that issue. When global bodies sign up to *The Code* they not only commit to developing ethical policies regarding the commercial sexual exploitation of children but also to the training of personnel, the inclusion of legal clauses in supplier contracts, providing information to all customers, providing local people with key information and drawing up annual reports. These kinds of concerted action are based on a targeting of multilevel strategies and indicate a deep commitment to meeting the central goal of *The Code* - the eradication of child sex tourism.

We also see at the collective level not only the expression of values but also similar mechanisms of justifying inaction and moral silence in the face of ethical problems. Corruption and bribery provides a good example of this. That bribery is considered a required operating norm in many countries, industries and organisations can be used as an inhibiting argument to cloud and downplay the illegal nature of the act. Also, that individuals feel compelled and, indeed, may even be instructed, pressured or bullied to engage in such behaviour, does not alter the existence of choice, however remote it may appear. The question in these and other such cases that needs addressing is: What is the responsibility of senior management, of leaders at each of the collective levels (Figure 1) in ensuring that the values espoused in organisational statements and codes of conduct are not breached?

Clearly there must be accountability since the management of employee behaviour in the course of their duties on behalf of the organisation is the responsibility of managers and leaders. That individual actions may be carried out ‘in the name of the organisation’ reinforces the responsibilities of leaders, in this case, to ensure that any perception that an individual may be acting unethically out of loyalty to the organisation (the collective) is misguided. Indeed, somewhat ironically, not to act unethically would seem demonstrative of even greater loyalty since it would protect the long term image interests of the organisation. The same can be said to of the act of whistleblowing as being ultimately demonstrative of loyalty to the agency. As suggested by O’Toole and Bennis (2009), leaders need to create a culture of candour, openness, transparency and trust. The GVV process provides an opportunity to script an answer at all levels to the implementation question: “If I am to voice and act on my values, what must I say and do?” Focussing on the right hand side of Figure 1, with an appropriate shift in language this question can be framed at any level whether the personal (I) or the collective (we).

At all levels, it is often the rationalisations and justification proffered that inhibit positive ethical responses. Inhibiting arguments such as that of standard practice, “it’s the norm in this country”, “that’s the way things are done round here” are powerful justifications and serve to downplay the severity of any unethical act for the perpetrator, be they individual or collective. For example, in Case 3, the justification by a hotel owner that “selling child sex puts food on the family table that otherwise would not be there” is indicative of such an attempt to downplay the severity of the act of selling a child’s body to the tourist for a price. That justifications are sought acknowledges the existence of a questionable act. As a starting assumption, GVV holds the appreciative view that individuals/groups would rather act ethically than not. Thus, the question posed at the collective level remains valid, "If we are to act in line with our values what must we say and do?" In posing the question, the opportunity is opened up for exercising our moral imagination and for engaging in further dilemma-solving conversations.

In terms of "actioning" it is the role of the leader therefore to establish enabling spaces, structures, systems and processes - a moral ethos that reinforces openness and transparency and that empowers at all levels the voicing of values and the establishment of alternative values-driven behaviour for the benefit of all stakeholders. Whether the leader agent here is global, national, industry or organisation, the same applies. What changes perhaps is the structure of any developed support network. As is the case at the individual level, the GVV process highlights the need for the formation of like-minded support alliances (See case #1) which collectively can propose ethically strong alternative arguments to any neutral or pro-unethical position. The dangers in not doing so are evident at all levels and the potential culpability equally damaging.

In this chapter, we propose the existence of clear advantages arising from the GVV process. Initiating values-driven conversations has the potential to lead to significant benefits at all levels, whether these be in search of global warming solutions, nuclear disarmament, peace between waring nations, collective industry response to corruption and other crimes such as sex tourism and the industry level establishment of a code of ethics and the broad representative organisational commitment thereto (case study #3).

We have seen that the GVV approach can provide a means for analysing and developing the expression of values at multiple levels of organisational life from the personal and interpersonal to the organisational to the societal and global levels. In the previous section the GVV concepts were applied in two ways, first, as the action of the single individual articulating their values across these multiple contexts and second, as the collective expression of values by social entities at each level. In the former instance, it is about the individual expression of values and in the second it is about the collective expression. This distinction reflects the growing recognition that social collectives have an agency that is not simply the aggregation of individual actions. All levels within the multilayered social ecology of organisations and their environments possess the agentic capacity to express values and to act on them. Players within all levels are subject to structural forces that can shape those values and their expression. The causal relationships between each of these levels are multidirectional in that the micro and meso levels can inform, guide and challenge the macro and mundo levels and vice versa.

SOME GUIDING PRINCIPLES

The GVV approach to the study of ethics in the workplace has identified seven principles or pillars that serve to enable and encourage one's ethical voice (Gentile, 2008). These guiding principles have relevance for each of the ecological levels that we have been considering in this chapter, and they each serve to illustrate the nature of performativity and its centrality to the project of reimagining ethical theory, pedagogy and practice in a global setting. In this section, we discuss the GVV principles with particular reference to the relationship between the individual and the global expression of values. One of the most daunting aspects of contemporary life is the huge disparity between our sense of personal agency and the often overwhelming constraints that go along with living in large social systems. Exploring ways that we can express our values so that the local and global, and all the layers in between, are recognised as intimately connected is an important task for any ethics programme that addresses contemporary issues and seeks to move beyond the traditional ethical paradigms towards an understanding of contemporary ethics as that which is realised in the dynamic process of values expression, conversation, and practical action.

- The first GVV pillar is *Values* and, as we have mentioned previously, researchers have identified a relatively short list of core values that are widely shared across cultures. This means that there exists a common ground for engaging in ethical conversations across cultures. First, however, we must consider the significance of the issue at hand (i.e., does it rise to a level that warrants intervention?) and second, when raising ethical issues in a global context, we do well to appeal to a set of values that are likely to be shared by our target audiences. Values are too often regarded as cultural markers that divide communities and we need to affirm more positively that values are also fundamental to the connections that can be developed across all kinds of social and geographical boundaries. Global agreements such as The Universal Declaration of Human Rights, The Kyoto protocol, The Nuclear Non-Proliferation Treaty, The Global Compact, The Declaration of the Rights of the Child are all based on values that resonate across national, cultural and political divides. In the performative approach to ethical theory, this recognition of broadly shared values and wider ethical commitments arises from within the process of values-based conversation and dialogic engagement.
- The second GVV pillar is *Choice*: that is, we can identify instances where individuals, organisations as well as societies have indeed chosen to voice and enact their values, as well as instances when they have not. When reflecting on our behaviours and that of our organisations, this observation enables us to avoid the opposing pitfalls of a dangerous self-satisfaction and self-righteousness on the one hand and a disempowering despair on the other. When considering our target audience, this observation enables us to be both realistic as well as to avoid a counter-productive judging of others. From the perspective of performative ethics, Choice is the recognition that ethics is not simply about 'knowing' right from wrong, rather it is fundamentally about becoming open to possibility and to exploring spaces where we can express our ethical commitments. The awareness of Choice is particularly crucial when we feel diminished by the sheer size of the ethical problem that is confronting us. For example, many individuals, organisations and governments clearly feel that they are unable to address the magnitude of the climate change challenge that now confronts us. But we also know from the stories of individuals who do overcome immense challenges that the exercising of personal choice is still possible even in the face of such daunting global problems. The belief in our personal capacity to choose and to make a difference is necessary if collective action for developing a more sustaining world is to be taken.
- The third pillar is *Normalization*, which simply means that we recognize the ubiquity and predictability of ethical dilemmas, thereby increasing our ability to respond in a timely fashion and tap into our full repertoire of skills and abilities when responding. At the global level this principle is most clearly seen in the vast supply chain networks that now fan out across the globe. Ethical dilemmas and opportunities for doing things better and differently face each of us with almost every consumer choice that we make. Whether it is some simple consumer purchase of a product such as chocolate or paving stone or a more complex agreement involving multiple interna-

tional partners, there are few commercial transactions occurring in today's world that do not involve some ethical supply chain issue. Ethical issues proliferate as economies globalise. These ethical challenges are common events and as such are opportunities for expressing values and creating more humane workplaces.

- The fourth pillar is *Purpose*. Gentile (2010a) has found that individuals who effectively voice and enact their values tend to frame their personal and organisational goals broadly and explicitly. Rather than simply assuming that making this financial quarter's numbers or closing a particular sales deal is our main goal in any particular week, we focus on the larger and longer term impact we wish to make in our careers, our professions and through our organisations. By defining our professional purpose more broadly it opens up the ethical horizons by which we assess what we do and how we do it. What is our professional purpose in a globalised economy? If we respond to this question with narrow views about following job descriptions or following the traditional ways of doing things or not taking risks or just catering to the needs of limited groups of stakeholders, then our ethical sense, both with regard to problems and possibilities, will also be limited. If we define our purpose in terms of international and global business issues, using extended understandings of key stakeholders or over longer-term time frames, then we are far more likely to take a more developed ethical stance on many issues and take advantage of the possibilities they make available.
- The fifth pillar is *Self-Knowledge and Alignment*, and this refers to the fact that individuals tend to voice their values and to do so more skilfully when they play to their strengths. For example, rather than stressing the need for moral courage to address ethical challenges, it may be more effective to see how values can be expressed in ways that suit personal styles and preferences in communicating one's concerns. Knowing who we are and how we can best express our core commitments are crucial factors in the process of taking action on ethical issues. Knowing who we are also means that we have an understanding of our place in a globalised world and an organisational environment that often extends way beyond what we can see. By shifting the focus away from moral judgment and the identification of ethical deficiencies, towards ethical engagement and the development of practical ethical competencies, performative ethics is able to place self-knowledge and alignment at the heart of ethical development.
- The sixth pillar is *Voice* and this simply refers to the fact that research suggests that individuals who practise expressing their values are more likely to do so in the future. In coming decades it will become increasingly important for us to recognise that individuals have the right and the responsibility to express their views on all kinds of big picture issues particular as concerns the global impact of their employing organisation's operations. Creating workplace climates that support the open expression of values will play an important role in this development. A business ethics pedagogy based on performative ethics has a central role to play here, in presenting ethical challenges not as obstacles but as situations which demand of us engagement in a shared process of values expression, conversation, and action planning.
- And finally, the seventh pillar is *Reasons and Rationalisations*, referring to the fact that the kinds of arguments typically employed to defend seemingly unethical behaviours are predictable and vulnerable to

reasoned response, and that anticipating them and generating effective "scripts" in response can encourage individuals to voice their values. The rationalisations and neutralising arguments (Ashforth & Anand, 2003; Heath, 2008) that we offer and encounter in the workplace often revolve around limiting our ethical perspective to narrow interpretations of what our responsibilities are, who we are responsible to and how we should respond to social and environmental issues within a business context. Globalisation and contemporary models of work and management mean that these kinds of boundaries are becoming less relevant to the operations of the workplace. The "reasons and rationalisations" that inhibit ethical responses also inhibit good business processes. "Just doing your job" or following "the way things are done around here" are no longer adequate performance heuristics in contemporary workplaces. The organisational environments that support technical and service innovation will also most likely support ethical innovation and that applies to global opportunities and responsibilities as much as it does anything else.

CONCLUSION

This chapter has presented a performative approach to the practical expression of core values and ethical commitments at multiple levels. The reality of globalisation means that the growing power of economic and commercial interests will continue to present ethical challenges at all levels, from the personal to the global. A global ethics will need not only to cope with the complexities of this reality but also with the need for imagining how we can express and implement our core values in each of these domains. As an example of the emerging field of performative ethical theories and pedagogies, GVV provides a way of rigorously exploring the implementation of values across multiple levels of business activity. It can stimulate the expression of our core, shared values and create supportive spaces for talking about global issues from the position of ethical innovation and emancipation, rather than ethical sanctioning and regulation.

GVV provides a framework for initiating ethical "conversations". It is through such dialogue that the challenges associated with expressing ethical values at any level can be explored. The goal is to open a space where uncertainty and conflict do not stop communication but rather initiate possibilities for voicing and hearing what is of deep importance to ourselves and others. We hold that from such an open conversational platform a vast array of dilemmas whether political, commercial or otherwise at any level, can not only be explored, but potential synergistic solutions to these can also be discovered.

We often see in areas of rapid change that ethical considerations lag well behind the forefront of technological and commercial innovation. Globalisation is occurring across a growing number of domains of activity while our capacities for ethical reflection, conversation and action struggle to deal with the complexities brought on by these transformations. Globalisation is not only about large-scale international change, it is also fundamentally about how individuals, organisations, communities, cultures and natural environments interact, impact and speak to each other about very important matters. If we fail to establish a firm ethical foundation for these interactions, it is unlikely that globalisation will result in equitable and sustainable commercial practices and economic systems. Performative ethics in general, and Giving Voice to Values more specifically, provide us with innovative approaches to organisational and business ethics. They offer ways for implementing and expressing ethical values at the micro, meso, macro and mundo levels of social interaction. In doing so, performative ethics contributes to the emergence of a global ethics that each of us can participate in.

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KEY TERMS AND DEFINITIONS

Action-Based Ethics: An ethics that looks first to what is done rather than what is thought. The cognitive aspects of awareness and judgement are regarded within the context of motivation and conduct.

Giving Voice to Values: An action-based approach to business ethics developed by Mary Gentile. Giving Voice to Values focuses on how to express core values and develop practical skills in communicating about the moral challenges and opportunities that are part of organisational life.

Globalisation: The multidimensional changes in global economic, social and natural systems resulting from greater and more immediate human and corporate interactivity and interconnectedness.

Multilevel Environments: The multiple levels of organisational ecology including the microlevel of the personal and the interpersonal, the mesolevel of the group, the macro level of the organisation and society and the mundo level of the global environment.

Normative-Descriptive: The traditional division between philosophical approaches to ethics that emphasise prescriptive guidelines for addressing ethical issues and scientific approaches to ethics that emphasise descriptive accounts of moral phenomenon.

Performativity: The notion that communication constructs identities and concrete physical, behavioural and social realities. The performativity of a speech act is not the public presentation of an existing idea but as a force that drives a cycle of identity and social construction.

Chapter 13
Mainstreaming Corporate Social Responsibility at the Core of the Business School Curriculum

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ABSTRACT

Extant literature has highlighted that business schools have been accused of promoting an educational ethos that emphasizes shareholder value and the pursuit of short-term profits, thereby preparing overly competitive future generations interested in profit maximization. This chapter highlights the importance of integrating CSR into the mainstream of business schools' curricula, arguing for the responsible role that business schools should play and emphasizing the strategic case for such integration. The chapter analyzes the main challenges and opportunities that both hinder and facilitate mainstreaming of CSR at the heart of the business school curriculum and the role that the Principles of Responsible Management Education (PRME) can potentially play as a facilitating factor and driving force. The chapter illustrates these drivers and constraints in the context of one specific business school in Lebanon that has successfully experimented with CSR mainstreaming in recent years.

INTRODUCTION

The corporate scandals of the 1990s and the financial crisis at the end of the last decade have been shocking to business observers and triggered much debate and introspection. At the heart of these debates are questions pertaining to the root causes of these failures and, as importantly, the role of business schools as agents of change in the context of management education and business practice (Machold & Huse, 2010). Have business schools done what they can to prevent the current economic setbacks and the crisis in confidence in business education? Have they done due diligence in promoting Corporate Social Responsibility (CSR) mainstreaming and alleviating the strong entrenchment of the utilitarian perspectives or economic paradigms permeating

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management education (Ghoshal, 2005)? This book chapter will ponder these questions more systematically, making the case for CSR mainstreaming as an imperative in the context of best practice in management education. We argue that CSR mainstreaming is important to restore the societal legitimacy and trust in business and to ensure sustainable outcomes for society in the long-term that do not jeopardize human survival and the well-being of future generations (Scherer, Palazzo & Seidl, 2013).

There is in fact what has been referred to as a crisis of confidence in business, with citizens around the globe losing faith in prevailing economic models and financial systems (Adams, 2012). The most recent manifestation of this soaring loss of confidence in business was the "Occupy Wall Street" movement, which was a nationwide boycott of banks in the US in light of Bank of America's announcement in 2011 that they would start charging customers $5 a month to use their debit cards. Capitalism, as we know it, has come under increasing attack and questioning, with various alternative models being advocated, including Conscious Capitalism or what Bill Gates refers to as Creative Capitalism, a new strand of capitalism that places social needs and human needs as primary goals of economic activity (Harvard Magazine, 2008). In light of these changing realities, some have gone so far as advocating for the need for alternative management theories and educational experiences that preserve the centrality of human dignity while also providing solutions to the complex and rampant social inequities and environmental degradation, thus helping to bridge the gap between the economic and social in orienting the decision making of for-profit, non-profit and government organizations (Porter & Kramer, 2011).

At the heart of these debates are questions pertaining to the root causes of these failures and, as importantly, to the role of business schools as agents of change in the context of management education and business practice (Machold & Huse, 2010). Given the complex and multi-faceted nature of business decisions, and their increasingly visible implications for society, there has been mounting pressure on business schools to redefine their role and to design programs and curricula addressing the issue of social responsibility (Anderson, 2004; Schwartz, Kassem, & Ludwig, 1991). Have business schools done what they can to avoid the recent economic setbacks and the crisis in confidence in business education? Why are business school curricula lagging behind the changing realities? How can they reflect the new intellectual challenges, ask the right questions and provide students with both the mindset and the tools to address interdisciplinary problems in the context of global interconnectedness? Are business schools overwhelmed by their own challenges? Are they struggling to walk the talk like many business organizations and remain close to their own societies and communities (Kiron et al., 2013)? Have they been diligent in promoting CSR mainstreaming and alleviating the strong entrenchment of utilitarian perspectives or economic paradigms permeating management education (Ghoshal, 2005)? This book chapter will ponder these questions, making the case that CSR mainstreaming is an imperative in the context of best practice in management education and that it should be anchored in the context of a vision for responsible leadership and responsible education at the level of the business school.

We start by highlighting the importance of integrating CSR into the mainstream of business schools' curricula or, in other words, making the case for CSR mainstreaming and integration. Business schools have been accused in recent years of not doing enough to overhaul their conventional curricula that emphasize shareholder value and the reckless pursuit of short-term profits (Machold & Huse, 2010) and continuing to emphasize business values over other values like morality (Currie, Knights, & Starkey, 2010; Grey, 2004; Khurana, 2007; Starkey, Hatchuel, & Tempest, 2004; Starkey & Tempest, 2009) or shared value creation (Porter & Kramer, 2011). They have been accordingly blamed for preparing a generation of business managers that are overly competitive and self-interested. In other words, by failing to integrate reflections on ethical values in the curriculum (Holland, 2009; Jacobs, 2009), business schools have failed to sensitize future managers to the moral dimensions of business activities (Rasche & Escudero, 2009; Pies, Beckmann, & Hielscher, 2010) and the imperative of creating value for society at large (Hay, 2008; Hussey & Smith, 2010; Starkey, 2009; Starkey et al, 2004; Starkey & Tempest, 2009). The global financial crisis may thus constitute an opportunity for business schools to reposition CSR at the heart of the curriculum (Rasche & Escudero, 2009) and act as important agents of change in business and management practice.

After making the case for integrating CSR in the curriculum, we analyze the main challenges and opportunities that are both facilitating and/or standing in the way of this mainstreaming. Various challenges have been discussed in the literature and we consolidate and synthesize those more systematically, including the strong entrenchment of utilitarian perspectives and economic paradigms and the focus on hard skills, the potential shortages of qualified faculty in this domain and a host of practical implementation challenges (Gardiner & Lacy, 2005; Cowton & Cummins, 2003; Hawawini, 2005). On the other hand, critical success factors for CSR mainstreaming include the current global thrust towards accreditation, the commitment of faculty members, and a vision and leadership committed to building a culture of responsibility at the level of the Business school itself (Gardiner & Lacy, 2005; Matten & Moon, 2004; Moratis, Hoff, & Reul, 2006). We also flesh out how these drivers and constraints have played out in the context of one specific business school, namely the Olayan School of Business (OSB) at the American University of Beirut (AUB) to bring the discussion closer to reality.

MAKING THE CASE FOR CSR INTEGRATION

Traditionally, business schools have focused on preparing their students to compete in the world of business, which essentially entailed nurturing skills relating to profit maximization, shareholder returns, competitiveness and short-term gains. Business school education generally draws on foundations pertaining to optimization, efficiency and effectiveness and the pursuit of profitability and maximizing returns (Hussey & Smith, 2010; Khurana, 2007; Starkey & Tempest, 2009; Zell, 2001), nurturing a "market driven" mindset (Bennis & O'Toole, 2005) and entrepreneurial capitalism and finance (Hubbard, 2006). Success in other words continues to be mostly defined in terms of money and power, brushing aside broader moral questions of meaning and purpose and values, such as those of compassion and honesty (Hedges, 2009). However, we have witnessed in recent years the proliferation of writings that question this traditional orientation permeated by the hegemony of liberal economics and the educational ideal of 'hardness', in favor of more balanced business school educational experiences that nurture creativity, soft skills, common sense, moral balance (Hedges, 2009), critical thinking (Hussey and Smith, 2010), introspection (Ford, Harding, & Learmonth, 2010) and reflective skills (Inamdar & Roldan, 2013). The idea is that this rounded formation anchored in softer skills would sensitize students to the complex social and human facets of business decisions and the social impact inherent in them (Gentile & Samuelson, 2005; Bennis & O'Toole, 2005). Moreover, there have been open and persistent calls in recent years for repositioning ethics and CSR and more recent topics pertaining to Social Entrepreneurship and Creating Shared Value (CSV) and putting them at the strategic core of the business school curriculum (Rasche & Escudero, 2009; Anderson, 2004; Schwartz et al., 1991).

We define CSR in this chapter in a comprehensive and inclusive way to incorporate any business actions, decisions or interventions that account for the complex relations of business and society. Our definition therefore moves beyond Carroll's pyramid pertaining to economic, legal, ethical and discretionary dimensions of responsibility (Carroll, 1991) to also encompass various aspects of corporate social performance (Wood, 1991), corporate citizenship (Matten & Crane, 2005), the triple bottom line (Elkington, 1999) and shared value (Porter & Kramer, 2011). As we will discuss later in this chapter one of the challenges in CSR is the fact that the field is still in the making, in terms of integrating these various concepts in curricula in general and in the core functional areas shaping business decision-making. For purposes of both emphasizing impact and accounting for the various conceptualizations of CSR noted above, we adopt the CSR definition used for "social impact management" by Gentile and Samuelson in their keynote address to the AACSB International Deans in 2003. Specifically, they define CSR as "the field of inquiry at the intersection of business needs and wider societal concerns that reflects and respects the complex interdependence between the two" (Gentile & Samuelson, 2005, p. 499).

Inspired by the broad framing of the definition of CSR provided above, we argue in this chapter that business schools are increasingly pressured by a variety of stakeholders (including boards, scholars and policymakers) to find answers for the recently witnessed failures and excesses of the capitalist system. They are being challenged to seize the current crisis and regard it as an opportunity to prepare a different crop of future leaders, namely a generation of business managers that are better sensitized to the moral dimensions of business activity (Pies et al, 2010). They are being called upon to provide future leaders with the necessary insights and skills to critically analyze the full ethical and societal impacts of their business decisions rather than resorting to quick fixes and simplistic solutions (Machold & Huse, 2010). This, according to critics, is going to require a fundamental re-questioning of taken for granted assumptions in business education and a timely reorientation to how we teach business and management (Ghoshal, 2005; Machold & Huse, 2010).

We could therefore argue that there is a double rationale for introducing and mainstreaming CSR across the curriculum or for 'making the business case for business schools to educate responsibly'. The first rationale is a sense of moral responsibility given escalating expectations and the increasingly visible impacts of business activity on the society and the environment. Therefore the responsibility and moral obligation that companies have towards society should not be masked by the voluntary nature of CSR. In other words, moral responsibility should be at the center of business activity and accepted as an integral part of the business curriculum. The extension of this is that we cannot discount or undermine the moral responsibility of business schools as important agents of change and educators of future generations. This rationalization serves as an important part of the business case for CSR mainstreaming and incorporating ethical and CSR frameworks for business decision-making in the curriculum (Wettstein, 2009; Miller, 2009; Birnik & Billsberry, 2008; Ghoshal, 2005; Natale & Sora, 2010; Pfeffer, 2005).

While no doubt very powerful, the moral responsibility justification is however not the only rationale. There is also a very strategic rationale for CSR mainstreaming in business school curricula, one that only a few visionary business schools have proactively anticipated. The logic of this strategic rationale is that the landscape of business education has been changing in a fundamental way in recent years, and business schools can differentiate themselves through their ability to adapt to changing societal expectations (Rasche & Escudero, 2009). According to Alcaraz & Thiruvattal (2010) the landscape of business schools is being redefined through a race to the top, where both quality and sustainability are core differentiators. In other words, business schools that want to be in the avant guarde as innovators have to move in the direction of integrating ethics and sustainability at the center of business school curricula or otherwise miss an important opportunity of being the leaders of tomorrow (Rasche & Escudero, 2009; Alcaraz & Thiruvattal, 2010).

Taken together, this two-pronged moral-strategic rationale or business case serves to send a strong signal that the times have changed, and that CSR mainstreaming is no longer just a luxury in today's environment but rather a necessity and actually an opportunity that visionary business schools should embrace. Business schools need to prepare their students for a spectrum of challenges that they face in real life, including ethical challenges and those relating to the social and environmental impacts of business decision-making. To undermine the importance of these challenges is short-sighted and counterproductive. Rather than falling in the trap of 'normative myopia', business schools should seize this window of opportunity to rethink what is being taught, and question both the pillars and possible future of management education (Rasche & Escudero, 2009; Driver, 2012). This no doubt will present business schools with real challenges regarding knowledge integration and the introduction of fields like psychology, philosophy, history and theology within an applied practical framework where business decisions must be taken and analyzed (Bennis & O'Toole, 2005; Birnik & Billsberry, 2008). These are nevertheless very important choices that are likely to reshape the future of management education as we know it.

CHALLENGES AND OPPORTUNITIES FOR CSR MAINSTREAMING

We should point out that attempts to integrate CSR topics into the curricula of business schools through introducing business ethics and CSR courses or by integrating these topics throughout the business programs are faced with many challenges. These challenges include creating the institutional and pedagogical environment, developing and attracting faculty resources, gaining legitimacy and relevance as well as integrating with the various traditional functional areas of business education (Gardiner & Lacy, 2005; Oliva, 2004; Moratis et al., 2006; Cowe, 2002). As convincing as the business case above may sound, these are salient challenges that we need to recognize and mitigate. There is also an important constellation of opportunities for CSR mainstreaming that are not systematically leveraged by business schools and that could actually reinforce the business case and facilitate the process of CSR integration. We will dwell in the section below on both the challenges and opportunities more systematically to allow business schools to navigate successfully through this sea of change. Table 1 at the end of the section provides a summary of the challenges and opportunities and Figure 1 schematizes these contrasting forces and their potential impact on the process of change in the context of a force field analysis framework inspired by Lewin (1951).

Challenges for CSR Mainstreaming

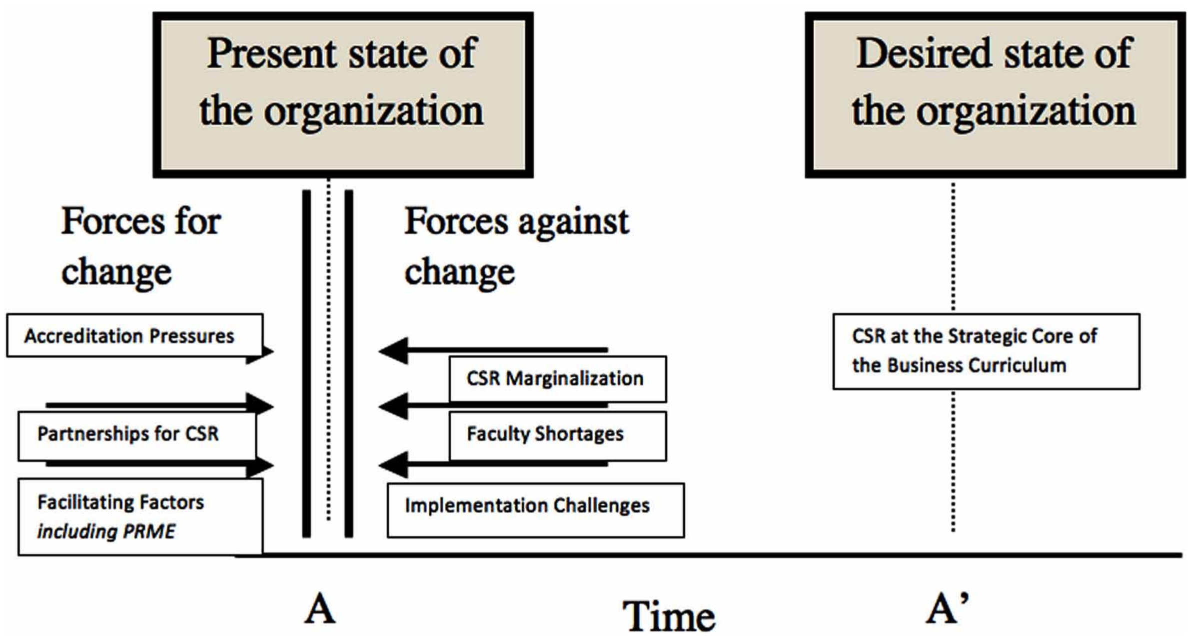
Marginalization of CSR in Business Schools

Studies show that business schools have a negative socialization effect with respect to CSR (Lamsa et al., 2008; Pfeiffer, 2005), implying that despite the rising rhetoric about the need for CSR mainstreaming, business schools in practice are still marginalizing the importance of this area of study and the social implications of business decisions (Natale & Sora, 2010; Springett & Kearins, 2001). This challenge is no doubt related to the traditional hegemony of utilitarian and economic paradigms in business school curricula, and the questioning of the scientific merit and added value of subjects relating to ethics and CSR (Datar, Garvin, & Cullin, 2010; Navarro, 2008; Hawawini, 2005; Pfeffer, 2005; Natale & Sora, 2010; Birnik

Table 1. Challenges and opportunities for CSR mainstreaming

Challenges	Opportunities
• **Marginalization of CSR in Business Schools:** o Prevalent negative socialization towards CSR. o Prevalent skepticism about scientific value of CSR. o Concerns about sacrificing rigor and hard skills. o Diversity of terms and definitions of CSR and hence doubts about the professionalization of the discipline.	• **Global Thrust towards Accreditation:** o CSR integration now critical in the process of program accreditation standards and ranking criteria (e.g. AACSB, EQUIS and AMBA).
• **Faculty Shortages, Qualifications and Incentives:** o Shortages of qualified faculty that can teach CSR. o Faculty still reluctant to invest time and effort in an emerging discipline. o Faculty need to acquire the conceptual and practical frameworks to teach CSR effectively. o Limited incentives for faculty to invest in acquiring the necessary skills.	• **Ascendancy of Partnerships for CSR:** o Pressures from outside business schools and from the business community for CSR mainstreaming. o Partnerships for learning that have put CSR knowledge at the core and in the spotlight (e.g. EABIS; Net Impact, UN PRIME).
• **Practical Implementation Challenges:** o Limited consensus on best approach to integrate CSR into the curriculum (stand alone or combined; mandatory or compulsory). o The need for innovative and practical learning methods that will go beyond purely philosophical and abstract discussions of CSR.	• **Facilitating Conditions at the School Level:** o Initiatives, enthusiasm and support of individual faculty members. o Endorsement from the top including the vision and support of a strong Dean/leader. o Signing and embracing the PRME.

Figure 1. Mainstreaming CSR: A force field analysis
(Adapted from Lewin, 1951)



& Billsberry, 2008). It is anchored in the fear of having to sacrifice rigor and time usually spent on hard skills in favor of CSR related soft skills that are traditionally perceived as pertaining more to philosophy professors and majors (Alsop, 2006). Furthermore, Blasco (2012) points to the importance of the hidden curriculum, defined as "implicit dimensions of educational experiences" within a business school. He suggests that moral learning will be influenced by the use of transformative learning where students challenge acquired values and assumptions about the world and what they perceive is needed to belong and participate effectively in the business school community. "Mastering participation in a community is not seen merely as a function of what the teacher does but of how the learning community is organized; the things that are valued, undervalued or devalued within it; and the way that teaching is received" (Blasco, 2012, p. 372). This highlights the importance of the 'perceived' importance of CSR in the school's curriculum and the lived experiences that the student undergoes during his/her education as opposed to the material covered in a course.

Faculty Shortages, Qualifications, and Incentives

Another important challenge in the way of CSR mainstreaming is the shortage of qualified faculty that can competently teach these subjects in the curriculum. While faculty members across business school disciplines are in high demand, those in areas relating to ethics and CSR are particularly in short supply (Gardiner & Lacy, 2005). This is partly due to the fact that CSR is a relatively new topic and is interdisciplinary by nature. Faculty members therefore tend to be reluctant to invest the time and effort in teaching and researching an emerging area (Ghoshal, 2005). Faculty members will also need to acquire the conceptual and practical frameworks needed to facilitate discussions in class around sensitive ethical issues, as well as spend efforts in integrating CSR with other functional areas and subjects (Baetz & Sharp, 2004). As Waddock and Lozano (2013) article sums it up: "Teaching soft skills which we believe are really the hard skills, are more complex and difficult to teach than analytic tools. Teaching soft skills requires faculty to have a different skills set than what is currently rewarded or emphasized" (Waddock & Lozano, 2013 p. 266). With the pressure on faculty time, faculty members need to also have the incentives to acquire the necessary skills to teach and research CSR. In the absence of a clear system of rewards and incentives, faculty members are likely to shy away from the investments (time and effort) needed to make CSR mainstreaming a reality (Christensen et al., 2007). Adding to this challenge is students' attitudes towards CSR or as Giacalone and Promislo (2013) call it the "stigmatization of goodness and business ethics education" and their resistance to questioning their frames of reference and acquired assumptions. Faculty members will have to challenge these "habits of mind" (Blasco, 2012) through critical reflection and introducing disorienting dilemmas that put them in question and initiate the process of reevaluating their acquired values and assumptions about the world. Students interaction with the formal curriculum will greatly differ depending on these "habitual expectations that result in "uncritically assimilated ways of knowing, believing and feeling" shaped by culture and family influences" (Blasco, 2012; p.370). The 'academics' intention' to influence values plays a crucial role in the success of both formal and informal socialization, this intention is also strongly influenced by perceived support by colleagues, students and the corporate environment (Moosmayer, 2012). Therefore we expect an exponential increase in faculty efforts to engage in moral learning in the face of mounting pressure from the corporate world and acceptance of the changing paradigms across management and other academic fields. Moosmayer (2012) concludes: "Turning management into a better, more ethical profession requires a joint effort. Individual academics and their own values play an important role, but they also need support from a foundation that establishes students' value-oriented development as a goal of colleges, business schools, academies, and the students themselves-as well as by the corporate world."

Practical Implementation Challenges

Aside from the philosophical arguments and the universal shortage of qualified faculty that can teach this subject, there are also practical implementation challenges when it comes to CSR mainstreaming. These pertain to whether to integrate CSR courses / modules as optional or compulsory and as stand-alone or combined with other topics (Oliva, 2004). While there is increasing agreement that CSR should be integrated into the mainstream of business school curricula, there is much less agreement on the best approach and the potential seamless integration of CSR seems particularly problematic (Gardiner & Lacy, 2005). The other important practical challenge relates to how to integrate innovative learning methods that will avoid the trap of purely philosophical discussions and abstraction for students. This could be realized by adopting concrete materials including practical cases and inviting guest lecturers to share their real cases and experiences with students. These are important considerations when contemplating effective CSR mainstreaming and integration and the acceptance of these subjects by students (Moratis et al., 2006).

As the field is taking shape, business schools face the challenge of navigating change and gradually mastering the art of change management. How can they refute old paradigms while new ones are in the process of being developed? How can business schools shift from considering social issues as being externalities and constraints, mentioned as a nuisance to the main business objectives, to considering the costs and value to society and the environment as a fundamental part of doing business (Driver, 2012). This will entail a great deal of risk taking, experiential learning, as well as curricular innovations and reflexivity (Solitander et al., 2012; Viswanathan, 2012; Crossman et al., 2012). Non-conventional methods and experimentation are not usually attributes of business schools that have traditionally tended to be more conservative than other faculties (despite trendy curricular themes involving innovation, quality and entrepreneurship) and have witnessed recently a pressure to shake up their old ways and adapt to a corporate world that require more flexibility, imagination, openness and integration across academic fields (Waddock & Lozano, 2013). In this context, a road map such as PRME as adapted by AACSB will be welcomed in terms of providing the necessary legitimacy and support (Forray & Leigh, 2012).

Undermining Ethical Behavior Challenge

Snyder and Lopez (2001) show that ethical behavior is often undermined and is not deemed as a priority to people and organizations. Giacalone et al. (2013) propose the phenomenon the "stigmatization of goodness and Business Ethics education", "a process in which moral people are condemned because they are seen as threats to an organization's bottom line" (Giacalone et al, 2013, p. 86). This phenomenon poses as a challenge because it renders some students suspicious or skeptical about ethics in general or those leading ethical or virtuous lives, and ultimately casts doubt about the discourse of ethics in business broadly speaking. Giacolone & Promislo (2013) illustrate this point through "the two languages of a materialistic worldview" where we use language and thought frameworks that overemphasize and evaluate all actions through their effect on money (econophonics) and power (potensiphonics) even when assessing virtuous or socially responsible actions. This mindset leads students and faculty to carry a "baggage" that weighs heavily on how they perceive the world (Giacolone & Promislo, 2013).

Opportunities for CSR Mainstreaming

Global Thrust towards Accreditation

Counterbalancing the challenges listed above are also important drivers for CSR mainstreaming or integration. Primary among those is the importance for business schools worldwide of program accreditation and their ranking criteria and the pressures the latter have been exerting in the direction of mainstreaming ethics and CSR offerings. It is well known that business schools around the world are seeking the approval stamp by accreditation bodies such as the Association for the Advancement of Collegiate Schools of Business (AACSB) with a total of 1300 accredited schools from 88 countries (The Association to Advance Collegiate Schools of Business [AACSB] website May 12, 2014), the European Foundation for Management Development's (EQUIS) with a total of 148 accredited institutions in 39 countries (The European Foundation for Management Development's [EQUIS] website, May 13 2014), or the Association of MBAs (AMBA) with a total of 210 graduate business schools in 52 countries (AMBA Website, June 1 2014) which gives them international exposure and credibility in the eyes of their most important constituencies including business students, faculty members, and the corporate world (Gardiner & Lacy, 2005). Business education accrediting bodies on the other hand have turned attention in recent years to the necessity to integrate ethics and CSR topics into the curricula of business schools (Laditka & Houck, 2006). The AACSB emphasizes in the preamble of its newly revised 2013 standards the changes in the global business environment and societies' expectations for a greater sense of responsibility and sustainable practices, and starts its guiding principles section with a commitment to ethical values and CSR issues (AACSB website, May 12 2014). In addition, other accreditation bodies such as EQUIS, which is Europe's main accreditation standard, has one chapter out of 10 dedicated to ethics, responsibility and sustainability where an accredited school is expected to have "a clear understanding of its role as a 'globally responsible citizen' and its contribution to ethics and sustainability" and assesses compliance through "not only the school's approach to management education, but also its research, its public outreach and its behavior" (EQUIS Standards criteria, 2014) (www.efmd.org/equis). These pressures constitute no doubt an important push force in support of CSR mainstreaming or integration.

Ascendancy of Partnerships for CSR

Global initiatives that raise awareness and support the advance of CSR issues are a major factor in facilitating the integration of CSR in business school curricula. Two such initiatives are the European Academy of Business in Society (EABIS) and Net Impact. The European Academy of Business in Society (EABIS) was initiated by top European business schools working in partnership with businesses in July 2002. EABIS aims at organically linking or connecting business education with the needs of the corporate world by fostering the supply of relevant CSR knowledge and skills (Murray, 2002). EABIS has started from the assumption that the approval of the corporate sector is a very important success factor when it comes to CSR integration and has been striving to bring together the business and academic community along with other stakeholders in steering the development of high quality knowledge, skills and the cognitive infrastructure for CSR. Net Impact, initially created in 1993 by a group of MBA students committed to responsible education, consists today of a group of business leaders aiming at creating a better world by utilizing the power of business. Net Impact comprises a community of over 50,000 student and professional leaders from over 300 volunteer-led chapters across the globe aimed at helping its members to make this social change happen (www.netimpact.org). Both examples go a long way to illustrate that pressures from outside the business schools and partnerships with the corporate world in specific may play a crucial role in facilitating future CSR mainstreaming (Springett & Kearins, 2001).

Facilitating Conditions at the School Level

There are important facilitating factors at the School level that could work in favor of CSR mainstreaming. Primary among these as suggested by Matten and Moon (2004) are the initiatives of individual faculty members. Faculty members who believe in the importance of CSR should assume a role in championing CSR and its integration in the curriculum, seeking to mobilize the support of relevant constituencies as appropriate.

Moosmayer (2012) argues that academics can play an active role in delivering values to management students and asserts that academics can exert value-related influences on their students and Solitander et al. (2012) emphasize the role of faculty champions during periods of rapid change. An increasing number of management academics are becoming exposed and involved in research that questions the current curricula and recognizes the need for change. In a review by Rubin and Dierdorff (2013) of the topics of the Academy of Management Learning and education (AMLE) articles published in the last 10 years that relate to MBA programs, the authors cite Ghoshal's AMLE article as the most impactful to date in terms of citations. Ghoshal calls for questioning curricula that place too much emphasis on the interests of shareholders at the detriment of stakeholders. Furthermore, various authors point out in this respect (e.g. Alcaraz & Thiruvattal, 2010; Rasche & Escudero, 2009) that bottom up approaches are unlikely to be very effective in the absence of a supportive strong leader or Dean who is willing to confirm that this is indeed the desired roadmap into the future. The support of a strong leader can in turn pave the way for a strong vision or commitment to CSR and sustainability at the school level consolidating, crystallizing and formalizing grassroots efforts from the faculty (Moratis, et al., 2006; Rasche & Escudero, 2009).

Rutherford et al. (2012) examine the role that business ethics courses play in business schools' curricula by evaluating the internal and external factors that may influence AACSB-accredited business schools' decision to require a business ethics course in their undergraduate core curricula. Considering 382 universities, the authors report a relationship between the characteristics of a business school's leadership and the school's decision to necessitate an ethics course; in fact business schools whose Deans are females or have a background in management are more prone to require an undergraduate ethics course. Furthermore, Rutherford et al. (2012) found a negative relationship in what pertains to the association between the resources of business schools and the presence of a required ethics course. Hence, the authors conclude that the values of the school and its leadership are the main factors that influence the prominence and integration of business ethics in a school's curriculum.

The above sections have fleshed out succinctly the main challenges and opportunities facing the mainstreaming of CSR. These challenges and opportunities are summarized in a brief way in Table 1. We further think that it is useful to conceive of the challenges as important pull factors that are standing in the way of effective CSR mainstreaming and of the opportunities as important push forces or factors. Actual change has to be analyzed on a case by case basis for each business school, depending on how these push-pull forces actually play out in a particular context or environment. A good illustration or analogy is to characterize the CSR mainstreaming change process as a force field (Lewin, 1951) in which the ultimate success and direction of change will be decided upon by how these forces play out in terms of neutralizing, circumventing or reinforcing each other in influencing the trajectory of change in the context of particular schools of business at any particular point in time.

THE PRME AS AN IMPORTANT CHANGE CATALYST

The United Nations Principles of Responsible Management Education (PRME) are one possible avenue for steering a strategic approach to CSR mainstreaming (Rasche & Escudero, 2009). Launched in 2007 by the United Nations, in collaboration with key actors in this domain, including AACSB, EABIS, the Aspen Institute and Net Impact, the PRME project synthesizes and consolidates a set of principles that are open for endorsement by participating academic institutions wishing to promote responsible management education and research globally (Alcaraz & Thiruvattal, 2010). The PRME are not intended as a certification standard, but much like the UN Global Compact, constitute a voluntary commitment on the part of participating business schools to support the development of responsible management education. The six principles of responsible management education (PRME) are illustrated in Table 2, and are intended to serve as a roadmap for business schools in relation to mainstreaming CSR through significantly impacting their learning and educational practices over time (Alcaraz & Thiruvattal, 2010; Rasche & Escudero, 2009).

While the principles illustrated in Table 2 may look a bit general at first glance, reflecting a certain 'contextual emptiness' as suggested by Rasche and Escudero (2009), the fact is that they are intentionally framed as such to allow for significant adaptation by business schools operating across widely differing contexts. In other words, the challenge for participating business schools is to reflect on what these principles mean in practice and how to put them in action, given their peculiar institutional constellations. According to Rasche and Escudero (2009), "the point is to not believe that the six principles will tell educational institutions what to do, but to acknowledge that schools need to fill these six principles with innovative and contextualized meaning based on reflections and peer discussions" (Rasche & Escudero, 2009, p. 247). The principles are thus intentionally left open, subject to interpretation by schools and their faculty in view of available resources and realities on the ground.

Particularly noteworthy about PRME is that they provide a stimulus for thinking about CSR mainstreaming holistically and strategically, at the level of the business school, beyond piecemeal

Table 2. The Principles of Responsible Management Education (PRME)

Develop the capabilities of students to be future generators of sustainable value for business and society at large and to work for an inclusive and sustainable global economy.
Incorporate into our academic activities and curricula the value of global social responsibility as portrayed in international initiatives such as the United Nations Global Compact.
Create educational frameworks, materials, processes and environments that enable effective learning experiences for responsible leadership.
Engage in conceptual and empirical research that advances our understanding about role, dynamics and impact of corporations in the creation of sustainable, social, environmental and economic value.
Interact with managers of business corporations to extend our knowledge of their challenges in meeting social and environmental responsibilities and to explore jointly effective approaches to meet these challenges.
Facilitate and support dialog and debate among educators, business, governments, consumers, media, civil society and other interested groups and stakeholders on global issues related to global social responsibility and sustainability.

(Source: www.unprme.org).

course offerings. They also encourage regular interactions with the managers of business firms and with a larger group of stakeholders including governments, consumers, media, civil society to assess and decide jointly on potential pedagogical orientations. In other words the PRME pose a challenge for business schools to explore in a participatory systematic manner different ways of mainstreaming CSR and embedding it into the fabric and DNA of the school and the curriculum. To this purpose and to avoid keeping PRME commitment as an empty shell, it is crucial to consider how the students learn from and engage with the PRME principles. In this respect, the impact of the informal curriculum is also instrumental for creating a responsible business leader open to address new challenges and develop new perspectives and solutions (Forray & Lay 2012; Blasco, 2012; Solitander et al., 2012). Furthermore, the role of faculty champions who are willing to address local organizational challenges, collaborate with colleagues across disciplines, use informal networks and navigate their institution's politics is crucial to the success of implementing PRME principles (Solitander et al., 2012).

