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# Business Ethics in the Intercultural and Global Context: A Conceptual Framework\*

GEORGES ENDERLE

*Der Artikel schlägt vor, den Ansatz zur Wirtschafts- und Unternehmensethik mit Entschiedenheit in den globalen Kontext zu stellen und von den bereits vorhandenen verschiedenen Ansätzen in Nordamerika, Europa und anderen Kontinenten zu lernen. Ein Rahmenkonzept wird entwickelt, das begrifflichen Raum für vielfältige Typen von Akteuren und internationalen Beziehungen verschafft und die Beziehung zwischen Ethik und Ökonomie als eine Bewegung "auf zwei Beinen" kennzeichnet. Darauf folgt eine kurze empirische Übersicht über das sich weltweit entwickelnde Gebiet der Wirtschafts- und Unternehmensethik und eine Diskussion verschiedener theoretischer Ansätze.*

## 1 Introduction

Business and economics have become major driving forces in contemporary societies, in both the national and the international context. Combined with modern technologies, they increasingly shape the thoughts and behavior of people and impact more and more domains of life: research and development, telecommunications, biotechnology, politics, education, culture, religion and the family. Therefore, *the greater the influence of business and economics, the greater the need and urgency to make sure that they develop "in the right direction,"* if they are not to be abandoned to an uncertain fate. Guidance for business and economics must come from both "outside" and "inside." From outside in terms of political pressure, legal regulations, sociocultural customs and learning. From inside in terms of proactive behavior of business organizations and businesspeople, self-regulation of industries, business alliances, etc. The outside approach alone cannot achieve this guidance because it lacks the inner commitment of business nor is the inside approach sufficient because business, like any social group, is only a single part of society and needs additional outside control and guidance. However, the inside approach is becoming more important as the economic actors enjoy more freedom and thus bear more responsibility.

That business and economics should develop "in the right direction" is a way to express the ethical dimension inherent in this domain. At stake is not only moral practice but also ethical reflection and theory, or "business and economic ethics" as academic inquiry, and *the further globalization advances, the greater and more complex the practical and theoretical challenges become.* Measured by these high standards, until now the practical and theoretical achieve-

vements of business ethics have fallen considerably short (see Section 3). What makes progress so difficult are a number of factors. "Global transformations" (so the title of David Held and coauthors' thorough and clarifying work on globalization) are highly complex processes far from being completed and understood in their depth and far-reaching consequences for both global and local societies. Moreover, from the normative-ethical perspective, the challenges are not less awesome. The questions concern not only intersocietal relations as they are addressed, for instance, by John Rawls in *The Law of Peoples* (1999), but also person-to-person relations in multiple institutions across national borders, as Amartya Sen pointed out (1999b). One has to come to grips with cultural and religious pluralism worldwide and increasingly also within countries and cultures, and strive for a common ethical ground for common challenges, maybe similar to *A Global Ethic* (1993) proposed by the Parliament of World's Religions and promoted by Hans Küng (1998) and others.

Given this situation at the beginning of the 21st century, it seems advisable *definitively to place the approach to business and economic ethics into the global context*. However valuable the approaches developed in particular countries and cultures may be, until now they do not match the needs of a globalizing world. For instance, the impressive volume *A Companion to Business Ethics* (Frederick 1999) actually reflects an exclusively U.S. American approach (with one chapter out of 32 by a European author), and the 4-volume handbook of business ethics (*Handbuch der Wirtschaftsethik*, Korff et al. 1999), with 90% contributions from Germany, is strongly shaped by German thinking. Of course, this does not mean that these contributions are unimportant, but it seriously limits their "exportability."

Therefore, in preparing a worldwide survey of business ethics for the First World Congress of Business, Economics, and Ethics 1996 in Tokyo, a grid of questions was developed in order to seize major challenges, initiatives and achievements in the emerging field of business ethics, the results of which were published in a special issue of the *Journal of Business Ethics* (October 1997). It has become clear that, particularly for international comparisons, a kind of conceptual framework is needed, all the more so as the globalization of business and economics advances. It goes without saying that the need for such a framework is especially felt by those conducting research projects and teaching business ethics simultaneously in different countries and cultures. Thus, in the following, first, a conceptual framework for business ethics is introduced. Second, an attempt is made to chart how the field currently presents itself. Third, different theoretical approaches to business ethics are discussed. Then the article concludes with a few remarks.

## 2 A Conceptual Framework for Business Ethics

Obviously there are many ways of approaching business ethics. Here the development of a *conceptual framework* is proposed because it offers a number of advantages, particularly in the context of globalization, cultural and religious diversity and pluralism. Conceptual work can clarify the widespread confusion in business ethics talks and is a necessary requirement for meaningful dialogue. By concentrating on the "interface" between empirical and theoretical studies, it avoids many theoretical controversies and never-ending empirical investigations. Moreover, it provides a ground for operationalization and measurement.

A conceptual framework is characterized by *a number of features*. It is a "framework," that is, neither a full-fledged body of knowledge nor a blueprint. It is comprehensive in the sense that it includes all key elements, relations and terms of the field under investigation, and it is consistent. It can be used by different theoretical approaches and provides a wide range of possible specifications. Of course, it also contains many theoretical implications such as the relationship between theory and practice, the philosophical foundation of economics, the moral status of economic organizations, and the anthropological assumption about the body-soul relationship, the discussion of which, though, lies beyond the scope of this article.

