Race to the bottom- a process whereby multinationals pitch developing countries against each other by allocating foreign direct investment to countries that can offer them the most favourable conditions in terms of low tax rates, low levels of environmental regulation, and restricted workers' rights.

Globalization

Globalization is: a process which diminishes the necessity of a common and shared territorial basis for social, economic, and political activities, processes, and relations. –'deterritorialization

1) Countries of EU have been in various stages of crisis. Globalization entails that events, which have local roots, have knock-on effects far beyond in seemingly disconnected places.
2) Global climate change has gradually been acknowledged as a critical problem to address across the world. Some companies took actions, but it's clear that solutions to this global problem can only be achieved if the developed agreements are developed.
3) We all are affected by terrorism (e.g. going through security checks in airports) Globalization has led to a situation where events, people or ideas from faraway places can have a very palpable effect on people in otherwise unconnected locations and situations.

Two main developments in the last few decades are particularly important in relation to globalization:

1 Technological. Modern communication technologies (telephone, internet) contact people throughout the globe. Furthermore, the rapid development of global transportation technologies allows people to easily meet with other people from different countries.

2 Political. Territorial borders have been the main obstacles to worldwide connections between people. (Within 25 years the iron curtain fell and EU was created) National borders have been eroded.

Globalization and business ethics:

1)Cultural issues:

Moral values that were taken for granted in the home market may get questioned as soon as corporations enter foreign markets. For example, attitudes to racial and gender diversity in North America may differ significantly to those in Middle Eastern countries. On the other hand, globalization makes regional differences less important since it brings regions together and encourages a more uniform global culture. Also, in eroding the divisions of geographical distances, globalization reveals economic, political, and cultural differences and confronts people with them.

2)Legal issues:

The more economic transactions lose their connection to a certain territorial entity, the more they escape the control of the respective national governments. As soon as

1) Environmental perspectives. The basic principles of sustainability in the environmental perspective concern the effective management of physical resources so that they are conserved for the future. All bio systems are regarded as having finite resources and finite capacity, and hence sustainable human activity must operate at a level that doesn't threaten the health of those systems. At the most basic level these concerns suggest a need to address a number of critical business problems, such as the impacts of industrialization on biodiversity, the continued use of non-renewable resources, such as oil, steel, and coal, as well as the production of damaging environmental pollutants like carbon dioxide and other greenhouse gases from industrial plants and consumer products. More fundamentally it rises the problem of economic growth itself.
2) Economic perspectives. Emerged from economic growth models that assessed the limits imposed by the carrying capacity of the earth. A narrow concept focuses on the economic performance of the corporation itself: the responsibility of management is to develop, produce, and market those products that secure the long-term economic performance of the corporation. This includes a focus on strategies that lead to a long-term rise in share price, revenues, and market share rather than short-term "explosions" of profits at the expense of long-term viability. A broader concept includes the company's attitude towards and impacts upon the economic framework in which it is embedded (paying bribes, avoiding tax).
3) Social perspectives. The key issue is social justice. Currently around 80% of the world's GDP is enjoyed by 1 million people living in the developed world while the remaining 20% is shared by 6 billion people living in the developing countries. Reich's suggestion is to reform the financial system, the strengthening of worker's rights or a reining in of corporate influence in politics, all point to private business as one key target of reform.

- Corporate Social Responsibility (CSR)- "… the economic, legal, ethical and discretionary expectations that society has of organizations". CSR is the "discernment of issues, expectations and claims on business organizations regarding the consequences of policies and behavior on internal and external stakeholders. It recognizes social 'cost' of business activity and ethical behavior.
- Food miles- The distance that food travels between the point of production and the point of consumption. Consumption of local produce in season will reduce environmental cost of transport.

MILLENNIUM DEVELOPMENT GOALS

The United Nations Millennium Campaign started in 2002
•Establishment of 8 goals to tackle global key issues
•Known as the Millennium Development Goals
•Goals achieved to some extent, but not all
•Revised and extended version launched in January 2016
•Known as the Sustainable Development Goals
•From 8 up to 17 goals

These rights are governed by the corporation in different ways. With regard to social rights, the corporation basically either supplies or doesn't supply individuals with social services and hence largely takes on either a providing or ignoring role

Corporate citizenship may be the result either of a voluntary, self-interest-driven corporate initiative, or of a compulsory, public pressure-driven corporate reaction –either way it places corporations squarely in a political role rather than just economic one.
Implications of CC: corporate accountability and transparency

Corporate accountability- a concept that refers to whether a corporation is answerable in some way for the consequences of its actions.