In this respect, the PRME can serve a double purpose in the context of mainstreaming CSR. In the first place, they provide a platform at the macro level, where schools of business can exchange ideas and best practice (Rasche & Escudero, 2009). Being part of a network of business schools committed to responsible management education allows for engagement in stimulating discussions, enabling learning and continuous improvement. At the micro level, the PRME provide broad guidelines that schools can implement and operationalize (Rasche & Escudero, 2009), thus acting as a proxy for an internal change catalyst in relation to mainstreaming CSR in the curriculum. In other words, the PRME can serve as a useful framework for systemic change in the context of management education for integrity because of the required engagement model with these principles revolving around adoption, commitment, continuous improvement, a learning network and reporting on progress. Solitander et al. (2012) reflect on the experience of two business schools (Audencia, France and Hanken, Finland) in implementing PRME and emphasize the crucial role of PRME in providing a platform for organizational learning. While the authors point to the specificity of each school's environment in terms of implementation, they also share useful lessons that can be learned and disseminated.

The PRME thus constitute a good starting point for business schools to formalize their commitment to CSR and its mainstreaming and to take concrete positive steps in this direction. However, despite their promise and global ascendancy, the PRME have been embraced to date by about 500 business schools from all five continents (Alcaraz & Thiruvattal, 2010). This reflects a long change process, and the fact that the challenges discussed above are still very salient in the context of mainstreaming CSR, thus impeding wider adoption of PRME. Unless we move towards a wider consensus that business ethics and CSR should be located at the strategic core of the business school curriculum and that we need to prepare managers to embrace the complexities of ethical integrity and moral choice, then PRME is not likely to leverage its full potential as a very promising global initiative. However, several elements signal a promising future for PRME in terms of increased proliferation and impact. These signals include: increased business school participation from 300 signatories in 2010 to 500 signatories in 2014, acceptance of the principles within academic circles as illustrated by the dedication of a special issue of the Journal of Management education in 2012 to the PRME initiative, and the holistic approach that the UN has taken through establishing the Global Compact and Global Compact LEAD.

PRACTICAL EXAMPLE OF CSR MAINSTREAMING: THE OLAYAN SCHOOL OF BUSINESS (OSB) AT THE AMERICAN UNIVERSITY OF BEIRUT (AUB), LEBANON

To move the discussion away from abstraction, we offer in this section a practical example of a business school in the Middle East that has made significant progress in relation to CSR mainstreaming, namely the Olayan School of Business (OSB) at the American University of Beirut (AUB). AUB enjoys a long heritage and history, having been established at the heart of the Capital Beirut as early as 1862 by American Missionaries in Lebanon and Syria. AUB evolved into a prime educational institution in the Middle East, basing its educational philosophy, standards, and practices on the American Liberal Arts Model. The Olayan School of Business at AUB is a new independent school established in 2000 named in honor of the late international Saudi businessman and AUB trustee whose family has been a major supporter of the School and the University. OSB has witnessed consistent healthy growth and maturation over time, graduating over 12,000 undergraduate students and over 2000 graduates to date, in addition to growing its full time faculty body from 13 academics in early 2000 to nearly 50 full time faculty in 2014.

Cognizant of its history and its core values (including leadership, integrity, transparency, trust, life-long learning, critical thinking, relevance and innovation), OSB has therefore taken incremental steps in the direction of CSR mainstreaming. Many of the challenges pertaining to CSR mainstreaming have been encountered and circumvented, and OSB today has gone a long way into integrating CSR into its three core degree programs, undergraduate, MBA and E-MBA. More importantly, there has been a change in its culture that has heavily impacted what is often referred to as the "hidden curriculum" (Blasco, 2012) in terms of the hidden messages that stakeholders are receiving through the school's research and lecture/talk series. In fact, through the recent emphasis on social and environmental concerns in the curriculum, increasing community outreach activities, and showcasing role models from the business community who have been successful as responsible leaders, OSB has been mobilizing an array of implicit and explicit changes and vibes to support CSR mainstreaming.

This is not to suggest that CSR mainstreaming in OSB has been free of challenges. In this respect, the most important challenges faced pertain to concerns about sacrificing rigor and hard skills, shortages of qualified faculty and differences in perspectives on how best to approach the integration process. All three challenges have been addressed, primarily through a firm commitment to CSR on the part of a core group of faculty members and an arduous process of negotiation, coupled with a continuous improvement culture. For example, there is much less skepticism today in the School about the added value of CSR because of the serious research around CSR in which some faculty members have been engaged, and repeated talks and awareness seminars and invited guest presentations pertaining to the topic. The core cluster of faculty interested in the topic has also gradually expanded, and there is some boundary spanning taking place in initiating inter-disciplinary CSR related research leveraging insights from the hard disciplines like accounting, finance, information systems and operation management. In terms of the formal curriculum, OSB experimented briefly with integrating ethics and CSR across courses, which gradually evolved into independent mandatory offerings for all undergraduate and E-MBA students as well as an elective course at the MBA level.

CSR mainstreaming in OSB has no doubt been facilitated and aided by some of the same drivers discussed in our chapter. Most specifically, the integration of ethics and CSR related topics was emphasized in the course of acquiring AACSB accreditation, which OSB secured successfully in

April 2009 followed by re-accreditation in 2014. CSR mainstreaming has also been no doubt facilitated by the initiatives, enthusiasm and support of individual faculty members, and very importantly endorsement from the top, including the moral and practical support of the OSB leadership team which more recently includes one of the most active researchers on CSR in the Middle East. The integration process has no doubt been further facilitated by increased demand from outside the business school and the business community for CSR knowledge and mainstreaming, in a region that has witnessed revolutions stirred by social and economic problems, as well as corruption associated with large businesses accused of supporting suppressive regimes and prospering under their protection. On the other hand, in the Gulf countries businesses are gradually turning into more institutionalized global players and thus feeling the pressure to contribute to their communities and to the region. Awareness of the importance of CSR has certainly been on the rise in the Middle East context, and there is a thirst for knowledge in this new domain that is gradually finding its way into the School.

Furthermore, acting as a catalyst of CSR mainstreaming within the School is a fledgling CSR Initiative supported by an endowment from one of the Prime Ministers of Lebanon, Najib Mikati. The CSR initiative is dedicated to raise awareness in relation to CSR and enhance its prominence and practice in the region in order to achieve a continuing added value for businesses, communities, and societies. Internally, the CSR initiative seeks to instill the essence of responsibility in future leaders through the CSR curriculum and student organizations. It also champions research relating to CSR in the Middle East and MENA Region through journal articles, case studies, and books (Figure 3), and building awareness and capacity by sharing knowledge pertaining to CSR through speaker series, workshops, and seminars. The strategic priorities of the CSR Initiative are illustrated in Figures 2 and 3. The CSR initiative at OSB has shown increasing commitment to steering CSR forward by involving a core group

Figure 2. Strategic priorities of the OSB CSR initiative

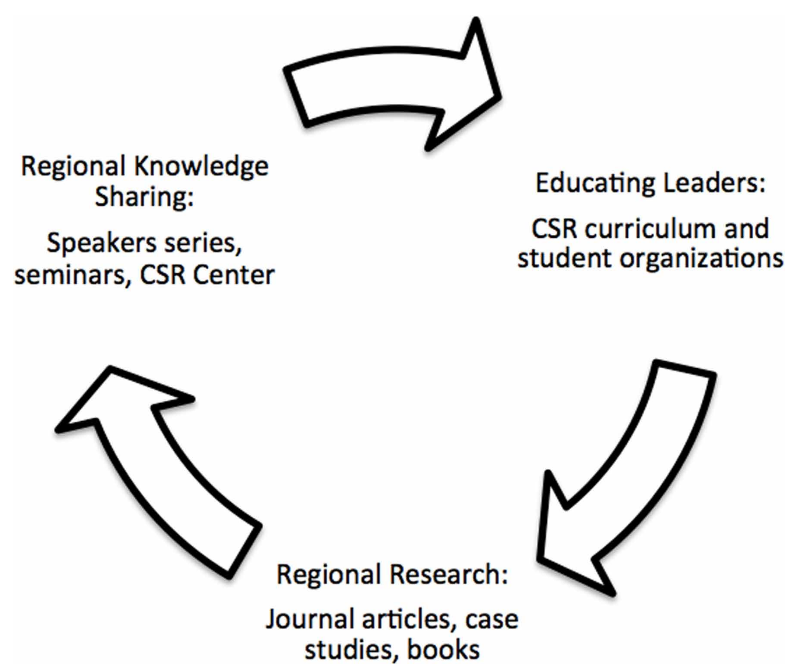
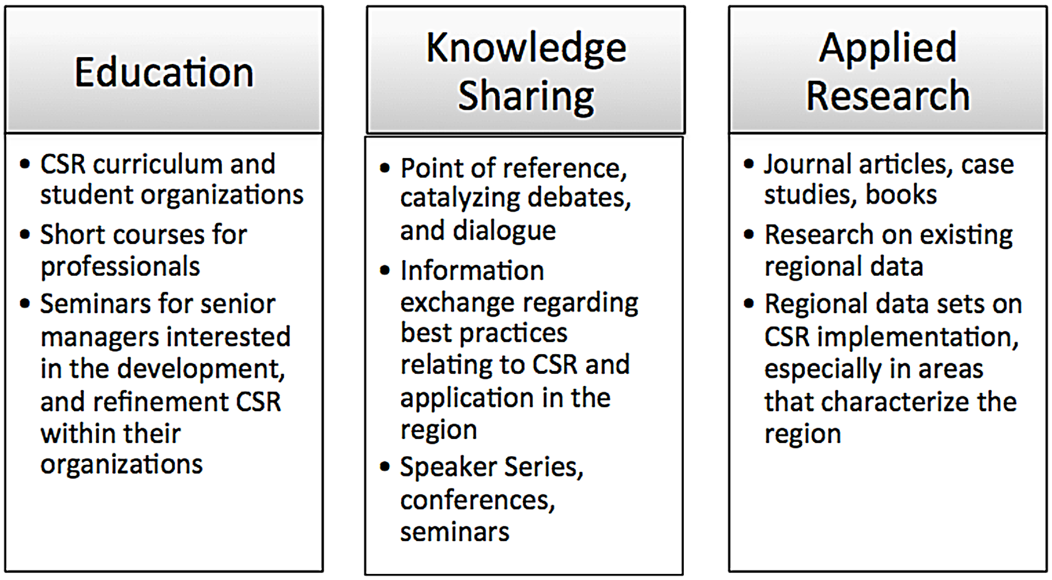
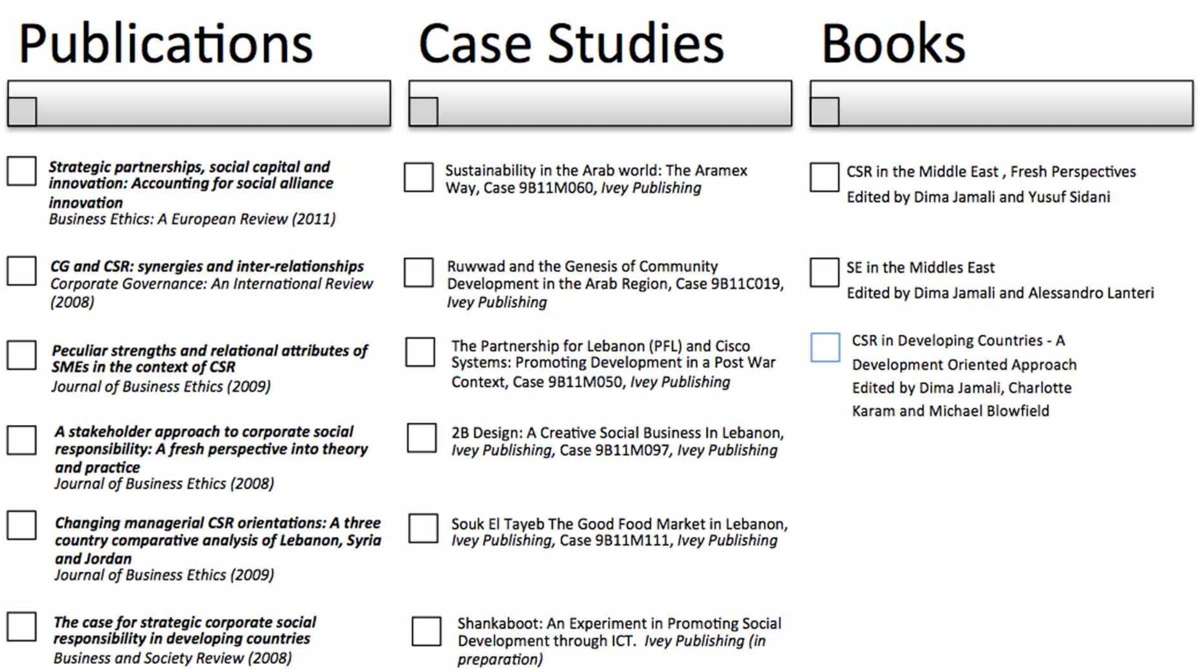


Figure 3. OSB CSR initiative, a center for excellence



of students and faculty, establishing the Net Impact AUB Chapter, and championing the signing of the UNPRME in 2013. By integrating CSR in undergraduate and graduate curricula, endeavoring in regional case studies and books pertaining to CSR, instilling the essence of CSR in the Net Impact AUB Chapter that empowers students to use their business skills in creating a positive social and environmental impact, and housing a series of conferences, seminars and guest speakers, CSR at OSB has gained significant momentum in recent years.

Figure 4. Publications, case studies, and books on CSR and social entrepreneurship



The OSB CSR Initiative continues to partner with various internal and external entities. Internally, the OSB CSR Initiative has partnered with the AUB Neighborhood Initiative whose mission is to mobilize AUB resources, especially its intellectual resources, for the public good and serving the community. Also internally, the CSR Initiative has partnered with the Environmental Health, Safety, and Risk Management Facility at AUB on environmental issues; and the Center for Civic Engagement and Community Service, which aims to develop a culture of service and civic leadership by responding to pressing social and civic needs. Externally the CSR Initiative has joined hands with various entities from the profit and nonprofit sector including the Al Ahli Holding Group based in United Arab Emirates whose CSR objectives are centered around developing Arab youth, the International Labor Organization (ILO) on the theme of Child Labor; and IPSOS, a global research services provider to facilitate access to data and databases. To further institutionalize CSR, a CSR@OSB committee was recently formed consisting of various faculty members and active students to promote greening initiatives and reduce OSB's environmental impact. The committee has introduced a program that is dedicated to turning OSB "green" by implementing a solid waste recycling initiative and by managing the school's energy consumption.

An important extension of the work of the OSB CSR Initiative is channeled through the Net Impact AUB Chapter which was launched in 2012 by Professor Dima Jamali, Director of the CSR Initiative at OSB, along with 8 MBA students. The chapter has since grown annually, increasing its student base and social impact. Today, the Net Impact hybrid chapter of graduates and undergraduates is a fully-fledged team seeking to advance not only CSR but also social entrepreneurship, nonprofit management, human rights, and environmental sustainability among students, businesses, and society at large. Net Impact presents a real opportunity and chance for students to learn first-hand about CSR, and to apply the skills they gain while pursuing their degrees, in projects aimed at supporting for-benefit enterprises and the community at large. Net Impact has engaged in various initiatives over the years, encompassing a diverse range of topics and themes that reflect the mission of Net Impact, revolving around making a positive social and environmental impact by mobilizing the skills of business students. Table 3 summarizes some of the recent achievements of OSB CSR Initiative and Net Impact AUB chapter.

By mobilizing a full spectrum of initiatives, activities and partnerships, CSR mainstreaming has therefore advanced at OSB. The spectrum of activities that have supported this CSR mainstreaming effort is summarized in Figure 5. The actual change process, including drivers and constraints, lend support to the proposed force field analysis for mainstreaming CSR compiled in Figure 1 and has comprised a number of specific stages or phases, which are fleshed out below, but also captured in the Flow Chart diagram in Figure 6. The journey has of course not been free of challenges. Particularly the "stigmatization of goodness and business ethics education" continues to be salient as well as the on-going challenge of navigating the complex process of change. Further progress will necessitate a great deal of persistence, experiential learning, as well as curricular innovations and reflexivity and the ability to sustain the change process in the face of unwavering skepticism in relation to ethics and CSR in the Middle East environment.

CSR Milestones/Timeline at OSB

Stage 1 (2005-2007): Experimenting with CSR Mainstreaming

- Identification of a core group of faculty who are interested / prepared in offering an elective course pertaining to ethics and CSR at the undergraduate level.

Table 3. CSR initiatives at OSB

Year	Initiatives/Conferences/ Workshops /Events	Partner(s)	Description
2012	AUB's First Corporate Social Responsibility (CSR) Conference for the Middle East		A platform for regional business leaders to address the emerging challenges and opportunities presented by the ascendancy of Corporate Social Responsibility (CSR). Through the gathering of renowned speakers, panels and interactive discussion forums, the conference offered a regional platform for practitioners to network and exchange best practices in relation to effective sustainability and CSR management
2013	Campus GreeningProgram Name: Our Shared Space: Improving Bliss Street	Neighborhood Initiative and Environmental Health, Safety, and Risk Management Facility	AUB's presence in Ras Beirut since 1866 has carved the urban environment surrounding the university. Many businesses and financial institutions have proliferated around AUB's campus providing goods and services to students and staff; ranging from restaurants, coffee shops, and banking institutions that are especially located on Bliss Street; a street that beholds the Main Gate/ entrance of AUB. Unfortunately, the cleanliness of Bliss Street is currently at stake: the curbside is suffering from dirt and food residues due to leakages from disposal bags used by neighboring businesses. Moreover, there is an obvious scarcity of garbage bins and recycling bins on Bliss Street. As special project under the AUB President's Office, this initiative has been adopted by the Net Impact Chapter, and sought to address all these imminent issues revolving around community development, environmental sustainability, and CSR.
2013	Campus GreeningProgram Name: Reverse Vending Machines at AUB		In collaboration with the AUB environmental health, safety and risk management, NI AUB chapter sought to develop an environmentally sound waste management system, ensuring treatment and recycling, through the use of innovative technologies for waste treatment and recycling and the support of an awareness and communication program provided by NI Chapter. The target group will benefit from the incentive based recycling activity, as they will recycle their empty plastic and metal bottles using the Reverse Vending Machines in return for points generated by the machine itself.
2013	Workshop on CSR and Child Labor	The International Labor Organization (ILO) and Association of Lebanese Industrialists(ALI)	A two-day workshop on Corporate Social Responsibility (CSR) and Child Labor. The two-day workshop intended to raise awareness about the central importance of human rights and child labor, as focal aspects of a rounded CSR agenda.
2013	NGO Database		A database with an aim to connect vibrant students and citizens interested in social work with the different players of the civil society. This initiative is first of its kind in Lebanon and seeks to make the details of NGOs' operations available for all parties interested in collaboration. Information was recruited from diverse Non- Government Organizations (NGO) operating in Lebanon and systematized their details into an easily accessible and publicly available database. The database has been recently published and is available for the public on the below URL: http://www.aub.edu.lb/osb/osb_home/student/Pages/ngodb.aspx
2014	Syrian Refugee Appeal for help initiative	Project Warmth NGO	A project dedicated to collecting clothing apparel to help alleviate the suffering of numerous Syrian families "residing" in the many camps around Lebanon.
2014	Mind your Business, Heart your Community- NGO Conference	Center for Civic Engagement and Community Service	A panel discussion on "Sustainability and the Need for Partnerships" and a roundtable discussion to enable participants to share their experiences on role of the civil society in Lebanon and the importance of cross-sector social partnerships.

continued on following page

Table 3. Continued

Year	Initiatives/Conferences/ Workshops /Events	Partner(s)	Description
2014	Social Entrepreneurship Initiative		A series of guest speakers and social entrepreneurs, in particular, were invited to the Olayan School of business to give students a glimpse of their spectacular experience and elucidate how a business can make profit while serving its society and environment.
2013-2014	CSR in Action Lebanon Program	Al Ahli Holding Group	The CSR in Action is a program that seeks to develop and augment the practice and awareness of CSR activities among practitioners and simultaneously enhance student conceptual understanding. The project aims at engaging the private sector, academia, and government entities in formulating strategies that are more responsive to community needs. The program encompassed a one week workshop that aimed to build CSR awareness, to train students and professionals to develop sustainability practices and processes within their organizations and engage them with their local community. Participants were given the opportunity to come up with a socially responsible project over a four-month period. Students from across disciplines and universities took part in attending the one-week workshop which equipped them with the knowledge to adequately devise a socially responsible project that is feasible and needed by their community.The CSR in Action is in line with the CSR Initiative's strategic objective of fostering its students' responsibility towards the community and encouraging them to lead and develop creative initiatives that would exemplify this responsibility. After four months of diligent work, the groups of students presented their ideas and pitched it to a panel of renowned judges. The two winning teams received trophies and an invitation to the CSR Summit in Dubai in May 2014.

- Experiment with offering Ethics/CSR as an undergraduate elective–teaching 1-2 sections of an elective Ethics/CSR course.
- Supplement course offerings through guest speaker lectures and events illustrating best practice and the positive impact of business through practical examples and show cases.
- One faculty member involved in serious CSR research.

Stage 2 (2007-2011): Expanding the Boundaries

- Identify organizations and programs that have available funding for CSR research and solicit partnerships and funding.
- Mainstream Ethics/CSR into a mandatory course offering – offering 8-12 sections of a required Ethics/CSR course.
- Expand CSR offerings to other programs at the graduate level.
- Identify faculty across different discipline areas, with an interest in CSR (e.g. corporate governance / finance faculty, accounting faculty and marketing faculty) and incentivize pursuit of joint research and funding opportunities.
- Supplement teaching with inter-disciplinary research allowing for cross-fertilization and establishing relevance of ethics / CSR across the School.
- Five faculty members involved in joint CSR research and publications.

Figure 5. A spectrum of CSR at OSB

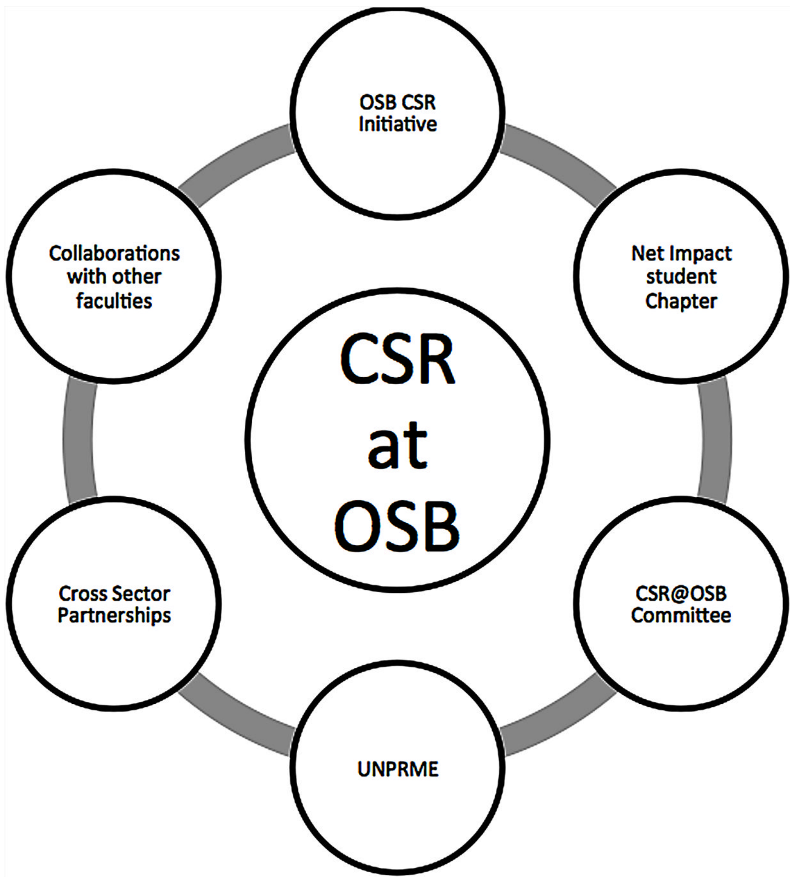
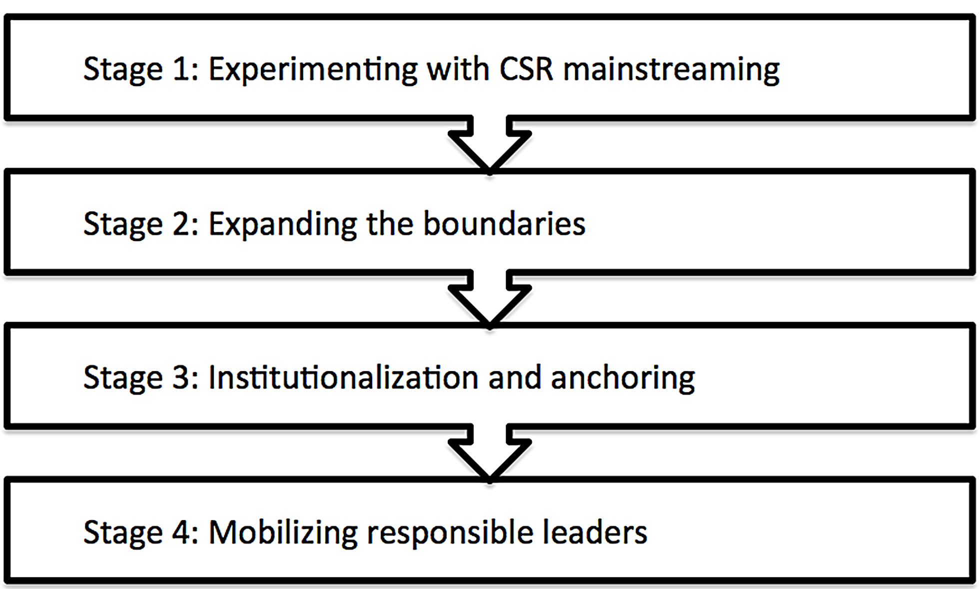


Figure 6. A typical CSR mainstreaming process: insights from OSB



Stage 3 (2012-2014): Institutionalization and Anchoring

- Formation of the OSB CSR Initiative.
- Establishment of a Net Impact student chapter in the School.
- Ascribing to the UN PRME.
- Forming a CSR Committee at the school, "CSR @OSB Committee".
- Establishing of an inter-disciplinary group from across the university with an interest in social issues (including health, ecology, policy, and engineering).
- Anchoring importance of CSR within and outside the business school.
- Conducting the first CSR Conference in Lebanon in 2012.
- Offering a CSR elective course at the graduate level.
- Mainstreaming Ethics/CSR into a mandatory course offering – offering 8-12 sections of a required Ethics/CSR course. The course is also taken by non-business majors as a Humanities requirement.
- 8 faculty members involved in joint CSR research and publications.
- Partnering with business, non-government, and non-profit entities.
- Producing books and case studies about CSR.

Stage 4 (2015-Onward): Mobilizing Responsible Leaders

- Encouraging student engagement though the Net Impact student chapter and through the responsible practices being implemented in the school through the CSR @ OSB Initiative.
- Expanding the Net Impact student chapter in the school.
- Growing the partnership pool for CSR.
- Expanding the Ethics/CSR course to a mandatory course offering at the graduate level.
- Identifying more organizations and programs that have available funding for CSR research and solicit partnerships and funding.
- Conducting seminars/ workshops.
- Encouraging more faculty members to conduct research in CSR.
- Identifying endogenous social, economic and environmental issues and concerns that reflect the problems and needs of the region and its businesses.
- Setting an example of a socially responsible institution with respect to its social, environmental and economic impact on the lives of its stakeholders (employees, students, alumni) and its community.
- Experimenting and developing learning experiences that reflect the complex, practical and reflexive nature of CSR, its interdisciplinary nature and involvement with the community.

CONCLUSION

This book chapter has pondered relevant questions pertaining to the role of academic institutions, and business schools in particular, as drivers of change in behavior of leaders and managers towards responsibility, accountability and sustainability. It argues that in the wake of the global financial crisis, the traditional hegemony of economic paradigms has started to be called in question and the need for more balanced educational experiences increasingly advocated. Beyond finance and marketing, business schools have a responsibility and actually a strategic motivation to embrace CSR mainstreaming and nurture soft skills relating to moral / ethical integrity, including stewardship, compassion, caring for the less fortunate, imagination, and common sense. The mainstreaming of ethics and CSR is indeed increasingly predicted to help in the positioning of business schools and their differentiation in a fiercely competitive global business school landscape (Rasche & Escudero, 2009).

The book chapter moreover considered salient challenges that continue to derail even the best efforts and intentions when it comes to CSR mainstreaming, including the traditional hegemony of economic paradigms and lingering skepticism about the value added of subjects and soft skills relating to ethics and CSR, the significant shortages in faculty with necessary qualifications and the virtual absence of incentives for faculty members to invest in the needed preparations. There are also salient practical implementation challenges that need to be addressed, including whether to offer CSR and ethics modules as standalone or integrate them in other subjects and how to continuously innovate in relation to teaching abstract concepts and subjects. These challenges are counterbalanced nevertheless by a number of opportunities, including the focus on ethics and CSR by accreditation programs, the rising demands and partnerships with the corporate sector and the championing role by passionate individual faculty and Deans. The chapter provides insights into both drivers and constraints and how to practically approach the mainstreaming process through considering the case of the Olayan School of Business in Beirut.

The book chapter further argues that the PRME constitute a very promising avenue for steering and building up a strategic approach to CSR mainstreaming. Business schools that are committed to respond to the growing demand for ethical leadership and to nurture the different set of skills are likely to openly embrace the PRME as an opportunity to produce the needed realignment. We argued that the PRME can serve a double purpose in the context of mainstreaming CSR. In the first place, they provide a platform at the macro level, where schools of business can exchange ideas and best practice (Rasche & Escudero, 2009). At the micro level, the PRME provide broad guidelines that schools can implement and operationalize (Rasche & Escudero, 2009). In other words, the PRME constitute a good starting point for business schools to formalize their commitment to CSR and its mainstreaming and to take concrete steps in this direction.

The very fundamental message or take away in this chapter however is the fact that we have entered a new phase in history and some largely unchartered territory in relation to management education and practice. We are strong believers that business schools must be involved as integral partners to help shape the attitudes and behaviors of future generations and induce meaningful and lasting change in the conduct of corporations and their managers. What is required is not just the tinkering with course offerings here and there but a serious commitment to change and the advocacy of a different set of values and aspirations across the curriculum. The PRME can provide the assistance and direction needed in terms of making the change happen. Both PRME, and the related cause of CSR mainstreaming, have the potential to generate a wave of positive change that are critically needed to alleviate the unprecedented crisis in confidence in business and business education we are witnessing today and to produce a different crop of leaders ready to face the complex challenges that lie at the interface of business and society.

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KEY TERMS AND DEFINITIONS

Accreditation: Process of obtaining approval of a school's programs by an internationally renowned accrediting institution to gain global legitimacy and recognition.

Corporate Social Responsibility (CSR): The responsibility of businesses towards society and the environment.

CSR Integration: The process and method of incorporating CSR into the curriculum.

Curriculum: The subjects comprising a course of study in a school or college.

Mainstreaming CSR: Considering CSR as an integral and relevant topic at the core of the business curriculum.

Principles of Responsible Management Education (PRME): The UN ten principles that set a framework for business schools to act as facilitator and supporter of CSR and integrating it in management education.

Utilitarian Paradigms: Management Principles based on purely economic and profit objectives.

Section 3

Business Ethics at Work:
Understanding and Implementing Ethics in the Business World

The chapters in this section investigate the application of business ethics to particular business practices, industries, and sectors. The section is devoted to the implementation of research in business ethics to concrete issues of concern in the contemporary world of business..

Chapter 14
The Starbucks Culture:
Responsible, Radical Innovation in an Irresponsible, Incremental World

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ABSTRACT

Bombarded with reports of immoral corporate performances, many have become convinced that ethical companies are history. CEOs, facing narrow performance windows, often feel pressured to adopt a hit-and-run mentality, thereby contaminating their entire corporate culture. Yet, there are companies that continue to outperform their competitors and redefine their industries, while simultaneously following a strict moral compass. One such company is the Starbucks Corporation, entailing 18,000 stores worldwide, of which approximately 13,000 are in North America. Starbucks directly supervises 5,500 coffeehouses in 61 countries. After a successful expansion into China, Starbucks is now moving into India. Nonetheless, the coffee giant continues to make the list of the world's most ethical companies for good reasons. This case reviews Starbucks's internal and external culture, examining its partner treatment, environmental awareness, farmer support, stakeholder inclusion, and other revolutionary strategies, in hopes to have these elements serve as focus points for current and future leaders.

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ONE COMPANY, SO MANY DIFFERENCES

The Coffee Operation

Coffee is big business and has been so for quite some time in human history. In fact, oil is the only trading commodity that tops coffee worldwide (Ruzich, 2008). "Various estimates as to how many people depend on the growing of coffee for their livelihood range from 20 to 125 million" (Ruzich, p. 431). Whereas the above perspective may present coffee as one of the top global products, other notions classify this product in an entirely different light. Rindova and Fombrun (2001), for instance, refer to the coffee industry as a declining one, and compliment The Starbucks Corporation for its ability to still induce new demand at price points that are unmatched in the beverage industry. The way Starbucks did this, explain Rindova and Fombrun, is by redefining coffee as a beverage, and restructuring the locations in which it was consumed.

Ravasi, Rindova, and Dalpiaz (2012) also applaud Starbucks, but do so for its clever use of cultural resources in establishing their industry as such a successful one. These authors define cultural resources broadly as a blend of concepts, symbols, narratives and other forms of cultural expressions that exist in a society. Cultural knowledge is critical in this process, as it helps companies understand which cultural meanings and associations fit well with their products. Starbucks' coffee bar is a great example of a retail format that works for the US society. Adopted from the Italian model, it took Starbucks an entire decade to mix and match different local cultural resources before the current successful model was developed (Ravasi et al, 2012). Understanding the importance of proper and effective utilization of space, Starbucks attracted the services of an anthropologist to get to the current, highly popular store design (Clark, 2007).

When dealing with such a critical and highly desired product within the global human community, it is pretty easy to fall into the trap of focusing only on increasing returns and neglecting any compassion-based maneuvers. Yet, Starbucks has managed to keep its socially responsible eyes wide open: even more so since 2009 than in the decade before. The results are starting to become visible: in 2012 the Starbucks Corporation made it to the 73rd place on Fortune's list of the 100 Best Companies to Work For, up from 98 in 2011. Unfortunately, Starbucks' ranking dropped again on this list in 2013 to 94, and the company's name was prominently absent in the 2014 list. As prime reason for the 2012 ranking was listed, "The company's massive part-time workforce […] gets full health insurance benefits, stock awards - and free coffee" (*100 Best Companies…*). Perhaps Starbucks can mostly pride itself in the consistency of this factor: the company has always stood out when it came to just this particular provision for its employees: benefits even for those who are not in full-time service. One of the ways this is confirmed is in a 2004 article by Serwer and Bonamici, who state, "Starbucks is an unusual company. It strives to mix capitalism with social responsibility. It gives all its employees who work more than 20 hours a week stock options and health-care benefits" (p. 60). Indeed, Starbucks seems to be one of the leading corporations that invest tireless efforts in adhering to a performance strategy that is purposeful. Internal and external stakeholders are considered equally important: employees are treated with proper dignity and are granted career opportunities within the company, while the company's impact to the community is carefully scrutinized as well (Outram 2014).

Differentiation and Innovation in a Highly Competitive Market

It is not easy to start pointing out the many ways in which the Starbucks Company differentiates itself from other major corporations. Starting out with a factor that may be as important as any other we can begin with Howard Schultz, the man who made the company what it is today, and who returned as CEO after an eight-year hiatus. He did so for what might come across to many as an un-businesslike reason: the company had grown too rapidly, and in doing so had elevated growth to a goal in itself rather than a strategy toward a goal! The man who poured his heart into Starbucks in the mid-1980s was afraid that the company was gaining presence and prominence but losing its soul because its growth metrics had become dictated by Wall Street. Schultz felt that this type of growth was in stark contrast to his often repeated focus of "provid[ing] human connection and personal enrichment in cherished moments, around the world, one cup at a time" (Schultz & Jones Yang, 1997, p. 266). Indeed, in the years of Schultz' absence from the day-to-day management, the Company had degenerated into a performance machine that was primarily focusing on upholding or increasing stock value, a focus that was not in line with his vision for the Starbucks Corporation. Everything that drove up the numbers counted, and with that, the personal focus that had distinguished Starbucks from the rest during its first twenty years of existence, had become blurred--if not vanished (*Starbuck's quest…,* 2011). Hess (2010) concurs, "Starbucks' ambitious growth led to dilution of its customers' experience, inferior store locations and a significant increase in short-term liabilities" (p. 25).

In his critical evaluation of the company after his return, Schultz found that stores had been opened to meet numbers and predictions rather than needs and purpose and decisions were made on incremental revenue bases rather than brand equity. Based on his findings, Schultz called a rigorous halt to the trend of opening stores solely for the sake of growth, and even closed about 900 underperforming stores (Saporito, 2012), many of which were less than two years old. In more recent years, Starbucks has only opened new stores in areas where the economy allowed them to exist and grow, causing these new units to quickly become excellent performers.

Up till today, the company's financial performance mainly relies on its operations in the Americas. In the fiscal year 2012, this region comprised about 75% of the corporation's consolidated total net revenues. While this is an understandable fact given the company's history, it also reveals a critical weakness for Starbucks, because the Americas segment is already a mature one, which entails that revenue trends could start to lull or even decline at any point in time. This would have an immediate impact on the corporation's operating cash flow and negatively affect international expansion, which is currently funded through the Americas operations (*Embracing our heritage and values*, 2013).

On the innovation front, Starbucks has made quite some strides in recent years. The company ranks on the 19th place of Forbes' list for most innovative companies in 2014 (*The World's Most Innovative Companies*, 2014), as well as number 76 on the list of most valuable brands. So, what are the recent areas of innovation that make Starbucks stand out?

One type of innovation is the strategic decision to sell alcoholic beverages in the Starbucks stores. The company started testing the reception of these products in selected stores, for strategic reasons that are obvious: alcoholic beverages can supplement sales in the evening hours, when coffee is not the most desired item. In evaluating this innovative strategy, Dooley (2014) applauds this notion of balancing sales, but also warns about product contagion, in which the characteristics of products that are considered repulsive rub off on the desired ones. For instance, there may be coffee fans that oppose alcohol for health or religious reasons, and these customers may be turned away. In addition, not all states allow the sales of alcoholic drinks in particular venues, so there may be some licensing issues attached to this strategic innovation. Finally, the company's management has to be cautious about the aroma that is spread in the store. Starbucks made this mistake before when introducing breakfast and spreading the aroma of fresh fried eggs in its stores. Customers did not respond well to that trend and it was discontinued. Nonetheless, Starbucks should be commended for the fact that it regularly tries out new approaches, and candidly admits when they were blunders.

Another innovative strategy that marks Starbucks as an innovative leader is its facilitation of purchases through mobile apps. No more signatures on paper receipts or credit card swipes, but a swift digital approach for a digital generation! The company's senior management team is taking quantum leaps in this regard, focusing more intensively on digital retailing and continued technology drive shifts. Schultz is serious about this innovation, reports Marks (2014), as he joins forces with the company's Chief Digital Officer and Chief Strategy Officer to focus on the next generation of retailing and payments initiatives. Bertoni (2014) adds that Starbucks' mobile app is already the most used digital payment app in America, ahead of major digital players such as Google, Apple, Amazon and EBay. The number of customers that currently purchase their lattes, cappuccinos, and macchiatos with their mobile app has surged to about 10 million, averaging over 5 million transactions per week (Bertoni, 2014).

Transformation and International Expansion

Clarifying his transformation plan, Schultz admitted that growth should still be an important driver, but underscored that it should happen in a conscious, responsible way. Starbucks had managed to uphold this philosophy quite well in the early years of this millennium, when "enlightened self-interest" was one of the concepts introduced as the company's performance mantras. "Enlightened self-interest entails that the company is still aware of its purpose of making profits, but it does so in a way that the other party wins too, and preferably even more stakeholders than just the other party" (Marques, 2008, p. 251).

The conscious, responsible way should be dual-tracked for Starbucks, unlike for similar major retailers: Starbucks would grow through innovation inside its retail stores as well as on the shelves in grocery stores and drugstores. At the same time, the international presence of the company would not be neglected. Quite the contrary! Growth would still be high on the priority list, but in a disciplined manner. In 2011, Starbucks already had 800 stores in greater China, but while there are about 140 additional cities in that immense country with populations greater than one million, Schultz announced that he would expand with caution and proper respect into these markets instead of aggressively, as so many other global players are doing (*Starbucks quest…,* 2011). At the end of 2012 there were 3,300 stores in the China-Pacific region. As matters currently stand, Schultz remains heavily focused on growth in China, India, and Brazil, and on entrance into Vietnam, as well as a number of other emerging markets. In 2012, the company reported having its most successful launch ever in Mumbai in collaboration with Indian business partner, Tata Global Beverages. Overall, the Starbucks CEO anticipates growth up to 20,000 stores on six continents by the year 2014. However, this growth will no longer reflect the unruliness of the past decade, but happen in a disciplined manner and with proper respect for local cultures and tastes.

Schultz has matured in the area of cultural sensitivity and local preferences as well. In contrast with his youthful ideas of changing the world by imposing Starbucks products on new markets, he now operates on the compass of adaptation. Starbucks now focuses on local tastes and delivers a specific product line that meets those. Lin (2012) confirms, "Starbucks dominates Taiwan's coffee consumption, and it serves as a third place in the lives of consumers" (p. 119). Lin (2012) subsequently explains how Starbucks managed to systematically convert tea lovers into coffee drinkers - from Beijing to Bangkok. It did so by "creating a distinctive symbolic brand code for middle class and young adult consumers" (p. 119). Lin finds that, with its cunningly established image of a third place aside from work and home, Starbucks has managed to give consumers the feelings of "being trendy, identified, connected to the world, high brand quality, sophisticated, prestigious, and distinctive" (p. 126).

The overview above demonstrates that Schultz has learned a great deal along the way and has come to terms with the fact that culture can be a great asset if explored and utilized with respect and understanding. In his preamble to the company's 2012 annual report he shares his opinion about this strategy:

We are mastering the transferable ability to scale our brand's core attributes and expertise, while respecting and reflecting regional customs and cultures so we may be locally relevant. When we strike this delicate balance, we establish trust, which ensures the company has opportunities for continued growth everywhere we do business (Embracing our heritage and values, 2013, p. 3).

As indicated earlier, the sensitivity Schultz uses in his decision-making processes of expanding in international markets today is based on the mistakes Starbucks made while expanding in the US. Since his return as CEO of the corporation, sales numbers have increasingly looked better, with annual sales for 2012 approaching $13.4 billion (Saporito, 2012).

Responsibility beyond Coffee

In its quest for change, Starbucks has been making some bold moves. One of them is moving beyond its main beverage, coffee. Fresh juice and pastry will be added to the existing product range the stores offer, due to acquisitions of chains that specialize in these goods. Whether this will be a successful endeavor or not remains to be seen in the coming years. What is more interesting for this review is Starbucks' versatile approach in trying to do the right thing. In the executive summary of the company's 2012 annual report, Schultz emphasizes considering it an honor to have achieved record financial performance while ensuring that profits were balanced with a social conscience (*Embracing our heritage and values*, 2013). He further summarizes the company's 2012 performance as follows:

Starbucks consolidated global revenues reached a record $13.3 billion, a 14 percent increase, with revenue growth driven by a 7 percent rise in global comparable store sales and a 50 percent rise in revenue from Channel Development. Our operating income was $2 billion, a 16 percent increase, with our consolidated operating margin rising to 15 percent, up 20 basis points from last year. Starbucks record earnings-per-share growth continued, up 10 percent in 2012 to $1.79 from last year's $1.62. Through share repurchases and dividends, we returned approximately $1.1 billion to shareholders (Embracing our heritage and values, 2013, p. 3).

It will not be possible to identify all areas in which the company endeavors to excel, but some prominent ones are presented in the following sections.

Happy Self-Employed Workers

Starbucks has given a whole new meaning to the word "partner". This is the way Starbucks' roughly 160,000 employees globally (excluding farmers and their workforce) are identified, many of which are part-timers. "Starbucks pays okay, if not great. The company pays a bit better than McDonalds and Wal-Mart, but not as much as the Container Store or UPS" (Simon, 2008, p. 194).

According to Goetz and Shrestha (2009), part-timer status is a growing phenomenon in today's workplaces. Goetz and Shrestha even identify it as "[o]ne of the most important but least recognized labor market trends of the last 35 years" (p. 22). Reviewing the status of part-time employees in 2006, they conclude that, in the US, this cluster had surged to 32.9 million that year. Goetz and Shrestha evaluate the two largest retailers who massively utilize part-time workers: Wal-Mart and Starbucks. While they don't elaborate on the conditions of these part-time employees, it is commonly known that there is a major difference. The Wal-Mart part timers don't enjoy any benefits from their employer, thus posing heavy reliance on local government healthcare wherever a Wal-Mart store opens, while the Starbucks part-timers get reasonable pay, full health insurance benefits, and stock awards.

Contributing to an Educated Workforce

In 2014 Starbucks has made another generous move by expanding its college education opportunities for those employed for at least 20 hours per week by its 8,200 company-operated stores. Thus far, Starbucks had college reimbursement programs for its employees with City University of Seattle and Strayer University. In 2014 Howard Schultz established a more comprehensive partnership with Arizona State University, offering online education in one of 40 possible directions, without the requirement to stay at Starbucks upon graduating. The major advantage is connection will bring higher education within reach of the busy employees, who often hold multiple jobs, and generally ensure increased career opportunities in their lives (Choi, 2014).

While this college education initiative shines a very positive Public Relation light on the company, Schultz emphasized that his motives were primarily aimed at assisting those who yearn to get ahead in life, and driven by a reflecting on his own background as a first generation college student in his family. Given the soaring student loans of our times, Starbucks' employees are generally excited about the program, even though some commented on the limitations of online education versus the in-class interactive experience and the fact that the options are limited to only one university at this time (Choi, 2014).

While, at the freshmen and sophomore stages, Starbucks employees pays significantly reduced tuition fees thanks to Starbucks/ASU scholarships supplemented by traditional financial aid programs such as Pell Grants, those who enter at the junior and senior stages, do not pay a penny out of their own pocket: Starbucks reimburses it all (Choi, 2014; Weinberg, 2014). Due to an overwhelming interest in business education from the side of the Starbucks employees, ASU has adjusted its online curriculum to facilitate the increased demand through a Bachelors of Arts in Business with a concentration in retail management, soon to be followed by additional concentrations in global logistics, global leadership, and sustainability (Weinberg, 2014).

Helping with the Unemployment Problem

Everything happens for a reason. The fact that Starbucks CEO Howard Schultz grew up in a poor family may have contributed to his socially responsible mindset, translated in a quest to help solve economic problems. As an example, the Starbucks foundation has been supporting a campaign called "Create Jobs for USA", which focuses on funding job development in deprived areas (Saporito, 2012). One of Starbucks' specific actions within this scope is an increased collaboration with struggling companies, such as an Ohio-based ceramics company, to purchase their products for sales in Starbucks stores. Aside from helping these companies staying afloat, Starbucks also donates part of the profits from these sales to the aforementioned cause. Starbucks' fundraising campaign for "Create Jobs for USA" has thus far brought in more than $10 million, of which $5 million was donated by the Starbucks Foundation (Saporito, 2012).