Business ethics is *a kind of "applied ethics"* and therefore shares several common features with other kinds of applied ethics such as bioethics, medical ethics, legal ethics, engineering ethics, media ethics, computer ethics, and others. At the same time, the concept of applied ethics considerably varies according to the meanings of ethics, the fields of application and the ways the relationship between the ethics and the field is conceived. By displaying a wide variety of approaches, business ethics makes no exception.

The perspective offered below closely relates ethics to decision making and action and uses the common distinction of descriptive ethics, normative ethics and meta-ethics, with a special focus on normative ethics. However, as a conceptual framework, it does not advance a particular ethical theory, but places much emphasis on *the structuring of the field of business ethics* and the type of relationship between ethics and business characterized as *a "two-leg approach."*

"*Business ethics*" is not a clearly defined term since "business" itself involves various meanings. It can lead to serious misunderstandings, especially when translated into other languages and cultures. For instance, in the famous saying "The business of business is business," puzzling for people not so conversant with English, "business" stands for "the task or job", "the economic organization," and "to make profit," so that the slogan reads "the

task of the company is to make profit.” However, in terms like ”business cycles,” ”business” is almost equivalent to ”the economy,” so that ”business ethics” implies a very broad notion comparable to ”economic ethics,” the German ”Wirtschaftsethik” and the Spanish ”Ética Económica.” The term ”corporate ethics,” a less common, but increasingly used expression, clearly relates to the ethics *of* (not only *in*) business organizations (see, e.g., the Conference Board 1987).

In the following the term business ethics (or business and economic ethics) is used *in a broad sense*, covering the whole ”economic domain of life” and thus dealing with the individual decision making of economic actors such as managers and employees, the shaping and conduct of economic organizations, business-related public policies, economic systems, and global economic and financial institutions alike. It is assumed that this domain of life can be identified and distinguished from other domains of life (such as the political-legal and the sociocultural domain), each domain having, to a greater or lesser extent, a certain autonomy and a particular type of rationality while partially overlapping with others. (It would go beyond the scope of this article to discuss how the economic domain relates to other domains, i.e., to ”outside.”) Given this broad understanding, the final purpose of business ethics aims at improving the ethical quality of decision making and acting at all levels of business.

From a crosscultural perspective, it is particularly important to distinguish three modes of understanding business ethics: *semantics*, *practice* and *theory*. The attitudes toward *speaking* about ethics, and the terms used and not used, may significantly differ from one cultural setting to another. Moreover, talking about business ethics is usually not identical with ethical *conduct*; one can do the former without doing the latter, resulting in a lack of credibility and moral authority. To think (more) systematically, or *theorize*, about business ethics matters not only for theoretical reasons such as consistency, critical scrutiny, and independent evaluation but also for practical ones, such as clarification of conceptual issues in practice, impartial assessment of business conduct, and provision of serious consultation to companies. Therefore, these three modes are distinct and cannot replace each other, although they are interrelated in many respects. However, it is suggested that the definitive test case for business ethics be practice.

## **2.1 Structuring the Field of Business Ethics: An Action-Oriented Approach at Multiple Levels**

The fundamental question of ethics is about *what I should do and what we should do*. We are constantly under pressure to act and cannot avoid making decisions, be it implicitly or explicitly. Decision making and acting is an

essential part of human existence. As Alan Gewirth states, "the independent variable of all morality is human action" (Gewirth 1984, 12) while, in our pluralistic societies, we face a host of different ethical beliefs and theories which depend on many factors. Whether we hold strong convictions on human rights, believe in the overriding power of self-interest, adopt a position of ethical relativism, or are skeptical about ethics at all, we have to make decisions and take actions. Even if we postpone or try to avoid specific decisions and actions, we actually make decisions and take actions with regard to these decision making situations. Therefore, an "action-oriented" approach to business ethics is proposed, which keeps a clear and balanced focus on both the *actors* and the *structures* in which they are embedded.

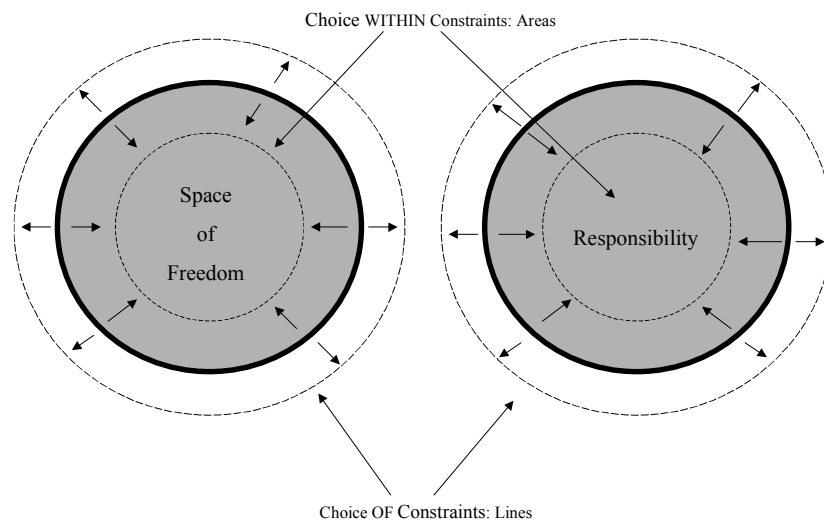
Of course, "action" can take on a variety of meanings. What matters in this context is that action involves *freedom of choice*. We can choose among different courses of action while being subject to a number of constraints. Actions are never limitless, without boundaries. However, limitations often are the results of previous choices. For instance, market conditions and laws and regulations clearly are constraints for those economic actors who face and cannot change them immediately. But to a large extent (as far as they are human-made, not natural constraints), they are the outcome of preceding decision making processes. Therefore, freedom relates to two sets of circumstances: *the choices within constraints* or how the actors use their spaces of freedom, and *the choices of constraints* or how the actors shape the conditions and limitations of their (future) actions. Both sets of circumstances are essential to a comprehensive conceptual framework for business ethics (see Figure 1 - next page).

