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Impact of Globalization on Ethics Code Usage

Lise-Lotte Lindfelt

Global trends largely determine the business environment of transnational firms, with outsourcing taking place in business networks on a transcontinental basis. The utilization of rapid information and communication technology also effectively eliminates distance barriers in the transmission of data. Consequently, there exist overlapping societal and business interests that lead to an increased activism among stakeholders of the firm. In this chapter, the impact of globalization on ethics code usage is considered, using examples drawn from a business network in a Finnish context to demonstrate that there is probably a direct linkage between globalization and ethics code usage.

*S*trong global trends nowadays largely determine the business environment of transnational firms, with outsourcing taking place in business networks on a transcontinental basis. The utilization of rapid information and communication technology also effectively eliminates distance barriers in the transmission of data. (Törnroos 2002) Consequently, there exist overlapping societal and business

interests that lead to an increased activism among stakeholders of the firm (i.e. owners, employees, managers, financiers, partners, the local society, activist groups etc). It is not only firms who adopt slogans, such as “think locally and act globally” (Lindfelt 2004), but is also often evident among well-educated, cosmopolitan and internationally minded individuals who have direct access to worldwide news media. In addition, one must also note that nation-states provide for the interests of business and society. Indeed, some European states demand obligatory social reporting as part of their corporate law. Global concerns – whether they be individual, national or organizational – become problematic for transnational firms, because they are faced with unfamiliar cultural practices and codes (e.g. Johanson *et al.*, 1999, Niskala & Tarna 2003). Chakravarthy and Perlmutter (1990) argue that the impact of globalization, the IT-boom and a rise in people’s worldwide concerns has made strategic planning much more complicated for individual firms.

To cope with issues, such as cultural diversity, strategic management, corporate image, employee control and a sense of moral business practice, many international firms use a corporate ethics code. Excellent examples of such firms include Shell, Johnson & Johnson, The Body Shop and Nokia. One can also cite other important reasons for adopting a corporate ethics code, such as the need to attract investors and the desire to meet demands from non-governmental organizations, NGOs. A common feature underpinning all these factors is that they have been accentuated by the spread of globalization. This study aims to bring an understanding to bear on the impact of globalization on the use of ethics codes and can be summarized by the following three research questions:

1. How is the use of ethics codes related to globalization?
2. What is the impact of globalization on ethics code usage?
3. In what way can the impact of globalization be seen in the use of ethics codes in Finnish organizations?

One should here note certain limitations applicable to this study. First, it is a qualitative study, based on empirical data gleaned from eleven interviews with organizations in the Finnish marketplace. Secondly, the study is explorative and descriptive in nature, thereby meaning that its aim is not to make generalized

conclusions. Thus, it aims to concentrate on certain cases where the impact of globalization can be discerned on the use of ethics codes. It is not claimed that the proposed impact of globalization is exclusive, rather that there exist a set of connections, which would benefit from further research. Whilst the results given pertain to a Finnish geographical context, the international nature of the organizations in question can be set within a wider, global framework. Thirdly, the theoretical literature base of the study partly follows the stakeholder approach, common in business ethics research. Many references are also partly made to research on industrial networks. Of importance in this study, for example, is the business network approach, which focuses on industrial markets and where the focal firms are business-to-business actors in the forestry industry. Fourthly, the study is contemporary, and the results should be understood in this time-frame perspective.

Key concepts applicable to this chapter, such as ethics, Corporate Social Responsibility (CSR) and sustainable development are not always easily distinguishable. The most frequently cited definition regarding sustainable development is drawn from the Brundtland Report of 1987 by the UN Commission on Environment and Development: "Meeting the needs of the present without compromising the ability of future generations to meet their own needs" (Steger 1998:12). This definition can also be applied to any perspective of business ethics. According to Löhman and Steinholtz (2003), CSR is a concept that has evolved from three ideas: sustainability, corporate accountability and corporate governance. CSR is the most common term used in business, politics, and international institutions. Yet, as a concept, CSR has very narrow boundaries defining the perspective of corporate social responsibility. In this sense business ethics is a wider term, which in addition to social responsibility includes environmental, financial, and sustainable responsibility. This study adopts a broad understanding of ethics, which includes both CSR and sustainable development. Treviño and Nelson (1999:12) define ethics as "the principles, norms, and standards of conduct governing an individual or group", which is the phraseology utilized by other researchers to define morality (Brytting 1998, Beauchamp & Bowie 1979). In this sense, business ethics are seen as the part of ethics applicable to business situations, as opposed to the form of ethics embraced by society in general (e.g. Gaumnitz & Lere 2002:35). The definition given by

Velasquez (2002:1) indicates that business ethics equates to applied ethics: “It is the application of our understanding of what is good and right to that assortment of institutions, technologies, transactions, activities, and pursuits that we call business.”