A Sensible Promotion Policy

One of the well-known strategies of Starbucks is their aversion to conventional and high-priced advertising. Instead of engaging in million dollar campaigns through radio, television, newspapers, and magazines, Starbucks directly addresses its main customer base through the venues where they meet: online. The Facebook generation also happens to be the Starbucks generation. It may therefore not come as a complete surprise that Starbucks has more than 30.5 million Facebook followers (Saporito, 2012).

Fairness in Coffee Trade

When it comes to the topic of fair trade, there is need for some caution. Starbucks prides itself in being listed as a Fair Trade (FT) corporation, as part of the company's response to consumers' growing desire to use healthy and safe products, of which the production is not harmful to the environment and which is fair to producers. However, Renard (2010) claims that Starbucks, along with other major corporations, has engaged in using social responsibility as an instrument of economic competition. As it turns out, Starbucks received its FT certification from TransFair USA in 2000. However, up to five years after the certification, only 3 percent of Starbucks' coffee was FT certified (Jaffee, 2007). In later years, this percentage rose to 6 percent, which entails that "the vast majority of their coffee is produced according to Starbucks own norms (rather than FT standards), [while] the company as a whole benefits from the image that the FT label provides them" (Renard, 2010, p. 290). Renard also points out that Starbucks enjoys the advantages of free promotion from Non-Government entities as well as national FT-based initiatives.

Yet, as is most often the case, Starbucks' involvement in the FT movement did have some positive impact:

- A number of the farms that were delivering their beans to the company were allowed into the FT registry, thanks to the influence of this corporation.
- Starbucks has been negotiating with various fair-trade based organizations to establish an integrated auditing process, thus making the FT certification process more transparent.
- Starbucks has announced that it will double its procurement of certified FT coffee, making it the largest purchaser of FT coffee in the world (Renard, 2010, p. 291). The company has held true to this pledge, because by 2009 the company had elevated its purchase of fair trade coffee to 39 million pounds or 10 percent of its total volume (Jaffee, 2012). Yet, the percentage fluctuates, and in 2013, a reduced amount of FT coffee purchasing was reported on Starbucks' corporate website: 33.4 million pounds or 8.4%. In addition, Starbucks purchased 4.4 million pounds (1.1%) of certified organic coffee in 2013 (Starbucks Corporation, 2014).

Within the scope of coffee assessment, there is reason for concern beyond FT standards. Jaffee (2012) points out the questionable structures of certification processes, especially when powerful global corporations such as Starbucks and Nestle are involved. He distinguishes between first-party and second-party certifications, both of which leave ample room for partiality in assessment. In the case of first-party certification, which Starbucks implements through its "Café Practices" system (p. 98), self-regulation is implemented without verification from an intermediary. In second-party certification there is some broader review by an industry segment or association, however, neither the process nor the findings are verified by independent, impartial third parties. Fortunately, Fair Trade certification is a third party certification, which means that it is at least intended to be conducted by independent, neutral, rigorous auditing bodies.

Building Synergistic Relationships

When reviewing Starbucks from an even broader perspective, one in which Corporate Social Responsibility (CSR) is considered more generally, a number of interesting performances surface. An examination of the Starbucks annual reports teaches us that the company heavily relies on synergistic partnerships. "The first three stakeholder relationships discussed in their 2004 annual report are – in this order – partners (employees), customers, and coffee farmers" (Kleinrichert, 2008, p. 482). For small scale farmers there is an affordable credit plan, and the communities in which Starbucks operates. Schultz repeatedly states in his annual reports that he strives for collaborations that transcend direct economic benefits. Kleinrichert underscores that ally-building as part of Schultz' model of corporate community involvement is not just laudable, but also ethically significant.

Within the socially responsible view, one should not overlook the importance of the customer. Starbucks has not done so, as can be gathered from several sections above. Talpau and Boscor (2011) underscore, "Starbucks' strategy has been customer-oriented even from the beginning. They placed the customer at the center of their entire activity, offering a high level of value and satisfaction" (p. 52). The Starbucks CEO, Howard Schultz, has recently joined synergistic forces with fellow billionaire Oprah Winfrey to launch the Teavana Oprah Chai Tea, which will be made available in Starbucks stores as well as the recently acquired tea chain Teavana. The social responsibility aspect has not been ignored in this new initiative, because the sales proceeds will be allocated to education-based philanthropic ventures, among which the Oprah Winfrey Leadership Academy for Girls, Oprah's South African girls' boarding school (O'Connor, 2014).

In an extensive analysis of the Starbucks experience as the comfort zone aside from home and work, Talpau and Boscor stress that both employees and customers perceive Starbucks as a unique experience and even as an entire culture. They also cite Schultz's now famous customer-driven words, "We aren't in the coffee business, serving people. We are in the people business, serving coffee" (p. 53).

CONCLUSION

This Starbucks chapter reviewed the most critical strategic changes, as well as a selected cluster of areas in which the Starbucks Corporation has distinguished itself responsibly as of late. Rather than adhering to an endless cycle of incremental changes, as so many corporations execute, Starbucks has consistently chosen to go for bold differences, from their redefined caution in local, regional, and global expansion, to the way they ensure benefits for their "partners"; from their involvement in social problem solving to their unique approach to positioning their brand; and from their ongoing efforts in fair trade to their foundational focus on synergistic relationships. This chapter should not be seen as a stamp of unconditional approval of the Starbucks Corporation, because, like any performing entity, the company has made its share of mistakes, which can be gathered from many instances, and most definitely from Schultz's urge to reclaim the driver's seat after discovering irresponsible strategic developments in the company. Yet, Starbucks has proven itself a worthy warrior in the global corporate arena: one that fights in fairness and tries to stay away from punches below the belt.

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KEY TERMS AND DEFINITIONS

Coffee: A dark brown drink made from ground coffee beans and boiled water.

Education: The knowledge, skill, and understanding that you get from attending a school, college, or university.

Expansion: The act of becoming bigger or of making something bigger.

Fair Trade Coffee: A commitment based on responsible coffee purchasing practices, farmer support centers, loan programs and forest conservation efforts.

Innovation: The introduction of something new.

Social Responsibility: A company's efforts to elevate its partners, customers, suppliers and neighbors to create positive change.

Stakeholder: A person or business that has invested money in something (such as a company).

Starbucks Corporation: An American global coffee company and coffeehouse chain based in Seattle, Washington.

APPENDIX: QUESTIONS

1. Howard Schultz decided to return as the CEO of the Starbucks Corporation after almost a decade of absence. He stated that he did so because the company had lost its way.
   a. What do you think he meant by that?
   b. Do you agree or disagree with his reasoning? Please explain.
2. The case above states that the Starbucks Company was allowed to carry the FT certification with only 3 percent of its purchases actually coming from fair trade. Do you think that was a fair decision? Why do you think the organizations granted Starbucks the certification with such a low percentage of FT purchases?
3. The case mentions a number of areas and initiatives in which Starbucks stands out and behaves consciously. Which of these initiatives do you consider more important? Why?
4. In the conclusion, the authors label Starbucks a "worthy warrior" in the global corporate arena. Do you agree with this statement? Why or why not?

Chapter 15
Leading Ethically in a Culturally Diverse Global Environment

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ABSTRACT

Globalization has amplified interdependence among nations, creating an increasing need for leaders to function in a variety of cultures. Leaders face ever-expanding complexities and challenges, many of which include ethical dimensions. Lapses in ethical leadership in recent decades have resulted in the destruction of companies and harm to individuals, societies, and economies. Although many leadership theories have been offered to date, scholars and practitioners still search for answers to failed leadership. A recent theoretical construct of ethical leadership has been proposed that may offer a solution (Brown, Trevino, & Harrison, 2004; Trevino, Brown, & Hartman, 2003). This chapter addressed these issues by exploring ethical leadership as a viable theory that may be considered for use across cultures. Research consisted of interviews with experienced international managers who also held MBA degrees. The results led to recommendations for international managers in leadership positions as well as directions for future research.

INTRODUCTION

As the world shifts towards an integrated economic system, barriers to cross border trade and investment continue to decline. The world is no longer comprised of separate, protected national markets that look to their own citizens for trade and commerce. In the last few decades, growing economic interconnectedness has produced global businesses, virtual organizations, and migrating labor forces (Hill, 2011; Menipaz & Menipaz, 2011). Rapid technology advances and changing political systems have fueled the speed of globalization (Friedman, 2006). These change mechanisms have provided complexity to the evolving role of global business leaders. In this increasingly global environment, different cultures find themselves in much greater contact than in the past. This presents new leadership challenges and creates a need to understand various cultures (Javidan & Dastmalchian, 2009). Simultaneously, the twenty-first century witnessed failed leadership and the collapse of giant companies such as Enron, WorldCom, and Arthur Andersen. The financial

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mortgage crisis of 2008 presented a further sign of ethical lapses in organizational leadership. Ethical business practices and leadership are topics central to the discussion of these broken organizations and systems (Prilleltensky, 2000; Thomas, Schermerhorn Jr., & Dienhart, 2004).

These events and the changing landscape serve as a backdrop to the continual search for a universal theory of leadership. Many theories have been offered but one decisive definition has yet to emerge (Avolio, Walumbwa, & Weber, 2009; Ciulla, 1995; Northouse, 2013). A somewhat new model, ethical leadership, has been the source of recent study and research (Brown, Trevino, & Harrison, 2005; Trevino, Brown, & Hartman, 2003). This research furthers these endeavors by introducing national culture and global application in an effort to ascertain whether ethical leadership can meet the needs of the changing world economic environment.

The rise of global companies raises a question as to whether or not leadership theories can be applied universally across various cultures. International managers who function across national borders have little guidance on how to lead in different cultures (Hill, 2011). Leaders need to display skills that reflect adaptability and flexibility. Equally important, they need to establish effective communication and trust within their organizations. Leadership styles that foster trust can be an important factor in developing effective, high performing organizations (Johnson, Shelton, & Yates, 2012). New data on effective leadership practices and styles may be beneficial to global organizations.

This study examined the theory of ethical leadership and its cross cultural viability. Findings from the Global Leadership and Organizational Behavior Effectiveness (GLOBE) research project were used as a foundation upon which to test cross cultural leadership dimensions (Chhokar, Brodbeck, & House, 2007; Javidan & Dastmalchian, 2009; Javidan, Dorfman, DeLuque, & House, 2006). Ethical leadership theory was examined for compatibility with these dimensions. This study also sought to determine whether findings of universally desirable and culturally contingent leadership attributes from the GLOBE project paralleled two components of ethical leadership discovered through empirical research, transformational and transactional leadership. A qualitative study was conducted through interviews of international managers to obtain data on these questions. With the following research questions as guidance, this study sought to explore ethical leadership in a global context.

Research Question 1: Could ethical leadership be a viable cross cultural leadership style?

Research Question 2: Do the transformational and transactional dimensions of ethical leadership parallel universally desirable and culturally contingent leadership attributes respectively?

BACKGROUND

Ethics and Leadership Theories

For the purposes of this study, ethics can broadly be defined as "judgments about the rightness or wrongness of human behavior . . . When we make such evaluations, we draw upon universal principles as well as upon cultural standards" (Johnson, 2011, p. 11). Universal principles generally are not constrained by any particular cultural or religious traditions, nor by economic and social conditions. It is hoped that following them will result in an overall benefit to the full society (Hosmer, 2011). Broad categories of universal principles might include the principles of enlightened self-interest, personal virtues, religious injunctions, government requirements, utilitarian benefits, universal duties, distributive justice, and contributive liberty. The study of ethics is beyond the scope of this discussion but awareness of ethics as it relates to leadership theory and cultural differences is important. "Ethics has to do with what leaders do and who leaders are. It is concerned with the nature of leaders' behavior, and with their virtuousness. In any decision-making situation, ethical issues are either implicitly or explicitly involved" (Northouse, 2013, p. 424).

Leadership implies influence on those who choose to follow. This influence carries with it a considerable ethical responsibility and burden. Because leaders have more power than their followers they must be cognizant of their impact on others' lives. "Leadership is not an amoral phenomenon" (Northouse, 2013, p. 438). It involves values and that distinguishes it from other types of coercive influence processes. With origins tracing back to Aristotle, five principles in particular establish a foundation for ethical leadership: respect, service, justice, honesty, and community (Komives, Lucas, & McMahon, 1998). Leaders respect followers by validating their worth as human beings and displaying tolerance for opposing viewpoints. Mentorship, empowerment of others, team building, and citizenship behaviors are examples of how leaders serve others. In addition, fairness is found at the heart of their decision making. Honesty is a critical quality for leaders but extends beyond truth telling to openness and transparency. Ethical leaders do not force their opinions on others but instead attend to the interests of the community of followers (Northouse, 2013).

Many theorists and researchers have offered varying definitions of leadership (Munley, 2011; Northouse, 2013). Leader characteristics have been studied to determine who leaders are as well as their functions or roles. The leadership process of influence and how leaders behave have also been researched. Most theorists agree that leadership entails an influence process aimed at accomplishing prescribed tasks and goals (Munley, 2011; Northouse, 2013; Yukl, 2002). In searching for a definition of leadership that could be accepted by academicians and practitioners, Ciulla (1995) discussed the need to instead define "good leadership" (Ciulla, 1995, 2004) as leadership that reflects both competence and ethics.

For the purposes of this discourse, a definition of organizational leadership adopted by the GLOBE study (House et al., 1999) will be utilized. This definition reflects several views of leadership scholars on key aspects of the leadership process. Organizational leadership is "the ability of an individual to influence, motivate, and enable others to contribute toward the effectiveness and success of the organizations of which they are members" (House et al., 1999, p. 13). As a general and basic definition it does not include ethics, although a number of scholars believe ethics to be inseparable from leadership (Avolio et al., 2009; Ciulla, 1995; Northouse, 2013).

Ethical Leadership

Definitions for ethical leadership vary among scholars (Brown & Trevino, 2006a; Brown et al., 2005; Ciulla, 1995; Johnson, 2011; Sama & Shoaf, 2008; Trevino et al., 2003; Trevino, Hartman, & Brown, 2000; Yukl, 2002). A definition proposed by Brown et al. (2005) integrates aspects of various previously proposed definitions. This definition was determined through empirical study and has been adopted in subsequent research. Ethical leadership is "the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making" (Brown et al., 2005, p. 120). The definition incorporates key elements of ethical leadership such as role modeling, promotion of ethics and consideration of ethical consequences in decision making.

Ethical leaders have been found to be motivated by altruism, not self-interest (Brown & Trevino, 2006b; Northouse, 2013; Trevino et al., 2000). Altruistic leaders show a greater concern for the interests of others than for themselves.

Their actions are manifested in behaviors that include mentoring, team building, and empowering followers. McClelland's theory of motivation (McClelland & Boyatzis, 1982) indicated that effective leaders were motivated by a high need for power, a moderate need for achievement and a moderate to low need for affiliation. In applying this theory, McClelland and Boyatzis (1982) demonstrated that the need to use power can be further delineated between use of power for self-advancement and for the benefit of others. Brown and Trevino (2006b) effectively demonstrated a relationship between ethical leadership and the use of power to benefit others rather than one's self. Transformational and ethical leadership share this other centered leader motivation. Illies and Reiter-Palmon (2008) furthered this study in establishing that effective leaders direct their need for power toward the collective good and not toward personal advantage.

Transformational and ethical leadership share an emphasis on moral principles and altruistic behavior. Transformational leadership incorporates four primary factors. These include idealized influence or charisma, inspirational motivation, intellectual stimulation, and individualized consideration (Bass, 1999; Northouse, 2013). Idealized influence, or charisma, is reflective of leaders acting as strong role models. They provide a vision and sense of mission. Followers identify with and wish to emulate them. Transformational leaders generally have high ethical standards and garner the respect and trust of their followers (Toor & Ofori, 2009). This aspect of transformational leadership was found to correlate with ethical leadership in a study by Brown et al. (2005). Both use role modeling as a means by which to convey desired standards of behavior among followers. Toor and Ofori (2009) also demonstrated a significant association between ethical and transformational leadership.

In a study of executives and ethics officers, Trevino et al. (2003) verified an important aspect of ethical leadership. Ethical leadership contains elements of both transformational and transactional leadership. Values are a central part of transformational leadership (Burns, 1978). Transforming leaders inspire and empower followers to rise above self-interests and work toward the betterment of the group or organization. Leaders draw attention to values and attempt to raise the moral consciousness and standards of their followers. Followers, as part of this relational process, may rise to become transforming leaders themselves (Northouse, 2013; Yukl, 2002).

Recent empirical studies on ethical leadership found parallel elements to transformational leadership (Detert, Trevino, Burris, & Andiappan, 2007; Engelbrecht, Van Aswegen, & Theron, 2005; Toor & Ofori, 2009; Trevino et al., 2003). These elements include individual characteristics of the leader such as integrity, concern for others, behavior in line with one's moral principles, role modeling, and consideration of ethical consequences of actions and decisions.

Transactional leadership entails the use of rewards and punishments to influence follower behavior and outcomes. Leaders set performance expectations and provide incentives in order to motivate followers to achieve specified goals (Lussier & Achua, 2010; Northouse, 2013). Transactional leadership may also be utilized to ensure behavioral compliance and outcomes in line with the ethical standards of the organization.

Characteristics of ethical leadership that are similar to transformational and transactional leadership can be found in Trevino and Brown's ethical leadership model (Trevino et al., 2003; Trevino & Nelson, 2011). This model encompasses the leader as both a moral person and a moral manager.

Ethical leaders behave in a manner compatible with the qualities of a moral person. They attempt to do the right thing, regardless of whether it is observable. Executives surveyed by Trevino et al. (2000) reported that executive ethical leaders treat people right, with dignity and respect. They communicate openly and demonstrate morality in their personal lives. Since many corporate executives are public figures, their behaviors in and out of the workplace can affect employee perceptions of them (Trevino & Nelson, 2011). Consensus among surveyed executives maintained that actions in leaders' personal lives reflected on their organizations. An ethical leader does not differentiate between personal and professional morality (Trevino et al., 2000; Trevino & Nelson, 2011).

Ethical leaders make decisions based on value-based frameworks. They attempt to incorporate fairness and objectivity into their decision-making. The moral person has a compilation of traits, behaviors, and decisions, which together, represent the leader's reputation for principled leadership. These characteristics are important in establishing a trusting relationship with followers. Employees who perceive their leaders as trustworthy exhibit increased levels of pro social attitudes and behaviors (Den Hartog & De Hoogh, 2009). This pro social conduct may be exhibited in greater employee work related attitudes and actions that contribute to higher performance (Johnson et al., 2012).

The moral person is central to ethical leadership. Ethical leadership, however, depends on more than the identification of a moral leader. It depends on the leader's actions. Trevino et al. (2000) refer to the moral person as the ethical part of ethical leadership and the moral manager as the second "pillar" of ethical leadership.

Looking beyond individual leader traits, characteristics, and motivation, Trevino et al. (2003), in a study of executives and ethics officers, determined that ethical leaders actively work to encourage ethical behavior in their followers. "Ethical leaders set expectations by 'saying these are our standards, these are our values' . . . They *create and institutionalize values*. *Sticking to principles and standards* was also seen as characteristic of ethical leadership" (Trevino et al., 2003, p. 18). They do so through role modeling, communicating an organizational ethics agenda, embedding ethical accountability into the rewards system, and working to make ethics a part of the organizational environment (Brown & Trevino, 2006a; Trevino et al., 2000).

Actions by leaders serve to emphasize behaviors that are acceptable and appropriate within the organization. Leaders' conduct is visible to employees and reinforces their reputation and support of ethical values. It is another avenue by which organizational members can determine what is important within an organization. A leader's behavior must, therefore, be in sync with communicated ethical standards. Because these standards include honesty, integrity, and concern for others, the consistency with which they are followed allows employees to create trusting and stable perceptions of their leader, behavior expectations, and work environment. Moral managers accentuate the importance of ethical behavior. They make values a part of organizational conversation. Ethics are spoken of often. Ethical leaders signal through consistent talk that ethics and values are vital to both the leader and the organization. "Ethical leaders are thought to be 'tenacious', 'steadfast', and 'uncompromising' as they practice *values-based management*. These basic principles . . . don't change in the wind or change from day to day, month to month, year to year" (Trevino et al., 2003, p. 18). As an extension of verbal communication, ethical leaders use rewards and discipline to telegraph preferred conduct. Reinforcement of values in meeting goals is crucial in directing followers' behavior. It serves as a reminder that meeting performance goals and adhering to ethical standards are equally important (Trevino et al., 2003; Trevino et al., 2000).

Reinforcement of the organizational culture can be accomplished when members watch what leaders pay attention to and measure (Schein, 2009). Reward systems are one method by which both of these are embedded within an organization's daily life. Trevino et al. (2003) verified that, although perceived ethical leaders often functioned as consideration-oriented leaders, they also utilized transactional leadership skills. Transactional leadership resembles an economic transaction in which each party receives something of value as a result of the exchange. Transactional leaders can be influential because doing what the leader wants is in the best interest of the follower (Bass, 1999; Kuhnert & Lewis, 1987). They often use a combination of contingent rewards and negative reinforcement to influence followers.

Leaders convey desired expectations for performance standards and incentives in order to motivate followers to achieve specified goals (Kuhnert & Lewis, 1987). Employee attitudes and behaviors often translate into actions, thus influencing employee job performance. Determining whether a relationship exists between ethical leadership and employee attitudes and behaviors is an important undertaking in assessing the ethical leadership construct.

Ethical leaders set standards for ethical conduct and hold followers accountable for their actions (Khuntia & Suar, 2004; Trevino et al., 2003). Transactional leadership is used to further ensure behavioral compliance and outcomes in line with the ethical standards of the organization. It is important for organizations to meet their goals but to do so in an ethical manner (Trevino & Brown, 2004). By communicating the message that ethics is important to the organization, leaders signal that ethical conduct and meeting performance goals are not mutually exclusive.

Trevino and Brown (2004) posited that the reward system may be one of the most powerful methods by which ethical leaders can communicate expected behaviors. By building promotional and compensation structures that reward ethical behavior, organizations can encourage excellence in both job and ethical performance. Ethical leaders seek to encourage employee conduct that strives for excellence without sacrificing ethics.

Regardless of the size or type of business, a company's primary purpose includes maintaining viability and sustainability (Burton & Obel, 2001; McShane & Von Glinow, 2010; Thomas et al., 2004). These can be accomplished through efficiencies and the effective attainment of organizational objectives. This continual search for a successful leadership style must also concern itself with outcomes and perceived effectiveness. Although little empirical testing has been conducted to date (Brown & Mitchell, 2010; Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009; Yates, 2014), a positive relationship between ethical leadership and leadership effectiveness has been demonstrated in a small number of studies.

Leadership effectiveness was measured in a study by Khuntia and Suar (2004) as a leader's capacity to affect outcomes of employee job performance, job involvement and affective commitment. Ethical leadership was positively linked to all three measures in their study of private and public organizations in India. A relationship between leader integrity and perceived leadership effectiveness has been demonstrated in a number of studies (Brown et al., 2005; Kouzes & Posner, 2012). Ethical leadership has additionally been associated with affective trust in the leader, forecasting positive outcomes of job dedication and satisfaction with the leader (Brown et al., 2005; Johnson et al., 2012).

Ethical leadership theory appears to accept a broad view of leadership which includes both characteristics of the leader and also the influence process. The research to date has shown that perceived successful ethical leaders demonstrate characteristics of both an influence process and individual characteristics. An ethical component is incorporated which recognizes the viewpoint of those who believe that ethics separates effective leadership from ineffective leadership.

Culture

As international managers attempt to lead their organizations, culture becomes a major ingredient in the process. Culture can be defined as the pattern of shared beliefs and values that give members of a group meaning and provide them with rules for behavior. It gives further clarification to the accepted norms and codes of conduct that are not in written form (Davis & Marquis, 2005). Edgar Schein (1984, 1986) identified three levels of culture that are commonly acknowledged. These include basic assumptions, values, and artifacts. Culture is intangible, deep-seeded and sometimes invisible. Hooker (2003) described culture as "the way that human beings learn to live with one another and their environment" (p. 58).

One complicating factor of globalization that has captured the attention of international managers and scholars is culture. "The most fundamental issue in international management is the interpersonal interaction between people who are culturally different" (Thomas, 2002, p. 71). If national cultures are deep-seeded and vary from country to country, another layer of complexity is added to the international manager's job. People from different countries emphasize and value different aspects of life and business. In the 1970's, dimensions of national culture were studied by Geert Hofstede (Luthans & Doh, 2012). Five primary categories of differentiation emerged. These included power distance, individualism versus collectivism, masculinity versus femininity, uncertainty avoidance and long-term versus short-term orientation. This study focused on 116,000 employees of one company, IBM, in 40 countries (Hofstede, VanDeusen, Mueller, & Charles, 2002). Cultural knowledge was greatly increased by this study and subsequent reviews. It was a valuable tool to help managers understand that cultural differences do exist in the world. An awareness of culture can lead managers to develop skills for managing within the global arena. However, much has changed in the world in the past 30 years. Debate has surfaced as to the validity of this study in today's global environment and the choice of cultural dimensions originally studied (Smith, 2006).

Since Hofstede's earlier work, an updated research study, the Global Leadership and Organizational Behavior Effectiveness (GLOBE) program, has investigated national culture and cross-cultural leadership (House, et al., 1999). This study, begun in 1993, is ongoing and is currently in Phase III. The GLOBE project researchers considered numerous definitions of culture before reaching consensus on a single definition. Culture was defined as "shared motives, values, beliefs, identities, and interpretations or meanings of significant events that result from common experiences of members of collectives and are transmitted across age generations" (House, Javidan, & Dorfman, 2001).

Javidan et al. (2006) used findings from the GLOBE research project to conceptualize global differences in leadership among differing cultures. The GLOBE project is a longitudinal study of over 17,000 managers in 62 cultures (Javidan & House, 2001). The list of cultural dimensions studied has expanded on Hofstede's findings, evaluating differing cultures against nine cultural dimensions. These included performance orientation, assertiveness, future orientation, humane orientation, institutional collectivism, in-group collectivism, gender egalitarianism, power distance, and uncertainty avoidance. The GLOBE study showed that different countries had both divergent and convergent views on aspects of leadership. According to Javidan et al. (2006), 22 attributes (see Table 1) were found to be considered universally desirable leadership traits that contributed to leadership effectiveness. "Being honest, decisive, motivational, and dynamic are examples of attributes that are believed to facilitate outstanding leadership in all GLOBE countries" (Javidan et al., 2006, p. 75).

A second set of desirable leadership characteristics were determined to be culturally contingent. Leaders who are individualistic, status conscious and risk takers will have varying outcomes depending on their country's culture (Chhokar et al., 2007; Javidan et al., 2006). These characteristics

Table 1. Universally desirable leadership attributes

Trustworthy
Just
Honest
Foresight
Plans Ahead
Encouraging
Positive
Dynamic
Motive arouser
Confidence builder
Motivational
Dependable
Intelligent
Decisive
Effective bargainer
Win-win problem solver
Administratively skilled
Communicative
Informed
Coordinator
Team builder
Excellence oriented

are based on the culturally endorsed implicit leadership profiles identified in the GLOBE study. The GLOBE profiles included charismatic/value-based, team-oriented, participative, humane- oriented, autonomous, and self-protective.

Data from the GLOBE project were utilized in a study by Resick et al. (2006) to compare four features of ethical leadership across various cultures. The features included character/integrity, altruism, collective motivation, and encouragement, thus reflecting both characteristics and behaviors of ethical leaders. Results indicated similar definitions of these terms across cultures. Additionally, the results demonstrated that these components of ethical leadership were supported across cultures, although degrees of endorsement for each element varied among cultures. The authors thus determined these to be universally desirable attributes. Cultural variations occurred, however, in how these were each executed.

The differentiation between "cultural universals versus cultural specifics" (Javidan et al., 2006, p. 72), or cultural convergence and divergence respectively, has led to two dueling theories. The first embraces a universal leadership function that is affected by cultural variations. The second approach deems cultural factors to have far more importance. To expand on this discussion, this inquiry explored a possible relationship between the transformational aspect of ethical leadership and cultural universals. It also considered a possible relationship between the transactional components of ethical leadership and cultural specifics.

METHOD

The study described in this chapter examined two questions. Is ethical leadership a viable cross-cultural leadership style? And subsequently, do the transformational and transactional aspects of ethical leadership parallel the universally desirable and culturally contingent attributes defined from the GLOBE study findings (Javidan et al., 2006)? Participants were interviewed via phone or in person in order to provide additional insight to these questions. Interviews were semi-structured with eight opening questions (See Appendix). Additional probing questions were asked if clarification or additional information was desired. Questions were posed to ascertain whether practical field experience findings on ethical leadership in differing cultures coincided with existing theory.

Six study participants, three female and three male, were selected from a pool of graduates of an MBA program who had a minimum of 5 years of international management experience.

Participants represented different companies in varying industries, including supply chain management, information technology, energy solutions, and manufacturing. One of the companies was French, one German and the remaining global companies were American. Four of the interviewees were born in the United States, one in Canada and one in India. Collectively, their work experience involved a number of countries which were referred to in the interviews. These included Austria, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, India, Israel, Japan, South Korea, Spain, Sweden, Switzerland, United Kingdom, United States, and Vietnam.

The study was designed to provide depth and richness of data. Although the sample size was small, the extensive background of the participants provided a wide range of global management experience from which to draw. The interviewees answered the study questions using personal knowledge gained through many years of managing in a number of varied country cultures. The participants' "main credential is experiential relevance" (Rudestam & Newton, 2007, p. 107), not the largess of their number. Glaser and Strauss (as cited in Rudestam & Newton, 2007), recommended "5 to 6 participants who have been selected because they seem to have the phenomenon of interest in common" (p. 107). Similarly, Josselson and Lieblich (as cited in Josselson, Lieblich, & McAdams, 2003), suggested that the adequacy of a sample "is inversely proportional to the intensiveness of the study" (p. 268). They proposed a minimum of five and a maximum of thirty interviews in qualitative studies. The purposeful selection of participants in this study was chosen to contribute to an understanding of the ethical leadership in a global context and therefore "does not necessarily suggest random sampling or selection of a large number of participants and sites" (Creswell, 2009, p. 178). The study sample, although small, provides sufficient in-depth data to be considered satisfactory.

The qualitative design presented a means for exploring and understanding those individuals engaged in global management. In contrast to a quantitative study, this allowed for an emergence of questions and themes to build additional awareness and knowledge on the subject. Although a quantitative approach would mean a much larger sample size, it would typically be more effective in testing proposed theories and examining the relationship of variables. Engaging in qualitative research supports "a way of looking at research that honors an inductive style, a focus on individual meaning, and the importance of rendering the complexity of a situation" (Creswell, 2009, p. 4).

The study results may have been limited by the researcher's lack of international management experience. Although this may have provided a certain level of objectivity and fewer preconceived expectations, it may also have resulted in missed opportunities for additional follow-up questioning. Practical understanding of global leadership on the part of the researcher might have resulted in the emergence of additional perspectives and themes through further inquiry.

FINDINGS

One of the most significant results emerging from this study was support for the importance of examining leadership and its impact on organizations. A common theme among all interviewees was a strong sense of individualism. When asked which had the greatest influence on their performance as leaders in a cross-cultural setting, all of them stated personal leadership style over organizational or country cultures. Organizational and country cultures were given a nod as factors, but more in relation to daily functioning and duties rather than in their leadership roles. Cultures were more influential in the execution of leadership and management responsibilities. There was, however, recognition that native country culture played a role in developing a manager's leadership style. "We are not out of a vacuum. Country does shape style" (Personal communication, May 6, 2009). Two of the interviewees worked in companies with very strong organizational cultures yet both cited personal leadership style as more influential than organizational culture. The significance of entrenched company cultures was that they could overshadow country cultures, depending on the setting, but not individual leadership styles. Organizations with strong cultures tended to hire and promote managers who were compatible with their cultures.

A common theme among the participants was the view that the same leadership and management issues occur across cultures. The problems are the same; cultures just add another layer of complexity. Successful managers need to solve problems, motivate people, display knowledge, approach situations as enterprise thinkers, focus on results, communicate clearly, and maintain awareness of organizational goals. It is the environment that changes in a cross-cultural assignment. As one participant stated, "Even Palo Alto is a different culture" (Personal communication, April 29, 2009).

In their responses, all of the participants indicated that the principles of successful leadership are universal. In the practical world of managing in a global business, two levels of leadership surfaced. According to the interviewees, successful leaders know themselves well and are grounded in their beliefs and values of what constitutes effective leadership and management.

This applies in all settings. On a micro level, daily implementation requires adaptation to the environment and people with whom they interact. All interviewees were dedicated to the organization's goals and objectives.

Participants were asked questions surrounding dimensions of ethical leadership: traits, motivation, and influence strategies. Effective leadership characteristics that were cited by a majority of interviewees included being respectful, motivational, trustworthy, honest and treating others with dignity. These traits were also woven into other participant answers, possibly signaling strength of conviction. The attributes were considered by the respondents to be universal and not dependent upon environment. Traits mentioned by the interviewees with the exception of dignity can be found among the list of universal leadership traits from the GLOBE study data (see Table 1).

Participants were asked to comment on the motivation of perceived effective leaders across various country cultures, particularly personal achievement versus working for the common good. With a variation of experiential explanations, all participants stated that leaders who were admired by their followers and perceived to be effective displayed both motivational perspectives. Leaders and managers want to be successful and are achievement oriented. However, working toward the common good was a recurring theme among the interviewees. One participant asked the interviewer "Isn't everyone motivated by contributing to the common good?" The degree to which these two motivational factors impacted each leader was affected by their role in the company and by country culture.

Descriptions of participants' influence strategies with followers included a transformational style as well as a considerable discussion of transactional leadership methods. Functioning as an empathetic leader who understands the challenges facing employees and also what motivates them was voiced as essential to most participants. Empowering employees to grow and develop was important to the interviewees. Successful leaders and managers create a positive learning environment for employees and self. Lead by example and treat people with dignity and respect. Good leaders foster team work. "There is a higher goal to achieve for all of us" (Personal communication, May 6, 2009). Engendering trust was cited as a must among these leaders and permeated most responses, regardless of the particular subject of inquiry. This style of leadership was held to be universal and not culture specific.

When asked about culturally specific leadership practices, the interviewees cited examples of transactional leadership; motivating employees through rewards. Study participants all spoke of discerning which factors were important to their followers, not making assumptions or projecting their own views onto employees. Money, power, status, recognition, work/life balance, prestige, and family time were all given as possible motivators. These were considered to be culturally specific. In countries with high tax structures, money was of less concern than nontaxable benefits. Employees in the United States were described as a dichotomy of work/life balance desires and workaholic behavior in the pursuit of material possessions. One constant among the interviewees was the insight that types of motivators shift in countries as their citizens' socioeconomic status changes.

More than one of the study participants referred to the level of economic wellbeing of their employees in crafting a reward plan. In some countries, employees needed the basics of life, so personal empowerment had little meaning. Maslow's (1948) hierarchy of needs theory was cited as support for this viewpoint by one of the interviewees. Maslow posed a theory of basic needs that motivate individuals. These include physiological, safety, love, esteem, and self- actualization. Maslow further suggested that the drive to fulfill these needs serves as a motivator. The lower level needs must be satisfied first, or at least to a substantial degree. Once that occurs, their fulfillment is no longer a motivating force. According to the theory, behavior is driven by these motivators.

The first research question posed in this inquiry concerned the viability of ethical leadership across cultures. All of the study participants seemed keenly aware of both personal and cultural values and ethics. They felt strongly that differing beliefs should be respected. A theme emerged among the participants regarding balance between their personal values and belief systems and that of the cultures in which they functioned. "I tend to find a way to adapt to the culture while respecting my values. If exposed to a behavior that clashes with your morals, then you have to decide if you can resolve the tension and conflict" (Personal communication, May 4, 2009).

Ethical leadership encompasses universal traits and characteristics, altruistic motivation and influence strategies that combine transformational and transactional styles. It also implies an ethical component. Interviewees reported strong ethical and value systems. They seemed to be able to live comfortably among cultures with different value systems and still remain resolute in their own beliefs. They seemed to place greater importance on the values they deemed to be universal. This would suggest that it may be possible to employ a leadership style with an ethical element across cultures.

The study participants recounted leader characteristics and influence strategies that were compatible with an ethical leadership style. Leader motivation was congruent with ethical leadership theory but the data were not as extensive or conclusive as leader characteristics. Therefore, the study results suggest the possibility that ethical leadership may be a viable cross cultural leadership style but call for further investigation.

The second research question of this study considered whether the transformational and transactional dimensions of ethical leadership parallel universally desirable and culturally contingent leadership attributes respectively. The combination of universal use of a transformational leadership style and a culturally specific transactional leadership style as described by the study participants raises the possibility that ethical leadership may fit well with universal and culturally contingent attributes theory.

Transactional leadership resembles an economic transaction in which each party receives something of value as a result of the exchange. Transactional leaders use rewards and punishments to influence follower behavior and outcomes (Kuhnert & Lewis, 1987). Employee attitudes and behaviors often translate into actions, thus influencing employee job performance. As described above, the global managers in this study adjusted their reward systems to reflect desirable incentives within differing cultures. This suggests a culturally contingent approach. The study participants' successful use of transformational leadership style across different cultures resembles a universally desirable attribute. In support of this, many of the universally desirable leadership attributes defined in the GLOBE study (see Table 1) are found in the tenets of transformational leadership. These emerging themes encourage the prospect of additional research and investigation. Aiding organizational leaders in effectively managing across borders and cultures is vital to the success of organizations in this global economy.

CONCLUSION

The participants in this study were considered successful leaders and managers in their companies. During the interviews they recounted similar methods of leading and managing, yet they came from dissimilar backgrounds and worked in varied environments. Their accounts of experiences in global management suggested that they had little structured training or preparation. They had no field manual on successful cross- cultural leadership. The one commonality that they all had was an MBA degree. Yet in their discussions not one of them referred to academic training as a guiding factor. Today's colleges and universities may need to consider incorporating cultural literacy, awareness, and diversity into their business curriculums. Typically, international courses are content and skill focused with descriptive exposure to diverse cultures. However, cultural literacy is acquired through behavioral and experiential learning (Ramburuth & Welch, 2005). This concept was reinforced by the statements of the study participants. All of them had learned by studying the environment. "Most success is about getting the job done in different contexts" (Personal communication, April 29, 2009). It would seem fruitful to tap into this knowledge base. Future research on successful global leaders may help answer some of the questions surrounding effective leadership. Instead of applying theory to practice, new data could use practical experience to help fine-tune existing leadership theory.

Ethical leadership theory is a relatively new construct and continued research into its effectiveness is important. As the business landscape continues to change from national to global environments, research on leadership theory should encompass cross-cultural studies.

Longitudinal studies that cover longer time frames are necessary in evaluating ethical leadership which seems to be more effective long-term, rather than producing short term results. Additional probing into the effects of organizational and country cultures on global leaders could have important implications for how we train and prepare future leaders. Phase III of the GLOBE project sheds further light on leadership effectiveness across cultures. The emerging data should be utilized to further investigate the universality of ethical leadership.

The interconnectedness of economies and businesses that results from the process of globalization no longer allows for the isolation of nations. Impact from decisions made by global organizations crosses borders and cultures. As citizens of the world witness failed leadership and its consequences on an international basis, the desire to infuse ethics into the discussion on leadership may become even stronger. "The most impressive corporate leaders have always been those whose vision of a successful business stretches beyond the product and the profits to their positive impact on the world around them" (Chandler & Werther, 2014, p. 193). This research study suggests that there may be a place for ethical leadership theory in cross-cultural management. The size of this project limits its impact but provides intriguing possibilities to explore in future research.

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KEY TERMS AND DEFINITIONS

Culturally Contingent: Specific leadership characteristics and styles that are unique to national or area specific groups of people with identifiable customs and traditions.

Culture: Shared motives, values, beliefs, identities, and interpretations or meanings of significant events that result from common experiences of members of collectives and are transmitted across age generations.

Ethical Leadership: The demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making.

Ethics: Judgments about the rightness or wrongness of human behavior.

Leadership: The influencing process of leaders and followers to achieve organizational objectives through change.

Organizational Leadership: The ability of an individual to influence, motivate, and enable others to contribute toward the effectiveness and success of the organizations of which they are members.

Transactional Leadership: Use of rewards and punishments to influence follower behavior and outcomes. Leaders convey desired expectations for performance standards and incentives in order to motivate followers to achieve specified goals.

Transformational Leadership: A style of leadership in which followers are motivated and empowered to accomplish more than originally expected and to reach their highest potential.

Universally Desirable: Effective leadership characteristics and styles which are common across national cultures or borders.

APPENDIX

Research Questions

- A few questions about your educational background and work experience.
- What was the most difficult cultural issue that you faced as a leader/manager? How did you resolve it? Would you change anything if you found yourself in the same situation again?
- What leadership traits were considered highly desirable in _______ (country/countries)? Do you consider them to be different than what one would find in the U.S.?
- Did you alter your leadership style to adapt to other country cultures? If so, how?
- Are there leadership traits that you consider to be universal, effective across cultures?
- Were employees/clients in ______ (country/countries) motivated by the same incentives that might be found in the U.S.?
- In dealing with other cultures, what had the strongest influence on your leadership style: organizational culture, your personal leadership style, or country culture?
- In ________ (country) culture, would leaders be held in higher esteem if they were driven by personal achievement or a need to care for others and contribute to "the common good"?
- What advice would you give someone newly assigned to a leader/manager position in ____ (country) to help him/her succeed?

Chapter 16
Sustainability and Competitive Advantage:
A Case of Patagonia's Sustainability-Driven Innovation and Shared Value

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ABSTRACT

Sustainability and Corporate Social Responsibility have been perceived for many years by companies only as an annoyance, involving regulations and extra cost. The recent economic downturn and increasing stakeholder pressure have forced businesses to embrace the complexity and interdependencies between shareholder value and sustainable value. Sustainability-driven innovation is the key to overcoming the old conflict between economic and social objectives and, as in the case of Patagonia Inc., is paying off for a growing number of companies as it generates a sustainable competitive advantage. This chapter explores ways in which corporations can pursue economic, social, and environmental objectives simultaneously while creating shared values. It also looks into the very complex issue of measuring both the business and social impacts of shared-value strategies.

INTRODUCTION

The recent economic downturn, coupled with two of the worst ever environmental disasters and some highly questionable corporate practices, revived the long-standing debate about the role of business in society and is raising important questions about the ways in which businesses can pursue their objectives (being profitable), whilst generating positive value not only for themselves but also for the stakeholders involved in their activities – their investors, their employees, their suppliers, the communities where they operate and the natural environment (Kanter, 2011).

Modern communications systems, such as social networks – Facebook and Twitter – and on-line media offer people the opportunity to have access to more information faster than they did in the past. Companies, therefore, cannot hide their activities anymore and, for this reason, over the last 15 years an incredible number of disasters and unauthorized activities have come to public

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light, mostly caused by the unethical behavior of business organizations. Here are some dramatic examples:

- Top managers of Bear Stearns and Lehman Brothers earned a shocking $1.4 billion and $1 billion in emoluments and bonuses respectively in the eight years preceding the bankruptcy of their companies (Bebchuk, Cohen, & Spamann, 2009). Were they maximizing value for their shareholders or for their own personal interests?
- In China 14 workers making Apple products committed suicide. As a consequence, instead of increasing the quality of working conditions, Cupertino's company obliged their subcontractors to make their employees sign a pledge to not commit suicide (Chamberlain, 2011).
- According to a survey conducted by Trucost on behalf of the United Nations, in 2008 the world's biggest companies polluted or caused damage to the environment amounting to $2.2 trillion (Young, 2010).
- On April 20, 2010, an explosion destroyed the Deepwater Horizon causing the death of eleven workers and the release of 4,9 millions of barrels of oil into the Gulf of Mexico. The well was eventually capped on July 15. The total damages to BP, the environment and the U.S. Gulf Coast economy are estimated to be $36.9 billion (Smith et al., 2011).
- On March 2011 a huge earthquake and tsunami struck the Fukushima Daiichi nuclear power station. The nuclear bars in the reactors' cores overheated causing the explosion in the reactors. "Radioactive material released into the atmosphere produced extremely high radiation dose rates near the plant and left large areas of land uninhabitable, especially to the northwest of the plant. Contaminated water from the plant was discharged into the sea, creating international controversy" (Holt, Campbell & Nikitin, 2012).

All of this has been creating a growing mood of protest among ordinary citizens. Many non-governmental organizations (NGO) are actively lobbying governments to increase the level of environmental accountability for business organizations and national and local governments are also trying to carry out a difficult mediation between business organizations and communities. The promoters of these protest movements, among them the famous "We are the 99%", maintain that the world of business and finance are only interested in short-term profits, while completely neglecting problems regarding the environment and sustainability.

The moral case for social responsibility boils down to a simple concept: It's the right thing to do. Until recently, business organizations have been asked to change their economic policies by leveraging themes such as "responsibility", "ethics" and "environment". Needless to say, these requests have mostly been ignored, as shown in the previous examples. Companies often only partially recognized the benefits that these changes could bring with them. However, a business case for social responsibility is slowly but steadily taking shape showing that it is more and more in the enlightened self-interest of companies to be good citizens and devote some of their energies and resources to the betterment of such stakeholders as employees, the communities in which they operate, and society in general (Kakabadse, Rozuel, & Lee-Davies, 2005). Public pressure has also dramatically increased, leading companies to start integrating sustainability into their way of doing business.

In 2010 United Nations Global Compact and Accenture carried out an important study on sustainability during which more than 750 CEOs and about 200 entrepreneurs, company directors and political leaders were interviewed (Lacy et al., 2010). This opinion poll was very useful for understanding what managers think about sustainability today. Firstly and most importantly, more than 93% of the 750 CEOs surveyed believed that "sustainability issues will be critical to the success of their business" and 95% believed that in the future sustainability will be "fully integrated into the strategy and operations of a company" (three years before it was 72%). Secondly, when asked how long it will take, 10% of those CEOs forecast that it will take within 5 years to fully implement sustainability, 54% within 10 years, 80% within 15 years. Only 3% of them believe that it will never be reached (Lacy et al., 2010).

It is interesting to see how, counter-intuitively, CEOs believe that the economic crisis has not slowed progress towards sustainability but, on the contrary, 80% of them believe that it "has raised the importance of sustainability as an issue for top management". As a consequence 91% of them stated that their companies "will employ new technologies to address sustainability issues over the next five years". Over and above this, 72% of the interviewees feel that brand, trust and reputation are the most influential factors in taking action on issues regarding sustainability, which is a sign in itself of the changing times.