Moreover, decisions and actions always are *concrete*, and not merely in a superficially pragmatic sense in which action merely relates to a particular situation of decision making and only needs some recipes to deal with the problem. Rather, "concrete" means to be exposed to the complexities of life. More often than not decision makers face complex choices with far-reaching consequences that are difficult to foresee and evaluate. They cannot content themselves with analyzing the different options and determining the conditions of good decisions (which, traditionally, is the business of academics) because they have to "jump into the sea" (as the Chinese say for doing business) and make decisions and take actions. Yet, the concreteness of human action by no means implies that theoretical considerations are not necessary for "real" decisions and actions (as "short-sleeved" pragmatics claim). "Good practice" needs "good theory" in business ethics as well as in other domains.

Choices within constraints and choices of constraints necessarily involve an *ethical dimension* which can be articulated by multiple ethical beliefs and theo-

ries. Here, for the purpose of this conceptual framework, only one key term, "responsibility," is introduced. Although it does not include the full range of ethical values and norms, it is a key notion of contemporary morality and involves both practical and theoretical complex aspects (see Fischer 1986 and 1999, French 1984, Glover 1970, Jonas 1984, Social Philosophy and Policy 1999, and others). Closely related to the freedom of choice, it is assumed that the extent of responsibility is a function of the extent (or space) of freedom. In other words, *the bigger the space of freedom one has, the bigger one's responsibility is* (see Figure 1). Therefore, reflecting the traditional ethical principle of "Ought implies can," the determination of the spaces of freedom and the limitations of those spaces which economic actors have is crucial for the allocation of their responsibilities. (On this ground, it is unfair to hold actors responsible for what lies beyond their spaces of freedom.) This concrete notion of "space of freedom" comes close to Sen's concept of (a set of) real freedoms or "capabilities" (Sen 1999a) and the definition of "human development" as "to enlarge people's choices" (UNDP 1990, 10).

Figure 1: Space of Freedom and Responsibility



In order to identify the subjects of responsibility as concretely as possible, *three qualitatively different levels of acting* are proposed, each of which includes actors with their respective objectives, interests, and motivations: the micro-, meso-, and macro-levels. At the *micro-level*, the focus is on the *individual*, i.e., what he or she, as employee or employer, colleague or manager, consumer, supplier, or investor, does, can do, and ought to do in order to perceive and assume his or her ethical responsibility. Also groups, composed of small numbers of individuals and without organizational structures, making collective decisions and taking collective actions, are attributed to this level. At the *meso-level*, at stake is the decision making and action of economic *organizations*, chiefly business firms, but also trade-unions, consumer organizations, professional associations, etc. Finally, the *macro-level* includes the *economic system* as such and the shaping of the overall economic conditions of business: the economic order with its multiple institutions, economic, financial, and social policies, etc.

At *each* level, the actors are supposed to have more or less extended spaces of freedom for decision making with corresponding ethical responsibilities, and to be limited by conditions (i.e., constraints) that they cannot change, at least for the time being. No level can substitute for another. This means that even if all problems at one level (e.g., macro-level) could be satisfactorily solved, many problems at the other levels (e.g., meso- and micro-levels) still remain. Hence, this three-level conception, adopted by various business ethics scholars (e.g., Goodpaster 1992, Solomon 1993), contrasts with the common distinction between the micro- and the macro-levels in economics (see, e.g., most economic textbooks) and sociology (see, e.g., Coleman 1990) in two respects. The individual person is explicitly addressed as moral actor, differing from the decision maker in microeconomics and microsociology. Moreover, the business organization is considered a moral actor, too, though of a special nature. This emphasis of the meso-level expresses the enormous importance of organizations in modern societies and is supported by the "New Economics of Organization" which draws a basic distinction between "markets" and "organizations" (see Williamson 1985 and 1990). Note also the distinction between "institutions" and "organizations" proposed by Robert N. Bellah et al. (1992). For instance, the institution of the American corporation attributed to the macro-level includes the essential features of all American corporations (Bellah et al. 1992, 3-18) while an individual American corporation, characterized by those features, is an "organization" at the meso-level, having, in addition, its particular identity, culture, and conduct.