The central questions are who controls corporations and to whom are corporations accountable. Some see it as a given that corporate managers are only accountable to their shareholders, provided they comply with the laws of the countries in which they do business. Governments are accountable to the public and therefore it is they who are the proper guardians of the public interest… accountable to all citizens'.

However, there are also good arguments for the view that since corporations now shape and influence so much of public and private life in modern societies, in effect they are already de facto political actors, so they have to become more accountable to society.

One avenue for greater corporate accountability is the market itself. Consumption choices are to some extent purchase votes in the social control of corporations. There is little guarantee that consumers' social choices will be reflected in their consumer choices, or that such social choices will be even recognized by corporations. Consumers are just one of the multiple stakeholders that corporations might be expected to be accountable to.

In order to enhance corporate accountability, corporate social performance should be made more visible to those with a stake in the corporation. The term usually applied to this is corporate transparency.

Corporate transparency- the degree to which corporate decisions, policies, activities, and impacts are acknowledged and made visible to relevant stakeholders.

According to Schnakenberg and Tomlinson the quality of corporate transparency depends on 3 elements:

Disclosure – whether relevant information is made available in a timely and accessible manner.
Clarity- the degree to which information is understandable to relevant stakeholders.
Accuracy- whether the disclosed information is correct and reliable.

Increasingly, corporate accountability and transparency are being presented as necessities, not only from a normative point of view, but also with regard to the practical aspects of effectively doing business and maintaining the trust of stakeholders.

- Questioning VS accepting capitalism. The US doesn't particularly question the existing framework of management, but rather sees ethical problems occurring within the capitalist system, which it treats as given. In Europe, relevant parts of business ethics focus on questioning the ethical justification of capitalism.
- Justifying VS applying moral norms. Europe is characterized by a strong pluralism of moral convictions and values. The challenge for business ethics on the theoretical level often involves the justification and ethical legitimation of norms for addressing ethical dilemmas in business situations. In the US judging these issues do not seem to take such a dominant position: apart from a section on normative theories in business, there is the question of which moral values are appropriate as a given and chiefly focus on the application of morality to business situations.

In Asian business ethics the approach is either informed by religion (Islam, Buddhism) or traditional community values. European and North American approaches are mainly based on philosophical arguments.

Normative ethical theories and religion.

Source of rules and principles – Religions typically invoke a deity or an organized system of belief as the source of determining right and wrong. Therefore, faith is the critical requisite for acting ethically. Philosophical theories, on the other hand, are based on the belief that human reason should drive ethics. Thus, rationality is the critical requisite for acting ethically.

Consequences of morality and immorality – Acting ethically according to normative philosophical theory is primarily considered a matter of creating or creating tangible social benefits and harms for others. While these are still important in religious teaching, there is also an important element of spiritual consequence for the decision- maker.

Followers of Judaism tend to exhibit some distinctive business practices that can be directly traced back to basic tenets of their faith. Islam also provides certain rules about appropriate business practices, which has even given rise to a distinct system of banking consistent with the principles of Sharia Law that forbids the charging the interest, often referred to as "Islamic banking". In Northern Europe and North America it has been found to give rise to self-discipline, hard work and honesty.

Western modernist ethical theories.

As these theories have a well-defined rule of decision, the main advantage of these theories is the fact that they normally provide us with a fairly unequivocal solution to ethical problems.

There are 2 groups of theories – consequentialist theories(outcomes) and non-consequentialist theories (motivation/ principles). The first one is about theories based on the moral judgment on outcomes of a certain action. If these outcomes are desirable, then the action is morally right and vice versa. The moral judgment in these consequentialist theories is thus based on the intended outcomes, the aims, or the goals of a certain action.

Main features of culture:

- Culture is shared
- Culture is intangible
- Culture is confirmed by others

People from different cultural backgrounds are likely to have different beliefs about right and wrong, different values, etc. and this will inevitably lead to variations in ethical decision-making than others. Research has suggested that nationality can have a significant effect on ethical beliefs as well as views of what is deemed an acceptable approach to certain business issues.