To fully understand the scope of this change, it must be remembered that William Ruckelshaus, the first Administrator of the US Environmental Protection Agency, declared that "Sustainability is as foreign a concept to managers in capitalist societies as profits are to managers in the former Soviet Union" (Hart & Milstein, 2003). Things are finally changing and western companies have come to understand that to perpetuate last century's economic success they must re-invent themselves by embracing a new paradigm that adds the sustainability of their strategic choices to the profit equation, at the risk of declining in favor of emerging economies.

Since 2008-2009 leading multinational firms have been experimenting with their business models in order to move from a philanthropic vision of sustainability, where economic objectives are separated from social and environmental ones, to more integrated strategies (Pies, Beckmann, & Hielscher, 2010; Ciravegna, 2012). The lack of links between the business model and strategy of a firm and its sustainability initiatives entails the latter risk becoming little more than marketing exercises aimed at improving corporate image, which raises a doubt with regards to the utility of having self-standing "Corporate Social Responsibility" (CSR) divisions and managers (Rattalino, 2014). If true impact on stakeholders is limited, CSR activities risk further alienating the stakeholders that firms intends to benefit, which are likely, in the medium and long term, to realize the gap between declared objectives and outcomes. In contrast to this, firms that do integrate their sustainability activities in their business model and core strategy formulation can truly have an impact, thereby ensuring that their investments are not pure philanthropy or marketing, but part of a new way of doing business, whereby cooperation and synergies lead to superior value creation (Porter and Kramer, 2011).

Nowadays sustainable strategies and business ethic are becoming pivotal in determining the success or failure of an organization (Jamali, 2008). They affect a company's reputation and help to define a business model that will thrive even in adversity (Amit & Zott, 2012). Many leading companies realize that an innovative sustainability strategy, aligned with goals and resources, delivers a competitive edge (Berns, Townend, Khayat, Balagopal, Reeves, Hopkins, & Kruschwitz, 2009). This competitive edge allows these companies to increase their profits and take advantage of opportunities in new markets (Khavul & Bruton, 2010).

Corporate managers are concluding that sustainability initiatives help cut costs and save money, particularly in environmental programs;

drive innovation of new products and business models; and help to future-proof overall corporate strategy (Barton and Wiseman, 2014). Sustainability demands a broad view of issues and impacts, as well as a working understanding of what the company does and how (Nidumolu, Prahalad, & Rangaswami, 2009). However, not considering the most advanced companies, a great portion of business organizations seem not to have the experience and expertise required to quickly and effectively develop frameworks to overcome the conflicts that naturally emerge among economic, social and environmental objectives - the so-called triple bottom line (Elkington, 1994). As a confirmation, the difficulty of implementation is mentioned by 49% of CEOs from United Nation's survey stating "complexity of implementation across functions as the most significant barrier to implementing an integrated companywide approach to sustainability" (Lacy et al., 2010).

Together with the difficulty of implementation, comes the need to overcome the old way of assessing corporate performance (profit as the only credo) and to find a new framework that can allow managers to clearly measure corporate performance along all the three relevant dimensions of sustainability. "CEOs believe that the new era of sustainability will bring with it a new way of assessing corporate performance. This will be characterized by a shift away from focusing solely on financial profit and loss to a broader, long term understanding of value creation that acknowledges every business action has an impact on society and the environment" (Lacy et al., 2010). The CEO of Alcatel-Lucent said that "We need more from business than just profit", while another CEO said that "A truly socially responsible company will not only have to serve shareholder and analysts but all stakeholders and society more widely" (Lacy et al., 2010).

SUSTAINABILITY THROUGHOUT HISTORY

The topic of exploitation of the environment by humans isn't new, it can be said that it is as old as the world itself, but only during the first industrial revolution did it reach paroxystic levels. In 1792 William Blake wrote "London", in which he described a society vituperated by social problems such as pollution, child labor, and abuse of women. Over 200 years later, child labor has not been eradicated, pollution has increased exponentially and women haven't achieved de facto equality with men, at least in the business world.

For a long time sustainability was not a major concern and only came back in vogue in 1972 when Meadows et al. published the book "*The Limits to Growth*", a research commissioned by the Club of Rome to the Massachusetts Institute of Technology (MIT) based on a system dynamics computer model to simulate the interactions of five global economic subsystems such as population, food production, industrial production, pollution and consumption of non-renewable natural resources. Essentially, the message that came across from The Limits to Growth modeling was that continued growth in the global economy would certainly lead to the exceeding of planetary limits at some point in the 21st century, resulting in the collapse of the population and economic system. However, according to the Club of Rome, that collapse could be avoided with a combination of early changes in behavior, policy and technology. The results of this study have been supported by the following researches based on data covering the period between 1970 and 2000 (Turner, 2008).

Today any attempt to define sustainability must start from the one given in the report compiled by the Brundtland Commission in 1987, which stated: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs". It contains within it two key concepts (Turner, 2008):

- The concept of 'needs', in particular the essential needs of the world's poor, the so-called base of the pyramid;
- The limits imposed by technology and social organization on the environment's ability to meet present and future needs.

Besides the above definition, sustainability in business terms is very often referred to as the "triple bottom line", a definition first coined in 1994 by John Elkington. His argument was that companies should be preparing three different and separate accounts, thus bottom lines. The first is the traditional measure of corporate profit - the "bottom line" of the profit and loss account. The second is the bottom line of a company's "people account" - a measure of how socially responsible an organization has been in its operations. The third is the bottom line of the company's "planet" account - a measure of how environmentally responsible it has been. It can be said the triple bottom line (TBL) consists of three Ps: Profit, People and Planet. It aims to measure the financial, social and environmental performance of the corporation over a period of time, in order to take into account the full cost involved in doing business.

Although it may be true that there is a general consensus regarding the topic of sustainability, this is not the case when it comes to understanding how to pursue it (and measure it). In fact, since the definition of sustainable development was first posed there has been an ongoing debate about the right way to realize the claim for "inter- and intra-generational fairness" (Brundtland, 1987). There have been many attempts to operationalize this rather elusive goal, but without doubt the preservation of the ecological system played, and still plays, a major role (Daly, 1996).

Politicians tried all kinds of environmental policy instruments, ranging from regulations and international agreements over taxes or transferable permits to subsidies that might help guide the economy to a more sustainable path. However, many of the actual attempts, like the European CO_2 trading scheme, did not achieve the predicted and desired results. One obvious reason may be a flawed implementation of the environmental policy, but not all shortfalls can be explained thereby. A far neglected issue may be the reliance on theoretical predictions of the instrument´s effects which are just not correct. This inadequacy of prediction results primarily from the underestimated complexity of the ecological and the economic system as well as the connection between the two.

Pursuing sustainability means facing the great challenge of transforming the systemic problems that afflict capitalism into real opportunities, and thus guaranteeing a sustainable growth to humankind. Business organizations should have taken this paradigm shift upon themselves, but apart from a few isolated cases, the declarations of intent were not followed up by concrete action. That is why almost all governments in the world (with various levels of enthusiasm and energy) have tried to address the problem and set rules to make businesses more sustainable. Up to now these ventures have not encountered much success, particularly because they are often perceived by the companies as outside interference, aimed more at undermining their global competitiveness than strengthening their competitive advantage. But in recent years consumer concerns and employee interests have changed drastically, forcing companies to put sustainability on the top of their list of priorities: "business leaders face a choice: they can reform the system, or watch as the government exerts control" (Barton, 2011).

SUSTAINABILITY AS A BUSINESS OPPORTUNITY

Until recently the concept of sustainability has been aimed at meeting citizens' needs rather than those of the business world. In particular, sustainability is seen as the right to live in a clean world and the duty to preserve it for future generations. But that is not how business organizations should look at the problem: "managers can no longer afford to ignore sustainability as a central factor in their companies' long term competitiveness" (Lubin & Esty, 2010). Companies that fail to acknowledge this will end up losing both competitiveness and market position. There are two main reasons for this: firstly, the forthcoming depletion of natural resources is a fact, therefore finding different supplies for business means beating competition in the race to grab those scarce and expensive resources; secondly, sustainability simply means extending a strategy's time horizon, and anticipating competitors through continuous innovation that, by definition, must represent a benefit.

A study by Goldman Sachs in 2007 clearly shows that 72% of companies committed to overcoming environmental, social and governance issues outperformed their peers over the same period (Ling et al., 2007). A similar study carried out by MIT Sloan Management Review and The Boston consulting Group five years later clearly confirm that sustainability is paying off for a growing number of companies and generates sustainable competitive advantage firmly rooted on innovation (Kiron, D. et al, 2013). It is not a coincidence, in fact, that there are many success stories of companies that benefitted from the implementation of policies for sustainability.

In 2012 3M, for example, declared that its program for the reduction of pollution helped the company to save about 1.4 billion dollars in 35 years, as well as avoiding the emission of 1.5 million tons of gas, mostly generated by solvents and paper waste (3M, 2012). It would have been interesting to know what their competitors thought at the time they implemented the program in 1975, and what they think of these figures today. Another example comes from Singapore. Although it had obtained its independence from Malaysia, Singapore had not solved one of its biggest problems: its totally unsustainable need to get water piped from Malaysia. Hyflux had developed water treatment programs and after having helped Singapore to sort out its water scarcity problem, went public and became a big international company (Grayson et al., 2008).

The growing concerns regarding sustainability are influencing workers in their choice of employers, who now take into serious consideration the reputation of the company when seeking employment. The importance of human capital in today's economy accentuates this trend and obliges companies to implement necessary changes so as to avoid losing the best resources on the market (Grayson et al., 2008).

Given that sustainability is a central factor for the success of businesses, which elements have hindered its spread? There are two main reasons for which CEOs have had a hard time putting this issue at the center of their strategies:

- **Market Impatience:** All too often the attention of managers is on areas of business that directly concern stock value, especially in the short and medium term. Although focusing solely on the shareholder value is a very important aspect, today it isn't enough anymore, as it overlooks a series of problems and opportunities (Grayson et al., 2008). Unfortunately though stock analysts do not rate positively companies that do not optimize their immediate profits, and for this reason the attention of top managers is strongly focused on short-term profits. Consequently attempts at innovation in the long term are simply put aside because they do not help generate short term profits (Di Giuli & Kostovetsky, 2014).

- **Difficulty of Implementation:** Businesses can reap the benefit of sustainability only with real innovation in management practices, business models and market infrastructure. As Dana Bena, PepsiCo's senior director of sustainable development, says: "These are clearly within the bull's-eye of sustainable development (Kiron, D. et al., 2013). Of course real innovation is difficult to achieve and implement and the complexity is also increased by the fact that "sustainability will touch every function, every business line and every employee" (Lubin & Esty, 2010).

Short-term focus and difficulty of implementation are the main obstacles to the implementation of sustainability. However some frameworks and practices can be used to translate sustainability into economic terms so that companies and stock analysts can better understand the strategic components of sustainability and overcome the obstacles mentioned.

A FRAMEWORK FOR INTERPRETING THE VALUE OF SUSTAINABILITY

In 2003 Hart and Milstein developed a model for the analysis of value creation for shareholders that put together two important factors that define sustainability:

1. **Time:** The vertical axis captures the need to achieve short term results while working on the generation of future results. It can be seen as an attempt to overcome short-termism, although the short term is still taken into account.
2. **Focus:** The horizontal axis captures the need to protect internal capabilities while infusing the firm with new perspectives and knowledge from the outside.

These two dimensions create a matrix of four quadrants: cost and risk reduction in the internal and short-term perspective; reputation and legitimacy in the external and short-term perspective, innovation and repositioning in the external and long-term perspective, and finally growth path and trajectory in the external and long-term perspective (Figure 1).

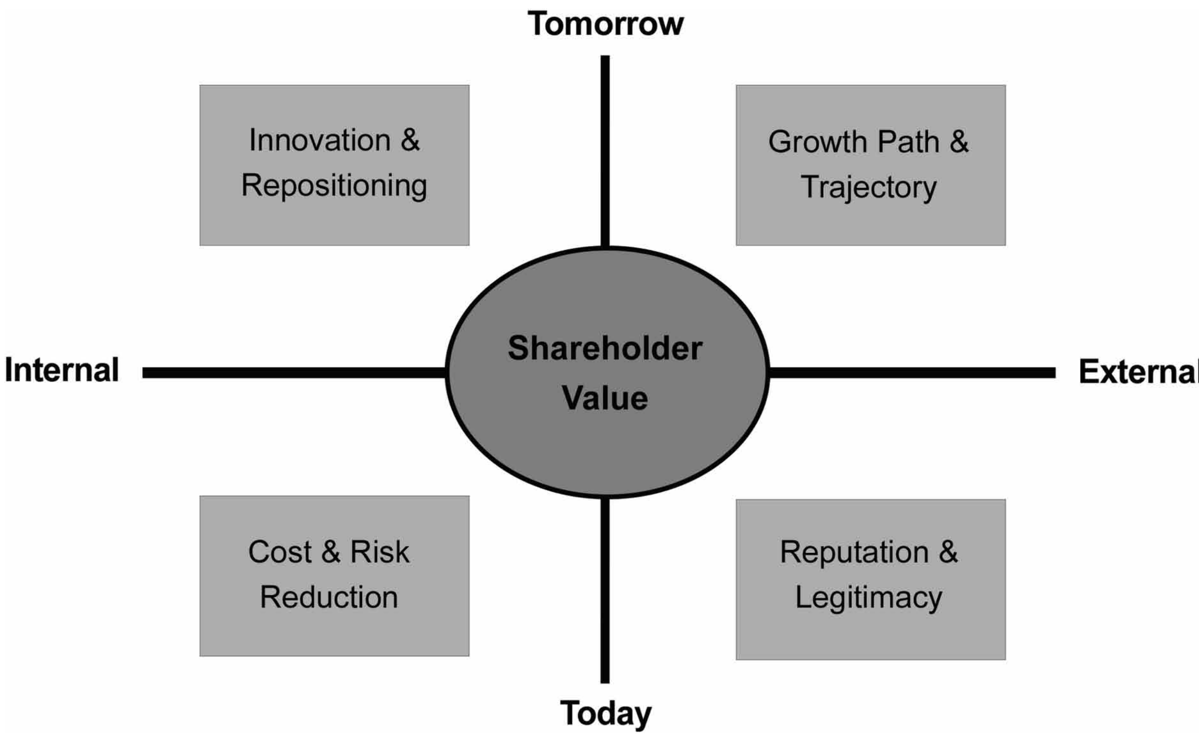
Cost and Risk Reduction

The objective of cost reduction can be summarized with: "more output with less input". This could be done through the reengineering of processes in order to eliminate waste, especially in terms of both material and energy consumption. Today there are already valid techniques that can be used, such as the adoption of standards such as ISO 14000 and other environmental management systems that guide companies in this process review.

Ideally these management skills should be developed internally: waste reduction is not a one-off project, but rather a continuous process of improvement that evolves while technology and waste management knowledge evolve.

No waste means less input, which means cost reduction and therefore higher profits: this is something that increases shareholder value immediately. Pressed by public opinion, governments have raised the bar regarding the environ-

Figure 1. Key dimensions of shareholder value
Source: Hart & Milstein, 2003.



ment. Companies that do not quickly adapt to the new standards run the risk of being penalized in the near future. Furthermore, the elimination of energy waste means reducing the impact of an increase in the price of energy, if not eliminating it completely if new energy sources are renewable and therefore not scarce.

Reputation and Legitimacy

Direct stakeholders (such as consumers, employees, regulators and shareholders) are not the only ones who companies have responsibilities toward; in fact informal stakeholders (communities, citizens, non-profit organizations, etc.) cannot be ignored. In general it is not enough for companies to respect their contractual obligations, but they must also take into serious consideration other implicit responsibilities that arise from customer expectations, working standards, and so on. These informal obligations have practically become more stringent than formal ones, because ignoring them could seriously damage the company's reputation and consequently its activity. At the end of the 1990s Nike faced a serious negative impact on its business because of the scandal regarding the exploitation of child labor by subcontractors in Cambodia and Pakistan (Klein, 1999). Furthermore, these implicit responsibilities are more difficult to define because they tend to evolve over time. For instance, until a few years ago it would have been difficult to imagine tobacco companies being held responsible for the health of smokers, but today they are widely being accused of aggressively commercializing products that create a dependency. (Bonini et al., 2006).

In this context the protection and strengthening of the company's reputation has become an important issue. This can be done by extensively engaging all stakeholders, both formal and informal, and increasing their awareness of the company's intentions and activities in order for business organizations to increase confidence in what they are doing and will do, and resolving potential conflicts with stakeholders from the very beginning. This process is called "product stewardship" (responsible product management).

By becoming more "social" and "green", companies can even appeal to a larger number of potential customers who are sensitive to those issues or at least avoid the risk of losing some of them. In fact, consumers who are sensitive to the sustainability of products and services they buy represent a considerable slice of the market today (more than 30% in four of the world's ten biggest economies) and are likely to increase in number in the future (Grayson et al., 2008).

It's vital therefore to concentrate on the stewardship of existing products and services, thereby generating a positive impact both on their current value and on potential benefits for future company performance.

Innovation and Repositioning

Sustainability is a megatrend, just like Information Technology (IT) in the 1980s. At that time many firms did not realize the importance and the revolutionary change that IT was bringing into industry and were swept aside as a result. If today sustainability is still just an option, tomorrow it will certainly be an essential factor in leading and competing in business (Lubin & Esty, 2010). For this reason business organizations should reposition their strategy on the axis of sustainability and heavily invest in overcoming the core technology of their own businesses, even if this can totally disrupt the technology upon which their own businesses are currently based. One can consider, for example, how hybrid traction technology will change the car industry. Breaking the technological paradigm of an entire industry today will mean becoming the leaders of that industry tomorrow. The drawback of this repositioning is that big investments can take many years to pay dividends. Companies must understand that not investing in that sector could really mean risking their businesses when their competitors prove to have made progress in that direction.

Growth Path and Trajectory

As every entrepreneur knows, a market characterized by very little competition is preferable to one where competition is fierce. However, most companies insist on the same target customers: basically the one seventh of the world's population that lives in rich countries. To embrace a more inclusive model of capitalism that can finally satisfy the needs of the so-called "base of the pyramid" is the challenge that companies must face when they think of their own future growth. Companies that will find a way to unlock the potential of the less exploited markets will surely be able to capitalize on them.

Some surveys have shown that the reason most companies are not interested in these markets is because they often have an outdated or incorrect view of them. However, companies that invest the necessary time in studying the potential of these markets manage to create successful new products or services. Let's consider the cases of Grameen Bank or Hindustan Unilever in which banking services in the first case and personal hygiene products in the second were strongly innovated to satisfy the needs of the rural populations of Bangladesh and India.

The main hurdle here is to find the time to study these markets and take into account that some experiments can lead to failure. However, even if a small fraction of the number of experiments attempted report success, the investment will have been worthwhile.

Companies should also explore what small local firms and NGOs are promoting, because sometimes they have valuable business ideas but do not possess the necessary expertise and financial power to develop those ideas in full.

The challenge of sustainability is complex, multidimensional and of increasing relevance, but the model presented shows that it is possible to pursue economic, social and environmental objectives simultaneously. This can happen in the short term through waste reduction that also produces economic savings and therefore an increase in marginal profits and more care for the environment.

In the longer term the situation can be more complicated but is certainly achievable through innovation and repositioning, which means rethinking the business and technology upon which that business is based. Sustainability is a potential competitive advantage for the company, which, through the identification of an alternative path, can reach important strategic objectives.

SUSTAINABILITY-DRIVEN INNOVATION

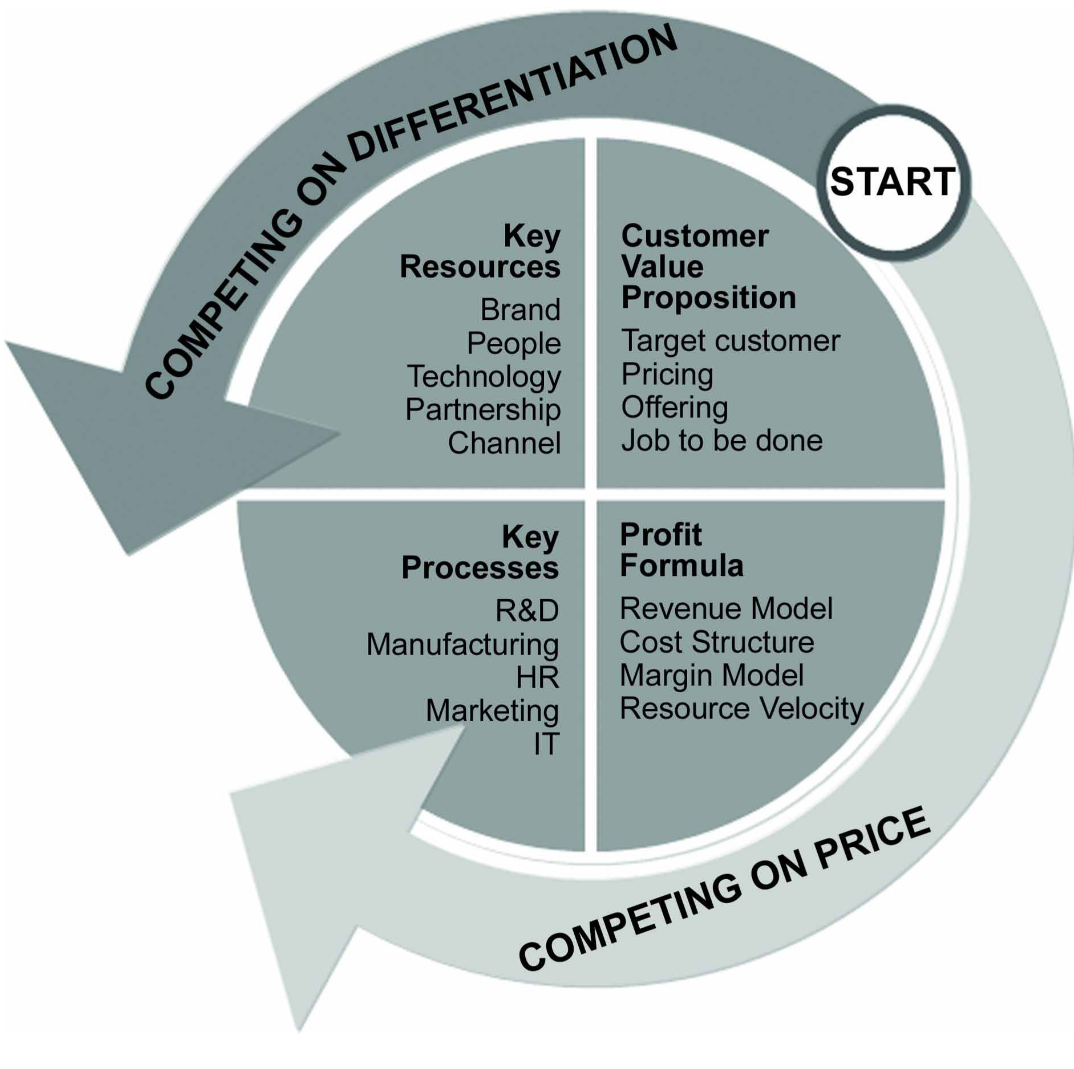
The real business world provides many examples of business organizations (3M, Nike, SAP, UPS, PepsiCo, Mondelez International, and Patagonia just to mention a few) that reached important results thanks to policies of sustainability that they had launched years before (Kiron, D. et al., 2013). The idea therefore that economic objectives and sustainability must be in conflict with one another is proven wrong by the facts. Those companies found in sustainability-driven innovation the key to translate sustainability into economic terms and overcame the above mentioned obstacles. In order to really implement sustainability-driven innovation companies must follow the following five practices:

1. **Change Business Model:** Business model innovation is key to success because it addresses customer value proposition (CVP), profit formula, key processes and key resources. Changes to the current way of doing business must translate into a new business model; only in this way can the sustainability-driven innovation be disruptive (Johnson, Christensen & Kagermann, 2008). As shown in Figure 2, in developing a new business model, organizations must always start devising a new CVP. Then, when designing business models made to compete on differentiation, they must look first at the resources and processes needed to deliver the CVP, whose costs determine the price required in the profit formula. On the contrary, when designing business models made to compete on price, organizations must proceed in the opposite way, establishing first the offering's price, then the cost structure and finally the resource required (Eyring, Johnson & Nair, 2011).According to Kiron, D. et al. (2013), companies that pursue sustainability-driven innovation across their business models by changing some key elements of their business model are the ones that report profit directly linked from their sustainability efforts (up to 59% of the companies inquired by MIT SMR and BCG). As such, being prepared to change the business model is the first key step toward sustainability.
2. **Secure Top Management Sponsorship:** Sustainability should never be a standalone effort as it gets its highest traction only if it is on the agenda of the top management. Executives must make sustainability a common and shared effort by setting goals that are tied to strategy. If this is done, the odds that sustainability translates into added profit goes from 38% to 61% (Kiron, D. et al., 2013).
3. **Measure and Track Sustainability Performance:** Translating sustainable into strategic goals and securing top management sponsorship is not enough if no measurement systems are put in place (Porter et al.

2012). Sustainability does not need just a new attitude and a shift in culture, but also a strategic approach based on real data in order to control results and modify their course if necessary. Even if it's difficult to put into practice, an integrated monitoring system is necessary as it makes use of all the advantages of a sustainable strategy. Companies that commit to create a clear business case for sustainability are almost 200% more likely to profit form it (Kiron, D. et al., 2013).

4. **Understand Customers' Willingness to Pay for Sustainable Products or Services:** According to several field studies, socially responsible products command an average premium of 17.3% to 60% when potential customers are interviewed as to what premium they are willing to pay (Tully & Winer, 2013). Although very encouraging, these statistical figures can be misleading and do not apply in the same way in different industries. For this reason it is important to always create a business case for sustain-

Figure 2. Key elements of a successful business model
Source: Eyring, Johnson & Nair, 2011.



ability projects or sustainable products, to make sure that the right target and customer needs are addressed. By doing this most companies learn that if the targeting is done properly, they can even broaden their range of market and customer needs.

5. **Effectively Collaborate with Stakeholders:** Natural resources provide enormous value to both business and society. However, much of that value is being destroyed through the suboptimal ways in which companies and other stakeholders use these complex and fragile systems. Governments, political organizations and above all NGOs can effectively cooperate with businesses helping them to frame their sustainability agenda. This is a good opportunity to get closer to customers and co-create with them new sustainable products or services and gain a unique competitive advantage (Gouillart, 2014).

THE PATAGONIA CASE[1]

The Company

In the mid-50s, Yvon Chouinard, a climbing fan from Burbank, California, installed a second-hand carbon fuelled forge in his parents' garage, and started producing pitons in ultra-resistant steel, thereby creating a product that was decidedly superior to any in commerce at that time. Since he did not have a proper shop, he started to sell his products to enthusiasts from the boot of his car. The success of these pitons brought about the founding in 1957 of Chouinard Equipment for Alpinists Inc., which in a very short time became an icon in the field. Over time Chouinard Equipment continued to bring out innovative products, such as climbing irons and picks, and the book "Climbing Ice" consecrated this modern climbing discipline.

In 1970, Chouinard understood that although the pitons were extremely useful to the aficionados of this sport, they also damaged Yosemite's rock walls. Therefore, although this product represented 70 percent of his company's profits, Chouinard decided to develop an innovative product that could substitute for the traditional climbing pitons. Within two years, the company had developed new equipment that left no marks on the rock, and that embodied the "*clean climbing*" style that was spreading in those years.

At the end of the 80s, Chouinard Equipment for Alpinists Inc. became the object of many lawsuits, not because its climbing equipment was faulty, but because of the improper use of climbing ropes in rope-pulling competitions. Requests for compensation were so high that the company was obliged to declare bankruptcy. Yvon Chouinard therefore decided to dedicate all his energies to another of his business activities: Patagonia.

Patagonia, from 1972

In 1972, during the boom of the outdoors industry, Yvon Chouinard and his wife Malinda decided to start another company that produced resistant technical garments: they would call it Patagonia.

Yvon chose this name because of its simplicity of pronunciation in many languages and because it brought to mind "romantic visions of glaciers tumbling into fjords, jagged windswept peaks, gauchos and condors". True to the previous experience, Patagonia would produce practical and highly resistant nature-friendly materials.

In the Seventies, most mountain wear was made by layering wool and cotton fabric that could absorb humidity. Patagonia started to make use of a synthetic fiber like fleece, an isolating fabric, and polypropylene, which weighed very little and did not absorb water. Thanks to numerous experiments, Patagonia became a pioneer in the concept of layering: its catalogues explained how wearing various types of garments in a specific order would guarantee both excellent insulation and moisture discharge.

Patagonia continued to innovate and took a huge risk when, in 1985, it decided to replace fleece and polypropylene, which represented once again seventy per cent of the company's income, with "Synchilla" fleece and "Capilene" polyester. These highly technical products beat the competition and became a blockbuster making Patagonia a household name throughout the United States and not merely a niche company.

The company did not stop at this success, but continued to amaze the market with a nonconformist move. The competition manufactured outdoor products in classical colors such as brown, forest green and rust, so Patagonia decided to use bright colors for its products. This was a move that would floor the competition.

Things seemed to go well. At the end of the 1980s, the company boasted a growth trend of between 30 and 40 percent year on year. Convinced that they would carry on having so much success, the company hired eight product managers, about a hundred employees, and created a very ambitious development plan.

Then one year the growth in sales was "only" 20 percent. This brought distributors to believe that Patagonia had lost some of its customer appeal and, afraid of ending up with a lot of unsold stock, they cancelled all their orders. At the same time the company's main investor was obliged to reduce credit lines for economic reasons and all of this in turn obliged Chouinard to reconsider his plans. In July 1991, the company fired twenty percent of its workers. Patagonia was a victim of its own success.

Two years later, in 1993, the company brought out *ecofriendly* Synchilla jackets that were made using recycled plastic bottles. It was once again an immediate success.

In 1994 the founder Yvon Chouinard commissioned an independent study to research the environmental impact of Patagonia's products. The study surprisingly revealed that the cotton used by the company was responsible for heavy pollution, as it required the use of big doses of insecticides and pesticides. So Chouinard decided to replace traditional cotton with a new type of *organic* cotton that, during the growing, harvesting and transformation stages, did not require the use of synthetic chemical products, but only natural products.

Although the new type of cotton cost 50% more than the traditional kind, the founder of Patagonia accepted the challenge and proposed a new standard of reference. After a few years, many other companies would convert to organic cotton, thereby setting off a price reduction. Once more, Chouinard had been right.

Patagonia Today

Today the company sells a wide range of products for men and women, from jackets to jumpers, t-shirts, trousers, footwear and many other technical products for all kinds of "silent human-powered sports done in nature" such as skiing, hang-gliding, surfing, climbing and fishing. The company has a host of athletes representing its products for all of these sports. In 2012, Patagonia owned about 23 companies in the United States, 15 in Europe and Japan and boasted a turnover of about 500 million dollars, almost the double of the turnover recorded five years before. In 2013, after the "buy less" campaign (see below) the company sales grew to 575 million dollars.

Corporate Social Responsibility

Patagonia, in addition to being known for its innovative nature and its commercial success, is famous for being one of the most socially responsible companies in the United States and is also among Fortune's "*100 Best Companies to Work for*". What's their secret? It's simple. Patagonia truly believes in Corporate Social Responsibility and uses it as a compass to guide it in defining its strategy, to the point that its mission statement is: "Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis".

Here is an incomplete list of the policies of sustainability adopted by the company:

- **Product Design and Quality:** Patagonia's mission, "Build the best product", clearly expresses the company philosophy. This product culture was already present in Chouinard's first company, Equipment Inc., and was further developed in Patagonia. In contrast to the fashion world, where design takes place starting from the fabric, in Patagonia the function of a product defines its design and fabric, that's why it's called industrial design (Esposito, 2009).

The characteristic that allowed the company to reach these levels of *social responsibility* is the care taken in its choice of materials: plastic, bamboo, organic cotton permitted an improvement in the quality of the product, the respect of the highest standards in environmental policy and has had enormous success among the public. The product's durability, for example, has improved customer satisfaction, because the equipment can be used for a lot longer, thereby reducing waste. The more versatile the product, the fewer the customers who will look for other clothes for different purposes, so the simplicity of design adopted by Patagonia allows for an item of clothing that can be worn in a variety of situations. The company's designers believe that the consumer is all too often induced to choose among a variety of products and that a multipurpose product can reduce the stress of having to choose. Furthermore, differentiating products bears directly on production costs as additional costs for energy, design, stock, catalogues etc. would be necessary.

Apple too has chosen this strategy; it makes only two series of laptops, divided into two categories and only one line of smartphones.

Furthermore Patagonia offers a complete guarantee on its products that can be repaired, through the "ironclad" initiative, at reasonable prices with an obvious benefit to both customers and the environment.

- **Recycled Products:** In 1993, Patagonia was the first company to market clothing made by recycling plastic bottles. Ten years later, the company went even further, providing incentives to its clients to return old "Capilene" clothes to shops. One of Patagonia's Japanese partner companies developed a process that was able to recycle polyester an infinite number of times, with an energy savings of about 75%. The company has always limited its use of paper, by substituting paper catalogues with electronic ones, and where impossible to do so, by using only recycled paper.
- **Non-Conventional Answers:** In 1994 Patagonia, following an independent study on the environmental impact of its products, discovered that the cotton being used was responsible for significant damage to the environment because of the use of pesticides, insecticides and defoliants. One need only consider that 10 percent of chemical products for agriculture is used for the cultivation of cotton. Chouinard was not discouraged by the fact that organic cotton cost 50 percent more and was produced in limited quantities. For him it was simply unacceptable to continue to produce in the traditional way and put aside his beliefs. He therefore decided that all the production of cotton garments would be 100% organic or

he would stop production. This was a very risky move for him to make, as organic cotton was more expensive, was more difficult to find, and because traditional cotton products guaranteed Patagonia 20 percent of its turnover. Furthermore, in the beginning cotton suppliers were not enthusiastic about the change and tried to prevent it.

To compensate the increase in cost of the raw material, strategies for the rationalization of product lines and prices were adopted: profit margins were lowered and the final sales price was increased, leaving the distributor's margin basically unaltered.

The most incredible aspect of this story is that such a simple albeit risky decision had enormous impact on the company. Patagonia registered a 25 percent increase in sales thanks to this differentiation and contributed to the success of the entire organic cotton industry in California. In fact, today, other companies are also turning to organic cotton producers. In 2006 Wal-Mart, for example, was the biggest buyer in the world. The increase in demand for this type of raw material caused a reduction in prices, confirming once more the wisdom of Chouinard's choice (Esposito, 2009).

- **Unconventional Marketing:** In 2011 Patagonia launched the "Buy less" campaign, in order to lower the environmental strain from ever-growing consumption levels (Stevenson, 2012). To put this idea into action, they partnered with eBay to enable consumers to resell their used Patagonia apparel via the Common Threads Initiative within eBay. Consumers will also be able to resell their used Patagonia apparel on a new Used Clothing & Gear section on Patagonia's website. With this initiative the company wants to influence consumer buying behavior as part of its corporate mission. It also makes consumers super loyal to its brand though as illustrated by the fact that despite the "buy less" campaign sales went up thanks to three tactics (Lowitt, 2011, October 3):
    - **Increase Prices:** Behind the Patagonia's message is that consumers should buy high-quality apparel that will last a very long time. It makes sense that such apparel would command a premium price relative to lower quality substitutes.
    - **Sell More New Apparel:** This campaign increased sales volume from two types of customers: the one who make decisions based on sustainability considerations and the one who can now sell their used Patagonia apparel for cash to buy new apparel. Indeed, John Donahue, the CEO of Patagonia's new business partner, eBay, suggested this might be possible: "Patagonia is extending its customer base and increasing it. People who are selling it are likely to turn around, take the money they got, and buy the new Patagonia products."
    - **Expand into New Categories:** Finally Patagonia is expanding its customers looking "upstream" (i.e., suppliers) by recycle clothing that has been too worn to be resold and then sells the used materials back to its upstream suppliers at a lower price than comparable virgin materials.

This unconventional marketing approach it is only likely to work among companies with a long-term orientation (Patagonia is privately held), a long-standing commitment to sustainability, and high-quality products.

- **Green Building:** Patagonia created offices and production centers in its own image. Recycled materials were used for their construction with elements such as plastic for the bathroom fittings and polyester for the floors. The use of sensors for energy saving and other innovative solutions doubtlessly increased building costs, but they also helped improve the image of the company and energy savings. In 1998, Patagonia was the first big company in California to obtain all its energy from renewable sources.

- **Care for Its Employees:** Yvon Chouinard believes that "work has to be fun". At company headquarters employees are organized in a very horizontal structure. Working conditions are excellent and employees are strongly motivated. That's why Patagonia was rewarded for being one of the best employers by Fortune magazine. Chouinard allows employees to have flexible working hours.

One example is the "Let my people go surfing" policy that allows employees to do their favorite sports like skiing or surfing, and then have a shower and go back to work. This flexibility has noticeably improved the quality of the work and has strengthened the relationship with management (Esposito, 2009).

- **Benefits for Employees:** Over and above the flexible hours, Patagonia offers its employees health insurance and other interesting benefits. The opportunity to eat a meal or have a coffee at the company's café encourages the development of personal relationships that improve teamwork. A nursery school for new mothers, the defense of motherhood and the opportunity to have personal time off are all benefits included in company policy and strengthen that sense of belonging to Patagonia that can be found in very few other companies.
- **Environmental Internships Program:** Since 1993, Patagonia has encouraged employees to leave their jobs for a couple of months to work in an environmental association of their choice. During this period they are paid by the company and they work for the association for free. The employees who have had the opportunity to live this experience strengthen company culture with their positive input, share their ideas with their colleagues and motivate the whole structure.
- **One Percent for the Planet Alliance:** Patagonia and its founder are well aware that acting alone does not produce significant change in the world. This is why they have created this alliance along with the owner of Blue Ribbon Flies. Their mission is to create a healthier world, by giving at least 1% of its profits to environmentalist organizations all over the world.

The members of the organization give their contribution directly to the organization of their choice, thereby reducing bureaucracy and encouraging transparency and a direct relationship between donor and beneficiary. Today the alliance includes about 700 companies from various industries.

- **The Footprint Chronicles:** Launched at the end of 2007, this online feature reveals how the manufacturing and delivery of Patagonia's products affect the environment. A visitor to the site can click on any product and track its environmental and social impact along its path to the store. Although the Footprint Chronicles have demonstrated that some Patagonia products have negative environmental impacts that are nearly impossible to upend, the company's presentation of fact rather than message has helped establish it as an honest, trustworthy company.
- **The Founder:** Yvon Chouinard is the promoter of the change that has molded the

> company from the beginning. The founder is a staunch environmentalist, he has established mutual respect between himself and his employees and he makes use of modern management techniques. When he decided to abandon the use of traditional cotton and changed to the use of organic, he took an enormous risk, but this man never hesitated to take responsibility for his choice and take the leap, which turned out to be a successful move (Esposito, 2009).

What really makes the difference are Chouinard's ideals. He pursues objectives he believes to be right and is prepared to take personal risks. To produce colorful jackets may seem trivial, but it was a risky choice at that time, when the most daring color was rust.

TOWARDS A NEW CAPITALIST MODEL

Throughout its history, Patagonia reached extraordinary goals both in economic and in social terms. In the early 1950s Yvon Chouinard started to make his first products in his parents' small garage. The first sales counter was his car which was more than just a symbol of America at that time. A sharp sense of business and a sincere concern for the environment led him to keep on innovating and create new products. Most companies limit themselves to adapting to changes in the macroeconomic framework and nothing more. They change company practices, behavior policies and business models simply to make room for changes imposed on them from the outside. Instead Chouinard revolutionized his field without even knowing it. He was the first to produce climbing equipment that protected the natural and artistic heritage of his beloved mountains. This permitted him to differentiate from the competition and become a product leader in that market. Was it just good luck? Maybe. Is he just an entrepreneur with a lot of business savvy? No. In fact, the feature that allowed the creator of Patagonia to achieve all of this was the ability to believe in his ideals and take a personal risk to put them into practice. When he learned about the collateral damage caused by traditional cotton farming he could not let it go. He just had to do something, so he called all of his cotton suppliers and other stakeholders of the cotton supply chain, and explained his problem. It would have been interesting to see their faces. A Californian visionary with a penchant for technical equipment was telling them, cotton farmers for generations, that they were wrong. The cotton farmed using their methods was responsible for 10 percent of all chemical products used in the food farming industry. It's easy to imagine the answers they gave him. Chouinard, however, did not lose faith and accepted tougher economic conditions, for the sake of doing what he believed in: he would only buy organic cotton.

A few decades later and we know find corporate giants like Wal-Mart are buying organic cotton. The whole Californian cotton industry has completely modified its *modus operandi*. Patagonia accepted a 50 percent price increase to have the new type of cotton and bring its project to life, it rationalized production, accepted a reduction in profit margins and increased sales prices to the end customer. How many companies would have been able to do the same? Very few. Actually, in the last few years the capitalist system has been held responsible for the main causes of social, environmental and economic problems. The economic crisis that started in 2008 has contributed to the idea that multinational companies are thriving at the expense of the community.

The appearance on the scene of social responsibility policies has not promoted the long-awaited change. On the contrary, the more companies have started taking responsibility for social issues, the more they have been accused of lacking it by society. This lack of faith in companies has induced governments to adopt policies that jeopardize competition and suffocate growth.

Companies find themselves victims of a concept of value creation inspired by the illuminist economic model, in which an "invisible hand" regulates rational and opportunistic relationships between so-called "homines economici". (Un) fortunately economic transactions are never purely rational, but rather also emotional and based on information asymmetry. The "invisible hand" that regulates the market cannot manage such a complex and interconnected system such as the global economy. By continuing to see "value" from a limited perspective and by optimizing short-term financial performance it is easy to forget customers' essential needs and ignore factors of a wider scope that determine their success in the long term (Porter & Kramer, 2011).

Some choices, that find their logic in the short term, may turn out to be very bad investments for a company. Is the decision to move production to countries where salaries are lower a good one? Will not paying debts to suppliers and leaving them in dire economic straits, really improve company performance in the long term? Does exposing unwitting clients to enormous financial risk really help create value?

In the Anglo-Saxon world the creation of value for the shareholder has always been the axis around which the whole decision process of the company revolves. The problem arises when company policy is unable to protect even the shareholders. Should the short term performance of a share satisfy the value investors, the pension funds or the traders?

These are times of low economic growth, high unemployment and low tolerance for corporate greed. People no longer accept the traditional view that business' sole purpose is to make money. The time is due for a new capitalist model to emerge in which companies make an effort to reconcile economic success and social progress. For many decades leading companies and intellectual leaders have been discussing what model to adopt to prevent opportunistic behaviors and give western industry back its edge. Although some progress has been made most companies remain tied to a "social responsibility" mentality in which social problems are not the center of strategic decisions but rather an afterthought. Rosabeth Moss Kanter (2011) suggests that by employing institutional logic – the idea that companies are more than just money-generating machines and hold the power to contribute to the greater good of society – companies can thrive despite today's changes and challenges. There are six ways in which great companies get ahead by using institutional logic:

- **A Common Purpose:** Holding purpose and values at the core of an organization's identity.
- **A Long-Term Focus:** A willingness to make short-term financial sacrifices for the sake of long-term perspective.
- **Emotional Engagement:** Influencing positive emotions to stimulate motivation.
- **Partnering with the Public:** Crossing borders for both new business opportunities and to address public concerns.
- **Innovation:** Committing to community projects without seeking immediate returns.
- **Self-Organization:** Trusting employees to make their own choices.

Dependent upon each other, the above principles work together in building institutions that, according to Kanter, "can restore confidence in business and will change the world in which we live."

Yvon Chouinard adopted, consciously or unconsciously, all the above principles, and made Patagonia a successful company. Was he alone? Fortunately not: Mahindra Group, PepsiCo, Banco Real (Brazil), Novartis, IBM, Shinhan Bank (South Korea), P&G and Cemex are some of the other companies that successfully employed an institutional logic.

The institutional view of the firm is fascinating and somehow revolutionary, since it seems to be able to reconcile the tradeoff between maximizing profits, saving the planet and doing good for society. However it is only when a company systematically creates economic value in ways that allow the creation of value for society too, by catering to its needs and solving its problems, that it can be sure that the institutional logic becomes the new capitalist model, which is grounded on the so called "shared value" (Porter & Kramer, 2011).

SHARED VALUE

For too long, companies and society have been seen as two opposing forces. Hosts of economists, on the other hand, have legitimized and spread the idea that to supply benefits to society, companies would have to limit their economic success. Up to now the growth trend of advanced economies has permitted the business and financial world to take the social context in which they operate for granted. It passively accepted the costs and viewed the standards and the program of corporate social responsibility as against its interests.

Social responsibility programs, generated as a reaction to the pressure of public opinion, were generally aimed at improving the companies' reputations and are still considered to be little more than a necessary expense. Any further effort is considered by many to be an irresponsible use of financial means at shareholders' disposal.

The concept of shared value recognizes that it's the needs of society, and not only conventional economic needs that should define the market. It recognizes that environmental damages or social problems often create internal costs for companies, such as waste of energy or raw materials, costly accidents, and the need to re-train employees who are not adequately trained at university. To meet these needs does not necessarily mean to raise costs for firms, as technological evolution, new methods of operation and managerial approaches can improve the company's productivity.

Shared value has nothing to do with personal value or the sharing of value that has already been created by the companies. Rather it means expanding the overall economic endowment of social and economic value. A company's competitiveness and the well-being of the communities surrounding it are closely linked. The company needs a healthy community, not just to create a demand for its products, but also to benefit from assets which are less tangible, but critical for the success of the company (Porter & Kramer, 2011). As for the community, it must favor the development of competitive companies to create jobs and opportunities for the creation of wealth in its territory.

Governments and non-governmental organizations do not always completely understand this inter-dependence, and quite often they get into harsh conflicts with the business world. Policies aimed at limiting their ability to compete risk being damaging, especially in the current globalized economy, where production facilities, and therefore work, are easily transferable.

Economists like Milton Friedman maintained that business contributes to society by making a profit that generates occupation, salaries, spending, investments and taxes. To do business according to this concept of capitalism meant a sufficient social benefit. The company constituted an independent element, separate from the rest of society and its problems, to the point that if a CEO was pursuing social responsibility he was literally viewed as not acting in the interest of his employers (Friedman, 1970). This perspective, that has permeated economic thought for the last few decades, has induced companies to aim for short term benefits. They concentrated on the attempt of convincing consumers to increase the frequency with which they bought their products.

The increase in number of competitors and the pressure from shareholders induced managers to restructure their businesses by reducing personnel and outsourcing production to countries with low labor costs. All of this got the companies into debt, encouraged product standardization, price cutting and a low rate of innovation, which drastically slowed the growth rate.

The communities and territories in which companies that adopt these strategies exist feel that they do not benefit from the companies' profits, but are only exposed to the negative aspects of company risks. This feeling has become stronger in this period of economic recession. The increase in profits has not compensated the high unemployment rate and other problems of the community. On the contrary, on one hand a fierce policy of delocalization and outsourcing has reduced the level of employment in advanced economies, and on the other policies for the offshoring of company profits, has reduced the taxable income, thus the contribution to the public good by the companies.