The central point of this three-level conception is *to perceive the links between decision making, acting, and responsibility as concretely as possible* and to provide



particular "conceptual room" for addressing the differences and conflicts of objectives, interests, and motivations which are located, so to speak, at the "interfaces" between different levels. The questions arise at *each* level as to what can and what ought to be done. "Under pressure" to act, the single actor cannot push off his or her responsibility to other actors, nor can the responsibility be delegated from one level to another. When, for instance, corporate ethics is at stake, the problem must not be personalized or pushed off to the system level. If we take concrete decision making and acting seriously, we do not ask in the first place how *other* individuals, companies, or economic systems ought to behave. Rather the question must be how I myself, how the company, and how the system I belong to can perceive and assume ethical responsibility.

The seriousness of acting with responsibility at all levels does not exclude but rather requires "ethical displacement," a technique of resolving a dilemma, or sometimes ... solving an ethical problem, by seeking a solution on a level other than the one on which the dilemma or problem appears (De George 1993, 97). For instance, in order to prevent sexual harassment, an explicit corporate policy and a sustained corporate culture (at the meso-level) might be necessary because a change of attitude and behavior at the individual level (i.e., micro-level) is not sufficient. If such organizations and institutions at higher levels do not exist (as it is the case with many international problems), it might be necessary to create them.

Until now the three-level conception has been applied to the national economy or "economic domain of life." Given the increasing importance of international issues, the question arises as to how this conception should be changed. Various answers are proposed, ranging from adding an "international level" to superimposing a "global level" under which all issues are subsumed. In the following, an "extended three-level conception" is offered, which attempts to provide sufficient "conceptual room" for several types of international relations at different levels of acting in the emerging world economy. It should help to better identify the responsible actors and their responsibilities in the international context.

Of basic importance is the understanding of "borders" between national and international matters at all three levels. At the micro-level, special attention is paid to *personal (innergroup) relations across national borders* with their corresponding responsibilities, for instance, crossnational groups of managers and employees or crossnational families as economic actors. At the meso-level, the focus is on *innerorganizational relations across national borders* with their corresponding responsibilities, for example, multinational corporations, international trade unions or consumer organizations. The macro-level includes *innersystemic relations across national borders* with their corre-

sponding responsibilities, incorporated, for instance, in bilateral agreements, regional treaties or global institutions like the World Trade Organization.

Borders are not simply either existent or absent; rather they can be *"pervious" in various degrees*. The one extreme is hermetical seclusion (which, e.g., characterized to a large extent the former communist Albania vis-à-vis its neighbors); the other extreme is complete abolition of all borders and total openness (called for by certain proponents of globalization). In between there are many variants which give a more differentiated picture of international relations. Understood in a descriptive-analytical sense, they encompass all crossnational contacts already or virtually established (and thus "inescapable"), including both imminent conflicts and opportunities of cooperation between various actors. They can be classified in four types: (1) "Foreign country" type; (2) "Empire" type; (3) "Interconnection" type; and (4) "Globalization" type. While applying to all three levels, the explanations below mainly refer to the macro-level.

The *"foreign country"* type can be exemplified by the relationship of a small economy or a small company with a foreign country, say Switzerland or Schläpfer Embroideries with Nigeria. The international relations significantly differ from the domestic ones and have no relevant repercussions on the latter. These are only added to, and can be relatively easily detached from, the national framework. Each country is different. Foreigners have to adapt themselves to the host country. National borders are relatively impermeable.

Examples of the *"empire"* type are the relationship between Great Britain and India during British colonialism (more generally speaking Pax Britannica and today Pax Americana) and United Fruit Company in Central America. This type characterizes international relations as a pure crossnational expansion of domestic relations without modification. From the host country's perspective, this asymmetric power relationship often involves misunderstanding, exploitation, and repression. Repercussions on the home country are negligible, since national borders are much more pervious in the direction from the home to the host country than in the opposite direction.

The *"interconnection"* type can be illustrated by the relationship between Italy and the European Union. International relations differ significantly from the domestic ones and are intrinsically interconnected with the latter. What is beyond national borders impacts inescapably on domestic relations and vice versa, both in the short and long run. Interdependence blurs the notion of a national interest that disregards the interests of other nations and

supranational entities. Though still important, national borders are pervious to some extent in both directions.

The "globalization" type, exemplified by global warming, means that international relations prevail so much that national borders become irrelevant. Citizens are becoming "cosmopolitan," multinationals truly global, and nation-states are fading away. This type virtually comprehends the whole earth, although, until now, it actually includes only parts of it (mainly the northern hemisphere).

The proposed typology of international relations, certainly in need of further development (see Enderle 2000), can be visualized in Figure 2. It is easy to figure out the multiple possible combinations of types and levels with their spatio-temporal overlaps and conflicts. The extended three-level conception of business ethics provides a framework to locate the "plural affiliations" (Sen 1999b) the economic actors may have in the global context at the beginning of the 21st century.

Figure 2: Extended Three-level Conception of Business Ethics

MICRO-LEVEL	Foreign country Type	Empire Type	Interconnection Type	Globalization Type
MESO-LEVEL				
MACRO-LEVEL				
NATIONAL		INTERNATIONAL		

## 2.2 The Relationship Between Ethics and Business: A "Two-Leg Approach"

Business ethics as "applied ethics" has to reflect on the type of relationship between ethics and the field of application. From the perspective of the action-oriented approach that aims to be as concrete as possible, equal importance should be given to the understanding of business and economics on the one hand and the reasoned normative-ethical orientation on the other hand. The cognitive and the normative dimensions of the subject matter should be distinguished but not split into two separate realities. Otherwise business ethics from "inside" would be rendered impossible. Either the relationship would remain external, or the distinguishing line would be blurred, making both factual and normative statements meaningless.

