Report

Report

Towards Ethical Norms in International Business Transactions

by Simon Webley

Published by

Institute of Business Ethics

Towards Ethical Norms in International Business Transactions

ISBN 978-1-908534-09-5

First published May 2014
by the Institute of Business Ethics
24 Greencoat Place
London SW1P 1BE

Registered Charity No. 1084014

Contents

Author

Simon Webley is Research Director at the Institute of Business Ethics.
He has published numerous studies on all aspects of business ethics, the most recent being: *Corporate Ethics Policies and Programmes: 2013 UK and Continental Europe Survey* (with Polly Wheldon)*; Employee Views of Ethics at Work: 2012 British Survey and Religious Practices in the Workplace*. He has lectured and facilitated training on business ethics issues for organisations in many countries. He was the rapporteur of the *Interfaith Declaration of International Business Ethics* published in 1995.

Acknowledgements

A number of people helped with the content of this paper and their insightful critiques of early drafts helped to refine the final product.

Among these are: Philippa Foster Back, Peter Montagnon, Harriet Kemp, Polly Foley and Katherine Bradshaw – all colleagues at the Institute of Business Ethics; Professor Paul Phillips of the University of Kent; Professor Laura Spence, Royal Holloway College, London; Joan Dubinsky, United Nations; and Charles Wookey, Blueprint for Better Business. Daniel Johnson produced the helpful statistical charts and Dr Nicole Dando's editorial suggestions were particularly appreciated.

My thanks to them all.

Introduction

Two questions that are often raised in discussions about the way international business operates are:

- *Is there a truly global definition of responsible business?*
- *Can a set of universal standards (or norms) be developed which take account of value differences across cultures?*

This paper explores these questions specifically in relation to international business. It sets out some relevant ethical norms, the purpose of which is to generate and sustain trust between businesses engaged in international trade and investments.

Three academics have made outstanding contributions in this area. In1985, Professor Tom Donaldson wrote a seminal article in the Journal of Business Ethics entitled *Multinational Decision-making: Reconciling International Norms* [1]. In it, he explored inconsistencies that multinational companies experience in the application of company policies in different parts of the world. He cited as examples: labour rates, safety standards, anti-pollution policies, and discrimination of various kinds. He went on to suggest what he called an "*ethical algorithm*" as a means to addressing "*normative conflicts*". He later wrote *The Ethics of International Business* which developed this theme in more detail [2].

Professor Hans Küng, the reputed Swiss theologian, also considered the need for common ethical values. Perhaps the most succinct summary of his thinking - which extends more widely than the economic sphere - is found in a lecture he gave in March 2000 [3]. After reviewing common ethical principles in different cultures, he concluded that the practical application of most religious values is similar in that they are fundamental to producing relationships based on trust. He set out two basic principles: 'Humanity' and what has become known as 'the Golden Rule' (see Box 2 on page 9). He suggested that four "*directions*" flow from them:

- Respect for life
- Speak and act truthfully
- Deal honestly and fairly
- Respect and love one another.

Küng concluded by stating:

> *We need the globalisation of the economy, of technology, of communication – and we also need a global ethic.*

[1] Donaldson, T (1985) 'Multinational Decision-Making: Reconciling International Norms', *Journal of Business Ethics,* Volume 4, pp.357-366.

[2] Donaldson, T (1989) *The Ethics of International Business*, Oxford University Press.

[3] Küng, H (2005) *The World's Religions: Common Ethical Values*. See also Küng, H (1991) *Global Responsibility: In Search of a New World Ethic*, Crossroad Publishing Company.

Professor John Dunning in a prescient essay in 1955 concluded that capitalism as an economic model is built on the condition that it is underpinned by "*a strong, suitable and common moral ecology*" [4]. He added that since moral and ethical issues were becoming centre stage in the globalisation debate, and religion and politics were now closely intertwined, why not religion and business – for good or ill?

Another major exploration of this topic took place in the early part of the 1990s. A group of national leaders and experts examined the religious values which are invoked when undertaking commercial transactions in nations and cultures dominated by the Jewish, Christian and Islamic faiths. Their conclusion following a series of international consultations was the publication of *An Interfaith Declaration: A Code of Ethics on International Business Ethics for Christians, Muslims and Jews* (see Appendix) [5].

About this paper

This paper revisits the *Interfaith Declaration*. It describes the macro economic development of recent decades and the international commercial values that now exist. It explores the challenges of developing a generally agreed set of values for international business transactions. It is suggested that if further progress can be made on reaching a consensus on ethical norms in international business transactions, economic growth (and prosperity) would be enhanced, not least in those less developed countries where corruption and unethical behaviour are most common.

Chapter 1 looks at the broad economic **context** at the time when the *Interfaith Declaration* was published (1995) and how it compares with the situation in 2013.This is important because it indicates a very substantial acceleration in world trade and investment over the period.

Chapter 2 explores the role and relevance of establishing ethical norms in international business transactions, as indicated by the number of **international standards** which relate to aspects of business behaviour.

Chapter 3 examines the roles that **ethical values and mutual trust** and their expression in corporate codes of ethics play in enhancing trade and investment across frontiers and cultures.

Chapter 4 focuses on how multinational corporations embed and **apply their ethical values** in their relations with their stakeholders anywhere in the world.

The paper concludes in **Chapter 5** by setting out some challenges facing those businesses working across cultures where there are differences in values and their application.

The main purpose of the report is to suggest, principally for boards of directors, one means of establishing the basis of trust for long term commercial relationships wherever they operate in the world.

[4] Dunning, JH (2005) 'Is global capitalism morally defensible?', *Contributions to Political Economy,* Volume 24, pp. 135-151.

[5] The *Interfaith Declaration* was published in booklet form in 1995 and was reproduced in *Business Ethics – A European Review* (1996) Volume 5, Issue 1. A commentary on it is published in Enderle, G (ed.) (1999) *International Business Ethics: Challenges and Approaches*, Notre Dame Press.

The Economic Context

The discussions that led up to the publication in 1995 of *An Interfaith Declaration: A Code of Ethics on International Business* took place in the UK and the Kingdom of Jordan over a period of six years. They were initiated by the Council of St. George's House, Windsor Castle, which convenes residential gatherings to consider important national and international issues.

In the early 1990s, the movement towards globalisation and international economic integration was well established. Governments had to address concerns regarding what was seen by some as a threat to national sovereignty – in other words, increasing dependency on other nations for economic well-being of their citizens. Protectionism was on the agenda.

Despite these 'sovereignty' concerns, the integration process has accelerated. For instance, the European Community, which incorporates a customs union as a means to eliminating trade and investment barriers, has continued to enlarge with accessions in 1995, 2004, 2007 and 2013. To date there are 28 member states compared with 12 when the *Interfaith Declaration* was issued, and more are waiting to join. Other economic groupings such as the North American Free Trade Association (NAFTA) (1994), Mercosur (1991) and the Caribbean Community (CARICOM) (1973) are examples of Regional Trade Agreements (RTAs). As of mid 2013, more than 300 such agreements were in force and are monitored by the General Agreement on Tariffs and Trade (GATT) or World Trade Organisation (WTO) [6]. The number of RTAs is on the increase: one involving the US and EU is nearing agreement and the Trans-Pacific Partnership, involving eleven nations, is in the course of development. The purpose of RTAs is predicated on the assumption that they will help to enhance the economic well-being of the people in their regions.

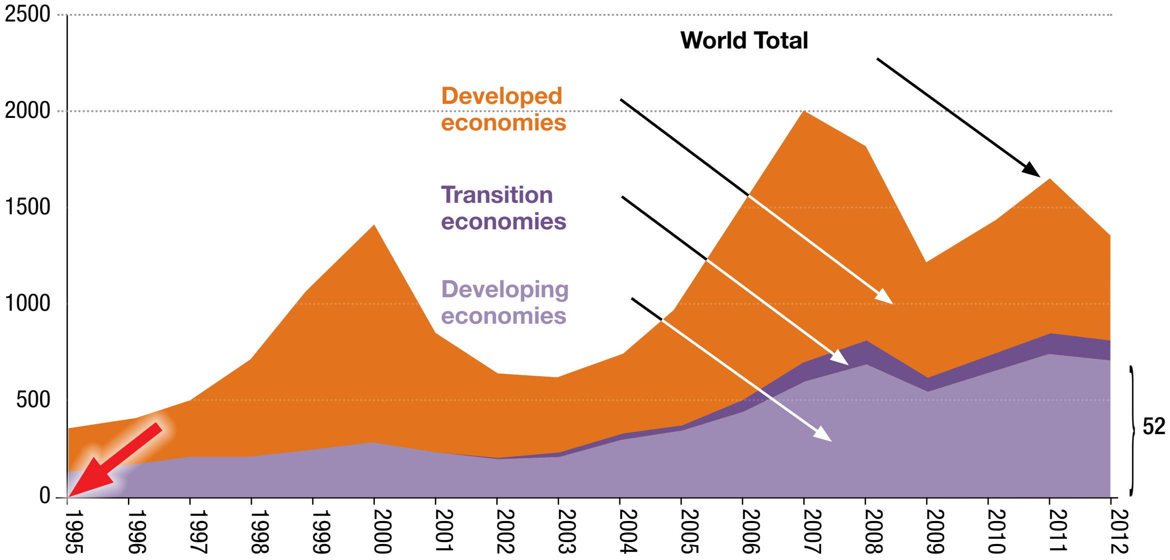
The extent to which world economic integration has advanced since 1995 can be gauged from the United Nations Conference on Trade and Development (UNCTAD) statistics for foreign direct investment (FDI). They are set out in Figure 1 (the red arrow highlights the year the *Interfaith Declaration* was issued). Changes in the volume of global trade over a longer period also point to increasing integration of the world economy as was anticipated in the introduction to the *Interfaith Declaration* (see Figure 2).