All of this has distanced the community from the company, especially if the company is multinational, in which it's hard to identify a head-office. This strategy has produced significant improvements in short-term economic indexes, but probably risks jeopardising other important ones and in turn, long-term success.

Strategic theory states that, to be successful, a company must create a specific proposition of value that is able to satisfy the needs of a certain group of customers. The company gains a competitive advantage from the way in which the value chain is set up, that is, the set of activities involved in the creation, production, sales, delivery and technical support of its products or services. Companies so far have neglected the opportunities that can present themselves when satisfying the needs of those who are at the "base of the pyramid" and have often misinterpreted the indirect impact of underestimating the damage provoked by their value chains that are so unheeding of sustainability. It is important not to concentrate too deeply on the specific business of the company, but rather widen our scope, and take the economic environment that surrounds the main activities of the company into serious consideration.

How Is Shared Value Created?

According to Porter and Kramer (2011), the paradigm of shared value begins with the experiences made in the field of sustainability by individual companies who extend them systematically. Through the creation of both social and economic value, companies can achieve the goal of shared value. To this end, companies can pursue shared value opportunities on three levels that support each other:

- Reconceiving products and markets;
- Redefining productivity in the value chain;
- Enabling the development of local clusters.

The shared value opportunities at each level will differ by industry, company, and geography, depending on how a company's particular business and strategy intersect with social issues.

Reconceiving Products and Markets

The main needs of the global economy have remained unsatisfied, and companies have wasted the last few decades asking themselves the wrong questions. The attempt to solve social problems can improve company productivity in various ways. To protect the health of employees, with health insurance policies, and with suitable working hours and workplaces, produces benefits for the whole community. Workers and their families enjoy better health and the company minimizes absenteeism and loss of productivity.

Creating shared value from reconceiving products and markets focuses on revenue growth, market share, and profitability that arise from the environmental, social, or economic development benefits delivered by a company's products and services (Porter & Kramer, 2011).

Community needs aren't unchanging, they continually evolve. The company's task is to explore social needs and put itself in a condition to discover new opportunities for differentiation and repositioning in traditional markets, as well as identify the potential of neglected markets.

Redefining Productivity in the Value Chain

A company's value chain has an influence on many social problems, like safety, working conditions or the exploitation of natural resources such as water. Opportunities for the creation of shared value arise when these social problems can determine economic costs in the company's value chain (Porter & Kramer, 2011). Often big environmental performance improvements can be achieved by using more effective technologies with a minor incremental cost and can generate net cost savings from the very start.

Creating shared value from redefining productivity in the value chain focuses on improvements in internal operations that improve cost, input access, quality, and productivity achieved through environmental improvements, better resource utilization, investment in employees, supplier capability, and other areas.

Porter and Kramer (2011) have identified the main trends towards shared value is transforming the value chain:

- **Use of Energy and Logistics:** The increase in the price of energy has triggered a process of redesigning of logistic processes with the aim of reducing gas emissions, energy and transport costs.
- **Use of Resources:** By using water and other resources for production more efficiently it will be possible to improve economic performance of the company as well as improve environmental and social aspects.
- **Procurement:** Businesses have concentrated for too long on cost reduction, delocalizing most of their production to countries with lower labor costs. Now they have realized that they have neglected quality and innovation. By extending access to production factors, sharing technologies and supplying appropriate financial support, companies can improve their productivity and that of their suppliers.
- **Distribution:** As described before, multinational companies are rethinking their distribution models to take advantage of interesting opportunities for cost containment. In non-traditional markets there are also interesting possibilities for the development of completely new services.
- **Employee Productivity:** Containment of salary levels, reduction of benefits and offshoring, may not be the best instrument for improving employees' productivity. Many companies realize that a decent salary, well-being, training and health insurance have a positive effect on productivity.
- **Location:** Globalization has allowed companies to delocalize their production plants, to places where the cost of labor is lower, leading to the creation of factories that are highly specialized in the production of a specific component. However, the increase in the cost of energy, and therefore of transport, has highlighted the lower efficiency of highly fragmented production systems and the hidden costs of long-distance purchases.

Enabling the Development of Local *Clusters*

The third approach to the creation of shared value is based on the premise that the success of every company is influenced by the companies that support its business and the surrounding infrastructure. Productivity and innovation are influenced by *clusters*, which are those geographical concentrations of linked companies, suppliers and the logistic infrastructure of a certain industry (Porter & Kramer, 2011). Silicon Valley and Italian industrial districts are a classic example.

Creating shared value from enabling local cluster development derives from improving the external environment for the company through community investments and strengthening local suppliers, local institutions, and local infrastructure in ways that also enhance business productivity.

MEASURING SHARED VALUE

Although shared value is spreading among companies at a very impressive rate, the tools to put this concept into practice are still in their infancy. In particular, a new framework for measurement that focuses on the interaction between business and social results is among the most important tools to drive shared value in practice.

Even the companies that are most advanced in pursuing shared value today lack the data they need to optimize its results. Companies cannot know the extent to which they are creating shared value if they do not measure their progress on social objectives and, importantly, the degree to which social performance improves economic value for the business. When companies do not understand or rigorously track the interdependency between social and business results, they miss important opportunities for innovation, growth, and social impact at scale (Porter et al., 2012).

Measuring shared value aims to track the progress and results of tailored shared value strategies. For each shared value opportunity, companies identify and track simultaneously both social and business results; their parallel goals are to address a social problem and improve business performance (see Table 1).

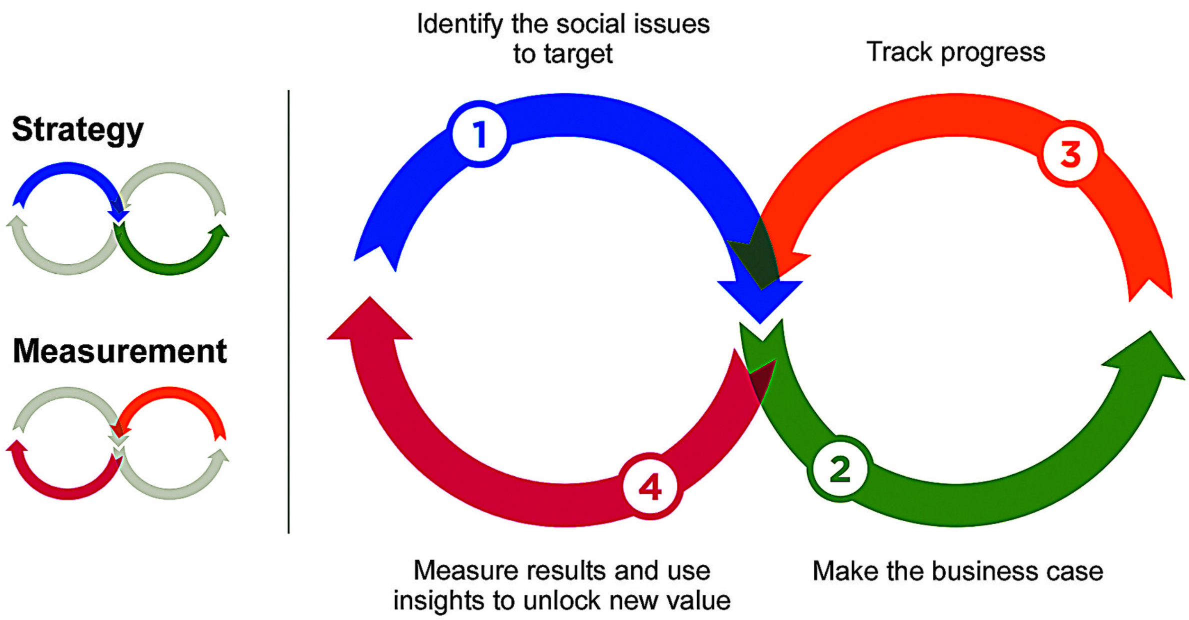
The process of creating shared value and measuring its impact is definitely iterative and totally integrated with business strategy and performance management of the company (Figure 3). To pursue successful shared value strategies, managers will need to reconsider traditional busi-

Table 1. Illustrative business and social results by level of shared value

Levels of Shared Value	Business Results	Social Results
Reconceiving product and markets: How targeting unmet needs drives incremental revenue and profits	Increased revenue Increased market share Increased market growth Improved profitability	Improved patient care Reduced carbon footprint Improved nutrition Improved education
Redefining productivity in the value chain: How better management of internal operations increases productivity and reduces risks	Improved productivity Reduced logistical and operating costs Secured supply Improved quality Improved profitability	Reduced energy use Reduced water use Reduced raw materials Improved job skills Improved employee incomes
Enabling cluster development: How changing societal conditions outside the company unleashes new growth and productivity gains	Reduced costs Secured supply Improved distribution infrastructure Improved workforce access Improved profitability	Improved education Increased job creation Improved health Improved incomes

Source: Porter et al., 2012.

Figure 3. Integrating shared value strategy and measurement
Source: Porter et al., 2012.



ness disciplines – strategy, marketing, financial analysis, operations, etc. – and apply them in new ways. By reconceiving social problems as business opportunities, and applying rigorous execution and measurement, they can ensure an enduring creation of business and social value moving forward. There are tremendous opportunities for companies to further embed shared value measurement practices into their existing business processes. Only then will companies know if they are maximizing their shared value investments, not only to benefit their long-term competitiveness, but also to address critical social problems around the world.

The creation of shared value implies obeying the law and respecting ethical standards, as well as a reduction of the environmental impact caused by companies. This approach represents a new way of relating to customers, productivity and all of those external factors that influence a company's success. Companies need to start considering respect for the environment a successful competitive factor and not a cost that cannot be avoided.

In conclusion, in the new world of "shared value" it won't be the companies who solve the problems of the global economy, but they will give back to business more drive and a renewed dignity (Porter & Kramer, 2011). It's an extended view in which the economic element does not diminish the social, but rather makes use of the social as creative tension aimed at researching new opportunities for really sustainable development.

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KEY TERMS AND DEFINITIONS

Competitive Advantage: An advantage that a firm has over its competitors, allowing it to generate greater-than-expected value from the resources it employs. Thus, competitive advantage means having low costs, differentiation advantage, or a successful focus strategy.

Corporate Social Responsibility: A company's sense of responsibility towards the community and environment (both ecological and social) in which it operates.

Creating Shared Value: Set of policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. Shared value creation focuses on identifying and expanding the connections between societal and economic progress.

Shareholder Value: The value delivered to shareholders because of management's ability to grow earnings, dividends and share price. In other words, shareholder value is the sum of all strategic decisions that affect the firm's ability to efficiently increase the amount of free cash flow over time.

Stakeholder: A party that has an interest in an enterprise or project. The primary stakeholders in a corporation are its customers, suppliers, employees and shareholders. Modern theory goes beyond this conventional notion to embrace additional stakeholders such as the community, government and trade associations.

Stakeholder Value: The value delivered to all the company's stakeholders (customers, suppliers, employees, shareholders, and the community). It is central to the Stakeholder Value Perspective in which the social responsibility is an organizational matter and, as a matter of fact, society is best served by organizations pursuing joint interests and economic symbiosis.

Sustainability: Continued development or growth that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Sustainability-Driven Innovation: The creation of new market space, products and services or processes driven by social, environmental or sustainability issues.

ENDNOTES

1. Most of the information of this paragraph were found on the Patagonia website www.patagonia.com/us/home

Chapter 17
Ethical Healthiness:
A Key Factor in Building Learning Organizations

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ABSTRACT

This chapter proposes that learning improvements in organizations are not just a matter of techniques or aptitudes but are concerned with feelings, attitudes, and, above all, the moral habits of their members. This work suggests complementing currently established conceptions of knowledge management and organizational learning through the explicit inclusion of ethics and ethical learning in organizations. The study describes the explicit need to consider ethics and ethical learning competence among agents in a learning organization context. It then points out the differences between ethically healthy organizations and ethically unhealthy organizations. Finally, the authors argue that the ethical healthiness of an organization is an essential, structural, and necessary condition to achieve a comprehensive learning process in learning organizations on both a technical and human level.

INTRODUCTION

Against a background of global economic crisis, organizations need to be able to understand what is happening outside their environment in order to create a competitive advantage. Yet what is probably more important is that new business organizations need to learn faster, whilst maintaining and improving knowledge, producing creative solutions based on this knowledge and on their skills, along with new technologies to develop a customer responsive culture which is more economic and efficient.

In order to achieve this, CEOs and human resource (HR) policies should potentially contribute to knowledge development by creating authentic learning organizations. These organizations enable a learning environment for all members to consciously transform organizations and their contexts into situations "where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together" (Senge, 1990, p. 3).

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Moreover, we propose in this study that learning improvements in organizations are not just a matter of techniques or aptitudes, but are also a matter of feelings, attitudes, and, above all, of the moral habits of their members. In this chapter, we strongly suggest complementing currently established conceptions of knowledge management and organizational learning with the explicit inclusion of ethics and ethical learning in organizations, to build up ethically healthy organizations where the process of learning is easier than in ethically unhealthy organizations.

Our purpose is to show that organizational ethical healthiness is an essential facilitator of learning organization processes in the context of the global economic crisis.

This chapter is divided into five sections. The first section analyzes organizational learning and the concept of learning organizations. The second describes the explicit need to consider ethics and ethical learning competence among agents in a learning organization context. The third section distinguishes between ethically healthy organizations and ethically unhealthy organizations as concepts that help us to better understand the ethical quality of an organization. The fourth section puts forward the argument that the ethical healthiness of an organization is an essential and intrinsic element of the learning process in learning organizations. Finally, some conclusions and future lines of research are suggested in the last section.

LEARNING ORGANIZATIONS

For many years we have been hearing that we live in a "knowledge society" (Toffier, 1990; Bell, 1973; Drucker, 1968). Today it is widely accepted that the concept of knowledge is based on two primary elements: information (explicit knowledge), and know-how (tacit knowledge) (Simmonds et al., 2001; Nonaka, 1991).

Information is considered to be knowledge that can be transmitted without loss of meaning and truth, once the syntactical rules required to interpret it are known. In other words, information is meant to generate a kind of knowledge that can be "encapsulated", or formally expressed for universal understanding. In classical terms, this knowledge was named *episteme*, "an abstract generalization of universal knowledge shared and circulated among the members of a practice. Being considered the "legacy" of a practice, it is taught and preserved, so it is possible to distinguish between criteria and opinion" (Bañón 2013, p. 28). Thus, knowledge as information implies knowing what something means, and that it can be written down (Grant, 1996; Nonaka, 1994). In this sense, defining knowledge as information whose validity has been established through evidence sets it apart from opinion, speculation, beliefs, and other types of unproven information (Liebeskind, 1996).

On the other hand, know-how, as tacit knowledge, is a much more complex concept than information. It can be defined as the practical skills or experience accumulated over time that allows one to do something efficiently. Therefore, it has a personal quality, which involves both cognitive and technical elements, and is more difficult to formalize and transmit because it is not easy to write down (Grant, 1996; Nonaka, 1994). Knowledge appears thus as the key element in defining the (individual and organizational) learning process because it can be understood as the result of transforming information into knowledge (Nonaka, 1994).

However, if we understand learning as a process, can we distinguish individual learning from organizational learning? Can different types of learning be distinguished according to the subject of the individual or organizational learning involved? According to Weick (1991), "individual learning occurs when people give a different response to the same stimulus" while "organizational learning occurs when groups of people give the same response to different stimuli" (p. 121). Therefore, it would seem reasonable to talk about organizational learning as being different from individual learning (Kim, 1993). The question now is whether we can associate organizational learning with a well-managed knowledge organization or whether having organizational learning is not necessarily the same as managing knowledge correctly. If we do not make this distinction there will be no difference between correct or good management of knowledge. The first could just be based on obedience to management while the latter, a well-managed knowledge organization, also requires openness to the freedom of others. It is a concept that includes respecting the autonomy and free will of the members of the organization to participate in their own integral learning process, and in their professional and personal growth. Therefore, is the organizational learning of an organization the same as being the head of a learning organization?

According to literature, *learning organizations* appeared as a result of the adjustments and pressures modern organizations had to face to remain competitive in the business environment (O'Keeffe, T. 2002). These types of organizations facilitate the learning of their members so they can continuously transform themselves (Pedler *et al.*, 1997). They accomplish their goals based on a culture of trust that generates free and reliable communication, allowing co-operation between individuals and groups (Argyris, C. 1999), and mainly focus on five features: systems thinking, personal mastery, mental models, shared vision, and team learning (Senge, P.M. 1990). All the above mentioned concepts contextualize Senge's (1990) definitions of a learning organization quoted by Malhotra (1996) as the organization of "a group of people continually enhancing their capacity to create what they want to create".

Academic literature does not always agree as to the answer to whether the 'learning organization' and 'organizational learning' are different concepts (McGill et al., 1992) Nevertheless, we understand that organizational learning and learning organization are distinguishable based on Ang & Joseph's (1996) idea that differentiates process (organizational learning) from structure (learning organization). Organizational learning, as a process, focuses on specific understanding; it is part of a whole and is a means to an end: specific learning. On the other hand, a learning organization, as a structural concept, focuses on global understanding; it is a holistic approach which focuses on one purpose: general learning. In this sense, and according to Malhotra (1996), a learning organization is an "organization with an ingrained philosophy for anticipating, reacting, and responding to change, complexity, and uncertainty" (p. 2).

In synthesis, all these authors suggest that the learning organization creates the conditions for a constant learning organizational environment. But what are those conditions, or what should those conditions be?

EXPLICIT CONSIDERATION OF ETHICS AND ETHICAL LEARNING

Organizations where knowledge is managed have in common the fact that both tacit and explicit knowledge is shared between human beings. This premise is not only true for creating and processing knowledge, but also for its management. However, what kind of knowledge should people and organizations acquire? Knowledge has different effects and, broadly speaking, the concept develops theoretical and scientific dimensions (*knowing*), practical and technical-artistic dimensions (*knowing how*) as well as ethical conduct (*knowing how to live*) (Guillén, Fontrodona, and Rodriguez, 2007). Therefore, we strongly suggest that humans must learn by acquiring not only knowledge and skills (technical habits), but also moral virtues (ethical habits).

Unfortunately, the moral dimension has received scant attention in knowledge management literature and also in general management. As Sumantra Ghoshal (2005) plainly described, ''many of the worst excesses of recent management practices have their roots in a set of ideas that have emerged from business school academics over the last 30 years'', the question is that "by propagating ideologically inspired amoral theories, business schools have actively freed their students from any sense of moral responsibility" (2005, p. 75).

Morality or ethics centers on the right and proper completion of a human person with human excellence (through rational judgement and practical action). The moral dimension demands a kind of moral or *ethical learning,* understood as the acquisition of theoretical moral principles of conduct and of practical moral virtues (Guillén, 2006). In this sense, ethical knowledge or competence could be described as the possession of certain principles or behavioural norms for achieving good ethics, combined with practical habits for personal improvement. These moral habits are good behaviors that are externally observable; therefore, they are not just theoretical regulatory moral constructs appearing in company mission statements or codes of conduct, but practices that are oriented to the common good.

Some of these relevant virtues described in business ethics literature are fairness, responsibility, loyalty, honesty, integrity, humility, tolerance, determination, benevolence, enthusiasm, and courage, among others (Solomon, 1992). Such virtues are more concerned with the personal flourishing and improvement of those who carry them out and of the people they come into contact with as a result. For example, humility leads to the acceptance of one's own limitations and mistakes; fairness means making sure everyone receives what they are entitled to or deserve; honesty means always telling the truth; benevolence leads one to try to contribute to the common good of those around us through the decisions we make. It is, in short, contributing to the common good of society through one's work.

By broadening the object of management to the study of moral human conduct, a new line of research is opened up that complements current findings in social sciences and allows the study of aspects that have not been discussed in previous research. We maintain that an assumed evaluative ethical "asepsis" ends up being extremely limited in understanding human behaviour in organizations. The contribution of ethics complements the study of organizations and the behaviour of its members by addressing it in terms of good or bad in relation to how it affects the improvement of the person or people involved and of society as a whole, but also by explaining some requisites that are indispensable to understanding organizations as groups of human beings.

In this way, alongside a climate of desirable and demandable *competences* and *skills –technical habits–* for the correct management of knowledge, we believe it is important to complement the current scope by also taking *ethical and moral habits* into account. This allows us to take a deeper look at aspects such as fairness, trust, reciprocity, and commitment, which are essential in explaining learning organizations.

Ethical knowledge is both theoretical and practical, and implies a way of growing in the human sense, of becoming a better human being, or what the ancient Greeks called being "virtuous". Ethical or moral virtue (human excellence in Greek) is a stable character habit in people that enables the achievement of ethical goodness. The habits of the will are those denominated by the Greek philosopher as moral or ethical virtues.

As we have just stated, to act correctly does not only require a sound choice of methods, but also a correct inclination towards goals. In reference to the acquisition of these habits, Aristotle wrote: "we become just by doing just acts, temperate by doing temperate acts, brave by doing brave acts" (Nicomachean Ethics, II, 1, 1103b). Moral virtues are the operative habits which make human beings behave in a way which contributes to making their personalities flourish.

For example, the virtue of sincerity is the habit required as a result of repeatedly telling the truth. In the same way as occurs in other areas of theoretical and practical learning, such as in sports or in handling vehicles, repeating acts generates habits. In a moral sense, moral habits are generated, and are called virtues, when they contribute to enriching the person as a human being. Someone who habitually tells the truth acquires the habit of sincerity, while a person who is normally fair acquires the moral virtue of fairness, and the same thing happens with any number of other virtues such as prudence, strength, hard work, order, and patience.

Both moral virtue and competence are kinds of human knowledge. While competence embodies notions of learned skills and technical efficiency, virtues offer perspectives to shape the way we live bound up in ideas of morality (Macaulay and Lawton 2006). Virtue and competence are distinguishable concepts, although they are interrelated, because they require one another, "Competencies embody certain virtues, whereas virtues require competence in order to successfully implement them through virtuous actions" (Macaulay and Lawton 2006, p. 702).

Having arrived at this point, the following question should be asked. What exactly is the relevance of ethical knowledge and learning, and how does it affect learning organizations? To be able to answer to this question, we should first consider how the ethical personal level of analysis affects the organizational level.

THE ETHICAL HEALTHINESS OF THE ORGANIZATION

In this section, we explore the role played by the organization in terms of *means* or context, and in terms of a climate capable of enabling or impeding the process of transmission, reception, and creation of knowledge by its members. The interesting question to be addressed here is to what extent the ethical quality of the organization affects this process.

If we look at the concept of a "virtuous person", by analogy, we can probably discover elements that are present in the concept of a "virtuous organization". Collier (1995) described "virtuous organizations" according to the idea that the organization is a "moral person" and that it is meaningful to talk of organizations as being "virtuous". Similarly, and avoiding the debate of considering organizations as moral individuals, Guillén (2006) described the ethical quality of an organization by using a clinical analogy and by distinguishing between ethically healthy and unhealthy organizations. This study adopts the use of such terminology.

Collier (1995) lists four features of virtuous organizations: appropriate purpose, discernment of purpose in relation to human flourishing, action to fulfil the purpose and qualities to attain good. The first two characteristics are related to principles and judgement, and the second two focus on practices. The most significant aspect of this approach is the proactive role that is granted to each member of the organization to freely implement, through their actions, moral criteria and moral values that are concerned with dealing with company stakeholders. In fact, best practices are encouraged and promoted as an integral part of management systems. Examples of such practices can be found in many of the most successful organizational practices pursued by major companies in recent years. A prominent example is the "flexitime" policy that has been implemented by a diverse range of companies such as Ikea, Sun Microsystems, Citibank, and Sodexo. These programs allow employees to work remotely and to propose their own customized work arrangements. Such practices generate virtues or moral habits that display a trust in employees in ways that have shown to inspire trustworthiness in return. Moreover, there is evidence that these policies benefit the bottom line.

Ethically Unhealthy Organizations

An *ethically unhealthy organization* "is that which contributes, to a lesser or greater extent, to the human *impoverishment* of its members, of the people involved in achieving its mission and those affected by its activity" (Guillén, 2006, p.36). In biological terms, we say that an organism is sick when its members and the functions they perform suffer some kind of pathology or dysfunction. In ethical terms, the "pathology" is equivalent to actions that lack a human quality, without moral competence or virtues such as honesty, sincerity, or veracity, to give just a few examples.

If a member of the organization ends up being selfish, big-headed or a liar as a result of belonging to that organization, we can state that this is the case of an unhealthy organization; an organization that destroys or impoverishes the human quality of the people in the organization and those it serves.

Does the organization I work for allow me to grow in human virtues? Am I better or worse as a person since I began working at that organization? If the answer is no, if instead of being more sincere, more hardworking, more generous or more honest we become the complete opposite, then it is likely that the organization in which we work suffers some kind of ethical illness and in such cases, it might be a good idea to ponder to what extent we are one of the causes of that situation.

The ethical sickness of an organization can be explained by the poor moral quality of its aims or its means, or of the people that make it up (its moral competence). This is the case of organizations in which the objectives or reward systems may lead to dehumanize their workers. When these aims, means and/or people lead to a deterioration of the moral virtues of members, then we are dealing with an ethically unhealthy firm.

The ethically unhealthy firm destroys the human element, and thus does the same to human relationships in the deepest sense, as it does with the trust these relationships are based upon. Although it may be efficient in economic terms, this organization is destructive in ethical terms. Any aggression to ethics, understood as the link to the common good, is doomed to a lack of union due to the deterioration of organizational human relations.

The same thing happens to ethically unhealthy firms as happens to organisms under the attack of some type of virus; the activity tends to spread and propagate to the other cells. Morally toxic behaviors have a direct negative influence on the integral understanding of trust which includes not just competence -means and ends- but also benevolence -intention- and integrity –behaviors- (Mayer et al., 1995). This is the case of negative behaviour or reactions guided by jealousy, envy or suspicion. In these cases, trust can be built in terms of competence but not in terms of benevolence and integrity.

Just as we can refer to the ethical sickness of an organization, we can also talk of the opposite; the ethical health of an organization. When ethically positive behaviour is accepted, praised, and promoted within an organization, we have what can be classed as a "healthy" organization in the ethical sense.

Ethically Healthy Organizations

An *ethically healthy organization* "is one that contributes, to a greater or lesser extent, to the human enrichment of its members, of the people involved in achieving its mission and those affected by its activity" (Guillén, 2006, p. 37). The ethical health of an organization can be explained by the good moral quality of its aims, of its means and/or the people that constitute it. An organism is healthy when its members and the functions they carry out are correct. In ethical terms, correctness is equivalent to acting with human quality in line with moral standards.

The ethical health of an organization can be explained by the possibilities it provides to its members for their personal human enrichment, for their growth in virtues, as well as its moral effect on those of the people it serves. All of this can be attained precisely via the development and practices of the work of each of its members.

Some examples might help to further clarify this concept.

In an ethically healthy organization, constructive and not destructive criticism is habitually provided; people are able to work in teams, members are aware that this enriches people as individuals and the organization as a whole, both at an intellectual level and in terms of habits and emotions; collaboration with others is common, members do not try to "trip each other up"; knowledge is shared experience and does not remain with isolated members for selfish reasons or due to a fear of opportunism; people cooperate to work towards the common good of the organization and of society in general, not exclusively for self gain: in short, people attempt to work using their human qualities, thereby contributing to "building" trust and hence building the organization and stable human relationships. (Guillén, 2006, p. 37)

The ethical quality of company policies and decisions will affect the long-term trust people place in the organization, as trust is something that is earned and awarded from employees, customers, and stakeholders. The legitimacy and reputation of a company is a product of the organizational ethical quality demonstrated on a daily basis. An example of this kind of organization is the case of Salesforce.com, the leader in cloud computing that has doubled its workforce from 5,000 to 10,000 in the past two years. This company has been honored for its good practices, and was among the Fortune Best Companies to Work for in 2014. Saleforce.com frequently ranks highly on lists of companies offering the best salaries and hourly rates for employees. Regular salaried employees of this company receive an average of 76 hours of training per year. The company encourages its employees to get into the action by giving them six days off per year to do any type of charitable work they choose. Of course, this is just an example, and like any other organization, this company has not only moral virtues, showing its moral healthiness, but also moral limitations.

The concept of "ethical health" is a gradual one, i.e. health is understood as the absence of sickness, but this sickness can vary in size. Indeed, and talking in the strictest sense, even in healthy organisms, there are always small imperceptible pathologies. Precisely because it is people that make up organizations, moral defects are always present and can lead to small anomalies, misunderstandings, etc. Therein lays the possibility of making mistakes, of doing wrong. This is a fact of universal experience, all human beings do things wrong in moral terms. It is for this very reason that the concept of ethical health, in the same way as biological health, allows us to apply suitable remedies, to rectify after making mistakes. We are thus faced with a concept of moral health that is dynamic, that can improve or worsen, that grows or decreases, that is always gradual, precisely because human beings are free and we are responsible for our own actions, and are capable of recognizing mistakes and of finding the means to change and rectify. In this sense, it is possible to talk of degrees in the ethical quality of organizations. Perfect health cannot exist, but it is possible to have a permanent trend towards that goal.

Following this logic, the healthy organism is not only largely free of sickness, but its health gets better the more it moves towards a complete state of wellbeing, towards total health. The concept of excellence can thus be used to qualify a permanent search for ethical health. Moral excellence presupposes the existence of ethical health along with a *permanent and complete* effort towards improvement. One can thus define an *ethically excellent organization* as "one that permanently makes an effort to contribute to the *full* human development of *all* its members, of *all* the people involved in achieving its mission and *all* those affected by its activity" (Guillén, 2006, p. 38).

Evidently, the concepts of ethical *sickness, health,* and *excellence* are not exact terms, as they refer to human groups in a permanent state of flux. In an excellent organization, there may be, and indeed there is, occasional behavior of lower ethical quality. However, we can talk of excellence when this dimension forms a habitual part of the means, aims, and behavior of the people in the organization. When the ethical quality of the behavior of members of the organization ceases to be a common goal for all, we may still be talking about organizations that are more or less ethically healthy, but we can no longer state that they are excellent.

In the same way that the relationship between health and excellence is a question of degree, in a positive sense, so is the relationship between health and sickness. When we talk of ethical sickness, this emphasizes the existence of more or less stable behavior that encourages the destruction of the human qualities in people, their debasement, and their lack of union, and in the long-term, if measures are not taken, the *dysfunction* of the organization.

The term ethical health therefore allows us to describe organizations which, in general terms, do not encourage dishonest, unfair, deceitful, or damaging behaviour. They are thus organizations that allow or even contribute to human development. To the extent that this contribution becomes a mission and permanent task in the organization, with the stable purpose of the continuous improvement of all those affected by the activity of the organization, we can then talk of a total ethical bill of health, of complete ethical quality or ethical excellence.

Having reached this point, we can return to the question we put forward in a previous section: to what extent can we say that the ethical quality of an organization influences or may influence the process of the transmission, reception, and creation of knowledge, and the process of learning in organizations?

THE ROLE OF ORGANIZATIONAL ETHICAL HEALTHINESS IN ORGANIZATIONAL LEARNING

Learning organizations find themselves in a permanent process of knowledge communication. We suggest that this communication needs members in the organization that are capable of being good transmitters, receivers, and also good message creators. In order to explain the role of organizational ethical healthiness, this section firstly focuses on an individual level of knowledge transmission and creation, understood as a process of constant dialogue, and then moves on to examine the organizational plane.

Understanding Learning Processes as a Permanent Dialogue

Particular people acquire knowledge in organizations and this knowledge is mainly communicated through dialogue with the other members. Each individual can play different roles or go through different stages of the process of communicating knowledge.

The first stage involves a *knowledge receiver*, understood as the person that receives knowledge that allows him/her to carry out tasks, but also to develop skills, competencies and habits that he/she can then maintain, which do not necessarily have an impact on the rest of the organization. The analogy here could be that of a "pool" or store of knowledge. Logically, people can be either good or bad pools of knowledge.

A second stage of the process of the communication of knowledge is when someone acts as a *knowledge transmitter*, i.e. a person that transfers acquired knowledge to other members of the organization. Closing the circle would mean a person who is both a receiver and transmitter of knowledge, the stage where they do not only receive but also transmit knowledge either by informing or by training (teaching). Returning once more to the hydraulic analogy, this person represents an excellent channel for knowledge, as this channel not only receives, but also gives.

However, the transmission and reception of explicit and tacit knowledge alone are insufficient. Today, it is not enough to have good pools and channels of knowledge. Firms are complex organizations in complex environments. Their reality does not allow them to make do with faithfully receiving and transmitting what they have learnt. They need *all* their members to vindicate their condition as free people with understanding, free will, and feeling for creating value in their tasks via a level of involvement that generates new knowledge, ideas, principles, values, procedures, attitudes, behavior, etc.

Learning organizations require the creation of knowledge and for this reason cannot afford to waste opportunities wherever they may stem from, either from within the organization or from outside it. Therefore, firms must promote both downward learning and upward and horizontal learning. The organizational structure must promote and absorb learning and/or knowledge creation situations from boss to subordinate, subordinate to boss, among peers and not only within the firm but also outside it.

Firms today must focus their attention on all aspects that are necessary not only for learning, but also for teaching; teaching how to learn and learning how to create knowledge. Within the framework of the communication of knowledge, it is not enough to be good receivers and communicators of messages, it is also essential to be able to create new messages. It is necessary for each member of the organization to be a good "pool", a good "channel" as well as an authentic "source" of knowledge or knowledge creator. The "source" not only gives and receives, but also creates. Learning, creating, and teaching are the obligations of the members of an organization that wishes to be called a learning organization.

In response to our initial question on the relevance of moral habits or ethical virtues in knowledge management, an answer is already beginning to surface. In the communication of knowledge in organizations, it is not only knowledge and technical skills that are involved, but also attitudes and moral habits or virtues.

Those that are skeptical about recognizing the place of ethics in business might argue that knowledge management, in so far as it can be parameterized, can also be managed using protocol and measurements that allow for its creation, processing, and retention. However, can ethics and ethical knowledge be managed?

If we distinguish between explicit and tacit knowledge, the former is liable to be formalized, and can hence be measured and managed. Therefore, explicit ethical knowledge can be managed based on instruments such as mission and vision statements, ethical codes of conduct, etc. On the other hand, tacit ethical knowledge is not a formalized type of knowledge. On the contrary, at times it is neither explicitly understood nor perceived; it is *silent knowledge.* Due to its nature, this type of knowledge escapes from the traditional management paradigm of control and measurement. In such conditions, the role of trust becomes crucial. There is an inverse relationship between the level of control and the need for trust to manage. In situations when management cannot use control as its main mechanism, trust-based relationships become a necessary condition. As we go on to suggest, organizational ethical healthiness is a pre-requisite of trustworthy relationships and, therefore, essential in learning organizations.

Organizational Ethical Healthiness: A Contextual Learning Facilitator

There is a strong relationship between ethics and innovation, which led to Porter and Kramer's (2011) concept of creating shared value (Fontrodona, 2013). In fact, Porter and Kramer suggested that CSR can be a source of good and a wellspring of innovation, competitive advantage, and value creation for the firm (MacGregor, Fontrodona, and Hernández, 2010).

A model for building an ethically healthy organization can be found in data from the 2011 National Business Ethics Survey (NBES). This NBES on ethical behavior in corporations shows that, "strong ethics programs paired with strong ethics cultures produce substantially better outcomes than in weaker ethics environments. With the prospect to boast a more engaged workforce, less pressure and misconduct, higher employee reporting, and fewer instances of retaliation, it's clear why the industry wants to work toward this goal" (Ethics Resource Center, 2013, p. 11). Nevertheless, we are aware that more empirical support will be necessary to validate this proposition.

In this study, we maintain that *the better the ethical health of an organization, the easier it should be for its members to act as good pools, channels, and sources of knowledge*. We maintain that moral competence, ethical virtues, or their absence, as well as the greater or lesser presence of ethical aims and means, have a direct impact on the way people work, teach, and create knowledge around them. Put differently, theoretical and practical knowledge, and the acquisition of intellectual, psycho-affective and technical competencies are inseparable from moral knowledge and indeed have a direct impact on the way in which this knowledge develops.

We agree with Zamagni (2010)[1] when he points out that to "make the most of the tacit knowledge of our employees, we have to know how to establish reciprocal relationships with them, because I can force someone to arrive at work at 8 in the morning or to be in the office for 8 hours, but I can't force them to contribute their best ideas, their intellectual capital to the organization. (…). The only way of taking advantage of people's tacit knowledge (….) is through reciprocity" (p.2). In other words, the way to get the best out of each member of a firm is through the reciprocal, mutual and parallel growth between the firm and its members in an atmosphere of reciprocal moral trust, which is, as we have argued above, the best way of managing tacit knowledge.

When it is someone's duty to transmit information in an organization, that person will perform the task better from an ethical point of view, and hence also from a professional one, in so far as the knowledge acquired will be more essentially and integrally transmitted to the rest of the organization. From an organizational perspective, this attitude or moral competence, of being the right "channel" of knowledge, represents an element of union, a unity in a *win-win* relationship based on a job well done. Furthermore, this moral competence has an impact on the personal development of the agent and his/her contribution to the development of the organizational fabric.

Being an element of union and unity becomes a behavioral norm or ethical principle of action for whoever wants to carry out their work correctly in the organization. "Behaving intelligently, using information correctly, analyzing it and making sure it reaches the people that have the right to access that information generates trust and builds organizations. Work provides the chance for the development of personal and organizational welfare." (Guillén, 2006).

In addition to the moral virtues of fidelity and unity, members of the organization also require *humility*. Without humility among superiors, subordinates and peers, it is not possible to have a climate that is capable of recognizing limitations and of learning from those that can teach. The firm understood in this sense must be capable of detecting the generators and builders of knowledge regardless of their hierarchical level. When middle managers are capable of recognizing their limitations and learn from those that can teach them, be they superiors or subordinates, they are in a condition to become generators or builders of trust, the course along which tacit knowledge truly flows.

Another essential moral competence for knowledge creation is *prudence* or practical wisdom for determining the degree to which it is possible to cooperate in the development of knowledge. The nature of the virtue of prudence allows organizations to discover which ethical principles are applicable in each particular case and to what extent it is necessary to evaluate the degree of commitment of the organizations to its members, and vice versa.

Together with the virtues of humility and prudence, and in line with a concept in the field of knowledge management understood as communication, a good transmitter of knowledge requires another moral competence, that of having a conversational nature. In this sense, *dialogue* is a key component that demands reciprocity and the willingness to listen. Dialogue enables the establishment of the dual teaching-learning flow in both directions and senses: horizontal –from left to right and right to left– and vertical –up-down and bottom-up–.

Regardless of whether the firm is looking to manage that *knowing how to live*, going further than *knowing* and the *know-how* of its members, ethical health is an essential condition for the transmission and generation of both explicit and tacit knowledge. Without trust on an ethical plane, it is extremely difficult to get out of the plane of obligation, whilst conversely, when we can be sure that the organization in which we work pursues aims that are in harmony with our wellbeing and that of society, we are dealing with the most suitable breeding ground for a fluid communication of knowledge, so that all the members of the organization can truly be pools, channels, and sources of knowledge. It is for this reason that learning organizations require permanent communication and articulation via continuous dialogue between the organization's members: people.

Attaining Organizational Ethical Healthiness

Learning organizations differ from other organizations in their flexibility and pro-activity. These characteristics are essential in changeable contexts but need to be complemented with other attributes which are present in ethically healthy organizations. Ethically healthy organizations complement reactive approaches to business ethics based on a damage-control rationale; beyond these perspectives, they head towards a holistic approach to ethics and values.

Ethical development, like other forms of organizational learning, is more likely to occur under the right conditions (Johnson, 2011). According to Gill (2008), there are six inter-related components in ethically healthy organizations: motivation, trouble-shooting, mission & vision, culture, practices, and leadership. *Motivation* refers to the mistaken common assumption "that everyone is eager to work and manage in an ethical manner" (Gill, 2008, p. 72). This would be desirable, but is not always the case, and thus, the organization should facilitate motivation for ethics. In other words, everyone must aim to understand and embrace ethical rationale seriously in order to build sustainable and successful ethical organizations. *Trouble-shooting* focuses on the idea that there are always going to be conflicts and, therefore, there is a need to establish trouble-shooting and crisis-resolution methods. *Mission and vision* emphasize the need of organizations to identify and articulate their distinctive core mission making sure that ethical principles and values are "understood as integral aspects of all strategies and plans to achieve the company mission" (Gill, 2008, p. 72). *Culture and values* go beyond descriptive understanding of the organization -what an organization "does"- to offer essential understanding of -what the organization "is"-. Organizations need to align their culture and values with their mission and vision, identifying and articulating the essential cultural values and traits needed to carry out their particular mission. Practices and principles provide action-guiding rules to direct the organization's quest for excellence. *Leadership and governance* "strengthen and improve their governance systems and structures from top to bottom" (Gill, 2008, p. 73).

These six inter-related components of ethical healthiness in organizations have to be linked to the four processes required to build ethically healthy organizations: identification, education, implementation, and evaluation (Gill, 2008). The second process of these components, education, is directly responsible for the existence of ethically healthy learning organizations.

We want to point out that ethical healthiness is not only a prerequisite for a complete learning organization. In fact, we do not propose just an extrinsic addition of ethics but its intrinsic consideration. This means that learning is not only about 'knowing and understanding', 'knowing how to act' but also 'knowing how to be' (Boni and Lozano, 2007).

In this sense, learning organizations that are ethically healthy also become organizations that learn ethically, and this requires the motivation of their members to possess an alert openness to ethical educational activities and initiatives. Evidently, such an organization requires ethical leaders, the natural educators who lead towards ethical behaviours.

In this sense, ethical education leads by example, and then, from that point onwards, other ethical matters can take care of ethical troubleshooting through for example, newsletters, or case study ethics training online and in the classroom. Obviously, such an organization can only be achieved if the mission and vision includes ethics as a statement which is posted everywhere, and is frequently invoked and explained. Together with the above, ethical education has to be related to ethical cultural values that must be illustrated, explained and posted ubiquitously by management. The aforementioned components have to be applied to ethical practices, including ethics training on line, in print, or in the classroom. Finally, leadership in ethical education is essential to clarify organizational structure, lines of communication, accountability, etc. (Gill, 2008).

Considering the existence of the ethical or unethical healthiness of learning processes in organizations entails recognizing potential acceptance of their moral evolution (ethical learning) or involution (unethical learning). If the aim of any learning process is a focus on action, ethics has to be explicitly considered in any human action. Therefore, ethical learning is not just an extra element for the learning process, but an essential and intrinsic part of it. The ethical healthiness of an organization is not only an indispensable contextual facilitator for learning processes, but is part of it. Not including ethics in learning processes would denote relinquishing an integral aspect of real learning.

FUTURE RESEARCH DIRECTIONS

The inclusion of ethics as a structural element of the learning process in organizations has many implications and provides many new fields of research. We wish to emphasize the consideration of acquiring moral habits or virtues as "a learning process highlighting the continuous dynamic of action and development of the motivational dispositions of human persons to act within the broad environmental and community context" (Whetstone, 2001, p. 112). This approach, which explicitly considers the development of virtue in organizations, opens up the possibility of associating the role of ethics not just as a structural element but, also, as a dynamic, proactive and contextual dimension of the entire learning process in organizations. The concept of ethical or unethical healthiness in organizations also opens future research directions regarding the study of different kinds of 'moral diseases', their diagnosis and treatments in order to improve the integral process of learning.

CONCLUSION

Firms should be capable of reinventing themselves according to their circumstances. Organizations demand not only internal free and reliable communication, but a higher level of co-operation and trust between individuals and firms. In this study, we propose that organizational ethical healthiness constitutes a key factor for building authentic learning organizations. Technical learning is essential but it should be complemented with ethical learning.

State-of-the-art equipment and technology are no longer a key differentiating element as the cost of acquiring the latest technology is within the reach of practically anyone. In any case, both information and technology can be bought. The same thing cannot be said, however, for aspects such as innovation or knowledge creation, and even less so in the case of behavioural dimensions such as personal involvement or initiative resulting from a high level of commitment on the part of workers towards the organization.

Organizational reality implies making a major leap towards placing value added in those elements that are inherent to each firm and are non-transferable. If we understand the organization as a group of people arranged in such a way as to achieve an objective or aim, are these people, their actions, relationships, contributions, originality, and singularity not the DNA of each firm?

Despite the fact that it may seem obvious to highlight the importance of people in the organization, there is no doubt that 'people' concentrate and represent knowledge and organizational knowledge. Both of these aspects are manifested in human actions and relationships and are built up in atmospheres of trust, respect, desire, and commitment. It is precisely for this reason that within such a context, it appears logical to assume that businesses firmly committed to ethics, in addition to knowledge management and lifelong learning, will find it easier to develop their full potential.

Knowing how to live and living in a good way requires ethical virtues. The virtues of the members of the organization, such as humility and loyalty, are essential for learning organizations to attain their goals, but also other virtues such as the audacity to conquer new ideas, goals, and high standards, the courage to avoid difficulties, the constancy to overcome failures in the learning process, and the benevolence, trustworthiness, and reliability to share ideas.

It is not enough 'to know how to be good' but 'to habitually practice the good', 'to be good'. In ethical terms, actions cannot be understood in a linear and isolated way. Actions are initially influenced by past actions and they end up having an impact on future actions. This circular understanding of actions is based on the idea that actions cannot be considered as just having a beginning or an end. Therefore, we can refer to a 'virtuous action circle', i.e. when habitual actions are good there is an influence towards future good actions, or we can talk of a 'vicious circle action', i.e. when habitual actions are bad, this has a potentially negative influence towards bad actions. Such an idea refers to the possibility of a positive or negative moral learning process in organizations.

In order to be able to build ethically healthy organizations, and in order to achieve ethical excellence, HR policies are required that consider this third type of knowledge, knowing how to live. However, being interested in achieving stable, good behaviour among the members of an organization is insufficient. The ethical quality of organizational behaviour does not solely depend upon human resource policies. Top management must ensure that not only behaviour, but also the organization's aims and means are really designed to contribute to the common good, to the ethical welfare of the members of the organization and the people it serves. This constitutes a truly ethically healthy organization, and we propose that this is an essential and key factor of the learning process.

The proposals made here evidently call for future research. Empirical verification of the theoretical propositions made here is necessary. Furthermore, much deeper studies should be carried out to better understand unexplored fields such as the relationship between ethical and technical learning in organizations, its influence on other organizational outputs such as organizational trust and organizational commitment, and its relationship with economic results.

Logically, some practical implications follow from the proposals made here. Top management should be the first to set an example in terms of the moral quality of its behaviour, intentions and the means it uses to facilitate learning in its organizations. Nonetheless, this does not reduce in the slightest the personal responsibility of each member of the organization in making it a place where everyone reaches personal fulfilment through the exercise of professional work.