In business practice, the two dimensions appear to be generally accepted (which, of course, does not imply any particular ethical position). When a manager faces the problem of soil pollution, for instance, he has to know the nature, causes, and possible remedies of this environmental harm, along with the costs involved and the legal requirements, etc. In addition, he needs and inevitably applies "normative" standards: the will to follow (or not to follow) the principle of sustainable business, to respect (or not respect) environmental regulations, etc. Similarly, when a company struggles with a corrupt business environment, it is not sufficient to have sound ethical guidelines alone. It is equally important to understand the kinds and "mechanisms" of corruption, in order to choose an effective strategy for containing and combatting this evil.

In academia, however, the situation seems to be different. While the descriptive-analytical perspective is being extensively scrutinized, until now, normative-ethical questions have attracted less attention. They relate to the values and norms which *ought* to guide the decisions and actions (in business) and the ways to *justify* them with good reasons. "Normative ethics" is a philosophical undertaking (see, e.g., Kagan 1998) and faces highly complex and urgent issues in the context of pluralistic societies and widespread ethical relativism. It goes beyond the instrumental notions of the normative commonly used by academics trained in business disciplines, such as notion to develop the most efficient and effective strategy to achieve a given norm or value, say, profit maximization, or, as in normative economics, notions to maximize the social welfare function within a given utilitarian framework.

While giving equal importance to the cognitive and normative dimension, the "two-leg approach" strives to integrate them in a balanced way. By doing so, it necessarily affects the understanding of business and ethics as well. On the one hand, the structuring of the field of business ethics outlined above poses numerous complex questions to ethics such as the moral status of organizations and systems, the relationship between personal, organizational and systemic ethics, the legitimacy of particular ethical theories in the global context, and the foundation of a global ethic, to name a few. On the other hand, ethics challenges the paradigms of business disciplines. If management theory, marketing, accountancy, economics, and finance are basically "value-free," an integration from within the disciplines is excluded. Ethics has a role to play, at best, from outside. If, however, their paradigms incorporate a normative dimension that is open to ethical reasoning and not only a matter of personal emotions or decisions, the integration can be effectuated from within. Of course, this does not mean that they are transformed into "ethical disciplines." But they provide "bridgeheads" to ethics.

The distinction between the "engineering approach" and the "ethics-related approach," proposed by Amartya Sen, the Nobel Laureate in Economics 1998, proves helpful in this regard (Sen 1987). As the term indicates, the "engineering approach" primarily focuses on logistical issues: What means should one choose in order to achieve as efficiently as possible, under very simple behavioral assumptions, the goals given from elsewhere? In contrast, the "ethics-related approach" involves a broader understanding of economics and other business disciplines. It also comprehends the problems of human motivations and judgments of social achievements which cannot be disconnected from the ethical questions of the good and the just: How should one live and what is a just society. If business disciplines embrace these questions, a "two-leg approach" that integrates the cognitive and normative dimensions becomes possible.

That such an approach can be consistently developed has been evidenced by the work of Amartya Sen, the Nobel Laureate in Economics 1998 (see, particularly, *Development as Freedom*, 1999b). His scholarship in both ethics and economics is outstanding in each discipline. Moreover, he explores the interfaces between them in highly sophisticated manners, building bridges which make the different perspectives mutually even more meaningful. Another prominent scholar to name is Arthur Rich, a pioneer of business and economic ethics in German-speaking countries. He bases his 2-volume work *Wirtschaftsethik* (1984/1990; in English *The Ethics of Economic Systems*, forthcoming) on this guiding principle: "That which is not economically rational cannot really be humanly just, and that which conflicts with human justice cannot really be economically rational" (Rich 1984, 81).

### 3 Charting the Emerging Field of Business Ethics

To present the state-of-the-art of business ethics in the world today, with its challenges, initiatives, achievements, and open question, is a fairly difficult undertaking. Compared to the situation in 1990, hosts of publications of all kinds, from scholarly works to corporate statements, have appeared and cannot be fully surveyed, a major impediment being the limited access to non-English publications. Nevertheless, numerous surveys, encyclopedias and the like are available today, and the extended three-level conception discussed above may help to organize the presentation.

The most extensive overview in geographic terms can be found in the special issue of the *Journal of Business Ethics*, October 1997, which includes 13 region- and country-related reports on business ethics with extended lists of literature. As the reports clearly show, business ethics is an emerging and dynamic field, depending strongly on economic factors, but also on political changes and a growing awareness of value-conflicts and ethical and environmental demands. Because of its emerging character, it is much more difficult than in an established field to capture the lasting features of business ethics and to foresee its likely developments. Each country and each region has its own "business ethics" history; some, like the U.S. and Canada, are "old-timers" (if 25 years can be called old), and some, like China and South Africa, are "newcomers." Of course, such an observation implies a certain understanding of business ethics and does not mean that ethical issues in business and the economy in particular regions did not exist or were not dealt with before.