These changes have been made possible by the activities of increasing numbers of multinational businesses (MNCs). Their head offices are located all over the world and their ownership too, is widely dispersed. Increasing numbers of MNCs have their shares quoted on more than one stock exchange. While stating, for instance in their Annual Reports, that they respect the laws of the different countries in which they operate, most are finding it necessary to provide guidance to their staff based on a set of stated core ethical values to help ensure consistent behaviour wherever the company operates.

Not only has integration in international economic activity increased in the last two decades, but so too has the development of new technologies, particularly in electronic data retrieval and communication systems. This has made information transference possible at a speed and breadth unforeseen two decades ago. Widely available information is an essential element in the successful working of a market-based economy and this availability has been one driving force in the growth in wealth creation throughout the world.

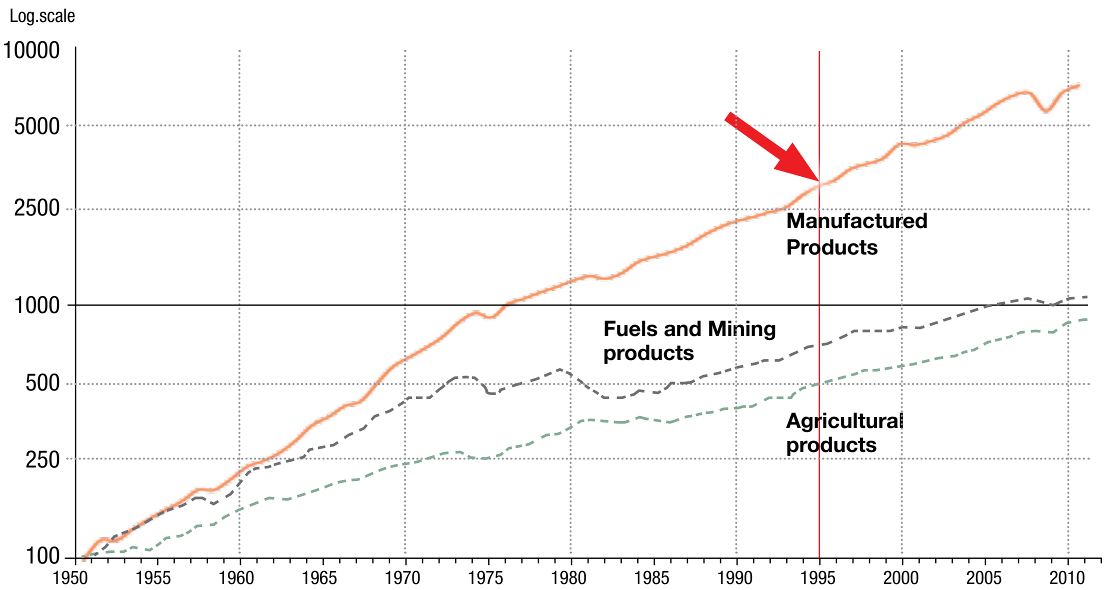
[6] These figures apply when goods, services and accessions are counted separately. Figures provided by the World Trade Organisation. See: http://www.wto.org/english/tratop_e/region_e/region_e.htm

Figure 1 **Global flows of foreign direct investment, by group of economies, 1995-2012**
(billions of dollars)



Source: United Nations, Conference on Trade and Development (UNCTAD), *World Investment Report 2013: Global Value Chains: investment and trade for development* [7].

Figure 2 **World merchandise trade volume by major product group, 1950-2011**



Source: World Trade Organisation (WTO), (2011) *International Trade Statistics* [8].

Another driving force, which those on boards of companies with an international outreach now have to consider, is the extraterritorial reach of national legislation regarding business practice; such as to deter corruption. Two examples are:

[7] United Nations (2013) *Global Value Chains: Investment and Trade for Development*. Available: http://unctad.org/en/publicationslibrary/wir2013_en.pdf Last accessed 25/02/2014.

[8] World Trade Organisation (2011) *International Trade Statistics 2011*. Available: http://www.wto.org/english/res_e/statis_e/its2011_e/its11_toc_e.htm. Last accessed 25/02/2014.

- First, the US Foreign Corrupt Practices Act (FCPA) which became law in 1976. This forbids US companies when operating anywhere in the world from offering or receiving bribes to/from foreign officials.

- Second, in April 2010, the UK enacted the Bribery Act. It is also extraterritorial in its reach and more exacting than the FCPA in its requirements around preventing bribery and other forms of corruption, covering business to business bribery as well as bribery involving public officials.

Both Acts criminalise certain corrupt practices wherever they take place. In the case of the UK Act, if an organisation has any presence in the UK (irrespective of where its headquarters are located), it comes within the Act's reach and could be prosecuted in the UK courts for an alleged offence anywhere in the world.

Risks of this sort – not least because of their damage to corporate reputation – are focusing boards' attention on the implementation of 'adequate procedures' to help lessen the likelihood of prosecutions for corruption. See Box 1 for an illustrative case.

Box 1 The Siemens case

In 2008 Siemens, a multinational German engineering company, agreed to pay a total of $1.6 billion to American and European authorities to settle charges that it routinely used bribes and 'slush' funds to secure large public works contracts around the world. For instance, it used bribes and kickbacks to foreign officials to secure government contracts for projects like mass transit work in Venezuela, a nationwide cell phone network in Bangladesh and a United Nations oil-for-food programme in Iraq.

This chapter has indicated something of the scale of international economic integration. The underlying basis for this has been regional agreements rather than worldwide treaties under the auspices of GATT. It is undeniable that a legal underpinning must exist to enhance the growth of the scale of economic transactions that extend across national frontiers. This however, is not sufficient. Relationships are built on more than obedience to laws and regulations. Trust between the parties is essential for lasting relations to thrive.

Perhaps the question now is how far world class companies can accept this. This is true for those operating from bases in economically more developed countries as well as those from emerging markets e.g. China [9], India, or Brazil. There are some grounds for encouragement that trusting relationships exist (see Figure 3, page 13) but at the same time, concerns are being expressed in the media about unethical behaviours of some companies [10].

It is noticeable that over the last two decades, a number of international standards for different aspects of economic relations have been agreed, often under UN auspices. These provide some indication of the nature of the ethical foundations. The next chapter explores these.

[9] For a review of some of the ethical and other issues that can arise in doing business in China, see Irwin, J (2012) *Doing Business in China: An overview of ethical aspects*, Institute of Business Ethics.

[10] See IBE Business Ethics News. Available: http://www.ibe.org.uk/business-ethics-news/117

International Standards for Business Behaviour

National governments have often reacted to the internationalisation of economic activity by enacting legislation to protect the interests of the state and of its citizens. The resulting 'barriers to trade' have been seen by many to be counterproductive, not least to the economic development of poorer nation states. They also fuelled incentives to indulge in illicit trade, with its accompanying corruption in both public and private sectors.

In the last quarter of the 20th century, national governments, spurred by World Bank estimates of the loss to national economies due to corrupt practices such as bribery [11], began to look for an international approach to addressing the issue. They turned to the long-standing intergovernmental bodies to set standards of conduct for multinational corporations.

The discussion at first centred on the Organisation for Economic Co-operation and Development (OECD). This had been formed in 1960 by the more economically advanced countries and was known for its statistical and coordination services. An agreement on common concepts and principles on which to base international economic activity led in 1976 to the OECD *Declaration and Decisions on International Investment and Multinational Enterprises*. A set of recommendations, known as the OECD's *Guidelines for Multinational Enterprises* [12], were adopted as part of the Declaration. Since 1976, there have been five updates to the Guidelines, with major revisions in 2000 and 2011.

The Secretary-General of the OECD in his foreword to the 2000 version of the Guidelines, said:

> *…the revised Guidelines for Multinational Enterprises are an example of the type of multilateral instrument that will be used more and more to set a rules-based, values-based framework for globalisation* [13].

This emphasis on the Guidelines being a tool for values-based business behaviour is also evident in the introduction to the 2011 edition:

> *[The Guidelines] provide non-binding principles and standards for responsible business conduct in a global context... [they] are the only multilaterally agreed and comprehensive code of responsible business conduct* [14].

The Guidelines are now referred to by governments (as well as corporations) as a benchmark of good practice. Many corporate codes of ethics make reference to them in their values and ethics statements. Any nation can sign up to the Guidelines so their obvious limitation is, that the Guidelines were espoused by only the 34 OECD member governments plus eleven other nation states: Argentina, Brazil, Columbia, Costa Rica, Egypt, Latvia, Lithuania, Morocco, Peru, Romania, and Tunisia. The OECD has relations with 70 countries.