Professionally, technical learning cannot be separated from ethical learning, precisely because we are free, responsible human beings. The final outcome of work in organizations combines the external or explicit (measurable) results with internal or tacit ones, such as the capacity to generate and build trust between agents. The most suitable organizational climate for lifelong learning requires trust in its technical and affective dimension, but, above all, in an ethical element. It is a fact that humans learn whilst carrying out their work, and in that learning the most technical aspects coexist alongside the most human ones. We either become enriched by our work or debased by it. This is a personal decision, but one which the management of the firm can do much to influence.

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KEY TERMS AND DEFINITIONS

Business Ethics: Form of ethics applied to the business environment.

Ethically Healthy Organization: The organization that contributes, to a greater or lesser extent, to the human enrichment of its members, of the people involved in achieving its mission and those affected by its activity.

Knowledge: The result of a flow of information, anchored in beliefs and the commitment of those who possess it (Nonaka and Takeuchi, 1995, p. 58).

Knowledge Management: The "policies, tools and actions that the organization's management uses to optimize the usefulness of knowledge as a strategic organizational resource" (Bañón, 2013, p. 32).

Learning Organizations: Organization that facilitates the learning of its members and, therefore, continuously transforms itself.

Organizational Learning: An area of knowledge that studies models and theories in relation to the way an organization learns and adapts.

Trust: "The willingness of a party to be vulnerable to the actions of another party based on the expectations that the other will perform a particular action important to the trustor irrespective of the ability to monitor or control that other party" (Mayer et al., 1995, p. 712).

Virtue: "A learning process highlighting the continuous dynamic of action and development of the motivational dispositions of human persons to act within the broad environmental and community context" (Whetstone, 2001, p. 112).

ENDNOTES

[1] Extract from the speech made by Stefano Zamagni at the I Symposium "Society, Economy and Values" held at the campus of the IESE and organized by the University of Navarre. Taken from: Lucas, A., 2010: 'Humanismo y reciprocidad: El regreso al mundo vital', *Aceprensa*, 26 May, 2010.

Chapter 18
Facilitating Trust:
The Benefits and Challenges of Communicating Corporate Social Responsibility Online

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ABSTRACT

Corporate Social Responsibility (CSR) is highly valuable for transnational corporations, but entails special requirements of heightened honesty in the marketing of CSR as compared to other goods and services. Because trust is essential to communicating the value of CSR effectively, companies must attend to the unique benefits and challenges that online communication of CSR commitments pose. While the Internet is ideal in allowing for global reach and greater capacity than the confines of standard advertisements, the Internet also poses special challenges in terms of facilitating trust with consumers and other stakeholders. This chapter highlights both the problems and benefits of marketing good corporate conduct online and provides moral guidelines for marketers of good corporate conduct.

INTRODUCTION

Most companies now include corporate social responsibility as a part of their stated goals in business practice. Whether as simple as a corporate code of conduct or as complicated as including social responsibility in a company's fundamental structure, corporate social responsibility (CSR) is now par for the course. This is in part due to Sarbanese-Oxley and changes in the federal sentencing guidelines (Stoll, 2008). A heightened concern with CSR has also grown because consumers and investors have developed in their ability to hold transnational corporations morally accountable for their actions and the rise of non-governmental watchdog organizations that have gone global along with the companies they track. The increasingly important role of the internet has also been crucial in making information regarding corporate conduct more readily available (Morris, 2011). However, making consumers aware of the moral guidelines at work in the creation and distribution of goods and services is importantly different from standard corporate attempts to

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sell products. Traditional advertising and public relations practice that may serve well in marketing goods and services are often inappropriate in marketing good corporate conduct.

This chapter explains both why the guidelines for marketing good corporate conduct should be more stringent and how companies can inform the public while still operating within morally acceptable limits. The internet is an important part of marketing corporate social responsibility initiatives for a number of reasons, but there are also special limitations and problems associated with providing information about good corporate conduct online.

BACKGROUND

Many of the issues faced by those charged with communicating corporate social responsibility initiatives are the same as those faced by individuals advertising goods and services more generally. When it comes to advertising, there are already a number of ethics codes in place. The Better Business Bureau Code of Advertising, the Australian Advertiser Code of Ethics, the British Codes of Advertising Sales Promotion, and the Canadian Code of Advertising Standards share the following key principles. First, it is essential to recognize that advertisers must meet responsibilities to consumers, local communities, and society at large. Second, advertising should adhere to standards of decency, honesty, and truth. This, of course, entails that advertisers ought to avoid misrepresentation and outright deception in ads. Advertisers also ought to respect a sense of fair play with other market competitors. Finally, advertisers must consider how their behavior affects the advertising industry as a whole (Spence and van Heekeren, 2005).

Despite these codes advertising practice clearly often diverges from the requirements of honesty and avoidance of misrepresentation. Consumers facing the glut of beer and automobile ads promising a hot date know that beer and nice cars won't actually guarantee delivery of the blond bombshells in the advertisements. Puffery is common practice in advertising. Puffery refers to "exaggerated claims, comments, commendations, or hyperbole, and in its most common usage, puffery is based on subjective views and opinions" (Spence and Van Hekeren, 2005, p. 46). The public is fully aware that puffery is common. According to a survey by online marketing research company Yougov only 3% of Americans fully trust advertisements and 44% believe ads are fairly dishonest (37%) or very dishonest (7%) (Marketing Charts, 2014). So long as the positions endorsed in ads are presented as subjective rather than as objective rationally defensible claims, even the Federal Trade Commission tends to let this sort of misrepresentation slide.

It could be argued that so long as consumers understand that the claims made in advertisements are exaggerated it is no more a case of outright lying to air beer ads with beautiful women draped on every drinker's arm than it is an outright lie for an actor in *Hamlet* to pretend to be a Danish prince when he is, in fact, a middle class man from Los Angeles. Artistry is never a matter of perfect representation of reality. The public knows that advertising is as much an art form as it is an attempt to provide information to the public about a company's products. Given this context, puffery is likely not problematic so long as one is not targeting marketing efforts towards children or to those who are mentally incompetent due to age or disease. With a minimally rational target audience, puffery is not necessarily all that bad since context allows a rational agent to discern fairly easily the actual likely results of purchasing a product even if ads are unduly hyperbolic in their expression of purported benefits.

Puffery in advertising good corporate conduct, however, is much more problematic. If one is duped by a beer advertisement into thinking that Budweiser really will improve one's sex life, the harm done is minimal. If a company knowingly advertises good corporate conduct in an attempt to reap the financial benefits of being perceived as having morally good corporate character when in fact the company does not deserve that kind of moral praise or support, morality itself is treated as a mere means to the end of profit. That is a much more serious moral offense. Not only would such a company be guilty of lying, the company would also be guilty of treating morality, itself of the utmost possible value, as being of less value than money or profit. Money, however, is a mere means good only for the ends it allows one to achieve. This kind of moral mistake undermines something of great moral value in order to achieve something of limited or perhaps even negative, moral value. Phillip Morris, for instance, ostensibly spent more money advertising its corporate giving to Meals on Wheels than it did on actually donating to the program in question. Given that the company was engaging in the campaign in response to moral censure for having targeted ads to children for its addictive products, it is clear that the measures were motivated by profit rather than by a sense of moral duty. So Philip Morris was trying to reap the financial benefits of morally good conduct without actually delivering the goods (Stoll, 2002). This is dishonest.

In another case, British Petroleum (BP), donated four million dollars to the National Fish and Wildlife Foundation as part of making up for a huge spill of over two hundred million gallons of oil, the largest spill recorded on Alaska's North Slope. The spill was foreseeable and avoidable as BP was fully aware that its pipes were corroded and needed repair. Making reparations and paying a hefty twelve million dollar criminal fine was the least they could do. But then the company included its attempts at compensation and reparation in its 2007 Sustainability Report posted online (MacDonald, 2008). Again, failure to indicate that the donation was actually in reparation for past harm makes the company seem as if it deserves greater moral praise than it does. While omitting information is par for the course in advertising other products like shampoo in a thirty second ad, information crucial to judging the morality of corporate behavior cannot be treated so flippantly and disingenuously. It was entirely possible to provide adequate context in the report without any added cost, but BP simply opted not to do so. Perhaps the biggest blow to BP's ostensibly green image occurred during the 2010 Macondo well blow out. Despite issuing a Corporate Responsibility Report just five days prior to the blowout, corporate inattention to necessary safety precautions helped to create the Macondo well blow out sending 4.2 million barrels of oil into the Gulf of Mexico (Waller, 2013). Christine Bader, an avid proponent of CSR and former employee at BP noted that she herself believed that CSR had become more a marketing commitment in recent years than an honest effort to take responsibility (Larino, 2014).

This sort of dishonest advertising of good corporate conduct also provides a disincentive to any other company which hopes to become more competitive while adhering to CSR. Sometimes doing the right thing costs more, but a company could offset that cost if more customers were willing to purchase its products because of the added value of its products having been produced and marketed in a morally desirable fashion.

On a related note, spillover may also unfairly punish more responsible corporate actors. Spillover occurs when one company has engaged in wrongdoing, but other businesses within the same industry are affected as well. Consumers may group every business in an industry together seeing the industry as morally blameworthy rather than merely particular offending businesses. In high profile cases, other businesses within the same industry may be seen as guilty merely by association. Consider cases in which a lead news story announces a toy recall or an automobile recall. Those who do not tune in to hear the full story may believe that the entire industry is untrustworthy rather than merely suspecting a particular offending company. Spillover can also work to make other wrongdoers seem less blameworthy than they in fact are. In cases where a number of companies in an industry are engaging in wrongdoing, one or two companies may be scapegoated receiving the bulk of public censure. This may also allow other companies engaged in the very same morally offensive activities to escape censure. Consider the case of defective Firestone tires and Ford not having recalled vehicles despite knowing the risk of death for its customers. Several other firms had engaged in similarly morally questionable behavior at the time, but Ford and Firestone took the brunt of public condemnation (Zavloya, et. al., 2012)

If companies that do not engage in good conduct can still reap the benefits of seeming to have acted in accordance with moral requirements, then companies that truly embrace CSR may well be driven out of the market. Thus, it is especially important to ensure that consumers have an accurate and clear understanding of whether or not a company has acted in a morally responsible fashion. (For a more in depth account of this argument see Stoll, 2002). Given that companies have a heightened duty to be honest and forthright in communicating good corporate conduct, the internet, unlike many standard advertising venues, is often a good place to begin if a company hopes to provide clear and accurate information about its CSR initiatives for a number of reasons.

SPECIAL ISSUES IN MARKETING GOOD CORPORATE CONDUCT ONLINE

Benefits of Marketing Good Corporate Conduct Online

To begin with, the internet is a cost effective way of providing a great deal of information, especially since it can be done so on a company's own website. While some companies opt to let the public know about their good deeds in television advertisements or print ads, both of these forms of advertising entail severe limits on space, making it difficult to communicate with the kind of clarity that careful moral judgment requires. Online communications on a company's website are not as limited and can be returned to for repeat viewing to ensure clarity, unlike many television advertisements. Bennett (2008), for instance, contends that the public is already used to looking online to find out what companies are doing: "(o)rdinary people are making your business their business as democratized media and information have made corporations more accessible—and accountable. Anyone with internet access can find out just about anything they want about your company online" (Bennett, 2008, para. 4). In support of his claim that consumers really are concerned with the morality of corporate conduct, Bennett notes that according to at least one survey, over 1/3 of respondents in the United States and the United Kingdom indicated that they had actively searched for information about corporate reputation and corporate ethics in the months preceding the survey. In France, over half of the respondents had sought to learn more about corporate conduct. If this survey is correct, then online outreach makes sense. Individuals are already looking actively for information about corporate conduct; companies that make that information available online are just making it easier for the public to find out how the company views its own conduct (Bennett 2008).

Secondly, the internet allows greater opportunity for the public to provide interactive feedback via emails, online forums, or even interaction in talk rooms where both critics and corporate representatives might be able to discuss potential moral problems with corporate conduct. Open dialogue could lead to changes for both companies and critics. A company, for instance, may only realize that its conduct is unacceptable after receiving online feedback. Alternatively, corporate critics may occasionally change their minds after company representatives clarify the reasoning behind corporate policy. Respondents in the aforementioned survey indicated that it was important for companies to maintain an open dialogue with consumers; 80% of United States respondents, 78% of United Kingdom respondents, and 92% of French respondents stated as much. Not only does the public expect companies to maintain dialogue, they also often see it as a matter of personal duty to ensure that they, as members of the public, censure unethical corporate behavior. The majority of survey respondents in the United Kingdom and France indicated that they were paying closer attention to corporate conduct along with two thirds of American survey participants. Eight out of ten surveyed in the United States and France and nearly seven out of ten in the United Kingdom surveyed said they felt a personal responsibility to censure unethical companies by refusing to purchase their products (Bennett, 2008). Going online to communicate good corporate conduct not only gives a company more space to explain their efforts, it also encourages companies to continually reevaluate policy initiatives in light of public feedback. Like any moral agent, a company can benefit from the perspective provided by feedback from those affected by its actions. A company can also rethink how it presents information on CSR policies in light of common misconceptions communicated by those with whom the company interacts online. This will help to ensure that the heightened clarity conditions for marketing CSR are met.

Thirdly, unlike cases in which one is reliant upon infomediaries who may or may not fully explain the context surrounding corporate behavior, a company's own website allows the company to frame their policies in ways that might make a moral compromise in the face of a number of less than ideal options more understandable. Infomediaries, such as the media, financial analysts, regulators and consumer organizations, have a diverse array of goals which may or may not mean that a full context for corporate behavior is provided. On a company's own website, the company can provide that context.

Infomediaries, however, also have an important role to play in marketing good corporate conduct online. Many consumers simply do not trust a company vouching for its own character. A survey administered by Reputation Institute found that only 1 out of 5 individuals surveyed believed that most companies are socially responsible. And those results also varied by nation. Only 16% of Americans believed that corporations were generally socially responsible whereas 35% of those surveyed in Mexico felt that companies were by and large socially responsible. Lest one think that public perception of corporate social responsibility is worst in the United States, it is worth noting only 11% of Canadians and 9% of Japanese individuals surveyed felt that companies were socially responsible (Morris, 2011). Not only are consumers weary of trusting corporate claims to social responsibility, they are generally less likely to feel confidence after researching anything on the internet. This phenomena likely stems from the fact that consumers who do research online tend to do more research, which may undermine confidence in a particular perspective simply because one is aware of so much more potentially relevant information (Ratchford, Talukdar, & Lee, 2007). According to a survey by Fleshman-Hillard and the National Consumer's League, 54% of United States consumers sometimes sought out information about a company's record on social responsibility. Of those surveyed, over half were already going to the websites of independent groups such as consumer watch-dog organizations or accrediting agencies. 43% of those surveyed favored independent sources verses 29% who favored corporate websites (Fleshman-Hillard National Consumer Survey, 2007).

Since consumers are likely doing research online anyway, and likely will not trust the company's own account of its moral behavior to some degree, the internet could allow companies to link outsider analysis of corporate conduct directly to the company's website for a more objective account. Thus, a company need not rely on mere assertions of its good conduct; it can point to independent outside observers who verify that the company is meeting its commitment to CSR. Using outside analysis to verify claims is especially beneficial in attempts to communicate good corporate conduct. Most moral agents are leery of individuals who feel the need to tell everyone about their good character. Such behavior can be self serving and seems to indicate that the motivation for good conduct is popularity rather than a respect for the moral value of others. A profit driven company is importantly different from individuals in that a company's role responsibilities require that it make a profit to survive. So it may be that in order to do what is right a company must also make sure that its consumers and investors understand the value that their commitment to moral conduct adds to the goods and services it provides. Touting good conduct may be essential to a company actually being able to engage in maximally desirable moral conduct. But the average person may not think through all of the subtle differences between appropriate criteria for judging the moral conduct and character of corporate as opposed to individual moral agents. Providing links to outside verification of good conduct online allows a company both to ensure that others are aware of the moral value added to its products while at the same time not offending those who think it untoward for any moral agent (corporate or individual) to brag about their good conduct.

Because levels of trust of corporate behavior will vary from place to place, the internet may also be of value in targeting messages differently depending upon the likely audience. According to the poll mentioned earlier, for example, individuals polled in Japan, for example, were far less trusting of business commitment to right action than individuals in Mexico (Morris, 2011). Trust may also vary within nations depending upon the demographic of the audience in question. According to a survey done by Yougov, the more educated one's audience is, the less likely they are to trust advertising: with 44% of those with only a high school education or less mistrusting ads verses 65% of those with post-graduate degrees (Marketing Charts, 2014). To address this disparity, web designers could attempt to use the location or other demographic information concerning the individual searching for information to include more links to outside sources for more skeptical audiences. By tailoring communication of good corporate conduct to the audience in question, clarity and efficacy could be heightened.

The Drawbacks of Marketing Good Corporate Conduct Online: Difficulties with Establishing Trust and Truth Online

Despite the numerous benefits of marketing good corporate conduct online, the practice does have important drawbacks. Many in business might think that explaining CSR to the public is just like any other part of business and just as a corporate report might be put online so would CSR audits. Marc Gonzalves, Corporate Affairs Manager of the Billiton Mining Group, for instance, says that "undertaking Corporate Social Responsibility Programs will be the same as having to print annual corporate reports. It is what business is about" (Kapelus, 2002, p. 279). Communicating CSR online, however, is different from other aspects of public relations and advertising in a number of ways. First, there is the heightened requirement for clarity in providing information necessary to moral judgment. Secondly, the internet itself may present special drawbacks for communicating this specific sort of information.

Problems with Trust in Online Relationships

When communicating information on the internet, the medium by which the message is conveyed affects both the message and its efficacy. Trust is importantly different in online interactions. Not only is the relationship of trust mediated because individuals are dealing with institutions that have designated and skilled media communications professionals, but the relationship is further mediated by technology when it occurs online. Consider the following example. Suppose that an individual, Mr. A, is subletting an apartment in the United States from a woman, Ms. B, who has returned to India for the summer. The rent check submitted by Mr. A to Ms. B never finds its way to the landlord during the first month of his stay. Mr. A must then deal with a long series of email interactions with Ms. B in order to sort things out. She believes that the error was due to the bank or to Mr. A not having accurately filled out the check. Mr. A firmly believes that he made no such error and suspects that Ms. B is short on cash and making excuses. If the two could interact face to face, they may have less difficulty trusting one another. Each could judge facial cues, use his or her comprehension of body language and tone of voice to discern motivation and guilt. It is not just trained psychologists who can understand the tell tale cues of a liar who covers his mouth or refuses eye contact. But neither Mr. A nor Ms. B can make use of this skill set in determining who is telling the truth since the two are separated by an ocean and can only interact online.

Hubert Dreyfus has analyzed the problems that online interaction can create for human abilities to understand and trust one another at length. Dreyfus (2009) warns that:

(W)hen we enter cyberspace and leave behind our emotional, intuitive, situated, vulnerable, embodied selves, and thereby gain a remarkable new freedom never before available to human beings, we might at the same time, necessarily lose some of our crucial capacities: our ability to make sense of things so as to distinguish the relevant from irrelevant, our sense of the seriousness of success and failure that is necessary for learning, and our need to get a maximum grip on the world that gives our sense of the reality of things. (pp. 6-7)

The ability to understand oneself and the world is compromised in crucial ways in online interaction. Not only will individuals miss out on important body language cues, but it is often difficult to maintain a sense of seriousness and reality in online interactions. Without the physical presence of the other person in front of one, how vulnerable can either party be? Without that vulnerability how seriously can one take the situation? For those who think that online interactions really are not that different from face to face interaction, consider how much easier it often seems to confront someone online rather than in person. Public reactions to texted or emailed break up messages are not merely fodder for the tabloids. They indicate how problematic and sometimes cowardly opting for technology mediated communication can be. Furthermore, consider how much time online is spent gaming or playing at different identities. On facebook or in an online dating forum, one could easily lie about one's looks, age, or even gender. In online role playing games, one could inhabit a world with others appearing to them as a wood nymph when one was in fact a two hundred pound weight lifter. While this kind of creativity and experimentation can have valuable results, it also means that there may be a sense of unreality attached to online communicative interaction and that trust online operates differently and perhaps more cautiously.

A company explaining its attempts at social responsibility online could be analogous to that dream date or the company could be more like the jerk next door merely pretending to be something he is not. Without the background context of meaning, habits, and skills that face to face interaction provides, the truths discovered online may often rightly be regarded with greater skepticism. In the United Kingdom, online ads were responsible for one third of complaints to the Advertising Standards Authority (ASA). A full 90% of the advertisements that were subject to complaints occurred on corporate campaign websites that the ASA does not regulate (Carter, 2007). While it may be that companies are just more likely to make false claims about their sustainability or their products when it is legally permissible to do so (even if it violates their own ethics codes), it may also be the case that corporate decision makers simply do not take online communications as seriously. This may also help to explain why the ASA regulates other sorts of corporate communication but not the claims made on corporate websites; the ASA may not take online communications as seriously either.

It might be easier for company officials to feel that information posted online is somehow less real, less risky, and need not be taken as seriously as company reports printed out and kept physically present in desks and on shelves, or less serious than moral promises made to another's face. It is perhaps no surprise that documentarians and news reporters so often want to confront the CEO's of companies involved in ethics violations and scandals face to face. Not only does it make for a more entertaining story, it makes both the infraction and guilt more difficult to deny. Removing room for denial allows the moral wrong to be felt more deeply and seriously than mere numbers on a page in a report ever could. Part of the ability to judge moral character and conduct comes from these kinds of face to face interactions and the CEO is often the closest thing one can find to the face of a corporate institution. To blame the CEO alone is often unfair, but the desire to speak face to face about moral infractions is likely in part due to an array of emotional and embodied habits of judgment that human beings are often unaware are at work in determining their moral choices and judgments. Without face to face interaction, it is easy to feel that the infraction is dismissed and the requisite examination of conscience never undertaken.

Obviously it is impractical for an institution to answer every moral question with a face to face interview with the head CEO. Communication for a company will of necessity be mediated. Given the costs of making information available to all relevant stakeholders, the internet is often the best option. But the aforementioned kinds of problems endemic to online communication between individuals also follow companies trying to communicate corporate social responsibility online. While companies must communicate via their emissaries, an online discussion of corporate policy deprives an individual of body language cues concerning whether or not the individual involved actually believes the claims he or she is making. While establishing trust between institutions and individuals is always strained, communications via online media can be even worse. This situation is further complicated by the fact that the individual searching for information about corporate social responsibility has no idea whether or not his emails and online chat messages are being received by an individual and replied to by a human being making a careful judgment call. It may well be the case that his emails and chat messages are returned by a computer program designed to generate replies automatically. The critic of corporate conduct may be all too used to being forced online to provide feedback knowing full well that this is merely an attempt to ensure that his grievances will never be heard or at the very least delayed indefinitely. If online communications really are conducted so as to ensure dialogue, this might not be a problem. But if companies regularly refuse to allow customers interaction with customer representatives in any way except online, customers and critics will begin to suspect that the net is merely yet another wall erected between companies and accountability. Making online chat rooms or email addresses of company officials available, but never paying attention to that feedback would then be a dishonest attempt to make it seem like a company was engaged in a careful examination of conscience when in fact no such action had occurred. This problem is not unique to corporate communications online as Mr. A and Ms. B could attest, insofar as each fears the other is not hearing the moral critique advanced across the distance of email. But it is still a danger that is endemic to corporate attempts to communicate CSR online that must be understood and dealt with accordingly.

Problems Establishing Truth Online (or Otherwise)

The internet also poses problems in that while the internet provides a wealth of information, the sheer amount of information can make it nearly impossible to gain real comprehension. One could literally search for more information endlessly. What is gained in breadth could be lost in precision and clarity. Listing an array of detailed charts with no concise explanation of their meaning will not adequately convey CSR initiatives. While a two minute ad is too brief, a three hundred page report awash with detail but lacking context is equally inadequate. Companies that are honestly committed to CSR must also be weary of using the sheer girth of the net to make claims seem true rather than providing reliable evidence. If company Q responds to critics by merely inundating the web with claims to the contrary (rather than by providing evidence that these criticisms are unfounded or remedying the situation), it may well be the case that those researching the matter might never even find the opposing viewpoint. But this is akin to a child who convinces everyone else (and perhaps even herself) that she is innocent of having hit her brother merely because she said she was innocent so very many times. While knowledge is not formed merely by repetition, the vastness of the web may incline those seeking more information about a company towards this sort of epistemological vice. An unethical company would exploit that opportunity rather than take the critique seriously. Dean (2008) echoes precisely this worry:

Today, the circulation of content in the dense, intensive networks of global communications relieves top-level actors (corporate, institutional, and governmental) from the obligation to respond. Rather than responding to messages sent by activists and critics, they counter with their own contributions to the circulating flow of communications hoping that sufficient volume (whether in terms of number of contributions or the spectacular nature of a contribution) will give their contributions domination or stickiness…The proliferation of distribution, acceleration, and intensification of communicative access and opportunity far from enhancing…resistance results in precisely the opposite. (p. 102)

The glut of information available on the internet without context for action deprives information of meaning. Without a meaningful way to determine what really matters, shock, spectacle, repetition, and newness are given unwarranted power to determine what counts as truth for online researchers (Dean, 2008). This undermining of meaning and truth online, however, makes it difficult for companies whose actions really do match their online accounts of corporate social responsibility, especially when their less responsible competitors are willing to trade on repetition and spectacle to convince consumers and critics to opt for their products and services. The trust that a responsible business deserves may never take root in a context where truth is not especially relevant to determining the moral beliefs of investors and consumers.

Although it was not a case of marketing CSR online, Sony once paid for a fake blog, a 'flog,' to be produced in which two men tried to convince their families to get them a Sony PS 2 for Christmas (Beard 2007). This kind of activity makes it difficult for anyone to trust blogs to be what they say they are. Imagine if Sony had paid bloggers to talk about how morally upright the company was. If the blog was sensational enough, it might get more viewers than a more truthful appraisal on more morally responsible competitor's website. Even if the flog was premised upon a lie, it might be difficult to discern as much given the difficulty of establishing truth online and the extent to which web surfers prefer the sensational to the evidentially verifiable. Walmart presents another even more worrisome example. In response to critics who charged that Walmart does not treat workers with the respect they deserve, Walmart set up a flog called "Wal-Marting Across America" in which Walmart paid two professionals to take a 2800 mile road trip across America parking their RV in Walmart lots. The flog, however, nowhere mentioned that its writers were paid to create the flog. A second subsidiary flog of "Wal-Marting Across America" was called "Paid Critics" and was designed to expose Walmart critics (Fernando, 2007). Instead of engaging in dialogue with critics or remedying the situation, in this instance, the company opted to trade on the epistemic pitfalls of online information gathering to make it seem as though outside observers were coming to the company's defense, when in fact, the flog was funded by the company itself. While Walmart can and ought to defend itself against criticisms it believes to be false, doing so in such a deceptive fashion hardly speaks well to the company's overall moral character. This kind of behavior would undermine companies marketing CSR online who provide links to outside analyses. If competitors provide links that seem independent, but are not, this undermines trust for both the responsible and irresponsible companies. But without trust, a company following CSR can't compete and continue to be morally responsible if morally good behavior is more expensive. Thus flogs are doubly morally wrong. First, they are inherently deceptive to an unacceptable degree. Second, they undermine the conditions that make corporate social responsibility in general a viable business strategy.

To further complicate matters, the net is awash with anonymous commentators and bloggers outside the confines of corporate communications; this alone could make the intended audience believe that CSR initiatives communicated online are also just so much talk with no action to back it up. Castelfranchi and Tan note that several experts in online communication have found that individuals are more likely to break commitments made online that those made face to face (2001). Given this sort of experience, corporate critics may rightly be weary of trusting promises made online by anyone, whether by an individual or a corporation. Trust may be further compromised by worries that just as the internet provides consumers and critics with more information about companies, it also provides companies with a greater ability to engage in surveillance of critics visiting their sites. The interactivity of the net could become a double edged sword. If everyone who complains about a disconnect between CSR reports and actual corporate behavior is required to communicate that complaint by email, then has his inbox inundated with unwanted emails for sales, few will register those complaints.

Finally, even if CSR marketers could get past all of the aforementioned problems in communicating CSR online complete with links to outside independent observers who verify their claims, the reliability of those outside observers may also be put into question. McChesney argues that the press, traditionally a means by which corporate wrongdoing was exposed when government oversight was lax, is no longer able to serve that function well given the current political economy of media in the United States (2008). As newspapers and newsrooms become just one tiny part of giant multimedia conglomerates, the news becomes increasingly underfunded. McChesney worries that even at its best, so called objective journalism was equally as much an effort to make it seem that conservative media outlet owners did not exert undue control over the news. This was achieved by trusting official sources, like government, university professors, and official business spokespersons. These sorts of strategies can skew news content. Surveys show that 40-70% of the news is actually taken directly from press releases issued by public relations (PR) experts. Without the money to pay for a team of investigative reporters, it becomes ever easier to substitute the slick prepackaged PR in the place of independently verified news stories. If one is tempted to think academics alone can provide objectivity, it is important to remember the ever increasing pressure that universities face to bring in outside grant money, which is itself usually financed by the very same institutions the academy is ostensibly charged with overseeing. Furthermore, since no media outlet can survive without advertising dollars, McChesney is concerned that the press will not do an adequate job of reporting corporate wrongdoing. As evidence, he notes how despite the huge growth in business coverage over the last decade, the press did not report Enron's misdealing until 2002. McChesney speculates that this is in part because Enron actively courted both the *New York Times* and Viacom. Enron had major business ventures with both media companies and paid several prominent journalists $50-$100,000 as consultants. Lest one object that perhaps publicly funded news providers should have been immune, McChesney notes that Enron was also an underwriter for a six part PBS series on globalization (2008).

Even if journalists had the funding and could avoid conflicts of interest in reporting wrongdoing of potential advertisers, in text advertising could further warp their intended message. Fox, for instance, embeds hyperlinks to ads in various words in its online content. Fox contends that this is acceptable because reporters do not know which word will by hyperlinked in advance, but it is easy to see how these hyperlinks could be used to blunt or undermine whatever journalistic pieces might somehow emerge that were critical of advertisers (Beard, 2007). If a reporter critiques food safety for Tyson chicken, but Tyson has an embedded hyperlink touting how safe it is, the news report is immediately undermined before it can even be read in full.

Finally, online communication must contend with the problem that the net itself is not entirely neutral. Companies can find a multitude of ways to pay to ensure that their perspective on their conduct and their products is linked more gratuitously throughout the web. Even Wikipedia could play into the hands of companies whose potential critics are living in third world countries where English is not dominant. While the worst effects of sweatshops and refusal to adhere to environmental safety standards are often abroad, victims who write and publish stories documenting harms in their indigenous languages may not be heard on Wikipedia since Wikipedia tends to prefer references written in English (Garfunkel, 2008).

SOLUTIONS AND RECOMMENDATIONS

Given the wealth of challenges facing anyone who attempts to market corporate social responsibility at all, much less explaining corporate social responsibility online, it may seem impossible to explain to consumers online in a morally acceptable fashion how and why a company's products are of greater value because moral standards were met during production and marketing. While the challenges are real, the hurdles are not insurmountable. With respect to the worry that human beings are simply not skilled in making moral evaluations and establishing trust in online contexts, it is important to recognize that the internet is a fairly new phenomenon. It is also important, however, to remember that individuals and institutions constantly change and evolve. Even though it is difficult to form trust in an online interaction, many people do and many companies already manage to be profitable online. If humans were not able to make decent decisions at all online, society as a whole would be far less able to engage in the amount of e-commerce already extent. But an awareness of how usual skill sets put in play during face to face interactions are undermined in internet contexts is also important. For this reason, communicating corporate commitment to social responsibility can not be left entirely to website managers. People will trust a company that is represented in their community. Face to face interaction with company leadership may be requisite at various points if claims of moral praise will ever be fully trusted. A manager who shows up to the charity auction is doing more than fostering warm fuzzy feelings in the community at large; she is also putting herself out there in the community to hear moral critique and feedback. The vulnerability of face to face interaction will at points be necessary to establishing the trust necessary to believing that a company really is morally responsible rather than merely playing to what seems popular. Marketing corporate social responsibility is complex and must be multifaceted. This shows that online marketing of CSR is one part of a much bigger puzzle, but it is necessary nonetheless. A corporate website is often the one place a company can afford to go on at length providing a key part of the kind of contextualized information necessary for a consumer to make informed moral judgments about whether or not he or she will support the company in question.

To the objection that online interactions are not taken seriously, it should be noted that online commercial purchases are taken seriously. Banking online is taken seriously. While it is important to recognize the temptation to shirk accountability more so in online contexts, that does not mean the online medium of communication undermines all attempts at seriousness. Even Dreyfus, the philosopher who launched his critique of seriousness in online interactions, argues that people committed to a cause offline will see the internet as one tool among many. Dean also notes that according to a survey of 159 producers of blogs online, 60% said that participation in online political forums lead them to be involved in at least one political gathering or protest. Since becoming more active online, 29% reported being more active in political acts and 63% reported the same level of commitment (Dean, 2009). While these numbers refer to individual bloggers, they indicate that although many take commitments online less seriously than promises made face to face, internet involvement is not without efficacy. People involved online also tend to be involved offline. Seriousness is not completely lost simply because individuals engage online as well.

A lack of seriousness in online claims of corporate social responsibility is probably an indication that the company lacks seriousness in meeting that commitment in general, not just online. Although Dean (2009) is referring to supporting a commitment to democracy and justice in society more generally, the following comments apply equally as well to corporate social responsibility: "the technology is offering new standards, platforms, and ways of expression. So we can study them and learn to better utilize them, but real change goes deeper and it comes from somewhere else" (p. 125). If a company is not committed to moral standards in its business practice, then that is beyond the scope of this chapter. This chapter is concerned with providing moral guidelines in marketing CSR online for companies that truly do embrace CSR.

A company that does not bother to ensure that complaints are read by anyone or reach the relevant corporate leaders is not a company committed to social responsibility since an accountable moral agent is one that takes moral critique seriously. Nike, for instance, early on its attempt to deal with critics who frowned upon their use of sweat shop labor, invited Dartmouth graduates to tour some of its Vietnamese and Indonesian facilities for three weeks and paid for their trip. Nike also posted a virtual tour of some facilities in Viet Nam on its website along with a report made by the students. At the same time, however, Nike was aware that an audit by Ernst & Young of one of its subcontracted Vietnamese factories showed that the factory did not have potable water and that toxic chemicals onsite were up to 177 times allowable safety limits at another Vietnamese factory producing its products (Bell de Tiennes & Lewis, 2005). The problem in this case is not that Nike used the internet to post the virtual tour. The moral problem in this situation is that Nike didn't take corporate social responsibility seriously.

While select testimonials are fine for advertising shoes as products, there are higher standards for moral conduct. Just because one has behaved admirably in one or even most cases, does not mean that one's behavior on the whole is morally acceptable. The fact that an individual didn't steal from his neighbors 49 out of 50 times does not make him any less of a thief when he steals a car on his 50th opportunity. By the same token, even if 99.9% of its factories were in compliance, the few that were not meant that people's lives were put at risk so Nike could make money. Even one foreseeable death due to violation of safety standards is one too many. Here the moral mistake was applying the usual standards of advertising to moral conduct when in fact marketing CSR in general, online or otherwise, puts a greater burden of honesty and clarity on the part of the company. The same problem applies to Walmart's flogs. When it comes to meeting moral criticism head on, a handful of subjective testimonials (especially when they are financed by corporate officials) are morally inadequate. The requirements for honesty are much higher when it comes to communicating information crucial to determining moral praiseworthiness or blameworthiness for conduct. Companies that use the interactivity of the net to fill the complainer's inbox with ads also miss the point. While gluts of ads might work in selling shoes, they are not appropriate as a reply to moral censure. Interactivity should foster mutual comprehension and critical reflection, not silencing of questioning. A morally responsible agent, whether corporate or individual, can not grow if the reply to all negative moral judgment is the equivalent of shouting to silence critics rather than examining the validity of their claims.

Objections concerning the difficulty of establishing an objective account of whether or not a company deserves moral praise and investment premised upon that praise are, however, more serious concerns. The glut of information available on the web makes it especially important that attempts to communicate corporate social responsibility online are clear. It can be tempting to just throw up every social audit with every single bar graph and loads of confusing acronyms when a company has all the space in the world on its website. But information needs to be digestible. Few consumers have the time or skills to go through every inch of detail. If the goal is to be socially responsible, transparency is important, but true transparency requires clarity and context. If a company is committed to CSR and wants the public to know it, they can not hide behind piles of figures and confusing details. A summary highlighting key points and directing those who want to know more to the appropriate locations on the site is needed. While communicating CSR can not be as brief as a 30 second ad, neither can it be presented solely in 300 page increments. For this reason, it is better to charge CSR communication to individuals who understand that the requirements are different from standard advertising and PR. Companies can look to firms that specialize in communicating good corporate conduct rather than relying on professionals skilled primarily in puffery. They can also rely upon outside audits and partner with nonprofits to ensure that their examination of conscience is truly fair and objective. Especially when responding to moral censure for previous misdeeds, a company must be clear exactly how the mistake has been addressed and ameliorated. The company must be careful to communicate the cause of the misdeed, be clear about the resources dedicated to addressing its fallout, and to address perceived misdeeds in a timely fashion in order to recover its position of respect (Zavloya *et. al*. 2012).

It is also important to realize that links to outside analyses may themselves be brought into question. The press is not always the most neutral source, nor is the government or the academy. This problem is endemic to all epistemic journeys that involve politically and economically powerful entities. Yet despite this general problem, somehow large institutions do seem occasionally to have been able to change for the better over time. Churches go through reform, governments are overthrown, and corrupt companies can and do get found out or else Enron would be a poster child of corporate virtue to this day. While it is important to realize the challenges to providing a truly objective account of whether or not a company deserves to have its products understood as having added moral value because of corporate commitment to CSR, it is also important to realize that a reasonable case can be made. If a company can reference multiple outside observers who attest to their virtuous conduct, the press, government, and/or university researchers, that is the strongest case that can be made for their virtues or their vices. Marketers of CSR must avoid the Nike mistake of selective evidence from biased sources.

For companies that truly do hope to embrace standards of corporate social responsibility, it is also important to recognize that the task of marketing good corporate conduct may be more efficient with systemic changes. Truly morally good and socially responsible companies may find it in their best interests to support key government reforms that could make their continued existence more viable. The government could help by requiring social audits by independent firms for repeat offenders. Government could also work to encourage truly independent reporting and social critique by supporting measures ranging from better funding for government oversight agencies, speedier and more complete returns of Freedom of Information Act requests for companies involved with government contracts or campaign donations, revamping of FCC guidelines to ensure an independent and profitable press free of the pressures of being a microdepartment in a transnational multimedia entertainment conglomerate, defending net neutrality, and adequate funding of higher education to ensure that social critique is not bought out by corporate grant funding. A virtuous moral agent can not exist in a vacuum. The same is true of virtuous corporations; they also need a social context that allows them to flourish.

FUTURE RESEARCH DIRECTIONS

While I have suggested a number of policy changes to encourage truly morally responsible advertising of good corporate conduct, it remains to be seen which of these suggested changes will be economically and politically viable. While it would only be a first step, Alex Bogusky has suggested that given how much the advertising industry prizes its awards, it might be a good idea for Cannes to create a new "award for the most accurate, careful and ethical use of advertising" (Bogusky, 2010). While it would be important to ensure that morally responsible advertising is not seen as a mere boutique industry rather than something to which every ad must aspire, a push for recognizing morally decent ads as ads of high professional talent and skill could be a good first step in changing the industry. Future research could examine how effective ads might be in encouraging better behavior across the board. In the future, it will be important to document the effectiveness of various measures at communicating good corporate conduct. Virtuous companies can solicit feedback from those who visit their websites to determine which communicative strategies work best. Especially when it comes to providing meaningful context for key claims, feedback from the public is probably the best way to ensure that the message is communicated with requisite moral clarity. While I have suggested that government ought to do more to encourage objective analyses of corporate conduct perhaps corporate collectives that work with international nonprofits will prove more effective or press cooperatives paid for by subscribers might be a better bet. It may also be useful to explore alternative means of funding journalistic watchdogs of business via nonprofit cooperatives that fund professional journalists perhaps supplemented by citizen journalists gathering evidence as well.

CONCLUSION

While it is clearly challenging and difficult for companies committed to producing goods and services in a fashion that is socially responsible, the task is not impossible. Using the internet to help consumers to understand and trust that a company is truly committed to corporate social responsibility is one very important tool in ensuring that socially responsible companies can compete and thrive. Online spaces allow companies an affordable means by which to provide detailed information and links to objective analyses by outside parties affirming claims of good corporate conduct. Online spaces also provide the opportunity to engage in dialogue with potential corporate critics both concerning the clarity of corporate attempts to communicate efforts towards social responsibility and the validity of those claims. Companies do need to be careful to watch out for the ways in which online communications present challenges to creating trust with consumers and critics as well as challenges in establishing the truth and seriousness of corporate commitment to social responsibility. Corporate actors who take advantage of the special problems associated with communicating online can make it exceedingly difficult for morally responsible companies to have their message efficaciously heard. But with an adequate awareness of both the problems and benefits associated with online attempts to communicate good corporate conduct, socially responsible companies can find ways to be competitive in the marketplace and to do truly do well by doing good.

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KEY TERMS AND DEFINITIONS

Advertising Ethics: Moral constraints, values, and expectations of right and/or virtuous conduct that apply to advertising communication.

Codes of Ethics: A written set of moral principles and values meant to guide individuals in meeting particular role based moral duties within an institution or industry.

Corporate Social Responsibility: The view that corporations have moral duties to stakeholders beyond those who own stocks or shares in the company. Corporate Social Responsibility extends to consumers, employees, the industry in which a business operates, community members impacted by corporate choices, and the natural environment.

Infomediaries: Individuals or institutions that serve as a mediator for the dissemination of information about some other entity. In business, common infomediaries for communication of corporate values and policies include the media, financial analysts, regulators and consumer organizations.

Marketing Ethics: Moral constraints, values, and expectations of right and/or virtuous conduct that apply to those engaged in promoting a product or service to consumers.

Online Communication: Any kind of communication between either individuals or organizations that occurs on the internet.

Puffery: Exaggerated claims, comments, commendations, or hyperbole in advertising.

Trust: Robust belief in the reliability of another person, organization, or thing.

Chapter 19
Privacy, Trust, and Business Ethics for Mobile Business Social Networks

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ABSTRACT

New information and communication technologies and their integration extend possibilities for high-level human collaboration. Various groups of people can come together according to their private or business interests forming a virtual community through social networks. However, in addition to the positive effects of this technical breakthrough there are dangerous potential side effects using these high-level networked systems; the sensitive personal or business data can be misused. Therefore, privacy has an increasingly important role in social networks and is becoming a significant area related to business ethics taking into consideration the close connection between trust and privacy. The goal of this chapter is to discuss the role and relationships between trust and privacy in mobile (business) social networks and to introduce the possible types of privacy threats and countermeasures in case of online social networks. A short summary on future trends in mobile social networks is also presented.

INTRODUCTION

There always has been a strong need among people to share information and knowledge. This need of information exchange initiates the communication using different media both in private and professional life. The new technologies widen the world for individuals to reach other human beings independently of where they are on the globe. Various groups of people can come together according to their private or business interests, forming a virtual community through social networks.

A social network (SN) is a social structure made of individuals (or organizations) that can be termed "nodes", and the links that are the different types of relationships/interdependency established

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between nodes. In fact, a social network is based on two parameters: nodes and links. The nodes define the content of the relationships (links) according to their theme/interest/attendance (e.g. trade financial, friends, kinship, dislike, trade, sexual relations, disease transmission (epidemiology)). An important attribute of a link is the type of information exchange/communication technology (e.g. using mobile equipment). Today social networks use web-based services, so the type of communication can modify the behavior of nodes, the communication habits of SN users.

In the generation and operation of these communities cooperation and collaboration have a significant role. On the other side these new communication technologies deeply modify traditional forms of social connections, communication and cultural habits as well. These modifications can be observed in particular in hierarchies, social rules, norms, conventions, familiarity and reputation.

A very important element of human contacts is trust. In a networked society, trust is the atmosphere, the medium in which actors are moving (Castelfranchi and Yao-Hua Tan, 2001). Trust can bridge the cultural, geographical and organizational distances of members. Trust is the basis of cooperation, the accepted behavior of the human being in society. As the rate of cooperation is increasing in all fields of life, the importance of trust is evolving even faster. In this new communication environment new methods and techniques of trust building have to be developed, as the conventional rules of the face-to-face approach cannot be applied. According to different experiments the level of trust is highly influenced by the way/mode/medium of communication and by the duration of contact (Mezgár, 2005). Himmelman developed a hierarchy of partnerships (Himmelman, 1997) based on the amount of trust, time, and risk needed to establish and maintain the partnership. In Himmelman's framework, networking, coordinating, cooperating, and collaborating mean different concepts and are built on each other.

Privacy is another important element of using networks. Privacy is the right of an individual to be secure from unauthorized access, disclosure and being able to control information about oneself that is contained in different documents/files, databases or Web-pages. The degree/rate of privacy usually correlates with trust – the stronger privacy is, the higher is the level of trust.

Online Social Networks (OSNs) show an extremely quick expansion today. According to Wikipedia (Wikipedia, 2014 June) the number of members of some OSNs are the following (in millions): Facebook – 1280, MySpace - 30, Tagged - 100, Twitter - 94, LinkedIn - 200, XING – 11. The rate of connecting to OSNs by mobile (smart) phones is about an average 71% of the OSN members (Bullas, 2014) and the role of privacy is increasing as well (this is shown by providers' announcements on developments in their privacy rules and software abilities).

The remainder of this paper has the following structure. Section one gives a short overview on online social networks (OSNs) including business social networks (BSNs), the application trends of mobile technology both in social networks (mobile social networks - MSNs), and in business social networks (mobile business social networks - MBSNs). In the second section the role of trust and privacy in the mobile business social networks is discussed and an overview is presented on privacy threats and countermeasures in OSNs. The connections between privacy and business ethics in OSN are introduced in this section. The third section summarizes the future trends and research directions in development of mobile business social networks.

ONLINE (BUSINESS) SOCIAL NETWORKS

Communication Technologies and Devices for Online Social Networks

Before the Web, virtual communities existed on bulletin board services (BBS). In general, there were two kinds of communication among community members: message postings and real-time chat. Usenet newsgroups are an example of the former. For real-time chat, Internet Relay Chat (IRC) is a system used by many Web sites realizing virtual communities. Lately, the main tool/technology for VCs is the Web.

Today there is a set of new technologies that can extend the possibilities of formation and operation of the various virtual communities and organizations; these are the different forms of wireless technologies. Wireless technology means mobility, namely individuals are available independent from location and time. This mobility is an important attribute of today's society.

Mobility can be achieved by using different types of wireless networks as Satellite Communication, Wireless Wide Area Networks (WWAN – different types of mobile phone systems - GSM, UMTS and iMode), Wireless Local Area Networks (WLAN, such as WiFi –IEEE standard 802.11a/b/g) and Wireless Personal Area (or Pico) Network (WPAN – e.g. Bluetooth, IrDA2). These networks can be connected, so the user can be reached really at any place through a type of wireless connection.