The concepts ‘stakeholder’ and ‘business network’ form central parts of this study, with a firm being understood as socially embedded. The industrial network theory (INT) views the firm in a set of connected exchange relationships between actors, forming a business network (Johanson & Mattsson 1997:176). Social embeddedness, in turn, means that businesses are interconnected with other actors in the socio-economic environment. Business networks can only be fully understood if one is aware of the social embeddedness of a business (Törnroos 1997, Monge & Fulk 1999, Gulati *et al.*, 2000, Möller & Halinen-Kaila 1999, Welch & Wilkinson 2002, Hadjikhani & Sjögren 1995, Hadjikhani 1996). The term stakeholder is advocated by many business ethics researchers who use the stakeholder approach (e.g. Donaldson & Preston 1995, Mitchell *et al.*, 1997, Rowley 1997, Jones 1995, Näsi 1995, Frooman 1999, Jones & Wicks 1999). Freeman (1984:25) defines the stakeholder as “any group or individual who can affect or is affected by the achievement of the firm’s objectives”. This group includes owners, the financial community, customers, suppliers, employees, unions, competitors, governments, political groups, trade associations, activist groups and management (Näsi 1991, also Ahlstedt 1991, Chonko 1995, Wheeler *et al.*, 2002, Weiss 2003, Rytteri 2002).

Outlined below are ethics codes and the phenomenon of globalization. This is followed by a more in-depth section devoted to the proposed impact of globalization on the use of ethics codes. These are presented by arguing the case of each proposition, after which empirical examples are used to provide a relevant context. Finally, there is a concluding discussion.

Ethics Codes

Some analysts regard profit maximization and growth as the key to success in Western business. Sen (1993) argues, however, that success achieved by nonprofit motives, such as providing jobs or correcting an injustice, is neither a recent nor an unusual phenomenon. Sen also applies this argument to the various

behavioural codes. Thus, according to this viewpoint, codes of conduct have defined legitimate behavior in social, private and business life for centuries. Research shows that most of the largest corporations follow written ethical codes. These codes can be given different names, such as goals, credo, aims, social programs or corporate social responsibility (Dienhart & Curnutt 1998, Gasparski 2000, Brytting 1998). Other titles include codes of value, codes of practice, codes of conduct or codes of compliance (Gaumnitz & Lere 2002). In this study the general term ethics code is used to refer to codes that contain ethical norms. It is important to realize that all codes of conduct are neither good nor ethical (Sen 1991). A code of conduct, therefore, does not automatically equal an ethics code.

The use of ethics codes has been researched from several different perspectives. Their importance within firms has been studied by Arrow (1979), Breshanan (1999) and Huang (2001). Problems arising from the adoption of ethics codes within businesses are addressed by Berenbeim (2000), Sen (1995) and Schwartz (2000). It is also relatively common to study ethics codes with regard to employee behavior (Nijhof & Rietdijk 1999, Somers 2001, Stevens 1999, Wilson 2000, Wotruba *et al.*, 2001). Professional ethics (pertaining to a profession rather than a firm) has likewise received the attention of researchers (Gaumnitz & Lere 2002, Tucker *et al.*, 1999). The function, role and implementation of an ethics code have been studied in various countries (e.g. Brytting 1998, Cleek & Leonard 1998, Fleckstein & Huebsch 1999, Frankel 1989, Dienhart & Curnutt 1998, Gasparski 2000, Gordon & Miyake 2001, Kaptein & Wempe 1998, Stevens 1994). Wotruba *et al.*, (2001) separate the purpose of an ethics code into three categories: to transmit ethical values within a firm, to implement ethical values, and to demonstrate that the firm embraces ethical values. Many of the roles of an ethics code are directly related to the phenomenon of globalization. Research concentrating on the impact that globalization has made on ethics code usage, however, seems not to have been undertaken. Likewise, there has been a tendency in studies of business ethics to focus on consumer markets, rather than on industrial firms.

The Impact of Globalization

What, therefore, is the impact of globalization on the use of ethics codes? Sen (1995:26) identifies a number of global areas in which ethical issues are of particular importance due to changes in the business climate. In these areas, business culture is rapidly changing, bringing new influences and values and implies that this leads to an absence of accepted norms that guide what is considered proper. Consequently, one can judge that business ethics become a challenge for global firms in certain specific regions: a) parts of the Third World where economic development rapidly changes the business environment (see also Johnson & Smith, 1999), b) parts of the Second World where economic reform is most evident, and changes in the business culture are apparent and, c) parts of the First World where relative productivity and the avoidance of corruption become realities for global corporations.