[11] For example, in a 2011 article by William Hague it was stated: *"Doing business in corrupt markets has been found to add costs equivalent to a 20% tax on business"*. See Hague, W (2011) 'Taking a robust stance on bribery', *OECD Observer*. Available at: http://www.oecdobserver.org/news/fullstory.php/aid/3535/Taking_a_robust_stance_on_bribery_.html. Last accessed 25/02/2014.

[12] OECD (1976) *OECD Declaration and Decisions on International Investment and Multinational Enterprises*. Available: http://www.oecd.org/daf/inv/mne/50024800.pdf last accessed 30/04/2014.

[13] OECD (2003) *OECD Guidelines for Multinational Enterprises Revision 2000*, OECD Publishing.

[14] OECD (2011) *OECD Guidelines for Multinational Enterprises.* Available: http://www.oecd.org/investment/mne/48004323.pdf. Last accessed 24/02/2014.

The OECD *Convention on Combating Bribery of Foreign Public Officials in International Business Transactions* (1999) established legally binding standards to criminalise bribery of foreign public officials in international business transactions and provides for related measures that make this effective. At the end of 2013, the OECD anti–bribery convention had been adopted by 40 states.

As global economic integration accelerated at the end of the last century, a range of international codes, standards and guidelines were being adopted by public and private bodies to provide assurance to customers and others that they ran their organisation on the basis of respected standards. While some have focused on particular issues such as corruption and human rights, others have been aimed at issues in a specific economic sector. Often they were written in response to a scandal, such as the *Defence Industry Initiative on Business Ethics and Conduct* [15]. Another is the *Principles for an Anti-Corruption Programme under the UK Bribery Act 2010 for the Energy and Extractives Sector* [16].

Other standards, like those by the International Labour Organisation (ILO), have concentrated on one of the major stakeholders for any business: its employees. The ILO standards for example, focus on employee labour conditions and human rights. Global standards around corporate responsibility, environmental preservation and conservation have also been published.

2.1 The role of the United Nations

The Global Compact

At the start of the 21st century, the United Nations (UN) responded to suggestions that it was the right body to extend the work of the OECD to a global context. For the first time, the UN decided to involve corporations as well as governments in assisting it to produce some basic principles for multinational corporate behaviour. These emerged in 2000 as *The UN Global Compact* which started with nine principles covering human rights, labour standards, and the environment. In 2004, a tenth principle was added addressing corruption (see Box 2).

Box 2 The UN Global Compact's Ten Principles [17]

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

continues >

[15] More information available: http://www.dii.org/about-us

[16] Available: http://www.ibe.org.uk/UserAssets/OtherPDFs/Energy_Extractives_ABC_Principles_2nd%20Edition.pdf

[17] United Nations (2004) *The UN Global Compact's Ten Principles*. Available: http://www.unglobalcompact.org/abouttheGc/TheTenprinciples/index.html. Last accessed 24/02/2014.

Box 2 The UN Global Compact's Ten Principles *continued*

Environment

Principle 7:	Businesses should support a precautionary approach to environmental challenges;
Principle 8:	undertake initiatives to promote greater environmental responsibility; and
Principle 9:	encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10:	Businesses should work against all forms of corruption, including extortion and bribery.

Companies (and other organisations) all over the world voluntarily agree to signify that these Principles are a basis on which they operate worldwide. As of May 2013, the *UN Global Compact* had over 10,000 signatory organisations including over 7,000 businesses from 145 countries [18]. In signing up to the Principles, some assurance is given to those with whom they do business as well as the communities that they operate in that the organisations can be trusted to operate on the basis of certain core values and standards. Each signatory has to produce an annual Communication on Progress (COP) report. A growing proportion of the signatories of the Compact are companies based in emerging markets. For instance, 226 Chinese companies (private and state–owned) and 150 Indian companies have signed up to the ten Principles.

In 2007, the newly appointed Secretary-General of the United Nations, Ban Ki-moon, endorsing his predecessor's work on the UN Global Compact, stated that: "*Business practices rooted in universal values can bring social and economic gain*" [19].

In 2004, the United Nations produced a Convention Against Corruption (UNCAC) [20]. Although this Convention is obligatory for member states, it also requires national legislation in each country that regulates the behaviour of multinational corporations registered or operating within it.

Human rights

A recent UN initiative for international business is the 'Protect, Respect and Remedy' Framework which serves as a basis for addressing human rights issues. It was published in 2011 to provide good practice guidance and is generally known as the 'Ruggie Guiding Principles' (after its author). An example of one of these Principles is:

> *Business enterprises should respect human rights. This means that they should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved* [21].

[18] United Nations (2013) *UN Global Compact Participants*. Available: http://www.unglobalcompact.org/ParticipantsAndStakeholders/index.html. Last accessed 24/02/2014.

[19] Ki-moon, B (2007) *Speech to Business Council for the United Nations and the Association for a Better New York*. http://www.un.org/apps/news/infocus/sgspeeches/search_full.asp?statID=60. Last accessed 02/03/2014.

[20] United Nations (2004) *Convention Against Corruption.* Available: http://www.unodc.org/documents/treaties/UNCAC/Publications/Convention/08-50026_E.pdf. Last accessed 25/02/2014.

[21] A full copy of the *Guiding Principles* can be accessed at http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

2.2 Other international standards for business behaviour

The existence and acceptance of international guidelines and standards has generated a demand for methods of assurance that the standards espoused are being followed. One of the more comprehensive and widely used methods is that provided in 1997 by the Global Reporting Initiative (GRI) [22].

The first set of GRI's *Sustainability Reporting Guidelines* (the 'G1 Guidelines') was issued in 2000 and have since been revised regularly with the fourth revision, 'G4', launched in 2013 [23]. Their purpose is to provide a framework and performance indicators for reporting around specific core non-financial content, such as the environment, human rights, local communities and gender.

The GRI Guidelines tend toward a principles-based approach as opposed to one of compliance to rules and regulations. Important as the latter is, if not accompanied by guidance on issues not covered by law and regulation, then a culture can prevail which is summed up as: 'if there is not a rule against something, that means I can do it'.

The International Organisation for Standardisation (ISO) has recently produced a universal standard for social responsibility for companies and other organisations to benchmark their corporate social responsibility performance (ISO 26000). The standard sets out a values-based approach to creating a socially responsible organisation. It is based on this principle:

> *An organisation should respect international norms of behaviour, while adhering to the principle of respect for the rule of law.*

An example of an attempt to internationalise a national standard is *Specification for an Anti-Bribery Management System* issued in 2011 by the British Standards Institute (BSI 10500). A version of this is expected to be issued soon as an ISO standard. The standard was developed to help organisations implement anti-bribery measures or 'adequate procedures' as a basis for a defence against prosecution under the UK Bribery Act (2010).

To sum up, the trend over the last two decades has seen a determined attempt to try and establish internationally applicable norms of behaviour for the way business is conducted throughout the world. For these to have any impact, they have either to be enshrined in law, international conventions, or be based on universal agreements in the form of voluntary codes of practice based on ethical values.

The next chapter explores the sources of ethical values that can be discerned in current international business transactions.

[22] Global Reporting Initiative (2006) *Sustainability Reporting Guidelines*, Amsterdam.

[23] Available: https://www.globalreporting.org/reporting/g4/Pages/default.aspx

Ethical Values in Economic Transactions

Modern economic transactions normally involve the movement of goods or provision of services in exchange for a monetary payment for which receipts are given. Thus, the purchase of a book at a bookshop involves a change of legal ownership leading to mutual benefit for each party of the transaction. All transactions require a degree of trust between the participants.

For centuries, the handshake seemed enough to 'seal a deal'. This is summed up in an ancient saying prevalent in, but not confined to, the City of London: *"Dictum meum pactum": "My word is my bond"*. There were other assurances of trustworthiness including reputation, the need for repeat business; transparency of the transaction, etc. Furthermore, much of the business was face-to-face.

The rapid increase in global business most of which is disembodied through computerised transactions, has led to most nation states setting out in law, through company acts and contract legislation etc., the basic foundations of such transactions. Thus, both parties are to some degree protected from falsehood but this does not necessarily engender trust.

Further assurance is provided by governments through the negotiation of trade treaties under the auspices of the World Trade Organisation (WTO). These provide a legal basis for the relationship between buyers and sellers in different international locations. But they rarely take account of cultural differences and ethical norms. These differences can and often do affect the way business is done. They may be at variance with the values, ethics and expectations of one party to the transaction.