In order to have significant influence on society and culture, new technologies have to reach a critical mass. While the penetration rates of mobile phones in the world are different, there are regions where it is 90-100% or even higher.

An important service type of mobile phones is the MMS (Multimedia Messaging Service) that is an evolution of SMS and EMS (Enhanced Messaging Service). The multimedia element differentiates MMS from other messaging offers by integrating the ability to send and receive photos, images, video clips and polyphonic sound by camera phones. This message type is significant in forming virtual communities and also in trust building. The use of Internet-ready devices is challenging social customs as people shift more of their attention and resources to the smartphones and tablets.

Trends in Mobile Technology

The different mobile technologies (e.g. Wifi, 4G, and Bluetooth) and devices (iPad, mobile phones, smartphones, noteBooks, netBooks, tablets, etc.) have taken a continuously increasing role in private communication. The rate of application of these tools is dramatically increasing, and the usage of these technologies alters the user's habits and social behaviour. This in turn alters society itself as well.

As social networks are strongly connected to the individuals and the characteristics of mobile technologies (e.g. round-the-clock availability) fit well with the habits of social network members, today it is clear (empirically observable) that the proper tool for the members of a SN is the mobile device. Because of this reason it is important to have some forecast on the number of mobile device users.

Gartner forecasts that the number of people accessing the mobile Internet is growing very fast and for 2015 PC shipments will be about 10% of all mobile devices. At the end of 2015 over 1 billion users will browse the mobile Web on their handset (Gartner, 2014).

A recent survey of Gartner focused on the type of devices the respondents have. Millennials (consumers aged 18 to 24) are more than four times higher rate using smart phones compared to seniors (63.5% vs. 14.9). Mobile phones play a huge part in the lives of young Americans and will have an increasingly dominant role for those of all ages (Gartner, 2013).

It can be concluded from the statistics that mobile devices - especially smartphones - will be the most important basis of using the internet within a few years and the "older" generation are also starting to use these devices. To date, social networks are the highest level of communication based organizations. According to the development of the networking technology (both software and hardware) at the beginning OSN members used PCs, then laptops, then netBooks, and today more and more use smart mobile phones or tablets.

A smartphone is a class of wireless phones typically used to describe handsets with many features and often a keyboard. What makes the phone "smart" is its ability to handle data, not only voice calls. Smartphones can fulfill nearly all communication requirements of the users:

- Users are always available.
- User can reach his/her friends (Internet, e-mail) independent from place and time through different wireless technologies (mobility).
- Smart phones are personal trusted devices (can fulfill the functions/demands of privacy security, trust building).
- Multimedia data (pictures and graphics) can be transferred.

The following are the main technical features of a smartphone:

- Operating system that allows it to run productivity applications (e.g. WindowsMobile, Android, Symbian).
- **Software:** Smartphone may allow the user
  - To create and edit Microsoft Office documents or at least view the files.
  - To download applications, such as personal and business finance managers.
  - To edit photos.
  - To use it as a navigation system with GPS.
- **Web Access:** Smartphones can access the Web at higher speed, thanks to the growth of 4G (LGE) data networks and the addition of Wi-Fi. Bluetooth also supports many handsets.
- **QWERTY Keyboard:** A smartphone includes a QWERTY keyboard. The keyboard can be hardware (physical keys that you type on) or software (on a touch screen).
- **Messaging:** A smart-phone handles e-mails and can synchronize the owner's e-mail account.

The technology surrounding smartphones is constantly changing, what constitutes a smartphone today may change rapidly by next week or next month.

The conclusions of the above surveys are that smartphones are significant devices in mobile Internet access at the end of 2014 (38.5%), and this rate will increase in a great extent for 2015-2017 (48.8%). The owners of smartphones will join OSNs, so Mobile OSNs will gain higher importance.

Description of Online Social Networks

Broadly speaking, a social network can be defined as a set of actors and the set of ties representing some relationship - or lack of relationship - between the actors (Brass, Butterfield, and Skaggs 1998). Actors in a social network (people, organizations or other social entities) are connected by a set of relationships, such as friendship, affiliation, financial exchanges, trading relations, or information exchange. An online social network uses computer support as the basis of communication among its members (Andrews, Preece, and Turoff

2002). Web-based social networks provide different means for users to communicate, such as e-mail, instant messaging services, blogging, and photo/video-sharing. By now hundreds of online social networks have been launched, with similar technological features that support a wide range of interests and practices (Ellison, Steinfield, and Lampe 2007). These social network sites provide a dynamic and multimodal platform which enable discussions, sharing of multimedia content, organization of events, etc. between members with common interests, such as school, friendship, work, and hobbies (Cachia, Compañó, and Da Costa 2007, Sledgianowski and Kulviwat 2009). Content is both provided by and consumed by the OSN members. Membership is usually free with access being granted after registering and completing an optional profile, which typically includes descriptors such as age, location, interests, and an "about me" section. Most sites also encourage users to upload a photo. The visibility of a profile varies by social network site and according to the user's disposition (boyd and Ellison 2007). The linking of profiles through friendship requests and acceptances and the ability to view the resulting connections on others' profiles are tangible mechanisms that reflect existing social networks (Ellison, Steinfield, and Lampe 2007, Lange 2007).

OSNs are defined by boyd and Ellison (2007) as web-based services that 1) allow individuals to create a public or semi-public profile for themselves within a bounded system, 2) indicate a list of other users with whom one is connected, and 3) show users their list of connections and those made out by other users within the system (for an overview of OSNs as a global phenomenon see also (Heidemann, Klier, & Probst, 2012). OSNs can be oriented towards diverse audiences, or attract people based on common interests or shared racial, sexual, religious, or nationality-based identities (boyd & Ellison, 2007). Some of these online social networks, such as Facebook and Twitter, are social spaces where interactions can be personal as well as professional. Participation in such networks results in a potential collision of professional and personal worlds that may open up opportunities as well as create challenges for individuals (Ollier-Malaterre, Rothbard, and Berg 2013).

The generated content in OSNs is provided and consumed by the OSN members implying that self-disclosure as well as active participation are central functioning mechanisms; if users do not reveal information, networking cannot take place (Grabner-Kräuter and Bitter 2013). Hence, also in the context of OSNs, trust has to be seen as an important catalyst in facilitating social interaction and making virtual communities vibrant (Wu, Chen, and Chung 2010).

Classification of Online Social Networks

The application of different web services is now integrated into everyday life in many ways and the scope of the term "social networking" is becoming more obvious. Today people use the Internet to carry out many various activities:

- To research financial, family, and other personal possibilities to support decisions.
- To discuss different hobbies (same interests and activities) with other people.
- To connect and develop a network with other business fellows and clients as well.
- To participate in virtual education to obtain certifications online.
- To conduct scientific or academic collaboration and research.
- To collect and circulate news across the global community.

According to this very wide range of application possibilities there are many hundreds of online social networks in operation. A continuously updated list of active social networks can be found on Wikipedia (Wikipedia, 2014). This "popularity list" is not an absolute ranking as this list depends on the preparation date (OSNs are moving up/down on this list) and the region or country. A social network can be very popular in the US but another one may be more widely used in another area, for example in Latin-America.

An important characteristic of OSNs is the number of languages that can be used in the system. Facebook applies over 100 languages; available languages include Hindi, Punjabi, Bengali, Telugu, Tamil and Malayalam. The language factor could be a huge opportunity for growth if the company can pull off more than just interface translation (e g. providing learning possibility of other languages, automatic translation of WEB site contents)

The variety of social network types existing on the web is limited only by one's own imagination. Given the constant evolution of the online world, it would be difficult to place a limit on how many types of social networks exist. Social networks are developed with different purposes, specialized for one or a few goals. The OSNs with different orientations can be applied for business purposes as well but because of the different special goals of the network members the efficiency of the business activity can be lower.

There are different approaches to classify online social networks based on their goals and the content of the relationship. A possible classification is the following:

1. Online communities, goal: socializing, examples: Skyrock, Facebook, MySpace.
2. Business networks, goal: career and business opportunities, examples: LinkedIn, Xing'.
3. Online matchmaking, goal: finding partners or friends, examples: matcj.com, meetic.fr.
4. Alumni networks, goal: getting back in touch, examples: Facebook, trombi.com.

OSNs can be grouped also into the following major categories: general, professional, educational, hobby, academic and news related. Within each of these major categories, there are many thousands of communities focusing on different contents, according to their specific needs. According to the medium/device they apply for communication, OSNs can be sorted into the following classes:

- Wired/fixed usage of OSN (e.g. PC).
- Wireless/mobile access of OSN (e.g. netBooks). A subclass is the access by smartphone/tablet (adapting to smartphone OS and display size).

The different classification criteria usually are combined, e.g. the content and type of communication. In case the content of relationship is business oriented and the used communication technology is a type of mobile equipment (e.g. smart phone, eBook, tablet) the social network can be defined as a Mobile Business Social Network (MBSN).

Mobile Social Networks

Mobile phones have become the object through which people organize their private and professional lives and this trend will only accelerate. The mobile phone is becoming the most powerful online device, as in the previous years the technical (HW & SW) development of intelligent (smart) mobile phones made possible to use this device for connecting to OSNs as well as creating a mobile virtual community through Mobile Social Network (MSN).

Rheingold described in his book *Smart Mobs: The Next Social Revolution* (Rheingold, 2002) how efficient mobile communication (cellular phones, personal digital assistants, wireless-paging and Internet-access devices) will allow people to connect with anyone, anywhere, anytime, and how they are already shaping communities around the world. He describes, with some examples, how mobile communication gives the demonstrators a way to assemble the critical mass needed for their success. Rheingold calls such group actors "smart mobs," and this expression has already become an important phenomenon.

Mobility is basic for the modern society - wireless technologies make the virtual community (VC) formation and operation faster in private life, in work, in entertainment and in civic organizations. The real impact of mobile communication does not come from the technology itself but as is the case with other technological revolutions, from how people use it, resist it, adapt to it, and ultimately use it to transform themselves, their communities, and their social and cultural environment.

Today there are two types of mobile social networks (besides the "classical" WEB-based OSNs):

- **Hybrid Social Networks:** To this category belongs the Web based "classical" OSN that has mobile access through mobile browsers as well. The mobile version is optimized for the parameters of the mobile devices. Most classical social networks (Facebook, LinkedIn, etc.) have already developed their mobile version. According to Facebook there are more than 1 billion active users currently accessing Facebook through their mobile devices. People who use Facebook on their mobile devices are twice as active on Facebook as non-mobile users.
- **Mobile Social Networks:** This class of Mobile OSNs is especially developed for using mobile technology and devices. The services belonging into this category involve mobile communication, location based services, and augmented reality.

Mobile users form the biggest segment of growth in the online market, so it is no surprise that mobile social networks are becoming more and more popular.

Trends in Mobile Social Networks

Mobile devices can be handled as social connectors as 71% of users access social media from a mobile device (Bullas 2014, Pun 2013). The percentage of smartphone owners who access social media on their smartphone is between 40% and 82% (Smith, 2013) in the different countries (E.g. Mexico and Thailand – 82%, USA and Canada – 56%). Some additional numbers (Bullas, 2014) on present social media users include the following:

1. 72% of all internet users are now active on social media,
2. 18-29 year olds have an 89% usage,
3. The 30-49 bracket is at 72%,
4. 60 percent of 50 to 60 year olds are active on social media,
5. In the 65 plus category, 43% are using social media,
6. Time spent on Facebook per hour online by country; US citizens are at the top with 16 minutes followed by Australia with 14 minutes and UK with 13 minutes.

The number of mobile phone internet and smartphone users is increasing fast and the trends show rising numbers as well according to Table 1.

Access rates to MSNs are different in various regions of the world. U.S. residents have significantly increased their online social-networking activities via their mobile phones, making these sites and applications one of the hottest in the mobile space.

The conclusions of the surveys are that the number of users who connect to OSNs by mobile phone is constantly growing and not only with the "Millennium generation" but also with people over 50, who are now extending their mobile access to OSNs.

Table 1. Mobile phone Internet and smartphone users worldwide 2013-2017 (in billions) (eMarketer,2014).

	2013	2014	2015	2016	2017
Mobile Phone Internet users	1.91	2.23	2.5	2.75	2.97
% of mobile users	44.1	48.9	52.4	55.5	57.8
% of internet users	73.4	79.1	83.6	87.3	90.1
% of population	27.0	31,1	34.5	37.5	40.1
SmartPhone users	1.43	1.75	2.03	2.28	2.5
% change	27.1	22.5	15.9	12.3	9.7
% of mobile phone users	33.0	38.5	42.6	46.1	48.8
% of population	20.2	24.4	28.0	31.29	33.8

Characteristics of Mobile Business Social Networks

Mobile business social networks are specialized MSNs for business activities. They can be classical Web-based systems (e.g. Twitter, Facebook), but there are real MBSNs especially developed for mobile devices as well. If one is looking to connect with more business-related contacts one may turn to sites to develop relationships with people one has worked with or may want to work with. MBSNs can be used to maintain business contacts, look for jobs, as well as engage in marketing or advertising. MBSNs can also be used to offer business possibilities or for an internal communication system of an enterprise or firm.

1. Conventional Social Networks Used for Business

There are numerous MBSNs, general MSNs can be applied as MBSNs too. The best known business social networks are LinkedIn and XING. LinkedIn (187 million monthly active users in April 2014) is a professional network that allows its members to be introduced to and collaborate with other professionals. XING is a European business network with decreasing importance with less than 10 million members.

As 93% of marketers use social media for business, it can be stated that there is no sharp difference between general and business OSNs (Cooper, 2013).

2. Specialized Business Social Networks

As the use of social networking by business professionals is increasing, there is a growing number of social networking sites focused on business users and meeting their needs. It would be hard to list all of them. A list of 10 social networking sites for entrepreneurs, business owners and professionals can be found on the following site (Top10, 2014), another list with 61 business social networks can be studied in (Lee, 2014).

The most promising application of mobile business social networks is the location-based service (LBS) that is a real MBSN. LBSs can be used in many fields, such as health, work, personal life, etc. The basic idea of LBSs is to identify a location of a person or object, and based on these data to discover the nearest service that could be needed by the user (e.g. an ATM) or to find a colleague or companion. Other LBSs can be location-based mobile advertising, navigation, recommending different programs in a region/city, traffic jam warnings, etc.

3. Enterprise (Internal) Business Social Networks

Enterprise social networking is an enterprise social software which is essentially a social SW used inside the enterprise for business/commercial purposes. It is also referred to as "social intranet" realized with some modifications to company intranets. Its goal is making the classic software platforms more flexible raising the effectiveness of their communication and collaboration capabilities. Enterprise social networking usually includes the connection to general external social networking services to make visibility for the company.

4. BYOD Applications for Business

BYOD (Bring Your Own Device) is a communicational-organizational tendency where employee-owned devices are incorporated into business communication of companies. Smartphones and tablets are the most general examples but employees also take their own laptops and other mobile devices into the workplace. Employee-owned devices are sometimes prohibited by the company and company –owned devices are provided instead (Durand, 2013). In other cases, employee-owned devices are part of the parallel system known as shadow IT inside the company.

The employee-owned hardware and software represents security risks to the organization if they are connected to the corporate network or access corporate data independently of whether they are supported or not. Many companies implement special BYOD policies to minimize the risk and to house newcomer technologies (Post, 2014).

Main Characteristics of BYOD

BYOD makes customer access easier. For businesses, BYOD is all about connectivity and collaboration. Using BYOD, employees with own personal smartphones and tablets have access to business customers from anywhere and at any time contact via phone calls, texts, emails and social media. This new technology has resulted a new business model.

BYOD call in social media for business. Usage of social media in marketing and as a means of reaching customers can be enhanced in a great extent by BYOD. Involving a BYOD practice, organizations have to update their social media policies and strategies to make use of all the possibilities of social media on mobile devices.

Adopting a BYOD policy organizations have a clear competitive advantage over those that don't. A major additional generational benefit will accrue as more Millennials enter the companies.

ROLE OF PRIVACY AND TRUST IN ONLINE (BUSINESS) SOCIAL NETWORKS

Privacy and Trust Connection

OSNs foster socialization and therefore the success of OSNs is largely determined by social factors (de Souza and Preece 2004, Dwyer, Hiltz, and Passerini 2007). Researchers agree that trust is a central issue in social interaction processes and a crucial point in online interaction (Corritore, Kracher, and Wiedenbeck 2003, Riegelsberger, Sasse, and McCarthy 2005). Even though OSNs allow for connecting with known friends, Web 2.0 environments and OSNs also provide for anonymity, facilitating the provision of false or misleading information and lacking or impeding verification mechanisms. In such situations of uncertainty, trust can serve as an important mechanism to reduce the uncertainty and complexity of exchanges and relationships. Trust can be seen as a "mental short-cut" that enables users to promptly engage in trust-related behaviors, e.g. the provision of personal information (Grabner-Kräuter and Bitter 2013). Trust has been defined by researchers in many different ways, which often reflect the paradigms of the particular academic discipline of the researcher (Grabner-Kräuter and Kaluscha 2003). Trust in the Web environment is most often defined as a belief or expectation about the website, the web vendor and/or the Internet as the trusted party or object of trust or as a behavioral intention or willingness to depend or rely on the trusted party (McKnight and Chervany 2002). In the context of OSNs other network participants, the social network site and the Web 2.0 technology can be considered as objects of trust (Grabner-Kräuter 2009; Grabner-Kräuter 2010).

With other network participants as objects of trust, an individual's beliefs about specific characteristics of other members in the OSN, such as their competence, ability, integrity, honesty, and benevolence affect trusting intentions and behaviors. These attributes of the trusted party reflect different components of trustworthiness, a concept that again is defined differently by a number of researchers (e.g. Corritore, Kracher, and Wiedenbeck 2003, Mayer, Davis, and Schoorman 1995, McKnight, Choudhury, and Kacmar 2002, Riegelsberger, Sasse, and McCarthy 2005, Bews and Rossouw 2002). However, the characteristics of communication partners are perceived differently online and the relative importance of these characteristics may be different in OSNs than in real world interactions (Mayer 2009). OSNs make it easier to provide false or misleading information, and it is more difficult to verify information provided by others. In such situations of uncertainty trust can serve as important mechanism to reduce the uncertainty and complexity of exchanges and relationships (Grabner-Kräuter 2002, Luhmann 1989).

The social network site itself can be seen as another object of trust. Trust in the OSN captures both characteristics of an organization (the network provider) and a technology (the Internet serving as a transmission medium for online activities, or more specifically the security services and technical solutions embedded in Web 2.0 technologies). Hence trusting beliefs with regard to the OSN site can relate either to personal or organizational attributes that reflect components of trustworthiness such as competence, benevolence and integrity (Mayer, Davis, and Schoorman 1995, McKnight and Chervany 2002) or to technology related characteristics such as functionality, reliability and security.

In the context of e-business, several researchers have suggested that the technology itself – serving as a transmission medium for conducting economic transactions and including security services and technical solutions embedded in e-commerce technologies – has to be considered as an object of trust (Corritore, Kracher, and Wiedenbeck 2003, Grabner-Kräuter and Faullant 2008, Pennington, Wilcox, and Grover 2003/2004, Ratnasingam 2005, Rotchanakitumnuai and Speece 2003, Shankar, Urban, and Sultan 2002). Accordingly, the Web 2.0 technology itself can be considered as another object of trust. Luhmann (1989) speaks of system trust whereby a system is assumed to be operating in a predictable way (e.g. legal systems or electronic commerce systems are expected to function). Trust in technical systems mainly is based on the perceived functionality (e.g. reliability, capability, correctness, availability and security) of a system (Lee and Turban 2001, Thatcher et al. 2007). Technology trust captures a subset of institution-based trust that is built on the adherence to technical standards, security procedures, and protective mechanisms that technical solutions can provide (Ratnasingam 2005).

It is difficult to sort out the complicated cause-and-effect relations between participation in OSNs and trust (Grabner-Kräuter 2010). The relationship is likely to be reciprocal, but the stronger impact probably runs from trusting to joining OSNs (see also Newton (2001) and his analysis of trust and membership of voluntary organizations). "It is less plausible to argue that people are trusting because they have learned this attitude in their voluntary organizations, although membership may reinforce pre-existing levels of trust" (Newton

2001, p. 207). Accordingly, risk-taking behavior that is expressed in the participation in OSNs can be primarily viewed as the outcome of trust. Participation in the network characterizes individual behavior, which is influenced by trusting beliefs and intentions towards one or more of the above mentioned objects of trust and comprises different forms of behavior: the revelation of personal information, the (non-)adjustment of the privacy settings, and the online exchange of information and social support. After some time and continuous interactions on a social network site the judgments of a participant about this specific network become more a function of the interactions themselves. For experienced OSN users, trust emerges from factors such as familiarity with the technological features and communication tools of the social network site or satisfaction with past interactions with other community members. Hence, participation and continuous interactions on an OSN site may entail positive experiences that reinforce initial trust.

How Privacy Is Handled in OSN and MSN

The users' willingness to add information and actively participate in OSNs is a key success factor of OSNs and it is influenced by privacy (Krasnova et al. 2009, Nov and Wattal 2009, Levin and Abril 2009). The changing nature and expectations of privacy in OSNs have been investigated in several studies (e.g. (Zimmer 2010, Gross and Acquisti 2005, Bansal, Zahedi, and Gefen 2010, Strater and Lipford 2008, Loukides and Gkoulalas-Divanis 2009, Dinev, Xu, and Smith 2009, Lewis, Kaufman, and Christakis 2008). The increased connectedness that is offered through OSNs also increases their complexity (Mansfield-Devine 2008). Privacy concerns are defined as beliefs about who can access the data and how the information is disclosed in the Internet (Loukides and Gkoulalas-Divanis 2009, Dinev and Hart 2006) and ultimately as the competence to control the access and usage of personal information (Metzger 2004).

OSNs habitually offer privacy settings which are incorporated in the profile options, where the user defines who can see the user's personal information and who can add comments to the user's personal page. If no such settings are in place, anybody has access to view the data in the profile and to post messages (Sledgianowski and Kulviwat 2009a). Users usually maintain relations with hundreds of digital "friends" who have access to the users' personal information. Despite the magnitude of connections, users are usually not taking privacy issues seriously and exchange their privacy for the (perceived / expected) benefits of the OSN (Dwyer 2007, Levin and Abril 2009, Debatin et al. 2009). Hardly any protection for their data is available, ultimately exposing them to losing control over their data (boyd 2008) and putting users' privacy at risk (Debatin et al. 2009).

The risks in OSNs are manifold and reach from (nearly) non-existent privacy protecting measures, lack of control over who can access the users' information and lack of control over what other users post about the user, to missing identity verification tools as well as to identity theft (Shin 2010). An example of a privacy-related threat is what can be defined as "digital dossier aggregation". Third parties can easily download and store the profiles of online social network users ("friend–of–friend"). Among the negative consequences of this practice is the career-related risk, since potential employers can exclude candidates on the basis of data collected through networking sites. Another problem is the deletion of personal data in case a user leaves the social network. The "real deletion" of data can take long time (3-6 months) and during this period the information can be accessed based on previously saved addresses. Another danger in online social networks is called *social phishing*, where the phisher creates fake accounts in OSNs, in order to collect enormous amounts of data and information (Jagatic et al. 2007). The privacy issue is key factor for social-networking companies because of the differences in privacy law between US and Europe, as the EU has issued regulations for OSN privacy (June 2009).

Shin (2010) found that the belief of the user that the OSN is protecting the user's privacy influences the user's trust in the OSN (Shin 2010). In turn, this belief is subject to privacy settings in place like trust seals (i.e. trusted third parties like "TRUSTe"), privacy statements and policies (Palmer, Bailey, and Faraj 2000). Additionally, it was highlighted in another empirical study that "… available control options … give users the feeling of being protected and therefore increase trust within the community" (Krasnova et al. 2010, 122). Perceived privacy may therefore also play a crucial role regarding the user's trusting behavior in OSNs (i.e. disclosure of information, active participation and profile configuration). These considerations suggest that the constructs of trust and privacy in OSNs are indeed closely related concepts.

A practical study on frequent social media users states that the most trusted information was posted by people respondents knew (trust completely – 26% blog posts). Blog posts were more trusted "completely" than posts on Facebook (trust completely – 23%), and trust was descending when it came to Twitter (trust completely – 12%), even among friends. Information uploaded by brands or companies were trusted less, but levels were similar whether companies posted on Facebook (trust completely – 9%), or blogs (trust completely – 11%). Online community sites did not have the same trustworthiness as Facebook or blogs, whether postings were made by companies or fellow members, and respondents had an even more sceptical eye for independent bloggers (trust completely – 6%). Twitter streams were trusted less than other media (trust completely – 5%) (eMarketer, 2010b).

In case of location based services both the user's position and his/her personal information is critical and improper use of them violates user's privacy. There are several solutions proposed to the problem but there are legal difficulties both in the US and in Europe. Now applications which give the user control of the process, typically by opting in first via a website or mobile interface (e.g. SMS) can be adequate solutions.

Privacy and Business Ethics

There are many definitions of business ethics, but one practice-oriented is the following: "Business ethics (also known as corporate ethics) is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and business organizations as a whole. Applied ethics is a field of ethics that deals with ethical questions in many fields such as medical, technical, legal and business ethics" (Princeton, 2014). Business ethics can be controlled by law, in other cases a basic framework is developed that business actors can select to follow in order to gain public acceptance (Princeton, 2014).

Ethical behavior builds trust among individuals and in business relationships, which validates and promotes confidence in business relationships. It is important to develop ethics programs to avoid ethical problems and build trust and integrity both in internal and external business relationships. So, most of the companies develop a business code of conduct which goes beyond the related laws and official regulations.

Fields of Ethics

Business ethics has many fields, in the following only the aspects relating to information technology (IT) will be discussed. Information systems are basic tools in companies managing business and marketing processes, supporting employees in serving customers, and handling sensitive data (customer, business, production). During these activities many ethical problems can arise such as confidentiality questions and network access rights.

The use of Internet and different WEB applications has modified business ethics in a great extent. The extremely fast increase of social networks usage and mobile technologies and devices created new business IT scenarios both for employees and companies. These new working relationships have created new additional ethical challenges as well.

The Main Areas of Business Ethics Connected to Information Technology

Information ethics broadly examines issues related to ownership, access, privacy, security, and community. Information technology affects common issues such as copyright protection, intellectual freedom, accountability, privacy, and security.

The main areas connected to information technology are the following:

- **Privacy:** Individual privacy is the main area that can be clearly identified for unethical business behavior through the application of IT. Companies can track Internet usage of employees and collect buying habits, as well as monitor individual movement and personal information of customers.
- **Security:** Companies can monitor employees and guests collecting additional information as a security measure. Ethical issues can arise from the continuous monitoring of employee activity and the recording of security camera images.
- **Communication:** Companies can easily monitor digital communication such as e-mails. Computers can scan the text of millions of messages for words that are of interest to the company and the sender also can be identified.
- **Content:** New technologies allow the easy creation and distribution of images and videos, both for individual employees and companies. There are legal limits but in many cases the company can rule handling such materials creating a challenge for business ethics application (Markgraf, 2013).

Today information ethics is integrative part of forming reputation in business relationships as information technology is the main tool to connect business partners. The practical framework, the instantiation of information ethics, is the security policy.

Security policy identifies the rules and procedures that all persons accessing computer resources must adhere to in order to ensure the confidentiality, integrity, and availability of data and resources. Furthermore, it puts into writing an organization's security posture, describes and assigns functions and responsibilities, grants authority to security professionals, and identifies the incident response processes and procedures. Basically, the main reasons behind the creation of a security policy is to set a company's information security foundations, to explain to staff how they are responsible for the protection of the information resources, and highlight the importance of having secured communications while doing business online. So, security policy covers the privacy, communication and content management issues as well.

Business ethics and security regulations together provide an integrated business and information ethical base for reliable privacy management for the company. Based on that background a trusted status (brand) can be developed both inside and outside the company.

In creating a security policy to define the privacy requirements and to group the possible threats on privacy, parallel giving the countermeasures as well, are among the first steps. In case of OSNs this approach has to be followed, too.

Possible Solutions for Privacy Problems in OSNs

Privacy Requirements in Personal Data Handling

The demands for privacy in communication systems can be introduced in a structured way based on legal frameworks/environments. A comprehensive data protection system for Europe was issued by the Organization for Economic Cooperation and Development (OECD) in 1980 "Recommendations of the Council Concerning Guidelines Governing the Protection of Privacy and Trans-Border Flows of Personal Data." (OECD, 1980). These basic principles have been modified since then according to the evolution of ICT technologies.

In the EC Directive 95/46 (EC, 1995) it has been fixed how personal data have to be handled in order to fulfill the privacy requirements. Personal data must be:

- Processed fairly and lawfully.
- Collected for specified, explicit and legitimate purposes and used accordingly.
- Appropriate and relevant in relation to the purpose for which they are processed.
- Accurate and kept up to date.
- Kept no longer then the time necessary for the purpose for which they are processed.

Personal data can be processed if:

- The data subject has been adequately informed and has given unambiguously his/her consent for the collection and further use of her/his data.
- Processing is necessary to perform a contract having as a party the data subject or to enter into a contract requested by the data subject.
- A legal obligation requires the processing of personal data.
- Processing data is necessary in order to ensure the essential interests of the data subject.
- Processing is necessary to perform tasks of public interests or carried out by an official authority.
- The data controller has a legitimate interest in processing the personal data of the data subject; this interest, however, has to be necessary balanced with the right to privacy of the data subject.

The data subject has the right to:

- Be informed of any processing of his/her data.
- Access to data concerning him/her.
- Object to the processing on compelling and legitimate grounds.

All systems and technology processes for handling personal data have to be developed in a way that fulfils the demands given in the above Directive. Of course there are different technical solutions that cover the above rules in different contexts.

Privacy Threats in Social Networks

In many cases of privacy problems users behave actively to create the problem itself. The lack of knowledge on the system on the topic can be the main source of misuse of the user's data or identity. Young people upload and share the most intimate data of their personal life on social networks without knowing (or not taking care) that they put these information on the net "forever" (information posted to social networks is no longer under individual's control and may stay and resist on-line forever). It seems that for the younger generation the value of privacy has changed. Additionally, the approach of some social network providers support the full "openness" that means user information would be by default public, not with privacy settings decided by the user.

The list of possible threats in social networks is long, so only some of them will be quoted in the following (references are given for detailed reading). The studies of (EC, 2009), (ENISA, 2007) list the risks, threats and give recommendations how to avoid them in the different fields (technical, legal, etc.) for users and service providers. The main groups of privacy related threats for online social networks are as follows:

The employees' BYOD privacy fears are that mobile technology and MDM (Mobile Device Management) software make it possible for organizations to track employees' every move, monitoring usage or collecting personal information whether they are at or off work. Companies have to take care on their sensitive data and information that can be accessed by the private mobile device of the employees.

Privacy Related Threats

- **Digital Dossier Aggregation:** A third party can download profiles and store a person's digital data.
- **Secondary Data Collection:** Listing of visited other profiles, these connections can be valuable information for a provider.
- **Face Recognition:** Digital images (photos) are popular for the users, by linking them a full profile can be constructed.
- **CBIR (Content-based Image Retrieval):** Through image –based searches in data bases e.g. locating users.
- **Linkability from Image Metadata, Tagging and Cross-profile Images:** Allowing images to link to profiles. Possibility of unwanted links to personal data.
- **Difficulty of Complete Account Deletion:** In case of full account deletion removal of secondary links to this profile is not possible.

Traditional Information Security Threats (OSN Variants)

- SN Spam, Cross Site Scripting, Viruses and Worms, OSN Aggregators.

Identity Related Threats

- Spear Phishing using OSNs and SN-specific Phishing. Infiltration of Networks Leading to Information Leakage, Profile-squatting and Reputation Slander through ID Theft

Social Threats

- Stalking Bullying, Corporate Espionage.

In addition to the listed threats there is an additional physical threat: theft and loosing of mobile devices. According to a CSI study (CSI, 2010) laptop and mobile theft is over 40% in the responder organizations. These number means that theft represents high risk on data loss and user's identity theft.

Recommendations and Countermeasures to Avoid Privacy Threats on OSNs

As a first step a list is introduced that summarizes in a structured way the possible countermeasures against security threats on OSNs. The list is extracted from the study of the European Network and Information Security Agency (ENISA, 2007).

Based on the ENISA list some of the most important items of the list will be described more detailed later.

Overview of Recommendations to Counter Privacy Threats in Online Social Networks

1. Government Policy Recommendations:
    a. Encourage awareness-raising and Educational Campaigns.
    b. Review and Reinterpret Regulatory Framework.
    c. Increase Transparency of Data- handling Practices.
    d. Discourage the Banning of OSNs in Schools.
2. Provider and Corporate Policy Recommendations:
    a. Promote Stronger Authentication and Access-control where Appropriate.
    b. Implement countermeasures against Corporate Espionage using OSNs.
    c. Maximise Possibilities for Reporting and Detecting Abuse.
    d. Set Appropriate Defaults.
    e. Providers should offer Convenient Means to Delete Data Completely.
3. Technical Recommendations:
    a. Encourage the Use of Reputation Techniques.
    b. Build in Automated Filters.
    c. Require the Consent of the Data Subject to Include Profile Tags or e-Mail Address Tags in Images.
    d. Restrict Spidering and Bulk Downloads.
    e. Provide more Privacy Control over Search Results.
    f. Recommendations for Addressing OSN Spam.
    g. Recommendations for Addressing OSN Phishing.

The measures against laptop and mobile theft can be divided into physical (e.g. security cable) and technical (e.g. different encryption technologies, applying tracing/tracking services, BIOS password, biometrics, gestures) groups but the main thing is that users have to implement common sense usage habits (password protection, take care on the device, storing minimum data, etc.) (Ryder, 2001).

Details of Selected Countermeasures against Privacy Threats in Online Social Networks

There are many ways of providing high level privacy for users of mobile social networks as it was introduced in the previous subchapter. The most effective form can be the legal environment and standardization. Creating the proper laws (taking into consideration the technical possibilities – possibly calculating with future developments as well) can be the first step and based on the accepted laws technical standards can be developed. On these two pillars can be built all other recommendations, technical solutions as they strictly regulate the development and business possibilities of technical developers, manufacturers, service providers and users. In order to define the efforts in these two fields the direction of technical/technological research trends have to be followed.

In the followings the most important groups of the possible countermeasures have been selected and a short summary is given to each of them.

Legal Systems, Environments, Regulations

Privacy law is very important in the life of any society as it prevents misbehavior by threatening a sanction and actively supports the development and use of safer, privacy compatible technologies. It describes if and upon what conditions personal data may be processed and to what extent one can control one's own data.

Privacy regulations have become more complex and demanding as networked based infocom systems are developing and spreading very fast, so legal regulations can hardly follow this evolution. Another problem is that today it is not easy to understand the operation details of complex ICT for people without deep technical background (e.g. legal system developers, lawyers).

The European Commission is in the first line of defining directives, recommendations, studies, guidelines and laws in connection with privacy protection in online social networks. The privacy issue of mobile social network is an important topic so it is in the focus of more works. Other states and regional organizations make efforts as well but with less result.

An important aspect could be the harmonization of the legal environments for privacy among the different frameworks. Big efforts are made by civil organizations, governments, regional communities to define a general privacy standard framework that could be the base of all other works. Most of these works are based on the OECD privacy principles. A good example of these works is the APEC Privacy Framework (APEC, 2004).

While governments have passed legislation restricting the collection of personal data and allowing individuals some control over what companies can collect and store, ethical businesses must decide -- independently of legislation -- what is appropriate behavior.

Companies can easily monitor digital communication such as e-mail. Computers can scan the text of millions of messages for words that are of interest to investigators and identify the sender. Companies that employ such technologies must ask themselves about the ethical implications of such surveillance, especially if it is carried out without the knowledge or explicit agreement of employees (Kaneshige, 2013).

Standards for Privacy in WEB Environments

As social networks use WEB services the standards of this field are relevant. In the following some EU standard protocols, communication interfaces based on the W3C Report (W3C Incubator Group, 2010) are listed as examples:

- W3C P3P (Platform for Privacy Preferences) Recommendation, which allows website operators to express their data collection, use, sharing, and retention practices in a machine-readable format,
- The W3C POWDER (Protocol for Web Description Resources) language provides a mechanism for describing groups of resources,
- AIR (AMORD in RDF) is a policy language that is represented in Turtle and features a basic proof-level,
- The W3C RIF (Rule Interchange Format) Recommendation is a format to exchange rules between rule engines that operates over both XML and RDF data,
- The Open Digital Rights Language (ODRL) Initiative is an international effort aimed at developing and promoting an open standard for policy expressions in a machine readable format.

Self-Regulation of Service Providers

The privacy issue is a key for social-networking companies, as well as for service providers. They can define the privacy level of their network that basically influences the risk of using any type of social network.

European regulators have laid out privacy guidelines and strict privacy laws for social-networking sites which require Web sites to warn users of privacy risks and limit the sites' ability to target advertising. The document of "Safer Social Networking Principles for the EU" (EC, 2009b) outlines the principles by which OSN providers should be guided as they seek to help minimize potential harm to children and young people, and recommends a range of good practice approaches which can help achieve those principles.

The safer social networking principles are:

Principle 1: Raise awareness of safety education messages and acceptable use policies to users, parents, teachers and carers in a prominent, clear and age-appropriate manner.
Principle 2: Work towards ensuring that services are age-appropriate for the intended audience.
Principle 3: Empower users through tools and technology.
Principle 4: Provide easy-to-use mechanisms to report conduct or content that violates the Terms of Service.
Principle 5: Respond to notify citations of illegal content or conduct.
Principle 6: Enable and encourage users to employ a safe approach to personal information and privacy.
Principle 7: Assess the means for reviewing illegal or prohibited content/conduct.

A more practical description in the field was published in (ENISA, 2010), in that it was described how service providers should take care of their systems. They were reminded to:

1. Comply with privacy standards in place, as set by country's Information Commissioner,
2. Inform users adequately about use of posted data, possible consequences of their publishing and security risks,
3. Favour to a maximum extent users' control on their data and profiles,
4. Offer users privacy-friendly default settings,
5. Constantly improve systems' security in order to prevent fraudulent access,
6. Granting users' right to access, control and correct their personal data,
7. Offer suitable means for deleting personal profiles and information once membership is terminated,
8. Enable the creation and encourage the use of pseudonyms,
9. Prevent uncontrolled third party access and practices such as spidering and bulk harvesting,
10. Allow external crawling only on users' informed, specific and in-advance consent.

A verification on the effective implementation of the "Safer Social Networking Principles for the EU" (which all major European social network service providers had agreed to comply with) had been performed and published in a two-part report (Staksrud & Lobe, 2010), (Lobe & Staksrud, 2010). The report was conducted on 25 social networking sites and found that some progress could be acknowledged with respect to the adoption of protecting measures (e.g. setting options for blocking profile access to other users, content selection and display of on-line status) and of specific policies informing users aged under eighteen about the risks of their on-line activities.

Technical Solutions

Technical mechanisms that can provide privacy in OSNs can be grouped into four broad categories. These categories contain encryption and security mechanisms, anonymizing mechanisms, infrastructures, and labeling protocols. Some form of each one is appropriate for mobile environments, but they are more applicable for the Web and general information systems.

- Encryption and other security mechanisms. Encryption provides some privacy capabilities, but it must be noted that security is necessary but not sufficient for privacy. Even with the tightest security

mechanisms, some disclosure will be required (e.g., to provide services to a specific person). On the other hand, one cannot control the dissemination and use of private data without secure transmission and storage. Therefore, security is necessary for privacy, but security is not sufficient to safeguard against subsequent use, to minimize the risk of sensor-based disclosure, or to reassure users.
- Privacy enhancement technologies (PETs). These include a variety of anonymizing and de-identifying mechanisms.
- Middleware layers to facilitate the construction of privacy-aware software systems.
- Labeling protocols are required to provide a vocabulary for detailing what the collected personal data might be and potentially to announce their collection or intended collection the P3P (Platform for Privacy Preferences).

In BYOD technology mobile device management and mobile application management are two of the more popular technologies for enabling secure smartphone and tablet use in the enterprise.

Mobile Device Management (MDM) has a full-device approach to securing and controlling smartphones and tablets. IT can secure access to the device (private data as well) by requiring the use of a password.

Mobile Application Management (MAM) offers more detailed controls. MAM gives IT the ability to manage and secure only those apps that were specifically developed to work with a particular MAM product. IT could check or cut off access to the employee's corporate email without deleting his private data. (Steele, 2013).

In preserving privacy in BYOD there are three basic approaches (Sheldon, 2013):

One possibility is to implement an MDM system that treats personal information separately from corporate data. Another approach to protecting personal information is to manage the data rather than the device. In this case, IT could implement Mobile Application Management (MAM) to control only work-related applications and workers' access to corporate data. Security comes down to the data, not to the device.

Some organizations have set up virtual desktops for BYOD access; others implement virtual phone lines on specially-configured devices. At some point, these options might compete with MDM and MAM systems. Before an organization can do anything with personal devices, including installing MDM or MAM clients, employees must give explicit and fully informed consent. Without consent, the organization could be in breach of data privacy laws if they access the devices in any way (Craig, 2014).

Education, Training: User Behavior

The last but not the less important aspect is the education and training of users of all categories. The European Commission has issued a document (ENISA, 2010) in which there are guidelines on how a user should behave when he or she logs-in an online social network.

Users should

- Carefully select which personal data (if any) to be posted on a social network,
- Bear in mind other individuals' expectation to privacy when publishing information about them.

Efficient protection of 'on-line rights' would necessarily imply adequate user consciousness about the many and serious risks present on the Internet. Training information should include:

- Adequate educational initiatives aimed at raising the level of awareness about potential misuses of personal data made available on the Internet,

- Efficient means of self-regulation, favoring Web users' 'responsible behavior' and accurate selection' with respect to personal (in particular, sensitive) data uploaded to the on-line platforms,
- Increased involvement of Providers, who were invited to focus on more intensive user information on risks and threats,
- Information/education offering technical means allowing to prevent unconditional access to data by search engines or to restrict – at least partially – profiles' visibility.

The ENISA in its study "Online as soon as it happens" (ENISA, 2010) recommends 17 "Golden rules" to avoid risks and threats related to the misuse of social networks, in particular when accessed through mobile phones. These rules can be understood by average users as well (without special expertise) and cover most fields connected to using mobile social networks.

FUTURE RESEARCH DIRECTIONS

Trends of Mobile and Security Technologies Connected to Social Networks

The vision of Rosenthal and Stanford on Smart Space (Rosenthal and Stanford, 2000) seems to come into fruition. Their concept called as "pervasive computing" has the following main characteristics:

- Numerous, casually accessible, often invisible computing devices,
- Frequently mobile or embedded in the environment,
- Connected to an increasingly ubiquitous network structure.

The pervasive computing environments are those in which people and devices are mobile and use various wireless networking technologies to discover and access services and devices in their vicinity.

There are different predictions, studies on the close future of computer and communication technologies prepared by adviser firms, manufacturers and service providers. These documents show which results of the short-term research match the present market demands.

According to Cenzic (Cenzic, 2010), in the field of security the security of mobile applications (e.g. smartphone access), and the security of "Internet of Things" (with the fast growing billion number of connected internet-based devices) are among the top ten concerns in 2011.

As BYOD belongs to the most effective collaboration technologies for enterprises, future enterprise technologies will extend and make more effective, reliable and safe by the use of BYOD, integrated with social networks and using cloud technology.

The Juniper Research in its forecast for wireless technology and applications (Juniper Research, 2010) lists more applications that can be connected to MSN and smartphone privacy. Mobile banking, the increasing sensivity of smartphones (locational and sensory features on smartphones) are key drivers in applications. The demand for development of mobile-specific security is also among the 10 most important fields in 2011.

According to the above statements future research has to focus on those fields that can raise the level of security and privacy in mobile communication. These can be the following (this list is not intended to be exhaustive):

- Multilayer Authentication,
- Multimodal and biometric technologies for identification,
- Sensor technology.

The realization of the technologies included in the forecasts will influence the characteristics of mobile social network applications as well. The increasing security and privacy levels will convince the users that the risk of using MSN services is decreasing, so new user communities can join these services.

Research on Privacy for Mobile Social Networks

In the introductory part of this chapter the general research directions have been listed, in the following part a special field, a continuously evolving research direction will be shortly summarized.

Location-based services are one of the fastest developing fields of mobile business social networks. The main goal in LBSs is to identify a location of a person or object, and based on these data to discover the nearest service needed by the user or to find a friend or companion. Using LBS multiple privacy threats could be generated. The personal data of the user and his/her friend, the location information connected to persons are all handled by one or more service providers as the user moves along the country/city and that results in the possibility of mishandling user's personal data. The user can log in based on his /her actual location as determined by user input or LBS.

In case the client application and device have already been installed he/she can communicate seamlessly with the service provider. This data can be sent through Web services and the user can get the necessary information based on their location. Web services can transfer information between the client and service provider, but it is a possible case that not all services can be offered because of the user's current location.

It is possible that the user in a building or public site where a certain service is not available because of the negative combination of the user's location, the user's preconfigured settings for the given application, or the location is in lack of that service, or a security risk or a variety of other possible reasons. In another location a few streets away, the same user can access to the requested service without any problems. The scenario can be more complex if the user tries to use LBS in another country in which she/he has been originally registered her/his account/service provider (e.g. different legal environment).

To solve the problems of reaching a certain local service at a certain location means to have the right software configuration on the device taking into consideration the actual environment (available service provider, characteristics of the device, etc.). This task needs to be handled as very complex decision space. The need for solution has led to the application of taxonomies and ontologies. Ontologies include computer-usable definitions of basic concepts in the domain and the relationships among them (Gómez-Pérez, 2004).

A taxonomy for analysis of privacy policies of OSNs has been constructed by Wu (Wu, 2010). Different ontologies have been developed in the field of privacy. Hecker introduced a general privacy ontology for different purposes (Hecker, 2009), a generic, simple and easy-to-use ontology has been developed for expressing privacy policies as well as a protocol to support matching of privacy policies (W3C, 2008).

Ontology-based systems can be applied for effective, automatic configuration/reconfiguration of SW systems. Software systems allow automatic exchange of data through intelligent agents with no or very little supervision of human beings. This process of accessing and delegating private information should be strictly enforced regardless where the information is stored. Privacy policies usually define rules or concepts for accessing and using private information. These rules and concepts include permission or right, and obligation of using private information.

In case of using ontology for LBS a complex configuration activity can be processed in the background (mainly automatically, not visible for the user). Ontology based systems are flexibly adopting to the actual location, available service provider, available privacy/security mechanisms, mobile device SW environment, user age-level (based on registration data – e.g. under 18 not proposing a night bar).

All of these factors have to be coordinated to provide the user the requested service in good quality in the safest way. For this coordination work one or more domain ontologies can be connected. With this solution the connection between the mobile device and the service provider can be built automatically within acceptable time in an optimal way, at the same time providing a high security and privacy level. Several research groups are working on developing such systems for LBSs.