Geert Hofstede's cultural typology is widely used in teaching and research. It is based upon a study of 116,000 IBM employees across 40 countries (1980) in IBM divisions throughout the world. Geert Hofstede suggests that differences in cultural knowledge and beliefs across countries can be explained in terms of 6 dimensions:

a. **Individualism/ collectivism**. The degree to which one is autonomous and driven primarily ta act for the benefit of one's self, contrasted with a more social orientation that emphasizes group working and community goals.
b. **Power distance**. The extent to which the unequal distribution of hierarchical power and status is accepted and respected.
c. **Uncertainty avoidance**. This measures the extent of one's preference for certainty, rules, and absolute truths.
d. **Masculinity/femininity**. An emphasis is placed on valuing money and things(masculinity) versus valuing people and relationships(femininity).
e. **Long-term/ short-term orientation**. Addresses differences in attention to future rewards, where long-term-oriented cultures value perseverance and thrift, while short-term ones emphasize more preservation of face, short-term results, and fulfilment of social obligations.
f. **Indulgence**. Measures the degree to which societies permit or suppress gratification of basic and natural human drives related to enjoying life and having fun.

- **EDUCATION AND EMPLOYMENT**

Research reveals that business students not only rank lower in moral development than students in other subjects but are also more likely to engage in academic cheating, such as plagiarism. While the relationships between ethical decision-making and employment experience and education still remain somewhat unclear, some definite differences between those with different educational and professional experience seem to be present.

- **PSYCHOLOGICAL FACTORS**

Are concerned with cognitive process (how people actually think). The two most prominent psychological factors: cognitive moral development and locus of control.

COGNITVE MORAL DEVELOPMENT.

Cognitive moral development- a theory explaining the different levels of moral reasoning that an individual can apply to ethical issues and problems, depending on their cognitive capacity.

processed in a factory. By dividing tasks and focusing on efficiency, the totality of individuals as moral beings is lost and they are ultimately denied true moral status.

- **WORK ROLES**

Work roles can be functional (accountant, engineer, etc.) or hierarchical (director, manager, etc). Prescribed work roles, and the associated expectations placed on the person adopting the role, would appear to be significant influences on decision-making (e.g. the Stanford Prison Experiment).

- **ORGANIZATIONAL NORMS AND CULTURE**

ORGANIZATIONAL CULTURE- the meanings, beliefs, and common-sense knowledge that are shared among members of an organization, and which are represented in taken-for-granted assumptions, norms, and values.

It suggest that as employees become socialized into particular ways of seeing, interpreting, and acting that are broadly shared in their organization, that will shape the kinds of decisions they make when confronted with ethical problems.

- **NATIONAL AND CULTURAL CONTEXT**

The local national context does indeed have an effect on managers' ethical evaluations. Different cultures still maintain different views of what is right and wrong, and these differences have significant effects on whether a moral issue is recognized, and the kind of judgments and behaviors entered into by individuals.
Analyzing situational influences on ethical decision-making- a key skill because it helps to assess the key characteristics of a business situation that hamper or encourage ethical behavior in business.

External orientation. Focuses less on company values and more on satisfying external stakeholders such as customers, the community, and shareholders. Here, what is right is what is expected, or at least acceptable, to key external constituencies.

Protection orientation. Some programs are primarily oriented towards protecting top management from blame for ethical problems or legal violations. Employees and other stakeholders may see the introduction of ethics management as little more than an attempt to create legal cover for managers in case of accidents or legal infractions of some sort.

However, these four approaches are not mutually inconsistent, and most organizations are likely to combine 2 or more approaches.

Designing ethics programs- In order to enhance ethical behavior in organizations managers need skills in designing programs that comprehensively address the management of ethical issues across the organization.

INFORMAL ETHICS MANAGEMENT: ETHICAL CULTURE AND CLIMATE

The ethical culture change approach, there has been limited attention focused on establishing how such a transformation might take place, why it might occur, or even if it is possible at all.

The ethical learning approach focuses on ethical cultural learning. The learning approach focuses on smaller subcultural groups within the firm and enabling employees to make their own ethical decisions.

The ethical culture change approach may have only limited potential to effect real change, but it is considerably more attractive to many firms who not only may desire considerable control over the culture, but may also be worried about the potentially damaging effects of bringing out moral differences through the process of ethical cultural learning. Moreover, both pose significant challenges for company leaders in shaping a more appropriate context for ethical decision-making.

Managing ethical culture- Understanding, influencing or leveraging ethical culture is a key skill for leaders in promoting and empowering ethical decision-making in organizations.

Business ethics and leadership

Ethical leadership- Describes the role of senior managers in setting the ethical tone of the organization and fostering ethical behavior among employees.

Leadership: a process whereby an individual influences a group of individuals to achieve a common goal.

Leaders are often said to set the ethical tone in organizations.