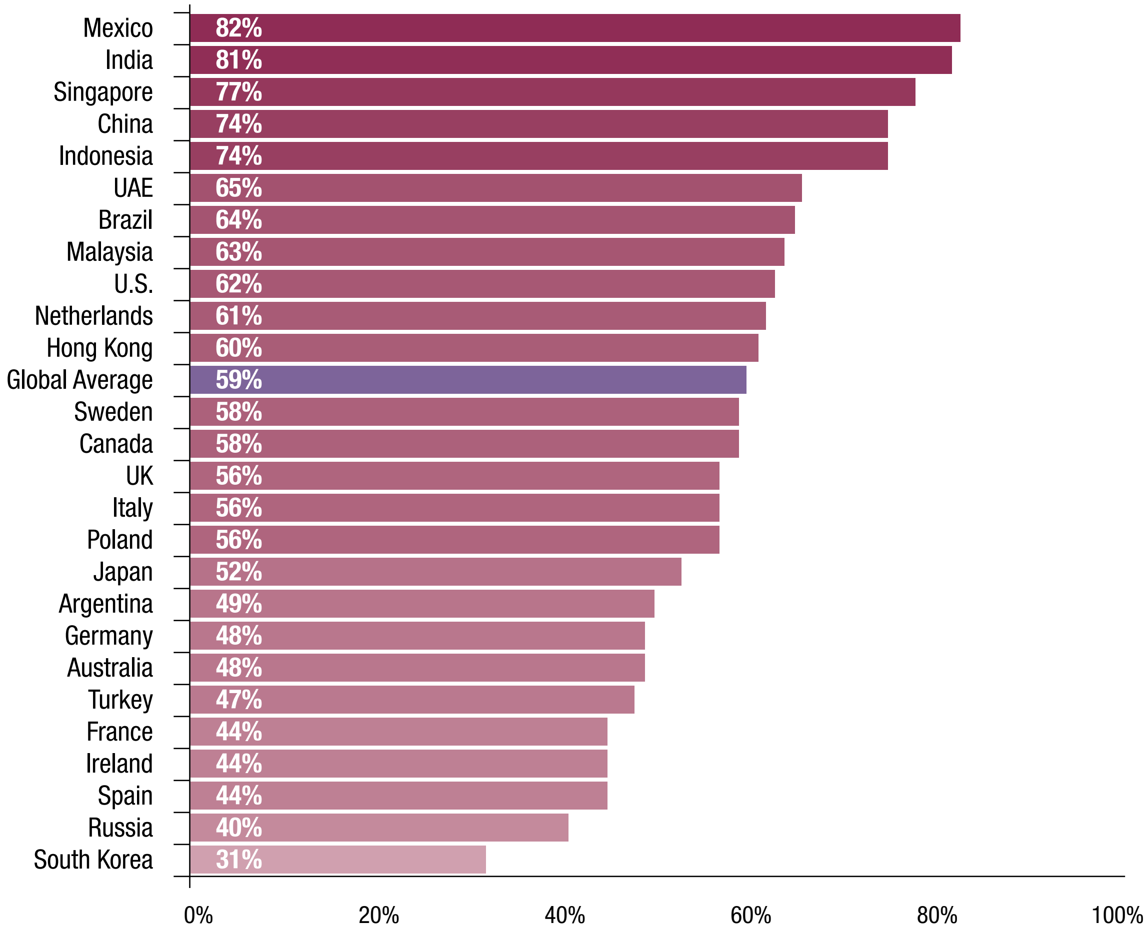
3.1 The role of trust

Today, the complexity of commercial deals, often with people who are known only via phone, email or the internet, means that a trusting relationship is more difficult to establish. This is made even more complicated when economic transactions cross national frontiers, which can involve working with organisations in countries which have different customs and ways of doing business. Laws affecting for instance, property rights and copyright, vary between countries.

The lack of trust within business relationships (not least with the general public) has been emphasised in commentaries on the causes of the turmoil in the world's financial markets in the last decade. How much did top management of banks know that international interest rates (LIBOR) were being manipulated? Why were Payment Protection Policies (PPI) mis-sold on a considerable scale by financial institutions to their customers? Why was the basic capital of UK retail banks allowed to fall to the point where governments had to step in and bail them out? There appears to have been a severe failure of prudential regulation which was originally put in place to sustain trust between customer and provider.

Eliminating the causes of the erosion of trust between buyer and seller is seen as fundamental to sustainable economic activity. In surveys devised to assess who is trusted most and least in societies, business leaders have consistently featured in the bottom third of respondent replies [24]. But there appears to be a significant difference in the way that the trustworthiness of business is perceived in different parts of the world. For instance, the public relations firm, Edelman, asks questions annually about trust. Its 2014 *Trust Barometer* Survey (see Figure 3) showed that 74% of the 'informed' public in China, and over 77% in Singapore and 81% in India, trust business. The corresponding figure for the US was 62% and the UK was 56% [25].

Figure 3 Trust in business by country



Source: Edelman Trust Barometer (2014) [26].

3.2 Sources of values

To underpin trust, the challenge then is to find a way to harmonise the ethical values which underlie all economic transactions wherever they take place.

The sources of such values, which may vary according to country and culture, can be traced back to early history. They are rooted in beliefs (often based on a religion) about right and proper relationships between people in both social and economic contexts and are embraced by individuals very early in their lives.

[24] For example see Ipsos MORI *Trust in Professions Survey* (2013). Available at: http://www.ipsos-mori.com/Assets/Docs/Polls/feb2013_Trust_Topline.pdf

[25] Edelman (2014) *Edelman Trust Barometer.* Available: http://www.edelman.com/insights/intellectual-property/2014-edelman-trust-barometer/

[26] IBID

To help in establishing some core values to underpin the *Interfaith Declaration* (see Introduction), a review was undertaken of the way ethics for 'transactions' of any sort are addressed in the sacred writings of the three Abrahamic (monotheistic) Faiths – Judaism, Islam and Christianity. These were the most common values (with synonyms in brackets):

- Justice (e.g. fairness)
- Mutual respect (e.g. love, consideration)
- Honesty (e.g. transparency, openness, truthfulness)
- Stewardship (e.g. trusteeship, accountability, responsibility).

At the heart of any company's policies concerning the way it operates will be a set of implicit or explicit core ethical values on which the governance of the company is based. These serve as a foundation for developing and maintaining a culture of integrity in all its policies and practices, and provide guidance to employees (usually in the form of a code) which drives behaviours at all levels. They also indicate to the outsider what the business stands for and what drives decision-making.

The values identified by the *Interfaith Declaration*, or a form of them, are found in preambles to many corporate codes of ethics. They are not the only ones. A review of preambles by board chairs or chief executives at the beginning of codes of business ethics showed that the most commonly mentioned ethical values are [27]:

Responsibility	Integrity
Honesty	Highest (ethical) standards
Respect	Trust
Transparency/openness	Fairness

'Integrity' is the most common corporate value found in FTSE 100 codes [28]. One definition of this is 'that each party trusts that the other will keep their commitment and do what they say or have said they will do'. It follows that acting with integrity requires each party in the transaction, whatever its size, to be satisfied that what is agreed between them will be carried out: working with integrity breeds trust. However, it should be noted that trust in itself is not a value; aspiring to be trusted is.

3.3 The Golden Rule

Another (ancient) almost universal value applicable to trust in economic transactions is to be found in the core religious document of most of the world's major religions. This stems from what is generally known as 'The Golden Rule', which is: "Treat others as you would like them to treat you". It has the considerable merit that it can be used relatively easily to determine whether an action would be regarded by both parties as ethical.

Box 3 sets out how the sacred texts of some of the more prominent world religions formulate the Golden Rule.

[27] Webley, S (2006) *Making Business Ethics Work,* Institute of Business Ethics.

[28] Epitype (2012) *Brand values index 2012 FTSE 100*. Available: http://epitype.co.uk/cms/wp-content/uploads/2012/12/epitype_white_paper_values_index_2012.pdf. Last accessed 24/02/2014.

Box 3 The Golden Rule in core religious texts

Baha'i	*"And if thine eyes be turned towards justice, choose thou for thy neighbour that which thou choosest for thyself."* Lawh'i 'Ibn'i Dhib, "Epistle to the Son of the Wolf" 30
Buddhism	*"Hurt not others in ways you yourself would find hurtful."* Udana-Varga, 5:18
Christianity	*"In everything do to others as you would have them do to you; for this is the law and the prophets."* Matthew 7:12
Confucianism	*"Do not unto others what you do not want them to do to you."* Analects 15:13
Hinduism	*"This is the sum of duty: do naught unto others which would cause you pain if done to you."* The Mahabharata, 5:1517
Islam	*"Not one of you is a believer until he loves for his brother what he loves for himself."* Fortieth Hadith of an-Nawawi,13
Jainism	*"A man should wander about treating all creatures as he himself would be treated."* Surtrakritanga, 1:11:33
Judaism	*"What is hateful to you, do not do to your neighbour: that is the whole of the Torah; all the rest of it is commentary."* Talmud, Shabbat, 31a
Native American	*"Respect for all life is the foundation."* The Great Law of Peace
Sikhism	*"Treat others as thou wouldst be treated thyself."* Adi Granth
Taoism	*"Regard your neighbour's gain as your own gain and your neighbour's loss as your own loss."* T'ai Shang Kan Ying P'ien
Zoroastrianism	*"That nature alone is good which refrains from doing unto another whatsoever is not good for itself."* Dadistan-I-Dinik, 94:5

Source: The Tanenbaum Centre for Interreligious Understanding

The Golden Rule is not without its critics [29]/ [30] . They argue that others may not want the same as you do! Or, as George Bernard Shaw quipped: "*Do not do unto others as you would that they should do unto you. Their tastes may not be the same*" [31]. These may however be a small minority.

The Golden Rule then is well positioned as a candidate for adoption as a starting point for discussions on a universal norm to underpin international business transactions. It is the exact opposite of what is sometimes described as 'cut throat' behaviour. It implies openness in negotiations rather than what appears afterwards to be deception. It also has the merit of overriding some cultural differences that can create misunderstanding between contracting parties.