From the rich findings of the reports, only a few striking features can be highlighted here. A first characteristic that leaps to the eye from this international comparison is the *relevance of semantics*, which can hardly be overestimated. Because ethical issues in business are not merely "rational problems" but deeply rooted in emotions and cultures, the ways of speaking about ethics and the use and meaning of ethical terms, too, are strongly affected by emotional and cultural factors. For instance, the Japanese evidence shows that the words *keizai* ("economy") and *keiei* ("business") are not value-free but already contain a normative-ethical component, namely "governing the world in harmony" (*kei*) and "making ceaseless efforts to achieve (these purposes)" (*ei*). So "business ethics" has a very broad meaning and includes a large number of moral agents at various levels of economic activities. In a narrow sense, preferred by many business ethicists in Japan, the term relates to corporate ethics.

A second feature points to an *enormous variety of business environments* that are deeply shaped by the countries' and regions' historical and societal conditions and, in many cases, by recent dramatic changes. The transition from

Communist regimes to democracies and market economies in Central and Eastern Europe and Russia, the nearly 20 years of economic reform in China, the abolition of the Apartheid regime and the building of a democracy without discrimination are developments which cannot help but to have far-reaching implications for the specific role of business ethics in the respective environments. Obviously, by ignoring these "systemic" differences among countries and regions (at the macro-level), the challenges of business ethics also for corporations (at the meso-level) cannot be understood.

Among the large number of *specific business ethics issues* mentioned in the reports, corruption, leadership, and corporate responsibility attract particular attention. The globalization of the economy seems to be accompanied by a globalization of *corruption*. Its elimination is considered a most significant challenge for many countries because corruption affects business relations (meso-level), individual decision makers (micro-level) and whole economies (macro-level) alike. Numerous reports emphasize the need for *a new generation of business leaders*. They are considered a crucial instrument for implementing "organizational integrity" that involves a management-driven self-governance program in which company values and aspirations play a critical role. Leaders have to stand for, and incorporate, this vision. In spite (or because) of broad "systemic" challenges concerning the whole nation, the importance of individual ethics, personal character, and integrity is stressed, especially by the reporters who come from the countries of Mahatma Gandhi and Nelson Mandela.

Not surprisingly, the reports discuss a wide range of issues regarding corporate ethics in the national as well as international context. Relating to the conduct, culture, and structure of business organizations (at the meso-level), they clearly differ from the issues at the systemic and individual levels and might be presented under the title of "*corporate responsibility*." One of the most common themes in the business ethics/business & society literature of North America concerns stakeholder obligations and stakeholder theory (see Section 4) and has gained wide international interest. Another "export of ideas," this time with the Cadbury Report from the United Kingdom, concerns corporate governance, having influenced Australia and South Africa in different ways. Finally, as a result of deregulation and a growing civil society, the call for effective ways to hold companies accountable, nationally and internationally, has intensified considerably.

In addition to this worldwide survey, topic areas of international business ethics were identified and discussed at the First and Second ISBEE World Congress of Business, Economics, and Ethics, 1996 in Tokyo and 2000 in Sao Paulo, respectively (see Enderle 1999 and ISBEE web site at

www.nd.edu/~isbee). Also, many more overviews have appeared. *Business Ethics - A European Review* has published a number of European country reports. The *Journal of Business Ethics* has dedicated a whole issue to Spain (1999). *Business Ethics Quarterly* has celebrated its 10th anniversary with a collection of over 30 mostly U. S. contributions (January 2000). P. H. Werhane and A. E. Singer (1999) present contributions from Asia and New Zealand. G. Enderle compares business ethics in North America and Continental Europe (1996) and surveys business and corporate ethics in the USA (1998). B. Barkhuysen and G. J. Rossouw report on business ethics as an academic field in Africa (2000). And "Trends of business ethics in Latin America" were presented at the ISBEE Congress in Sao Paulo.

While surveys and overviews can only introduce one to the field, encyclopedic works with sometimes hundreds of contributors can dig deeper and reflect more comprehensive and elaborated conceptions of the field. With regard to business ethics, the 1990s have brought forth several major works: in the USA the *Encyclopedic Dictionary of Business Ethics* edited by P. H. Werhane and R. E. Freeman (701 pages, 1997), *A Companion to Business Ethics* edited by R. E. Frederick (464 pages, 1999), and the *Encyclopedia of Ethics* edited by L. C. and C. B. Becker (1462 pages, 1992) with many entries on business and economic ethics; and in German-speaking countries the *Lexikon der Wirtschaftsethik* [Encyclopedia of Business Ethics] edited by G. Enderle, K. Homann, M. Honecker, W. Kerber and H. Steinmann (691 pages, 1993; in Portuguese 1997, in Chinese forthcoming) and the 4-volume *Handbuch der Wirtschaftsethik* [Handbook of Business Ethics] edited by W. Korff et al. (2884 pages, 1999). Although the scope of this article does not allow an in-depth comparison between the U.S. and German approaches incorporated in these works, a few remarks might still be of interest (see also Enderle 1996).