Globalization has brought attempts by the business community, researchers and politicians to shape a mutually conducive business atmosphere. This would be especially useful in the areas that Sen (1995) identifies as particularly challenging. Researchers are seeking a globally applicable ethic, which would include mutual principles and common norms adoptable in various diverse regions. Different terms are used to refer to this global ethic and include: moral minimalism, a hypernorm, transcultural ethics (Treviño & Nelson 1999:300, Brytting 1998:184, Berenbeim 2000, Steiner & Steiner 1997, Bergström 1990:14, Weiss 2003:296). It is apparent that several institutions and actors acknowledge the need for what ethics theorists call discourse ethics. The implication here is that it is not appropriate to rely on social conventions in order to evaluate what determines correct behavior. Instead, problems should be solved through discussion (Brytting 1998). In various associations, groups and organizations, business-minded individuals or groups discuss and subsequently enact codes of conduct with ethical principles. Whilst some of the recommendations are not compulsory for business; others, such as agreements between nation-states, are more binding. In addition, national laws must be considered with regard to ethical principles. A further benchmark for global firms are the ethical codes of competitors and their development within the business sector. Table 1 shows an overview of the pressures faced by global firms when they follow ethics codes on different levels. The table is based on an overview by Niskala and Tarna (2003), who note five

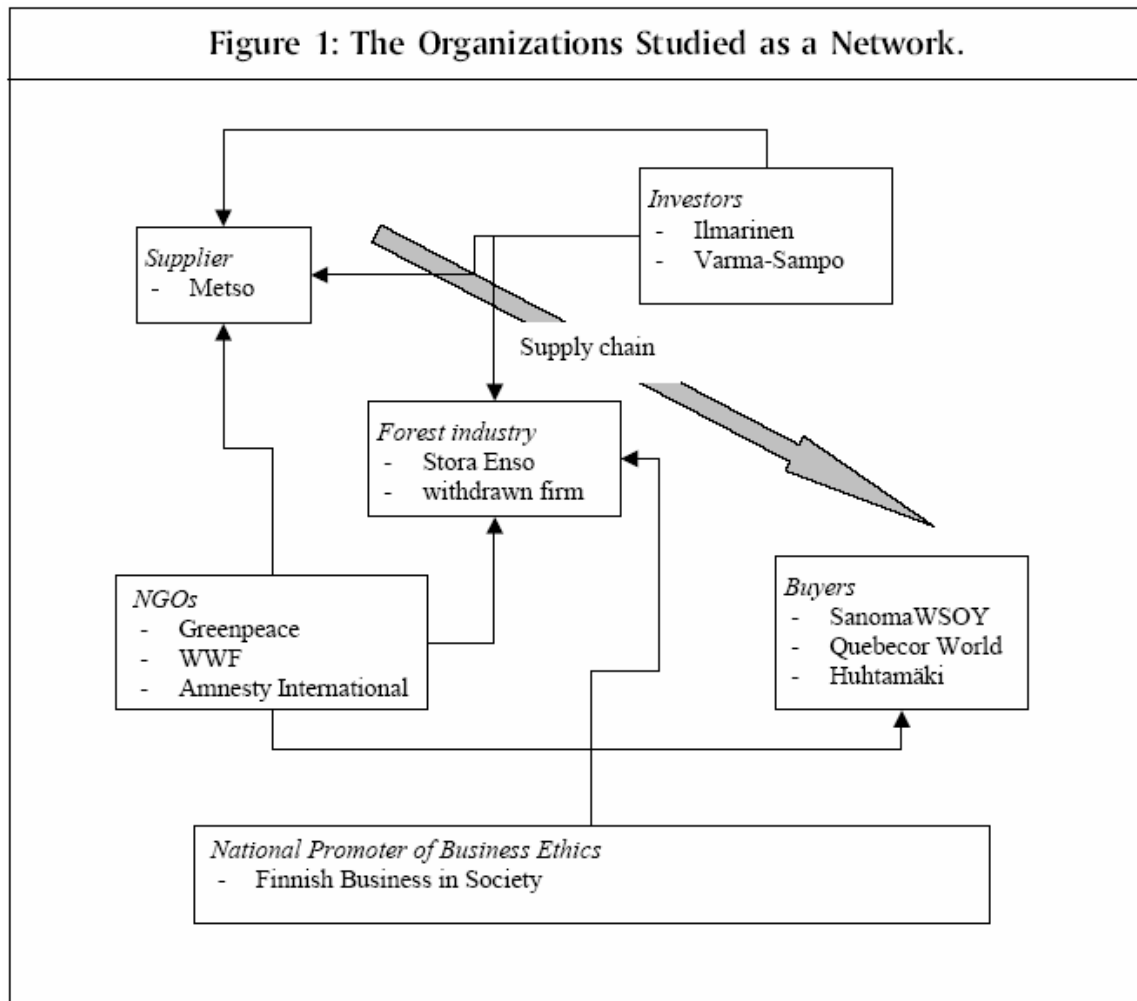
groups of external forces affecting a firm. Other similar, less informative overviews have been carried out by researchers, such as Brytting (1998), Aaltonen & Junkkari (1999), Stükelberger (2002) and Wilson (2000).