In order to avoid such misunderstandings arising from cultural differences, it is important to clarify issues of this type early in negotiations. This is best done by agreeing the wording of a relevant part of the contract to guide the parties on these matters. An example of relevant wording would be:

> *The parties to this contract will act in a way that is consistent with the agreed values and code of ethics attached to this document.*

The next chapter considers how corporations with worldwide operations are using core ethical values, both as a basis for helping their staff anywhere in the world to make decisions in accordance with company values and generating trust among its business partners and other stakeholders.

[29] Wade-Benzoni, K (2002) 'A Golden Rule Over Time: Reciprocity in Intergenerational Allocation Decisions', *Academy of Management Journal* Volume 45 (5) pp1011–28.

[30] Cunningham, P (1998) 'The Golden Rule as Universal Ethical Norm', *Journal of Business Ethics* Volume 17 (1), pp105–10.

[31] Bernard Shaw, G (1903) *Maxims for Revolutionists*. Available: http://www.bartleby.com/157/6.html. Last accessed 11/04/2014.

Approaches to Upholding Corporate Values in Commercial Transactions

The products and services that business corporations offer are governed by what the market requires within a framework of law (which may differ according to where the transaction takes place).

How they conduct business is the responsibility of the most senior management, again within a broad framework of law and regulation. It is good practice for this aspect of corporate governance to be enhanced to cover discretionary situations not covered by law and regulation. Examples would include: gifts and hospitality limits and declarations of potential or actual conflicts of interest. This is best achieved by having a code of ethics/conduct which is rooted in a set of core values applicable wherever in the world business is conducted.

One noticeable feature of larger corporations' annual reports in recent years, especially in Europe and to a lesser extent in the US and other parts of the world, is that they are reporting on more than what they do and their financial performance. Also addressed is the way that they do business and the social, environmental and other ethical risks they face. Some organisations issue a separate report on this aspect of their performance.

Lord Green, the former HSBC Bank Group Chairman, stressed the importance of a values-based corporate policy in these terms:

> *…for companies to achieve sustainable profit growth, they need to underpin their business model with a set of values that are embraced in every aspect of their business and which will gain public respect…A culture of values is essential to long-term success* [32].

4.1 Corporate governance standards and business ethics

Applying core ethical values to the way an organisation conducts its business anywhere in the world is a continuous and often difficult challenge. Guidance on standards of corporate governance, especially on the interaction with businesses based in other countries would be expected to include issues around laws, regulations and values.

A recent review of corporate governance guidance given to boards of directors of European countries found that only rarely is any reference made to the values by which business should be conducted [33].

However, a feature of corporate governance guidance in the United Kingdom over the last two decades is the importance of boards of directors providing guidance to staff on ethical matters (usually in the form of a code of ethics). This is becoming widely accepted by larger companies. In 2013, IBE research showed that 94% of the UK FTSE 100 companies had publically available codes of ethics or their equivalent. But why is this seen as important?

[32] Green, S (2006) *Sustaining Shareholder Value: Why Values Matter*. Hugh Kay Memorial Lecture, CABE London.

[33] Casson, J (2013) *A Review of Ethical Aspects of Corporate Governance Regulation and Guidance in the EU*. Institute of Business Ethics & ecoDa.

It became salient for UK companies after the publication in 1992 of the report on the *Financial Aspects of Corporate Governance* (The Cadbury Report) [34]. It stated that:

> *It is important that employees should know what standards of conduct are expected of them. We regard it as good practice for boards of directors to draw up codes of ethics or statements of business practice and to publish them both internally and externally.*

At the beginning of the 1990s, companies in the US had the benefit of the *US Federal Sentencing Guidelines*. These set out seven conditions that would mitigate large financial penalties for an indictable act, e.g. paying a bribe to a foreign government official. Among these was having what amounted to a corporate ethics programme. This led, among other things, to a rapid growth of the appointment of Ethics Officers in companies providing guidance to their staff on this and other ethical issues. The 2005 revision of the Guidelines expanded on the subject of the ethical responsibility of corporations [35].

It is clear that 'official' encouragement has been given to many companies to pay attention to *how* they do their business as well as *what* they do.

4.2 Codes of ethics

What then is the most effective way of implementing a values-based policy? An essential part of any programme is the provision of guidance to employees and others involved with the business through a code of ethics.

There are two main ways of writing these. One is based on a set of issues which employees may encounter with appropriate guidance on how to react. The other is what is known as a stakeholder model. This classifies the obligations of a firm to its five main stakeholders in doing its business. A feature of the 1994 *Interfaith Declaration* was that it used a stakeholder model as opposed to one based on specific issues.

An informal look at 100 codes of corporate ethics indicates that about half adopt a stakeholder approach in communicating and embedding ethical standards. Most of these also state that their code is based on values and principles that have been adopted by the board of directors and promulgated throughout the organisation. All the codes emphasise the need for employees to behave in line with company policies. This works well where the issues are clear i.e. where there is a correct or incorrect way to handle the problem. However, it leaves no room for discretion based on the application of core ethical values to resolve an ethical dilemma. This is at the heart of applied business ethics.

Today, four approaches can be distinguished that companies adopt when trying to encourage ethical behaviour in their business wherever in the world they operate. These are set out in Box 4. The section on guidance for staff, which is similar to the one set out in the *Interfaith Declaration*, is the approach which seems most likely to be effective in embedding a company's values into its day-to-day operations.

[34] Cadbury, A (1992) *The Financial Aspects of Corporate Governance.* Available at: http://www.ecgi.org/codes/documents/cadbury.pdf Last accessed 24/02/2014.

[35] *U.S. Federal Sentencing Guidelines* (2005). Available at: http://www.ussc.gov/Guidelines/2005_guidelines/2005_manual.cfm. The 2011 edition of the Guidelines are available at: http://www.ussc.gov/Guidelines/2011_Guidelines/Manual_PDF/index.cfm

Box 4 A classification of corporate approaches to business ethics

Style	Description
Implicit	This approach is common in small organisations. It requires no formal statement of values, principles or practice. There is an assumed sense of 'this is how we do business'.
Formal	There is a formal statement of business and ethical values, accompanied by policies or guidance on specific issues such as bribery and corruption or conflicts of interest, often contained in separate documents, or a staff manual or posted on the intranet.
Mandatory	The company's values are applied in the form of a code of conduct sometimes introduced by the chair and/or the CEO. It sets out how staff members are required to act in a variety of business situations and warns that compliance is obligatory with subsequent disciplinary procedures if there are breaches of the policy.
Guidance	There is a statement of corporate values endorsed by the board introducing a code of business ethics. The company's obligations to those with whom it interacts (stakeholders) will be included, and there will be guidance to staff on handling a variety of ethical challenges and issues and information on where to obtain advice.

The main purpose of codes is to provide principle-based guidance to staff. These generally have been found to be more effective than ones that try to anticipate and provide specific guidance on all 'ethical' challenges that employees may encounter. Codes often include a Questions and Answer section or use scenarios to illustrate difficult situations. Some also provide a simple decision-making framework. The code alone is not sufficient to ensure that ethical values are taken seriously. A programme which includes training - not least at induction - a Speak Up facility, means to obtain advice and ways of keeping staff aware of what is expected is also required if the policy is to work.

Some Challenges Ahead

5.1 Purpose and values

As a consequence of sustained public criticism in recent years of the way businesses behave, there has been a debate within the world of business and beyond about its wider purpose. Return to shareholders is not seen by the general public as an adequate purpose in itself. Though important, it does not immediately appear to meet the criteria of 'the public good'.

The authors of the *Interfaith Declaration* two decades ago were among those who anticipated that if the perceived paybacks arising from the globalisation of the world economic system were to produce the benefits that its protagonists claimed, then there was a need to agree on a common purpose and set of values to act as a basis upon which to build mutual trust in all economic transactions.

Values, which condition 'the way we work', cannot easily be absorbed by organisations or indeed individuals. Rather, they have to be 'bought into'. This involves explanations of why they matter, where they fit into the goals of the business and how the reputation of the organisation depends on accepting and applying them.

The main way that societies set standards of corporate behaviour is by enshrining them in law. Indeed, law is constantly encroaching on matters which hitherto have been left to discretion. The problem is that this tends to lead to a culture of compliance which in turn leads to an attitude that can be summed up as 'anything goes as long as it is within the law'. The result is a policy dilemma which is clearly a challenge to those who are concerned with ethical standards. In fact it is easier to take a compliance approach but the result may well be a 'tick box' culture.

5.2 Addressing corruption

The *Interfaith Declaration* was based on four values derived from the core documents of the three monotheistic faiths. They have stood the test of time in that they are widely used by and are relevant to corporations. Yet, while global economic activity has increased significantly in the intervening years, it is not evenly spread. The countries which are lagging tend to be those where corruption, not least in business, is widespread.

When the annual *Transparency International Corruption Perceptions Index* [36] - public perceptions of country corruption - is compared to a measure of economic health, there are signs that a correlation exists between those with high levels of corruption and low economic activity measured by GNP per head (see Figure 4) [37]. So if this apparent lag in the pace of economic activity is to be narrowed, one of the major challenges is for more governments to give a higher priority to the reduction of corruption within their jurisdictions.

There are encouraging signs that this is happening. It is not of course, the only reason for focusing on the reduction of corruption, but it is an important one.

[36] The 2013 results are available at http://www.transparency.org/cpi2013/results.

[37] Transparency International observe that the average score of the poorest 48 countries is 28, suggesting that the poor remain the most vulnerable to corruption.