Four differences between the U.S. (and Canadian) approach and the German (and, to some extent, Continental European) approach stand out. (1) Business ethics in the USA chiefly deals with issues at the individual micro-level whereas the main emphasis in German-speaking countries (and Continental Europe) is on the systemic macro-level. Moreover, North Americans address a substantial and increasing amount of meso-issues at the organizational level (yet still fewer than micro-issues), and they rarely discuss macro-issues. In contrast, Germans are only beginning to be interested in meso-issues at the level of the organization. (2) The U.S. approach emphasizes freedom (i.e., to use the spaces of freedom) and the corresponding responsibilities of decision making and acting, with the tendency to overlook their limitations. On the other hand, the German approach underlines the importance of business conditions having to be shaped in an ethically



responsible way, with the tendency not to make full use of the existing spaces of freedom. (3) The U.S. approach to business ethics is much more practical than the German one, at least with regard to the micro- and meso-levels, whereas Continental Europeans, though in varying degrees, tend to focus first on theoretical issues before they address, if ever, the practical challenges. (4) As for the paradigm (conception) of business ethics, a multitude of views abound, and it is fair to state that on neither side of the Atlantic does there exist a well-established business ethics discipline. While academics in German-speaking (and Scandinavian) countries are likely to be more concerned about the "cognitive" dimension of business ethics, thus incorporating, as much as possible, the contributions of business disciplines, North American academics deal with "normative" issues in much more direct, open, and determined ways than do the "reluctant" Germans.

#### **4 Theoretical Approaches to Business Ethics**

Using the conceptual framework presented above, the discussion of various theoretical approaches to business ethics can be organized along the lines of the extended three-level conception and the cognitive and normative dimensions of the two-leg approach.

##### **4.1 Foundational Issues: "Productive Interdisciplinary Communication"**

Contrary to a widespread perception in Continental Europe, foundational issues of business and economic ethics have been extensively discussed in English-speaking countries too, though in different forms and beyond the narrowly defined "business ethics" circles. Testimony to this discussion are the numerous contributions in the review *Economics and Philosophy*, large parts of A. Sen's work, the thorough and extended survey "Taking Ethics Seriously: Economics and Contemporary Moral Philosophy" in the *Journal of Economic Literature* (Hausman et al. 1993) and substantive introductions like *Economic Analysis and Moral Philosophy* (Hausman et al. 1996). Following Sen's notion of the "ethics-related approach," two broad topic areas can be distinguished. The first (i.e., human motivations) concerns rationality and morality: rationality and utility theory; rationality in positive and normative economics; rationality, norms, and morality. The second topic area (i.e., judgments about social arrangements) regards evaluating economic and social institutions, policies, and outcomes: the informational basis of evaluation; welfare, efficiency, utilitarianism, and consequentialism; liberty, rights, equality, and justice. A third topic area (akin to the "engineering approach") deals with "moral mathematics," particularly with social choice theory and game theory.

In German-speaking countries, the discussion of foundational issues has a long history going back to the "Historische Schule" in the "Verein für Socialpolitik" [Historic School of Thoughts in the German Economic Association] and the theoretical struggles in the early 20th century. In the mid-1980s, this professional association established its own Economics and Ethics Division, which until now has published a series of books with contributions mainly on foundational problems. Moreover, the *Handbuch der Wirtschaftsethik* (1999) dedicates its entire first volume (883 pages) to the determination of the relationship between business/economics and ethics. It covers a wide range of topics from essential components of modern business ethics (such as work, property, and technology) to political-structural implications of modern economies and presents various approaches of contemporary business ethicists in German-speaking countries.

Despite the big variety of approaches in both scholarly groups, the overall situation might be fairly summarized as follows: "In the last twenty years, economists and moral philosophers have renewed a conversation that was interrupted during the heyday of positivist methodology in both disciplines. Although there remain considerable gaps between both modes of expression and habits of thought of moral philosophers and economists ... we hope our presentation has also shown that there is considerable room for productive interdisciplinary communication." (Hausman et al. 1993, 723)

#### 4.2 Features of the Economic System

At the macro-level, the focus is on the economic system (or economic order), of which a few key features are presented. They apply not only to closed economies (without international relations), but also to economies with different types of innersystemic relations across national borders. According to the prevailing view in modern theory of economic systems (Kromphardt 1990), it would be misleading to characterize an economic system with one single criterion (like "capital" as the property regime or "market" as the allocation regime). Rather *three sets of criteria* are necessary: 1. Ownership and decision-making: Who participates in the process of economic decision making? Who plans and controls production, distribution and consumption? (e.g., high concentration of economic power or broad participatory economy) 2. Information and coordination: With the help of what information system are the individual decisions coordinated? (e.g., by decentralized markets or centralized planning) 3. Motivation: What objectives motivate the various decision makers (e.g., self-interest, the common good, loyalty)? Which ways are chosen to implement economic decisions and what type of behavior is expected? Only if all three criteria are treated in a balanced manner, can the economic system (say, of the "foreign coun-

try” or ”globalization” type) be adequately understood and ethically evaluated.

The study of economic history can further clarify the notion of the economic system. As D. North (1972, 468) states, two dimensions make up the economy from the historical perspective: ”The major issues of economic history fall into two rather broad categories -- (1) the over-all growth of the economy over time and the determinants of that growth (or stagnation or decline) and (2) the distribution of income with that economy in the course of its growth or decline.” *Both dimensions, the productive and the distributive, are equally important and closely related to each other.* This holds true at the macro-level and, with appropriate modifications, also at the meso- and micro-level. Countries which achieved the ”East Asian Miracle” (World Bank 1993) paid much attention to the interplay between productive and distributive aspects, and many difficulties of economic development in Latin America and the Caribbean can be explained by the neglect of the distributive dimension, i.e., by ignoring poverty and inequality as impediments to growth (ECLAC 1999). That the economy is not only a productive system but includes distribution as integral part has also become an undeniable issue in regional and global economic affairs (see, for instance, the hotly debated distributional problems in the context of NAFTA, EU, and WTO).