CONCLUSION

Mobile technology and mobile devices are capable to take (or have taken) over the power both in private and business social networks. They are technically appropriate to fulfill the user demands for using OSNs round the clock, at nearly any place (where mobile internet is available), and with appropriate quality (speed, size of display, etc.). Users are also ready to use mobile devices to be connected to OSNs and according to survey numbers smartphones became very popular as they are the right tools for connecting OSNs. The level of privacy is continuously rising in most OSNs, as authorities issue different directives, guidelines and laws to protect the privacy of social network users and the technology is able to match these demands.

In business social networks the BYOD technology generates new privacy problems as the private and company related data of business-private social networks on the employee's mobile device have to be handled separately. This generates new business ethical challenges that can be solved with different legal and technical solutions as introduced in the paper.

New technologies, tools and protocols are under development to provide technical security but the weak point is always the user (especially young people). The user has to remember that once something is online, it can't be easily retracted from many types of social networks. When developing privacy policy in an OSN, one of the main tasks is to defend the user from his/her own potentially problematic behavior – the education and training of the users and the development of privacy-centered interfaces (and default settings) are important tasks to provide real strong privacy for online social network members.

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KEY TERMS AND DEFINITIONS

Biometry (Synonym: Biometrics): Generally, biometrics refers to the study of measurable biological characteristics. In computer security, biometric technologies are defined as automated methods of identifying or authenticating the identity of a living person based on his/her physiological (e.g. fingerprint, hand, ear, face, eye – iris/retina) or behavioral (e.g. signature, voice, keystroke) characteristic. This method of identification is preferred over current methods involving passwords and pin numbers as the person to be identified is required to be physically present at the point-of-identification, so the person of user is identified not the device as in case of PIN and password.

BYOD (Bring Your Own Device): A communicational-organizational tendency where employee-owned devices are involved into business communication of companies. Smartphones and tablets are the most general examples but employees also take their own laptops and other mobile devices into the workplace. Employee-owned devices are sometimes prohibited by the company and company –owned devices are provided instead. In other cases, employee-owned devices are part of the parallel system known as shadow IT inside the company. The employee-owned hardware and software represents security risks to the organization if they are connected to the corporate network or access corporate data independently of whether they are supported or not. Many companies implement special BYOD policies to minimize the risk and to house newcomer technologies.

Encryption: The transformation of plaintext into an apparently less readable form (called cipher text) through a mathematical process. The cipher text may be read by anyone who has the key that decrypts (undoes the encryption of) the cipher text.

Location Based Services (LBS): Can be used in many fields, such as health, work, personal life, etc. The basic idea of LBSs is to identify a location of a person or object, and based on these data to discover the nearest service needed by the user (e.g. an ATM) or to find a colleague, friend or companion. Other LBSs can be location-based mobile advertising, navigation, recommending different programs in a region/city, traffic jam warnings, etc. The most promising application of mobile business social networks is the location-based service (LBS) that is a real MBSN. Privacy in LBSs is the most critical factor; there is no real good solution yet.

Mobile Business Social Network: In case the content of relationship is business oriented and the used communication technology is a type of mobile device/computer (e.g. PDA, smart phone, Netbook, Smartbook, Tablet computer) the social network can be defined as a Mobile Business Social Network (MBSN).

Online Social Network: An online social network (OSN) is a social structure made of individuals (or organizations) that can be called as "nodes", and the links that are the different types of relationships/interdependency, established between nodes. In fact, a social network is based on two parameters: nodes and links. The nodes define the content of the relationships (links) according to their theme/interest/attendance (e.g. trade financial, friends, kinship, dislike, trade, sexual relations, disease transmission (epidemiology)). An important attribute of a link is the type of information exchange/communication technology (e.g. using mobile equipment). Today social networks use web-based services, so the type of communication can modify the behavior of nodes, the communication habits of OSN users.

Personal Trusted Device: The Personal Trusted Device (PTD) has to be personal, carried around with the user (owner), almost at anytime and anywhere and it is used in local (personal area networking, local area networking) and in global communications. PTD is small, cheap, battery operated, has common user interface, and is secure as a smart card. Smart Phones can fulfill the role of a Personal Trusted Devices, as mobile phones are well-placed as identity tokens, they have dynamic authentication already proven (e.g. in GSM), some of them uses biometrics instead of password and have secure communications possibilities.

Pervasive Computing Environment: In pervasive computing environments people and devices are mobile and use various wireless networking technologies to discover and access services and devices in their vicinity.

Privacy: The right of an individual to be secure from unauthorized access, disclosure and being able to control information about oneself that is contained in different documents/files, databases or Web-pages.

Smartphone: A class of wireless phones typically used to describe handsets with many features and often a keyboard. What makes the phone "smart" is its ability to handle data, not only voice calls. Smartphones can fulfill nearly all communication requirements of the users. a) Users are always available, b) User can reach his/her friends (Internet, e-mail) independent from place and time through different wireless technologies (mobility), c) Smart phones are personal trusted devices (can fulfill the functions/demands of privacy security, trust building), d) Multimedia data (pictures and graphics) can be transferred.

Trust: In the Web environment is most often defined as a belief or expectation about the website, the web vendor and/or the Internet as the trusted party or object of trust or as a behavioral intention or willingness to depend or rely on the trusted party (Grabner-Kräuter & Kaluscha, 2003). In the context of OSNs other network participants, the social network site and the Web 2.0 technology can be considered as objects of trust (Grabner-Kräuter 2010). Trust in the OSN captures both characteristics of an organization (the network provider) and a technology (the Internet serving as a transmission medium for online activities, or more specifically the security services and technical solutions embedded in Web 2.0 technologies).

Chapter 20
Adoption of Supply Chain Sustainability in Developing Countries:
An Empirical Investigation

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ABSTRACT

Sustainability and social responsibility incorporate specific and measurable practices across the supply chain. However, little effort has been done regarding these practices in developing countries. Therefore, the purpose of this chapter is threefold. First, it reviews research on supply chain sustainability in developing countries. Second, it develops key propositions related to the adoption of supply chain sustainability and its impact on sustainable performance. Third, it empirically tests these propositions in a developing context. Challenges and opportunities for further research are also highlighted.

INTRODUCTION

Recently, Corporations have had to consider responsibility for their operations that impact society and the environment along with their economic prosperity. They are also being asked to apply sustainability principles to the ways in which they conduct their business, products, services and processes, particularly following the establishment of the United Nations Environmental Program (UNEP) in 1972.

To enhance their efforts in being socially responsible, the most socially responsible organizations continue to revise their short- and long-term operations, policies, and strategies to stay ahead of rapidly changing challenges and to remain competitive. It is common nowadays to observe banners such as ‘sustainable operations’, ‘sustainability for development’, ‘environmental initiatives’, ‘go green’, or ‘eco-designed’ highlighted in a firm’s documents and websites. Corporate responsibility or sustainability is a prominent feature of the

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business and society literature, addressing topics of business ethics, corporate social performance, global corporate citizenship, and stakeholder management.

Growing environmental concerns also are part of the organizational culture to help reengineer the strategies of firms (Madu, Kuei, & Madu, 2002). Stern (2007) shows that economic consequences of climate change, for example, would cost firms trillions of dollars and early prevention is more economically viable. The same applies to the processes of value creation of a firm which has to maintain environmentally sustainable procurement, production, distribution, use and recycling of products (Hart & Milstein, 2003). Global pressures have also prompted firms to improve their environmental performance (Zhu & Sarkis, 2006). For example, the European Union (EU) implemented Restriction of Hazardous Substances (ROHS) directive that prohibits electrical and electronic equipment containing lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBB) and polybrominated diphenyl-ethers (PBDE). Though it's a responsibility of Sony's suppliers, Sony Corporation had to endure much of the consequences when about 1.3 million of PlayStation game consoles were stopped at the Dutch border because of high cadmium levels detected in its cables (Carlton, 2006). Moreover, The EU employed the waste electrical and electronic equipment (WEEE) directive in August 2005 that keeps producers responsible for the costs of the collection, recycling, reuse and recovery of their products at the end of product's usable life in order to reduce its environmental impact. Consequently, leading electrical and electronic firms such as Samsung, Dell, Fujitsu, Toshiba HP, IBM, Motorola, Sony, Panasonic and NEC began to invest in developing green products and establishing standards associated with using and supplying of hazardous substances with the aim of fulfilling environmental directives when exporting to EU countries. This implies that companies are now starting to recognize the role of environmental awareness in improving competitive advantage (Walton, Handfield, & Melnyk, 1998), promoting efficiency and synergy among business partners (Rao & Holt, 2005), and creating business value (van Hoek, 1999).

This paper contains seven sections. The following section introduces the concepts of corporate social responsibility and sustainability. Sections three and four link research on sustainability to supply chains in the context of developing countries. Section five explores key propositions related to the adoption of supply chain sustainability while section six empirically tests these propositions within a specific context. Conclusions and research implications are presented in section seven. Finally, challenges and opportunities for further research are highlighted.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

The rationale for corporate social responsibility (CSR) and ongoing corporate commitment can be derived based on a moral argument, a rational argument, or a financial one based on economic self-interest (Werther & Chandler, 2006). Campbell (2007) represented a group of studies that create testable propositions related to the conditions under which organizations will move toward CSR. He sees corporations' level of social responsibility as being influenced by factors such as the financial conditions of the firm, the health of the economy, and well-enforced state regulations. Husted and Allen (2007) point out that much effort has focused on CSR in an attempt to demonstrate that positive CSR can be linked to improved financial performance. There is a growing sense that looking after the people and the community as well as the environment are all relevant to long-term business survival.

Some research findings point to the fact that European companies do not value sustainability to the exclusion of financial elements, but instead project sustainability commitment in addition to financial commitment. U.S. companies focus more heavily on financial justifications, whereas European Union companies incorporate both financial and sustainability elements in justifying their CSR. One of the major concerns in developing countries is poverty alleviation. The social responsibility and financial sustainability of corporations generally, and of microfinance institutions specifically, can go hand in hand together and even create win-win situations for both the poor and the corporations. Therefore, businesses should treat the poor as potential customers and create the capability among the poor to consume by increasing the level of product availability and affordability.

When the World Commission on Environment and Development (WCED) published "Our Common Future" report in 1987, "sustainability" or "sustainable development" became well-known expressions for practitioners and managers around the world, both in developing and industrialized nations. Nevertheless, the terms have been addressed in the literature under different perspectives. The WCED (1987) defined sustainable development as "a development that meets the needs of the present without compromising the ability of future generations to meet their own needs'' (WCED, 1987, p. 8). Hoexter (2006) suggested another concept of sustainability that reflects a balanced and fair exchange between humanity and nature with holistic systems thinking and a long time horizon. From a relative perspective, Starik and Rands (1995) considered sustainability as the ability of an individual or collective entity to exist and evolve over time in such a manner that allows for a relative level of existence and flourishing of other entities. From an ecological perspective, Shrivastava (1995) defined sustainability as the potential for reducing long-term risks associated with resource depletion, fluctuations in energy costs, product liabilities, and pollution and waste management. Other definitions reflect the broad topic of sustainability such as the environmental impact of economic activity in both developing and developed economies (Erlich & Erlich, 1991); meeting human needs (Savitz & Weber, 2006); and maintaining non-renewable resources (Whiteman & Cooper, 2000). Van Marrewijk & Verre (2003) also considered sustainability as voluntary activities that include social and environmental concerns in business operations and in interactions with stakeholders. Sustainability is also associated with the fulfillment of the Triple-Bottom-Line (3BL), a concept developed by Elkington (1998, 2004), which simultaneously considers and balances economic, environmental and social goals from a microeconomic perspective. The 3BL is an equal balance among economic development, environmental compatibility, and social equity as pillars for improving quality of life (Carter & Rogers 2008; McCue, 2010; Sikdar, 2003; Vachon & Mao, 2008). This reflects the perspective of organizational sustainability as a fundamental principle of smart management that works towards incorporating the 3BL into business strategy and daily operations. These sustainable practices are critical ingredients for successful businesses in the 21st century; yet, it is neither a simple nor a low-cost process to consider.

SUPPLY CHAIN SUSTAINABILITY

The term supply chain was developed in the late 1980s. Prior to that time, terms like "materials management" and "logistics" were used instead. A supply chain can be defined as an alignment of firms that bring products or services to market (Lambert, Stock, & Ellram, 1998). It consists of all stages involved, directly or indirectly, in fulfilling a customer request including manufacturer, suppliers, transporters, warehouses, retailers, and customers themselves (Chopra & Meindl, 2001). Frankel, Bolumole, Eltantawy, et al. (2008) conceptualized the supply chain as a network of companies from suppliers to end-users, which have the intention of integrating supply/demand via coordinated company efforts. Accordingly, the focus of supply chain management is "The systemic, strategic coordination of the traditional business functions and the tactics across these business functions within a particular company and across businesses within the supply chain, for the purposes of improving the long-term performance of the individual companies and the supply chain as a whole." (Mentzer, DeWitt, Keebler, et al., 2001, p. 18).

Integrating sustainability into the supply chain has recently captured the attention of researchers and managers as the impact of sustainability goes beyond the firm's own operations to consider operations of the entire supply chain starting from input suppliers to the consumer including reverse logistics for obsolete products (Fiksel, 2010). Supply chain sustainability is a relatively new area of study and practice, and there is no consensus regarding its definition. Researchers have defined sustainable supply chains from different perspectives and frameworks involving purchasing perspective (Carter & Jennings, 2004; Zsidisin & Siferd, 2001), marketing (Peattie, 2001), operations management (Kleindorfer, Singhal, & Van Wassenhove, 2005), lean manufacturing (King & Lenox, 2001), recycling and remanufacturing (Guide & Van Wassenhove, 2001), logistics (Carter & Jennings, 2002; Tibben-Lembke, 2002), and corporate social responsibility (Andersen & Skjoett-Larsen, 2009).

However, contemporary sustainable supply management literature largely adopts part of or all Triple-Bottom-Line components: economic, environmental, and social performance. Robinson and Wilcox (2008), for example, realized that sustainable supply chain conceptualizes commitment on environment initiatives. Hsu and Hu (2008) defined sustainable supply chain as the management of raw materials, parts/components and processes from suppliers to manufacturers to customers and product take back aiming at improving environmental impacts though lifecycle stages. Vachona and Maoc (2008) used archival data from The Global Competitiveness Report (2004–2005) and the 2005 Environmental Sustainability Index to confirm that supply chain strength is positively linked to the three dimensions of sustainable development (i.e., environmental performance, corporate environmental practices, and social sustainability. Similarly, Carter and Rogers (2008) delineated sustainable supply chain as the strategic, transparent integration and achievement of an organization's social, environmental, and economic goals in the systemic coordination of key inter-organizational business processes. In line with this perspective, Seuring and Müller (2008) defined sustainable supply chain management as the management of material, information and capital flows as well as cooperation among companies along the supply chain while considering economic, environmental and social dimensions. They further stressed that sustainable supply practices should be derived from customer and stakeholder requirements and fulfilled by organizational members. Such integration of sustainability into traditional organizational targets can add value to businesses and offer long-term competitive advantages (Pullman, Maloni, & Carter, 2009).

Supply chain sustainability is increasingly recognized as a key component of corporate responsibility. Supply chains consist of continuously evolving markets and relationships. To have successful and sustainable business, corporations have to manage the social, environmental and economic impacts of supply chains and combat corruption. The essence of sustainability is to maintain the positive environmental, economic and social aspects of firms. From the business perspective, firms play a role throughout the lifecycle of their products and services where sustainability must be an integral component of corporate strategy and supported by management and performance measurement (Epstein, 2008). Milne, Kearins, and Walton (2006) conveyed sustainability as a journey of organizational adaption, learning, progress and a movement away from a business-as-usual practices. Among the many approaches that play a significant role in improving environmental impact of any firm is integrating environmental management throughout the supply chain practices (Damali, Jolley, & Handfield, 2008).

According to the Danish Council on corporate social responsibility (2010), the concept of sustainable supply chain management deals with the dialogue companies create with their suppliers in order to prevent violations of fundamental human rights and international environmental standards. This therefore means that companies are expected to deliver on social and environmental responsibility in accordance with internationally recognized principles and rights. Van Weele (2010) also talks about sustainable development, purchasing and profitability. He further asserted that sustainable profitability can only be achieved if the company is able to balance the interest of customers, employees, the environment, and its shareholders.

Parmigiani, Klassen, and Russo (2011) provide more insights when they defined responsibility in the context of supply chain as when a firm has authority to make decisions independently, and has the ability to control, pressure or induce action by suppliers and customers through such factors as product design or contractual arrangements. They further assert that, "in essence, the firm has responsibility because it can influence conditions either through action or inaction that result in specific social outcomes, and responsibility includes both legal obligations and ethical overtones". Kogg and Mont (2012) also concur when they state that sustainability issues have resulted in a shift of focus by companies from own operations to improving the performance of the supply chains. Krawjeski, Rizmant, and Malhotra (2010) found out that sustainable supply chains result in productivity improvement and innovation. Responsible Supply Chain Management (RSCM), as part of a company's Corporate Social Responsibility strategies and policies, has become a key part of the strategy of many companies.

In conclusion, sustainable initiatives can affect every aspect of the supply chain including upstream or inbound activities which relate suppliers to manufacturers, conversion or production processes, downstream or outbound activities that relates manufacturers to customers, and reverse activities that take back products and materials to the manufacturer to be recycled and reused. This conceptualization leads to the integration of economic, environmental, and social performance into supply chain components to yield sustainable logistics, sustainable procurement/purchasing, sustainable product, sustainable operations for manufacturing goods or providing services, sustainable packaging and labeling, sustainable transportation, sustainable reuse and recycling, sustainable sourcing, sustainable buyer-supplier relationship, sustainable inventory management, and sustainable materials.

Through supply chain sustainability, companies protect the long term viability of their business. In recent years, more and more stakeholder groups have demonstrated willingness to partner with companies. Many of these stakeholders groups are knowledgeable about sustainability issues and can be useful partners, beyond just sharing perspective and advice, by working closely to address supply chain challenges. They can assist with understanding the context for sustainability challenges, help with designing effective responses, and act as local implementing partners. In addition, they can bring resources and legitimacy to supply chain sustainability efforts.

SUPPLY CHAIN SUSTAINABILITY IN DEVELOPING CONTEXTS

Recognizing its importance, a relatively well-developed body of research has investigated aspects of sustainable supply management in western developed contexts. Mustaffa and Potter

(2009) indicated that many of supply chain applications and practices have occurred within the developed world, with only a very limited range of examples from the developing world available in the literature. Examples of sustainable supply practices in developed contexts may involve US and North America firms (e.g., Min & Galle, 2001; Paulraj, 2011; Vachon & Klassen, 2006), UK public sector (e.g., Hall & Purchase, 2006; Preuss, 2009; Walker & Brammer, 2009), UK food sector (e.g., Rimmington et al., 2006), German manufacturing industry (e.g., Wolf, 2011), civil engineering public procurement in Northern Ireland (Eadie et al., 2011), and high-tech medical equipment in the Netherlands (Lindgreen et al., 2008).

In the same vein, there is a misleading impression that Western countries were more sustainable than non-western countries with regard to sustainable supply chain management (Kim & Min, 2011). Anbumozhi and Kanda (2005) indicated that most companies in developing countries tend to adopt an "end-of-the-pipe" reactive approach for organizational sustainability aiming at reducing the negative environmental impacts rather than implementing a proactive approach to reduce the sources of waste or pollution. Nevertheless, comparatively very little research has recently investigated sustainable supply chain in developing countries. Table 1 highlights recent research findings regarding sustainable supply chain in developing countries. It shows that existing research on sustainable supply chain in developing countries tend to be fragmented and theoretical in nature focusing on reviewing sustainable supply initiatives and practices. It is therefore important to unveil different aspects and perspectives of sustainable supply chain management in developing countries recognizing that lessons could be learnt and knowledge could be transferred to other countries of a similar profile. Therefore, closer attention to empirical studies on sustainable supply chains in developing countries should be given since the topic is still immature.

ADOPTION OF SUPPLY CHAIN SUSTAINABILITY: RESEARCH PROPOSITIONS

The Impact of Sustainability Champions

Champions are individuals within the organization who pioneer new ideas, products, or concepts (Gray and Smeltzer, 1989). Champion pressures are conceptualized as the extent to which employees in the firm push for increasing sustainability efforts. Previous research supports the critical role played by organizational champions in adoption and implementation of innovations in an organization (Jeyaraj et al., 2006). Sustainability champions could be at different managerial levels; first, middle or top. Drumwright (1994) found that the primary initial driver of environmental purchasing came from workers who were personally committed to environmental values. Carter et al. (1998) demonstrated a significant relationship between middle as well as top management initiatives and environmental purchasing. By means of case study analysis, Carter and Dresner (2001) explained that ''champions'' in the organization are an important success factor for sustainable supplier management projects. Similarly, Carter et al. (2007) map the social network within an organization to demonstrate how a manager at the lower ranks effectively championed and drove to fruition a safety related supplier management project. Using data from 244 U.S. and German corporations, Ehrgott et al. (2011) confirmed that the intensity of middle management social pressures is positively related to socially sustainable supplier selection.

However, it is not just lower-level managers from whom sustainability championing is needed, championing from higher-level managers has also been proven to be successful in the implementation of environmental practices. Lambert et al. (1998) submitted that change champions at top managerial levels are important drivers to the

Table 1. Recent research on sustainable supply chains in developing countries

Developing Context	Author(s)	Study
Brazil	Beatriz et al. (2009)	The level of environmental management maturity influences the depth with which Brazilian companies adopt environmental criteria when selecting suppliers. However, Brazilian companies still use traditional criteria to select suppliers, such as quality and cost, and do not adopt environmental requirements in the supplier selection process.
	Jabbour et al. (2013)	Company size, previous experience with Environmental Management Systems, and the use of hazardous inputs are positively correlated with green supply chain practices adoption in Brazilian companies.
China	Zhu and Sarkis (2004)	There is a relationship between specific green supply chain practices and performance (i.e. environmental and economic performance). In addition, quality management and just-in-time (or lean) manufacturing principles may influence the relationship.
	Zhu et al. (2012)	The study evaluates the relative roles of innovation and imitation drivers for diffusion of these green supply chain practices. The authors indicate that even though innovation is not insignificant, imitation plays a much larger role for these specific green supply chain practices diffusion amongst Chinese enterprises.
Gulf Region	Faisal (2010)	Enablers of sustainable supply chains in the Gulf region are examined. Sustainable supply chain adoption requires awareness about sustainable practices like ethical sourcing, green purchasing, environmental purchasing, and logistics social responsibility.
India	Gupta and Palsule-Desai (2011)	Literature on sustainable supply is divided into four broad categories: strategic considerations; functional decisions; regulation and government policies; and integrative models and decision support tools. Environmental initiatives in India and the relevance of sustainability in the context of Indian economy are also discussed.
	Mohapatra and Srivastava (2012)	Needs of different supply chain stakeholders in rural areas in India are analyzed. The study also provides detailed ROI calculations for all the stakeholders in the value chain and also proposes a road map for implementing the model to improve living conditions in rural areas.
Indonesia	Zuo et al. (2009)	The incorporation of sustainable procurement routes and triple bottom line criteria in post-disaster construction in Indonesia should be recognized ensuring stakeholder integration and collaboration to reduce the problems in timber procurement.
Kenya	Mwirigi (2010)	Education level of the entrepreneur, exposure to information relating to business and the market dynamics, perceptions of the entrepreneur and actual size of business determine the likelihood of an entrepreneur nurturing strong sustainable supply chain relationships among in Kenyan small firms.
Malaysia	ElTayeb et al. (2010)	Drivers for green purchasing adoption among EMS 14001 certified companies in Malaysia are examined. The results indicate that Green purchasing is affected by regulations, customer pressures, expected business benefits and firm ownership. The results also suggest that, although Malaysian firms show a high level of social responsibility, it does not constitute a genuine driver for these firms to adopt green purchasing.
Malaysia	Zailani et al. (2012)	Environmental purchasing has a positive effect on three categories of outcomes (economic, social and operational), whereas sustainable packaging has a positive effect on environmental, economic and social outcomes. The study indicated that sustainable supply chain management practices have a positive effect on sustainable supply chain performance, particularly from the economic and social perspective.
South Africa	Ras and Vermeulen (2009)	A qualitative model explaining business performance of South African entrepreneurs in a global supply chain has been developed.
South East Asia	Rao (2002)	Environmental supply chain practices are taking place within the manufacturing sector in South East Asia companies aiming at reducing environmental problems.
South East Asia	Rao and Holt (2005)	Greening the different phases of the supply chain leads to an integrated green supply chain, which ultimately leads to competitiveness and economic performance amongst a sample of companies in South East Asia.

continued on following page

Table 1. Continued

Developing Context	Author(s)	Study
South Africa	Bendixen, M., & Abratt, R. (2007)	The results indicate that MNCs have a good corporate reputation among both suppliers and its own buying department. The existence and implementation of formal codes of ethics were found to be a necessary but not sufficient condition for good ethical practice. Elements that may lead to good relationships include speedy resolution of problems; respect for the partner; and transparency in its dealings, which include information sharing, clear communication, and fair but firm negotiations.
Sri Lanka	Jayaratne (2011)	Factors that influence sustainable tea supply chain in Sri Lanka are mapped using a theoretical framework.
Taiwan	Hus and Hu (2008)	Supplier management, product recycling, organization involvement and life cycle management are critical for implementing green supply chain management in the Taiwanese electrical and electronics industries.
Thailand	Setthasakko (2009)	Lack of system perspective, absence of top management commitment and cultural diversity are key barriers to sustainable supply chain in seafood companies in Thailand.
Vietnam	Tencati et al. (2010)	Impact of sustainable sourcing policies created by multinational companies on Vietnamese suppliers is examined. The findings highlight that monetary and non-monetary costs of complying with international standards may turn out to be unsustainable and prohibitive for many Vietnamese enterprises, and especially for small- and medium-sized suppliers.
Zimbabwe	Mushanyuri (2013)	The paper examined the concept of sustainable supply chains and clearly highlighted the impact of corporate social responsibility on these supply chains. Due to increasing pressures to be competitive in the markets, most companies are turning to international markets for competitive prices and quality for materials. This has however resulted in supply chains becoming more complex especially with the advent of mounding pressures for corporations to be more responsible socially and environmentally.

implementation of supply chain programs. This line of reasoning is further supported by Pun et al. (2001) and Daily and Bishop (2003) who consider the sustainability championing by top managers as very critical to the success of environment initiatives since it promotes employee empowerment, cultural shift, rewards and incentives systems, training and teamwork concerning sustainability. Moreover, Carter and Jennings (2004) proved that environmental initiatives positively influence purchasing social responsibility. Thus:

Research Proposition 1: The strength of champion pressures is positively related to supply chain sustainability.

The Impact of Customers

Research has documented customer demands and pressures as a key external driver for supply chain sustainability (Alvarez-Gil et al., 2007; Darnall & Edwards, 2004; Doonan et al., 2005; Lin, 2007; Peng & Lin, 2008; Rao, 2006; Zhu et al., 2008). Lamming and Hampson (1996) indicated that about 75% of US consumers claim that their purchasing decisions are influenced by a company's environmental reputation, and 80% would be willing to pay more for environmentally friendly goods. For example, consumers desire clean products that have been provided through an environmentally sustainable manner (Anbumozhi and Kanda, 2005; Collins et al., 2007; Zhu and Sarkis, 2006). For example, Ford Motor Company requires that all its suppliers comply to the ISO 14001 standard, and other car manufacturers like Toyota, BMW, and Mitsubishi include "supplier activities" in statements of environmental responsibility (ElTayeb et al., 2010). In the same vein, Anbumozhi and Kanda (2005) suggested that pressures and expectations for green products from large companies in developed countries may improve the environmental performance of Asian companies. Also, customers want to understand the conditions under which products have been produced (Locke and Romis, 2007; Locke et al., 2007). Similarly, some customers might choose to boycott the firm's products because of negative environmental impacts (Vachon and Klassen, 2006). Moreover, customer awareness usually is not limited to the knowledge of a firm's product but extends to its conduct and behavior (Brown and Dacin, 1997).

Heightened media coverage and rising legal requirements for customer information make firms' policies more transparent and allow customers to consider the standards to which firms hold their suppliers in their buying decisions (Wolf, 2011). Based on the foregoing argument, the following hypotheses are provided:

Research Proposition 2: The strength of customer pressures is positively related to supply chain sustainability.

The Impact of Government

With increasing environmental regulations and pressures firms are expected to fulfill socially responsible business practices (Pilkington & Dyerson, 2006). Conformity with these pressures occurs through influence exerted by government agencies as powerful groups that guide the actions of an organization (Rivera, 2004).

Governmental pressures in the form of formal rules, laws, sanctions, and incentives have been found to be the most important drivers for the adoption of sustainability strategies for corporate firms (Gonzalez-Benito and Gonzalez-Benito, 2005; 2008; 2010; Sharma and Vredenburg, 1998). Furthermore, these regulations may cover domestic environmental regulations and policies as well as international environmental agreements that impose direct constraints over firms to make necessary changes in their structure and processes, such as the Kyoto agreement, the Climate Change Treaty and the Montreal Protocol (EIC, 2005; Zhu & Sarkis, 2006; Hall, 2000). Moreover, The EU WEEE directive attempts to tackle the growing quantity of WEEE by making producers responsible for the costs of the collection and recycling of their products at the end of usable life (Gottberg, et al., 2006).

While some organizations try to avoid authoritative rules or legal liabilities related to potential costs, uncertainty, hazardous products, recycling, and expired products (Clemens & Douglas, 2006; Tibben-Lembke, 2002; Zhu & Sarkis, 2006), regulatory institutions may provide inducements for these organizations to behave in a certain way that conforms to the demands of specific agency (Grewal and Dharwadkar, 2002). In addition, parent companies may set rules and standards that oblige their subsidiary companies, in developing countries, to adopt certain sustainable practices (ElTayeb et al., 2010).

Gupta and Palsule-Desai (2011) explained that governments adopt a 'command and control' perspective by mandating levels of environmental taxes (e.g., carbon tax), forcing firms to adopt minimum environmental standards (e.g., mandating a certain percentage of power generation to come from renewable sources), or subsidizing certain technologies and industries (e.g., solar and wind power generation). Consequently, firms are required to comply with these pressures to avoid potential costs, uncertainty, and legal liabilities inherent in existing and anticipated regulations (Clemens and Douglas, 2006). Case study findings from Handfield et al. (1997) suggested that regulations have a positive effect on a firm's environmental initiatives. At a rather specific level, prior research provide valid evidence that government pressures have positive effects on supply chain sustainability including green purchasing in Malaysia (ElTayeb et al., 2010), environmental supply chain practices (Hall, 2000; Walker et al.,

2008) and green supply initiatives in South Korea (Lee, 2008). Accordingly, the above arguments lead to the following proposition:

Research Proposition 3: The strength of government pressures is positively related to supply chain sustainability.

The Role of Firm Size and Ownership

Firm size and ownership type may influence the sustainable practices of the firm. Also, firms in different industries may behave differently pertaining to sustainable practices. The selection of these variables is based on previous studies that found a significant effect of these variables on green initiatives. For instance, Bowen (2002) and Carter and Jennings (2004) argued that larger firms are more committed to corporate social responsibility and sustainable performance because they have more resources and they are more visible within a society. In addition, Branzei and Vertinsky (2003) indicated a positive influence of firm size on 'eco-sustainability' orientation in Chain and Japan. In addition, the pressure on corporations to improve their environmental performances comes from globalization rather than localization (Sarkis & Tamarkin, 2005). ElTayeb et al. (2010) revealed that multinational firms are more oriented to green practices than local firms in Malaysia. This seems reasonable since international firms are exposed to international environmental agreements as well as domestic environmental regulations which both have a great and immediate effect on sustainable supply practices.

Research Proposition 4: Firm size and ownership type are related to supply chain sustainability.

The Impact of Sustainable Supply Chain on Sustainable Performance

Realizing sustainable supply chain benefits and outcomes is an important vehicle that sustains implementation of sustainable supply initiatives in a developing context. These outcomes can be realized from three perspectives: environmental, economic, and social.

Environmental Performance

Environmental performance can be defined as the environmental impact that the corporation's activity has on the natural milieu (Sharma and Vredenburg, 1998). This impact could be reflected in operative performance such as materials' consumption, energy management, waste and emission production, and evaluation of real environmental aspects of organizations, as well as the overall organization's environmental management efforts (Papadopoulos and Giama, 2007). A sustainable supply chain paves the way for sustainable performance as a result of environmentally-oriented supply operations that can support the competitiveness of the firm. Prior research links sustainable supply chain practices to better environmental, quality and economic performance (Barney, 1991; Hart, 1995). For example, effective management of sustainable supply chains can promote recycling of raw materials, cut waste and hazardous substances, prevent violating environmental regulations, reduce transaction costs, and enhance energy and water consumption. Generally, empirical researchers have found that firms adopting comprehensive environmental supply chain practices experience better sustainable performance in terms of significantly reduced waste (Melnyk et al., 2003), improved product and process quality (Kleindorfer et al., 2005; Melnyk et al., 2003), and improved recycling and waste reduction (Sroufe, 2003; Florida, 1996). Appropriate selection of suppliers determines their ability in improving the environmental objectives of a firm (Walton et al., 1998; Min & Galle, 2001; Zhu & Geng, 2001). Furthermore, such collaboration between suppliers and customers in sustainable supply helps firms to develop the environmental prowess of the supply partner

(Klassen and Vachon, 2003) such as in case of preventing or mitigating environmental hazards and its associated risks (Linton et al., 2007; Zhu et al., 2007).

Economic Performance

Sustainable supply chains can escort sustainable economic performance in terms of internal cost saving, opening new markets and finding beneficial uses for waste, cutting cost of purchasing materials and energy consumption, reducing the cost of waste treatment and discharge, avoiding a fine in the case of environmental accidents, and increasing profits, sales and market share (Fuentes-Fuentes, et al., 2004; Tsoulfas & Pappis, 2006; Zhu & Sarkis, 2004). For example, cases from the Malaysian context show that sustainable supply chains can insure economic returns such as cost savings, marketing opportunities and financial returns to justify the cost associated with compliance to a formal environmental standard (Anbumozhi & Kanda, 2005, ElTayeb, 2010, Zulkifli & Amran, 2006). Zhu and Sarkis (2004) found that the existence of environmental supply management programs led to both positive and negative economic performance in Chinese manufacturing enterprises. However, Carter et al. (2000) found that environmental supply management is significantly related to both net income and cost of goods sold after controlling for firm size, leverage and primary earnings per share. Also, Melnyk et al. (2003) found that firms adopting formal environmental supply management systems significantly reduced overall costs.

Social Performance

From a social perspective, much previous research has focused on the sustainable supply chain because of its relation to social performance. Sustainable performance should recognize value and promote the capability of people with appropriate human policies and practices for equity, development and well-being (Daily and Huang, 2001). Sustainable supply chain practices involve reciprocal collaboration among supply partners in terms of knowledge resources and capabilities which in turn can improve total sustainable performance (Geffen & Rothenberg, 2000; Klassen & Vachon, 2003). Marshall et al. (2005) found that a concern for vineyard employee welfare was linked to the reduction of toxic spray applications and other potentially damaging environmental practices. Worker participation and training have been positively related to environmental improvement in supply operations (Florida, 1996; Johnson et al., 2006). Additionally, collaborative management of supplier relationships in sustainable supply can help to design new socially oriented products and improve operational efficiencies (Damali et al. 2008; Wittmann et al., 2009; Lao et al., 2010; Pagell et al., 2010).

Based on the foregoing arguments, we expect sustainable supply chain practices to positively influence sustainable performance, leading to the following proposition:

Research Proposition 5: Supply chain sustainability is positively related to sustainable performance.

EMPIRICAL DEMONSTRATION OF RESEARCH PROPOSITIONS

To provide an example of empirical research that tests previous propositions, a self-administered questionnaire was used to target purchasing/supply managers and officers in the UAE firms which were drawn from economic and commercial directories published by chambers of industry and commerce in Abu Dhabi, Dubai, Sharjah, Ajman, Ras al-Khaimah, Fujairah and Umm al-Quwain. The questionnaire contained three constructs describing pressures from customers (CP), government (GP), and champions (MP), as well as two constructs reflecting sustainability of supply chain (SS) and sustainable organizational performance (SP). The first three constructs (CP), (GP), and (MP) were operationalized based on the work of Carter and Jennings (2004) and Ehrgott et al. (2011). In addition, sustainability of supply chain (SS) was conceptualized as a second-order factor including fifteen items that tap supplier selection, environmental collaboration and supplier evaluation adopted from Zhu et al. (2008) and Zhu and Sarkis (2004). Sustainable organizational performance (SP) was operationalized to cover the economic, environmental and social dimensions of sustainable performance based on the work of Carter and Rogers (2008) and Paulraj (2011). The economic performance dimension measures cost, return on investments and earnings indicators. The environmental performance dimension covers improvements in air emission, waste, consumption of hazardous materials, environmental accidents and energy savings. The social performance covers improvements in social welfare and betterment, community health and safety, risks to the general public and occupational health and safety of employees. For all measures, a seven-point Likert-type scale (ranging from 1 = strongly disagree to 7 = strongly agree) was used.

To ensure validity and reliability, several steps were taken to refine and rigorously pre-test the questionnaire. The questionnaire was pre-tested by three experts in environmental sciences and five experts in supply chain. The comments collected from these experts provided a basis for revisions of the construct measures and modifications of the wording and item sequence. All of our multiple-item constructs achieved Cronbach alpha's of 0.73 or higher (0.73 - 0.92 was obtained), which is higher than the suggested cut-point alpha value of 0.70 (Hair et al., 2006), indicating strong internal consistency. Moreover, Harman's one-factor test was used to address the issue of common method variance. Significant common method variance could result if one general factor accounts for the majority of covariance in the variables (Podsakoff et al., 2003). A principal components factor analysis on the questionnaire measurement items yields all factors with eigenvalues >1.0 that account for 71.16% of the total variance, and the first factor accounts for 26.14% of the variance. Since a single factor does not emerge and one general factor does not account for most of the variance, common method bias is unlikely to be a serious problem in this research (Podsakoff et al., 2003).

A total of 112 completed and usable questionnaires were returned out of 400 distributed questionnaires with a response rate of 28 per cent. Majority of respondents were in operations/ supply specialization (41%) with occupational experience over ten years (79%). Most of the respondent firms were small/medium in size (SMEs) (58.5%) and with local ownership (61.4%).

The results show that the correlations between constructs range from 0.058 to 0.553; with no pair of measures exceeding the value of 0.60, suggesting no need for concern with respect to sever multicollinearity problems among research variables (Hair et al., 2006). The correlations also indicate a preliminary support for the significant relationships among key variables. The regression analysis suggests the direct effects of pressures by government, customers and organizational champions on supply chain sustainability. The coefficients of pressures by organization champions are positive and significant for supply chain sustainability ($\beta = 0.31, p < 0.001$). Pressures by customers are also emerged as a significant variable influencing supply chain sustainability ($\beta = 0.19, p < 0.01$). On the contrary, the coefficients of government pressures are insignificant for supply chain sustainability (β = 0.11, na). The results also suggest that supply chain sustainability is a significant determinant of sustainable organizational performance ($\beta = 0.58, p < 0.001$) and yields a R^2 of 0.46.

CONCLUSION AND IMPLICATIONS

Sustainability and social responsibility incorporate specific and measurable practices across the supply chain. They will support sustainability and social responsibility principles and initiatives, commit resources to support of sustainability and social responsibility principles, practices and education, build and integrate programs throughout the organization and cascade them throughout the supply chain. They will also involve executive management to ensure sustainability and social responsibility initiatives are integral to the culture and decision-making of the organization, ensure the sharing of strategies, policies, procedures, best practices and other relevant material to assist organizations working to improve sustainability and social responsibility behavior internally and with suppliers, and encourage building and integrating a program throughout the organization and the supply chain.

The purpose of this paper is to provide further insights into adoption of supply chain sustainability in developing contexts. It examined the impact of stakeholder pressures on sustainable supply chain practices as well as the impact of these practices on sustainable performance including environmental, economic and social dimensions. The analysis indicates that pressures by organizational champions and customers are positively related to supply chain sustainability. However, the relationship between government pressures and supply chain sustainability is insignificant. Moreover, the findings provide evidence that the impact of supply chain sustainability on sustainable performance is significantly positive. The findings contribute to theoretical development in several ways.

First, the analysis supports for the notion that some stakeholder pressures over the firm can lead to a higher sustainability level of its supply chain. Also, the analysis implies that some stakeholders would have a higher significant impact than others with regard to sustainable practices and firms, therefore, should first understand and react to particular needs of the most influential stakeholders.

Second, it highlights the critical role played by customers in influencing sustainable supply chain initiatives. Although firms in developing countries may be relatively less exposed to the customer enforcement on environmental issues, customers' awareness and expectations for environmental practices are growing over time and pushing for sustainable organizational reaction (Gilmore and Pine, 2007; Reynolds and Yuthas, 2008). Hence, customers' environmental requests can directly affect firm's supply behavior through turning their attention to environmental issues. In the same vein, Hall (2000) predicted that a wave encouraging the greening of a supply chain is likely to be triggered by final customers who reflect market pressures onto their firms.

Third, the findings provide support for the role of organizational champions in influencing supply chain sustainability. This is supported by a number of researchers who have looked at environmental pressures and support by employees in different context (e.g., Carter et al..., 1998; Zhu et al..., 2008). This confirms the predictions of stakeholder theory that organizational members can use their power to influence the firm's supplier management practices (Ehrgott et al., 2011). Moreover, the positive relationship between organizational champions and supply chain sustainability will play a role in diminishing the barrier to sustainable practices.

Fourth, pressures from government have not emerged in this study as a significant driver for sustainable supply chains. This result suggests that formal rules, laws, sanctions, and incentives do not motivate sustainable supply chain practices as strongly as hypothesized. This finding contradicts prior research that considers governmental pressures as the most important driver for the adoption of sustainable supply chain initiatives (ElTayeb et al., 2010; Hall, 2000; Lee, 2008; Walker et al., 2008). However, findings of this research were in accordance with the results by other studies such as Ehrgott et al. (2011), Bowen et al. (2001), Zhu et al. (2007; 2008). For Example, Zhu et al. (2008) did not find these pressures from government to be significant in the context of green supply practices in an emerging Chinese market. Further, Carter and Jennings (2004) found no impact of government regulation on purchasing social responsibility. Ehrgott et al. (2011) found no significant relationship between pressures from government and socially sustainable supplier selection in US and German firms. A plausible explanation for the insignificant effect of government pressures in our study is that these pressures may encourage reactive environmental policies and practices that aim at avoiding governmental sanctions rather than supporting firms' proactive sustainable initiatives. This explanation is in line with Mardi (1992) and Dean and Brown (1995) who found that governmental regulations can create operating barriers and increases costs for businesses. Buysse and Verbeke (2003) arrived at a similar result when they segment the European firms into environmentally leading, environmentally proactive, and environmentally reactive. They find a positive governmental effect only for reactive companies.

Fifth, the positive relationship between supply chain sustainability and sustainable performance is very promising; however, not all studies have shown this relationship to be significant. For example, Levy (1995) found little relationship between green supply chain and sustainable performance. Moreover, there has been some trepidation of confirming that environmental performance can be improved through applying environmental practices such as ISO 14001 (King et al., 2005). Bowen et al. (2001) suggested that financial performance is clearly not being reaped in short-term profitability and sales performance. Despite these findings, previous research confirms the role of supply chain practices in improving environmental performance (Melnyk et al., 2003; Sroufe, 2003; Linton et al., 2007; Zhu et al., 2007), economic performance (Alvarez Gil et al., 2001; Carter et al., 2000; Zhu and Sarkis, 2004) and social performance (Daily and Huang, 2001; Marshall et al., 2005). For example, Alvarez Gil et al. (2001) indicated that environmental management such as GSCM has a positive relationship with an organization's economic performance. There is also an evidence to suggest that sustainable supply chains can prepare enterprises for superior longer-term performance through improved management of environmental risks and the development of capabilities for continuous environmental improvement (Zhu et al., 2010).

Supply managers can learn from these results in developing sustainable initiatives earlier along their supply chain through selecting and evaluating suppliers based on sustainability-related standards. Also, managers should consider environmental collaboration with customers and suppliers to identify and reduce the total environmental impact. Such collaboration may involve knowledge sharing and application through exchanging physical as well as intellectual resources that maintain tools and skills. Finally, this research provides support for the significant impact of firm size and ownership type on supply chain sustainability. This is in harmony with previous empirical studies that consider larger firms to be more committed to sustainable practices than smaller firms (e.g., Branzei and Vertinsky, 2003; Bowen, 2002; Carter and Jennings, 2004). The findings are also consistent with ElTayeb et al. (2010) and Sarkis and Tamarkin (2005) who suggest that international firms are more exposed to sustainable practices than local firms. Managers in larger firms and multinational firms tend to have sufficient resources to invest in sustainable supply practices as they are more exposed to environmental pressures.

CHALLENGES AND OPPORTUNITIES FOR FURTHER RESEARCH

Like any other research, this study has some limitations. First, the self-reported data used in this study may suffer the problems of common method variance. Though this study used the Harman one-factor test to verify that common method variance is not a significant problem, the issue may still exist and accordingly is addressed as a potential limitation. Thus, future research can benefit from asking more than one respondent in each firm using objective measures of research variables.

Second, this study did not examine the direct effects of stakeholder pressures on sustainable performance and the potential mediating effect of supply chain sustainability. Further research may address these relationships using a structural equation model to explore the direct and indirect effects between the variables in the study simultaneously.

Third, this study only concerns the effects of some stakeholders on supply chain sustainability. Other internal organizational capabilities such as knowledge management capabilities, strategic orientation of supply function and innovation performance may potentially affect supply chain sustainability and/or sustainable performance. Hence, future research may work on examining the impact of internal capabilities on sustainable practices.

To conclude, pressures by organizational champions and customers in a developing country context are positively related to supply chain sustainability. However, the pressures by government do not show significant effect on supply chain sustainability. Moreover, the impact of supply chain sustainability on sustainable performance is significantly positive.

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KEY TERMS AND DEFINITIONS

Corporate Social Responsibility: A self-regulation mechanism that is integrated into a business model to ensure its active compliance with the spirit of the law, ethical standards and international norms.

Economic Performance: The economic impact that the corporation's activity has on the society in terms of cost saving, opening new markets and finding beneficial uses for waste, cutting cost of purchasing materials and energy consumption, reducing the cost of waste treatment and discharge, avoiding a fine in the case of environmental accidents, and increasing profits, sales and market share.

Environmental Performance: The environmental impact that the corporation's activity has on the natural milieu.

Social Performance: Recognizing value and promoting the capability of people with appropriate human policies and practices for equity, development and well-being.

Supply Chain Management: Planning, organizing, directing and controlling supply chain processes, from supplier to customer.

Supply Chain Sustainability: A growing business issue affecting an organization's supply chain network in terms of ethical, economic, environmental and social concerns.

Supply Chain: A network of organizations, people, activities, information, and resources involved in moving a product or service from supplier to customer.

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