Figure 4 Comparison of perceived level of corruption and GDP per capita

Bottom 25 Countries

Rank in TI CPI [38]	Country	GDP Per Capita [39]	World Rank
175	Somalia	$600	224
175	North Korea	$1,800	195
175	Afghanistan	$1,100	216
174	Sudan	$2,500	181
173	South Sudan	$1,100	212
172	Libya	$11,900	105
171	Iraq	$7,000	140
168	Turkmenistan	$8,600	127
168	Syria	$5,100	156
168	Uzbekistan	$3,500	170
167	Yemen	$2,300	187
163	Equatorial Guinea	$26,500	58
163	Chad	$2,500	182
163	Haiti	$1,200	210
163	Guinea Bissau	$1,200	211
160	Cambodia	$2,400	185
160	Eritrea	$700	223
160	Venezuela	$13,500	98
157	Zimbabwe	$600	226
157	Myanmar	$1,600	201
157	Burundi	$600	225
154	Dm.Rp. of Congo	$400	227
154	Tajikistan	$2,200	188
154	Rp. of Congo	$4,600	163
153	Angola	$6,100	145

Top 25 Countries

Rank in TI CPI [38]	Country	GDP Per Capita [39]	World Rank
1	Denmark	$37,300	33
1	New Zealand	$29,500	48
3	Sweden	$40,300	25
3	Finland	$35,800	37
5	Norway	$54,400	10
5	Singapore	$60,800	7
7	Switzerland	$44,900	15
8	Netherlands	$41,500	23
9	Australia	$42,000	22
9	Canada	$42,300	21
11	Luxembourg	$78,000	5
12	Germany	$38,700	28
12	Iceland	$39,700	27
14	UK	$36,600	35
15	Hong Kong	$50,900	14
15	Barbados	$25,000	61
15	Belgium	$37,500	31
18	Japan	$35,900	36
19	USA	$51,700	13
19	Uruguay	$15,900	82
21	Ireland	$40,700	24
22	The Bahamas	$31,300	43
22	France	$35,300	38
22	Saint Lucia	$13,000	99
22	Chile	$18,200	72

While some argue that tighter restrictions on the undesirable aspects of economic activity would be a necessary price to pay for higher standards of corporate behaviour, others consider that the adoption of a principled and values-based approach would be more productive.

[38] Transparency International (2013) *Corruption Perception Index*.

[39] Figures taken from the CIA *World Factbook*. Available https://www.cia.gov/library/publications/the-world-factbook/

The link between profitability and this values-based approach was expressed in the *Interfaith Declaration* as follows:

> *There is no basic conflict between good business practice and profit making. Profit is one measure of efficiency and is of paramount importance in the functioning of the system. It provides for the maintenance and growth of business, thus expanding employment opportunities and is the means of a rising living standard for all concerned. It also acts as an incentive to work and be enterprising. It is from the profit of companies that society can reasonably levy taxes to finance its wider needs.*

An important by-product of this approach is potentially an important element in tackling the poverty reduction agenda. This author would argue that an international wealth-creating system which among other things is based on a set of agreed values seems to be a preferable route to take rather than resorting to more laws and regulations.

5.3 Embedding values

A further challenge is for international companies themselves to be more resolute about applying their core ethical values throughout their worldwide operations. A zero tolerance policy to all forms of bribery, corruption and other forms of misconduct should be a basic commitment. A way forward would be for multinational companies, wherever headquartered, to include in all contracts a section on the standards they expect of their employees and their business partners in conducting business anywhere in the world.

If agreement can be reached on a universal set of core ethical values or norms for international business, based on common and long held moral principles, then economic activity in all its different aspects will have an important new facilitator of economic output. This in turn would enhance the prospect that more of the world's population would be enabled to escape from poverty and benefit from expanded wealth creation [40]. The core values would have to be universally acknowledged. The ground work by the UN and other international bodies has been done. What remains is the need for all participants in international business transactions to adopt the voluntary standards as norms. The ten *Principles of the UN Global Compact* is a good start.

In the meantime, the Golden Rule is the closest that there is to a universal norm. If it is applied in every instance of business interaction and taken seriously by the parties involved, unethical behaviour is likely to be reduced with the potential that prosperity will increase.

[40] For more information on this topic, see http://www.agora-parl.org/node/169

Appendix
An Interfaith Declaration of International Business Ethics

I. Background

A. Origin and purpose of the declaration

The globalisation of business is now well established and growing. For instance:

- The volume of world trade is accelerating rapidly again.
- In 1994 it increased by 9.5% over 1993 and is expected to grow a further 8% in 1995.
- In 1994 world merchandise trade was valued at $4090 billion. ($3,600 billion in 1963).
- Cross border investment for productive purposes is expanding even faster than trade. As a result, cross cultural business relationships are multiplying.
- Stocks and shares of most of the world's largest enterprises are quoted on a variety of stock exchanges and their directors and staff come from many different countries.

This exponential increase in international economic activity has, among other things, resulted in some serious differences in approach to business operations among some of the major participants.

To consider these differences and to see what could be done to resolve them, a group of distinguished leaders (businessmen, bankers and academics and clerics) from the three major monotheistic religions of the world (Muslim, Jewish and Christian) met 1989-94 under the auspices of HRH the Duke of Edinburgh, HRH Crown Prince Hassan of Jordan and Evelyn de Rothschild of England to see if it would be possible and useful to draw up a set of guidelines on business ethics which are applicable wherever economic activity involving adherents of their religions takes place. The group met four times and explored in some depth, the different approaches to behavioural problems arising in business relationships.

The participants were made aware of a range of business situations which could not be resolved solely by consulting legal texts or by applying strictly business (profit) criteria. The purpose of the resulting *Declaration of International Business Ethics* was to provide:

- A moral basis for international business activity
- Some principles of ethical practice to help business people, traders and investors identify the role they and their organisations perform in the communities in which they operate, and
- Guidance in resolving genuine dilemmas which arise in the course of day-to-day business.

The group was conscious that the recent widespread reporting of the rhetoric and activities by extremist adherents (at least in name) of their three religions had produced in the mind of the general public the idea that only disunity and conflict characterised relationships, including business relationships, between those of different religious beliefs. The meetings of the group and the resultant Declaration indicate that whatever their particular insight of the truth may be - and it is acknowledged that there are differences - they nevertheless share a common heritage including a high degree of shared values. This particular group also shared a common ethical basis derived from one book - the Bible - which they considered to be as relevant today as it has been in the past. The need to relate this relevance to contemporary business issues was felt to be particularly important. To do this, they sought to discover the basic values that their respective Faiths have in common which were relevant to economic activity.

Underlying this purpose was their shared concern that at the same time as material prosperity grew in the industrialised world, there is also emerging a value system which is considered to be detrimental to the wholesome development of human beings: selfishness and dishonesty are tending to supplant integrity and generosity. As a result, there is evidence that morality and ethical standards are declining. This is exemplified by the wide reporting of dishonest and corrupt practices. Part of the problem was seen to be an ambivalence concerning what is considered right or wrong and economic relationships have not escaped its influence. The participants considered that a reiteration of ethical precepts in the form of a Declaration would make a contribution to sustaining and improving the standards of international business behaviour.

It was acknowledged that such a code may be more difficult to apply in some countries than in others because of the different degree of influence that religion has within cultures. Both Muslims and, to a lesser extent Jews, operate within a social atmosphere that is conducive to the influence of their religious precepts being heeded, and where it is normal for moral and ethical concerns to be discussed within a religious ethos.

Christians in the industrialised countries generally do not enjoy this support and guidance. They are dependent upon personal convictions which often have to be stated in a secular social atmosphere that has little sympathy with them. While the influence of Islamic institutions is more open and obvious, and that of Judaism still strong, the influence of Christianity is personal and subsumed.

In the final analysis, the application of ethical principles is a matter of personal judgement rather than rules; a code can only set standards. It follows that the Declaration (or indeed any code of ethics) is not a substitute for corporate or individual morality; it is a set of guidelines for good practice. Its authors hoped that it will contribute to maintaining high standards of business behaviour as well as a better public understanding of the role of business in society.

B. Method

The method used in producing the *Interfaith Declaration* was to analysis the content of submissions by group members and a number of existing guidelines and codes which have been used by international organisations such as the International Chamber of Commerce. Individual company codes of ethics too were used where appropriate.

From these sources ethical issues in business can be classified under three general headings:

- The morality of the economic system in which business activity takes place.
- The policies and strategies of organisations which engage in business.
- The behaviour of individual employees in the context of their work.

In the Declaration, the distinction between these categories is recognised and there may indeed be other levels and sub-categories but the three selected are those where moral issues most commonly arise.

A second distinction which needs recognition is that while some ethical issues affect all types of industrial and commercial activity, there are others which are distinctive to a particular sector. The outstanding example is that between the provision of financial services (e.g. banking), and the manufacture and trading of products.

There is a third distinction. The legal framework in which business is conducted is not the same in all countries. For instance, the duties of company directors vary considerably and employment law, e.g. legal notice of dismissal or redundancy is hardly ever the same in any two countries. While recognising that national law applies to a company registered in that country (irrespective of the nationality of its owners and managers), and that it should be scrupulously followed, the laws on the same matter may be less demanding in, say, the country of the parent company. Some areas of business practice which are covered by law in one country may be the subject of self administered regulation or of voluntary codes of behaviour in another. Therefore, some subjects covered by the Declaration may, in practice, already have the force of law in some countries.