In addition, the clear articulation of the economic system can prevent the shortsighted view of equating the economy with markets and private goods. The theory of public economics (see, e.g., Auerbach et al. 1987) goes far beyond ”markets and private goods” by dealing with public goods, taxation, income maintenance, social insurance, and other issues. So, in the international context too, public goods are becoming a very crucial issue (see, e.g., Kaul et al. 1999 and Enderle 2000). Therefore, business ethics, if restricted to ”market morality,” is doomed to miss an essential part of the economy.

A final remark concerns the role of the economic system (macro-level) and its relationship with the economic actors at the organizational (meso-level) and individual levels (micro-level). If one assumes that the economic system fully determines all actors and actions in the economic domain (as is the case in the mechanistic paradigm and in Niklas Luhmann’s approach 1988), there is no need to pay attention to the meso- and micro-levels. However, if, as is assumed here, there are more or less extended spaces of freedom at all levels, the actors have relative autonomy and, correspondingly, bear responsibility. This does not minimize the importance of the macro-level because it is at this level where the main institutions (as distinct from organizations) and ground rules of the economy are defined and anchored. It goes without saying that, with the internationalization of busi-

ness, systemic issues of the "empire," "interconnection" and "globalization" types become more important and have to be aligned with similar international developments at the meso- and micro-levels.

### 4.3 Different Approaches to Corporate Ethics

Business organizations have become powerful engines of economic and social change (for the better or the worse) and have extended their structures and activities internationally in multiple forms. It, therefore, comes as no surprise that the importance of ethics in and of business enterprises has increased accordingly.

One important approach which has attempted to take up this challenge is the "*stakeholder approach*." Since Edward Freeman's seminal work in 1984, it has gathered much momentum in North America and beyond (Donaldson et al. 1995, Näsi 1995, Clarkson 1998, to name a few). Although it is rather a worldview than a coherent and elaborated theory, it has found a large consensus over the need of going beyond the narrow conception of corporate responsibility geared only to the shareholders of the business enterprise (see Friedman 1970 as a prominent example) by including other "stakeholders" as well. Thus the stakeholders, defined as any group and individual who can affect or are affected by the achievement of a corporation's purpose, are also customers, employees, suppliers, competitors, local communities, governments, and others. Because businesses are involved in relations with multiple stakeholders (internal and external to them), they bear not only economic but also ethical responsibility for shaping these relations. This implies, at least for many supporters of this view, that the stakeholders' voices have some intrinsic value and should be recognized as such, beyond their instrumental value for the corporation. Still, many questions remain open: What specific responsibilities have corporations towards various stakeholders; how can these responsibilities be justified and how should they be balanced (see Enderle et al. 1998).

Moreover, the increasing importance of business enterprises has given rise to *the development and application of various theories*. They include a Kantian perspective (Bowie 1999), utilitarianism (Snoeyenbos et al. 1999), virtue ethics (Solomon 1992), a social contracts approach (Donaldson et al. 1999), discourse ethics (Ulrich 1993 and 1997), dialogue ethics (Steinmann et al. 1992), and others. Because of the limits of this article the reader is referred to the authors' publications and the concise overviews in Frederick 1999 (except for discourse and dialogue ethics). To develop corporate ethics is a relatively recent undertaking in the history of ethics and will require many more efforts in order to achieve a well-established and balanced view. Some theories (like virtue ethics) more concern the individuals in the corporation

than the corporation itself or draw no clear distinction between the micro- and the meso-levels. Other theories (like the Kantian perspective and social contracts theory), while fairly well developed at the meso-level, seem to have little foundation and "anchoring" in the systemic level. Again other theories (like discourse ethics), with strong foundations, seem to pay not enough attention to the properly organizational issues. In addition, there are only a few theories which address the international dimension explicitly (e.g., De George 1993, Donaldson et al. 1999, and Bowie 1999).

### **5 Concluding Remark**

As this introduction to the ongoing business ethics discussion in various parts of the world may show, business ethics faces enormous practical and theoretical challenges, and the further globalization advances, the greater and more complex they become. To struggle and come to grips with these challenges is, therefore, a very demanding and urgent but also exciting task.

What has been developed in the last decades in many places is encouraging and indicates that

reasonable hope rather than skepticism or cynicism is the motivation needed. However, this introduction also shows that the different approaches to business ethics often stand alone and barely learn from each other. Corporate ethics and an appropriate ethics-related concept of the enterprise in the global context need much more elaboration. Systemic issues should be explicitly addressed and carefully integrated into the business ethics approaches. The importance of individuals making decisions and taking actions should be taken seriously. And the understanding of multiple forms of international involvement of the economic actors should become more sophisticated. Business ethics, too, needs global networking and "globalization." Then a much richer understanding of business ethics would emerge which is closer to the complexity of modern business and better able to provide ethical guidance for business practice.

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