II. The Declaration

A. Principles

The Declaration on International Business Ethics is built on the precepts of the three religions represented at the dialogues. Christians, Muslims and Jews have a common basis of religious; and moral teaching: they are the People of the Book. Four key concepts recur in the literature of the faiths and form the basis of any human interaction, and are applicable to business relationships. They are: justice (fairness), mutual respect (love and consideration), stewardship (trusteeship) and honesty (truthfulness). Each can be seen as a different expression of the same overall idea.

1. Justice

The first principle is justice which can be defined as just conduct, fairness, exercise of authority in maintenance of right. All three faiths agree that God created the world and that justice must characterise the relationship between its inhabitants. Fair dealings between each other and between believers and others is constantly reiterated in the Scriptures, as are God's justice and mercy in his dealings with humankind.

In the Muslim teaching it is seen as a basis of relationship. The Qur'an, Maida, v.9. states: *"Stand out firmly for God, as witnesses to fair dealing, and let not the hatred of others to you make you swerve to wrong and depart from justice. Be just: that is next to piety, and fear God."*

It is also a strong theme in Jewish writing. For instance, a passage on the subject in Deuteronomy 16:18-20 concludes with the statement, *"Justice, and only justice, you shall follow that you may live and inherit the land which the Lord your God gives you."*

Jesus too suggested that some of the Jewish teachers of his day neglected the weightier matters of the Torah: Justice and mercy and faith (Matt: 23: 23), and Christians are urged by Paul to *"Consider what is just"* (Phil. 4: 8).

2. Mutual respect (Love)

The second principle - mutual respect or love and consideration for others - is also inherent in the moral teachings of each religion. The word love has many meanings. But, as is clear from the reading of Scripture, the God of justice and mercy is also the God of love. What Scripture expresses as love is here rendered as mutual respect or reciprocal regard that exists between two individuals.

The statement in Leviticus 19: 18 *"Love your neighbour as yourself,"* which is reiterated by the Prophet Mohammed as *"Love for yourself what you love for others"* and by Jesus as *"You shall love your neighbour as yourself"* (Matt. 22: 39), is a common ethical basis for all interpersonal relationships. The application of this has come to mean that self interest only has a place in the community in as much as it takes into account the interests of others. My neighbour in the business context can be defined as any person (individual or corporate) with whom the organisation comes into contact in the course of business life. Of paramount importance in this respect is the employee.

The illustration of the Good Samaritan given by Jesus to an enquiry from a Jewish lawyer as to who was his neighbour (Luke 10: 30-37), indicates that one's neighbour is not always of the same ethnic origin or economic status as oneself. Indeed, a neighbour may be much weaker or vulnerable or a different race or religion. A business application of this would be in the case of a small company supplying a large one. The principle of love would suggest that restraint in the use of power by the strong, especially in difficult times, would be ethically correct, and in accord with the written precepts of the three religions. It follows that a large sophisticated company based in a developed country should treat a supplier or customer from a developing nation in the same way it would treat a firm with whom it does business in its home country.

3. Stewardship

A third principle which the three faiths have in common is that of stewardship (trusteeship) of God's creation and all that is in it. It is a richly diverse universe: *"...and it was good."* The Scriptures testify to the beauties and wonders of nature as signs of God's goodness and providence. Humanity is set over it all with delegated responsibility, a steward charged with its care and proper use for which s/he will have to give account. The Scriptures know nothing of absolute ownership: the human is God's trustee.

While this may be readily understood by an owner of a small business or an inheritor of an agricultural holding, the principle is applicable to anyone who is entrusted with the responsibility of managing scarce resources. It applies equally to individual wealth, the long-term viability of a business, and the use of renewable resources. Ownership is not seen, therefore, to be absolute. As such, businesses have an obligation to use resources for the benefit of the people in society at large as well as for its stockholders.

Muslims point to two Qur'anic verses on this topic: *"And bestow upon them of the wealth of Allah which He has bestowed upon you"* (Sura [Light] 24, 33). *"And spend of that whereof He has made you trustees"* (Sura [Iron] 57, 7). An authentic saying of the prophet Mohammed confirms this concept of humanity's responsibility for its wealth. It proclaims that no man or woman will be allowed to proceed to their reward on the day of the judgement unless they first give account of their deeds, which includes how they obtained their wealth and how they used it.

Jews too, have encompassed the concept of stewardship in their teachings concerning responsibility in society. The patriarch David stated: *"Who am I, and what is my people, that we should be able thus to offer willingly? For all things come from you, and of your own have we given you"* (1 Chr. 29: 14).

The New Testament stresses the accountability of Christians for the way they have used resources. Jesus summed this up by stating: *"From everyone to whom much is given, much will be required"* (Luke 12:48).

This principle provides a longer term perspective for business decisions than is likely to be found where the concept of absolute ownership predominates. It also provides the basis for a proper concern for the natural environment on which business activity makes considerable demands. It implies a caring management not a selfish exploitation and is concerned with both present and future.

4. Honesty

The fourth principle inherent to the value system of each of the three faiths is honesty. It incorporates the concepts of truthfulness and reliability and covers all aspects of relationships in human life-thought, word and action. It is more than just accuracy, it is an attitude which is well summed up in the word ‘integrity’.

In precepts and parables, Scripture urges truth and honesty in all dealings between human beings. It is stressed that dishonesty is an abomination and bearing false witness breaches the basic laws of God. In business dealings, *“true scales, true weights, true measures”* are to be used. Speaking the truth is a requirement for everyone.

Muslims place considerable emphasis on truthfulness in business. For instance, in a Hadith it is stated: *“The merchant whose words and transactions are righteous and who is a trusty man will be (resurrected) amongst the martyrs in the day of judgement”* (Ibn Mace, Sunan, II/724, no. 2139, Ticaveti).

Jews too constantly stress honesty as the basis for human relationships. The book of Leviticus is explicit concerning honesty in business: *“You shall have true scales, true weights, true measures”* (Lev. 19: 36), and *“All who act dis-honestly are an abomination to the Lord” (*Dt. 26: 16), and regarding truthfulness, the Decalogue states: *“You should not bear false witness”* (Ex. 20: 16).

Christians also expect honesty and truthfulness to characterise the lives of believers. Jesus states that doing what is true is a test of obedience to God: *“He who does what is true comes to the light that it may be clearly seen that his deeds have been wrought of God”* (John 3: 2) and Paul urged the Ephesian Christians: *“You shall speak the truth in love”* (Eph. 4: 15).

These four principles, justice, love, stewardship and honesty form the moral basis of the Declaration that follows.

III. Guidelines

A. Business & political economy

All business activity takes place within the context of a political and economic system. It is recognised that:

1. Business is part of the social order. Its primary purpose is to meet human and material needs by producing and distributing goods and services in an efficient manner. How this role is carried out-the means as well as the end-is important to the whole of society.

2. Competition between businesses has generally been shown to be the most effective way to ensure that resources are not wasted, costs are minimized and prices fair. The State has a duty to see that markets operate effectively, competition is maintained and natural monopolies are regulated. Business will not seek to frustrate this.

3. All economic systems have flaws; that based on free and open markets is morally neutral and has great potential for good. Private enterprise, sometimes in partnership with the State, has the potential to make efficient and sustainable use of resources, thereby creating wealth which can be used for the benefit of everyone.

4. There is no basic conflict between good business practice and profit making. Profit is one measure of efficiency and is of paramount importance in the functioning of the system. It provides for the maintenance and growth of business, thus expanding employment opportunities and is the means of a rising living standard for all concerned. It also acts as an incentive to work and be enterprising. It is from the profit of companies that society can reasonably levy taxes to finance its wider needs.

5. Because the free market system, like any other, is open to abuse, it can be used for selfish or sectional interests, or it can be used for good. The State has an obligation to provide a framework of law in which business can operate honestly and fairly and business will obey and respect the law of the State in which it operates.

6. As business is a partnership of people of varying gifts they should never be considered as merely a factor of production. The terms of their employment will be consistent with the highest standards of human dignity.

7. The efficient use of scarce resources will be ensured by the business. Resources employed by corporations include finance (savings), technology (machinery) and land and natural renewable resources). All are important and most are scarce.

8. Business has a responsibility to future generations to improve the quality of goods and service, not to degrade the natural environment in which it operates and seek to enrich the lives of those who work within it. Short-term profitability should not be pursued at the expense of long term viability of the business. Neither should business operations disadvantage the wider community.

B. The policies of a business

Business activity involves human relationships; it is the question of balancing the reasonable interests of those involved in the process: i.e., the stakeholders, that produces moral and ethical problems. The policies of the business will therefore be based on the principles set out in the paragraphs above and in particular:

1. The board of directors will be responsible for seeing that the business operates strictly within the letter and spirit of the laws of nations in which it works. If these laws are rather less rigorous in some parts of the world where the business operates than in others, the higher standards will normally be applied everywhere.

2. The board will issue a written statement concerning the objectives, operating policies of the organisation and their application. It will set out clearly the obligations of the company towards the different stakeholders involved with a business [employees, shareholders, lenders, customers, suppliers and the community (local and national government)].

3. The basis of the relationship with the principal stakeholders shall be honesty and fairness, by which is meant integrity, in all relationships as well as reliability in all commitments made on behalf of the organisation.

4. The business shall maintain a continuing relationship with each of the groups with which it is involved. It will provide effective means to communicate information affecting the stakeholders. This relationship is based on trust.

5. The best practice to be adopted in dealings with six particular stakeholders can be summarised as follows:

a) Employees

Employees make a unique contribution to an organisation; it follows that in their policies, businesses shall where appropriate, take notice of trade union positions and provide:

i) Working conditions that are safe and healthy and conducive to high standards of work.

ii) Levels of remuneration that are fair and just, that recognise the employees' contribution to the organisation and the performance of the sector of the business in which they work.

iii) A respect for the individual (whether male or female) in their beliefs, their family responsibility and their need to grow as human beings. It will provide equal opportunities in training and promotion for all members of the organisation. It will not discriminate in its policies on grounds of race, colour, creed, or gender.

b) Providers of finance

A business cannot operate without finance. There is therefore, a partnership between the provider and the user. The company borrowing money shall give to the lender:

i) What has been agreed to be repaid at the due dates.

ii) Adequate safeguards in using the resources entrusted.

iii) Regular information on the operations of the business and opportunities to raise with directors matters concerning their performance.

c) Customers

Without customers a business cannot survive. In selling products or services, a company shall provide for the customer:

i) The quality and standard of service which has been agreed.

ii) After-sales service commensurate with the type of product or service and the price paid.

iii) Where applicable, a contract written in unambiguous terms.

iv) Informative and accurate information regarding the use of the product or service especially where misuse can be dangerous.

d) Suppliers

Suppliers provide a daily flow of raw materials, products and services to enable a business to operate. The relationship with suppliers is normally a long term one and must therefore be based on mutual trust. The company shall:

i) Undertake to pay its suppliers promptly and in accordance with agreed terms of trade.

ii) Not use its buying power in an unscrupulous fashion.

iii) Require buyers to report offers of gifts or favours of unusual size or questionable purpose.

e) Community (local and national government)

While companies have an obligation to work within the law, they must also take into account the effects of their activities on local and national communities. In particularly they shall:

i) Ensure that they protect the local environment from harmful emissions from manufacturing plant, excessive noise and any practice likely to endanger humans, animals or plant life.

ii) Consider the social consequences of company decisions e.g. plant closures, choice of new sites or expansion of existing ones.

iii) Not tolerate any form of bribery, extortion or other corrupt or corrupting practices in business dealings.

f) Owners (shareholders)

The shareholders undertake the risks of ownership. The elected directors shall:

i) Protect the interests of shareholders.

ii) See that the company's accounting statements are true and timely.

iii) See that shareholders are kept informed of all major happenings affecting the company.

C. Conduct of individuals at work

The following are based on best ethical practice for employees in a business. Employees of an organisation shall:

1. Implement the decisions of those to whom he or she is responsible which are lawful and in accordance with the company's policies in cooperation with colleagues.

2. Avoid all abuse of power for personal gain, advantage or prestige and in particular refuse bribes or other inducements of any sort intended to encourage dishonesty or to break the law.

3. Not use any information acquired in the business for personal gain or for the benefit of relatives or outside associates.

4. Reveal the facts to his superiors whenever his personal business or financial interests become involved with those of the company.

5. Be actively concerned with the difficulties and problems of subordinates, treat them fairly and lead them effectively, assuring them a right of reasonable access and appeal to those to whom their immediate superior is responsible.

6. Bring to the attention of superiors the likely effects on employees of the company's plans for the future so that such effects can be fully taken into account.

IV. The Uses of The Declaration

This Declaration is offered to business people, business organisations and those who advise companies as a basis for sound ethical business practice.

Relevant sectors of it can be adopted by corporations as an international standard of business ethics and be acknowledged as such in corporate Annual Reports.

To be effective, it needs endorsement at the highest level of business management and a means will need to be devised to make employees at all levels aware of its existence. Some ways of doing this are:

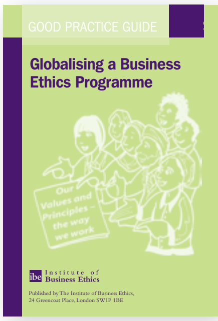
- Reproduce it as a booklet with a foreword from the Corporation's Chair.
- Include it in literature given to all new employees.
- Make it a subject in all internal training courses.
- See that the topics contained in the Declaration are included in business training courses offered in colleges and universities.
- It also requires a method to see that its precepts are carried out.

Downloadable from http://ethics.iit.edu/ecodes/node/5106

IBE Publications related to this topic

IBE publications provide thought leadership and practical guidance to those involved in developing and promoting business ethics, including senior business people, corporate governance professionals and ethics and compliance practitioners.

Some recent publications related to this topic which you might be interested in include:

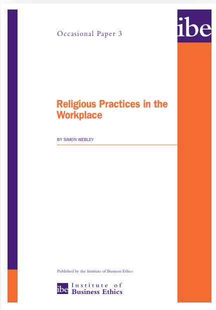


Globalising a Business Ethics Programme

Lori Tansey-Martens

A major challenge for multinational organisations is ensuring that the local context is taken into account when designing a global ethics programme to ensure that the messages are consistent at both a global and local level.

This practical guide provides advice on assessing whether existing ethics programmes are effective and culturally appropriate and developing and disseminating organisation-wide values and standards to take account of the many cultures in which a business operates, including training which is culturally relevant to employees worldwide.



Religious Practices in the Workplace

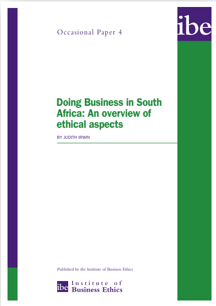
Simon Webley

Today's diverse workforce means that religion and the way it is expressed in the workplace can generate strong emotions and opinions, as well as headlines and legal cases for employers. This IBE Paper explores situations where religious beliefs and practices impact the day-to-day operations of organisations and reviews the ethical issues which can arise. It describes how religious sensibilities are being accommodated by employers and includes a short guide to good practice.

Doing Business in China: an overview of ethical aspects

Judith Irwin

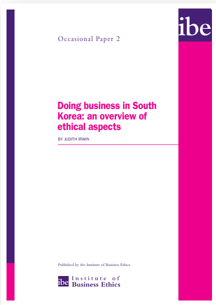
This IBE Paper explores the operating environment for business and considers the cultural characteristics which underpin this. It also looks at current business ethics and corporate social responsibility trends in China and identifies the key ethical challenges that a business seeking to operate with high ethical standards in the Chinese market might encounter.



Doing Business in South Africa: an overview of ethical aspects

Judith Irwin

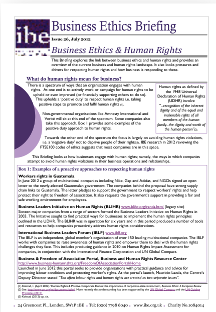
This Paper offers a synopsis of the business ethics climate in South Africa, and will be useful to companies operating in or considering entering the South African market, and to individuals doing business there. The Paper explores the operating environment for business and considers the cultural characteristics which underpin this. It also looks at current business ethics and corporate responsibility trends in the country and identifies the key ethical challenges facing businesses operating in South Africa.



Doing Business in South Korea: an overview of ethical aspects

Judith Irwin

This report provides a synopsis of the business ethics climate in South Korea. It will be useful to companies operating in or considering entering the South Korean market. It explores the cultural factors influencing business ethics in South Korea, the salient business ethics challenges that companies face and current trends in business ethics and corporate responsibility.



Business Ethics and Human Rights

IBE Business Ethics Briefing

This Briefing explores the link between business ethics and human rights with a brief overview of the current business and human rights landscape.

Trends such as globalisation and the increasing presence of multinational corporations, pressures from NGOs, and reputation risk management, have meant there are increasing expectations of business in respecting human rights. This Briefing explores how companies are responding to this and the mechanisms they are using to express commitment and avoid human rights violations.

Our publications are available from www.ibe.org.uk/list-of-publications/67/47

Doing business ethically ...
.... makes for better business

About the Institute of Business Ethics

The IBE was established in 1986 to promote high standards of business behaviour based on ethical values.

- We raise public awareness of the importance of doing business ethically.
- We help organisations strengthen their ethics culture through the dissemination of knowledge and good practice.

The IBE is a registered charity, funded by corporate and individual subscribers. Their support, both financial and intellectual, helps us research, publish and provide training and tools to assist in the development of ethical business practice.

Subscribe today and be part of a network sharing good practice in business ethics.

Find out more: visit www.ibe.org.uk

Research & Publications MORE INFO

Events MORE INFO

Ethics Training & Tools MORE INFO

Advice MORE INFO

Accreditation MORE INFO

Business Ethics Education MORE INFO

Follow us on

Towards Ethical Norms in International Business Transactions

Could a set of universal values be agreed on that would facilitate international business transactions and enhance economic development?

This report revisits the 1995 *Interfaith Declaration: A Code of Ethics on International Business* in light of recent international standards and significant global economic changes. It describes how multinational corporations seek to apply ethical values in their relations with their stakeholders.

By setting out some of the challenges in working across cultures, this report aims to assist corporate directors to consider the basis of trust for long term commercial relationships wherever they operate in the world.

ibe