Level	Examples	Characteristics
1. National law	Finlands Författningssamling The Constitution of The United States Canada's Constitution Act Costituzione della Repubblica Italiana	Compulsory for national firms.
2. International law and agreements	UN Declaration on Human Rights United Nations Environment Program (UNEP) ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy Summits of sustainable development, e.g. Rio de Janeiro 1992, Johannesburg 2002	Compulsory for registered member states and firms registered.
3. Civil activist groups (NGOs)	WWF (World Wildlife Fund) Greenpeace Finnish Business & Society Amnesty International	Impact on civil opinion. Not compulsory for the firm.
4. Voluntary standards and actions	Caux Round Table International Organization for Standardization (ISO) Social Accountability International UN Global Compact Global Reporting Initiative (GRI, for 1) economic, 2) environmental and 3) social reporting) International Chamber of Commerce (ICC) EU green paper for corporate social responsibility 2001 OECD Guidelines for Multinational Enterprises AA (AccountAbility) 1000S standards for social and stakeholder related accounting ISO (International Organization for Standardization) 14000 Europe an EMAS (Eco-Management and Audit Scheme) standards for environmental management and SA (Social Accountability) 8000 standard for labor rights The Dow Jones Sustainability Index (social responsibility criteria) FTSE4Good Index (criteria linked to environmental sustainability, stakeholder relations and support for human rights)	Voluntary membership for firms
5. Impact on competitor's behavior or ethics codes	Competitors' ethics codes, for instance Kesko Nokia The Body Shop	Not legally binding for the firm

Method

In order to understand different aspects of ethics code usage, a study was undertaken on a number of different business-related organizations in Finland. Figure 1 illustrates how these organizations are connected via a network of buyers, suppliers, NGOs and a national association for the focal firms in the forestry industry. The large arrow indicates the direction of the supply chain and the smaller arrows indicate the direction of the main impact or pressure between the network actors.

Finland is suitable for this study because environmental issues have been addressed for the past ten to twenty years, whereas social issues only began to be noted in the late 1990s and at the beginning of this century (Lindfelt 2004, Rytteri 2002). According to Finnish Business & Society, transnational companies in Finland have already met the requirements for ethical sustainability. The first such companies commenced this process in 1998-99. The main spur in this process was (and still is) a growing demand for ethical sustainability from global clients, customers and investors, says Project Manager Sirpa Juutila (Finnish Business & Society 31.10.2003). At present, Finland is in a state of transition, in which ethics codes are rapidly being adopted by international firms. Whereas this does not entail that ethical values are new to the region, one can state that the process of officially adopting a written code is a new trend. Aaltonen & Junkkari (1999) have analyzed Finland from an ethics perspective and claim that it is not a country where there has been a comprehensive discussion of business ethics. Indeed, they argue that it lies far behind Sweden, England, the USA, Canada and Australia, who are at the forefront of issues relating to ethical concerns in business life. The first years of the new millennium have seen this topic raised at several conferences, seminars and political meetings in Finland. The following quote was made by the Finnish Foreign Trade Minister in 2001 at a meeting arranged by the Finnish Ethical Forum. One should note the emphasis placed on the need for moral accountability among firms in order to maximize economic gain:



“Global firms who want to protect their own reputation find it essential to keep their moral norms high. This is important not only in domestic markets, but also in all international operations, including developing countries where moral norms are clearly lower than in industrial countries. When the Western consumers form their perception of global firms, they judge not only corporate behavioral ideas in the home country, but also evaluate the global corporate operations. These operations thus influence how consumers look at a firm and its brands and consequently have impact on consumers’ buying behavior and as a result on firms’ success.” (Kimmo Sasi 14.6.2001)

This quotation provides a good illustration of the heated debate present in Finland in recent years surrounding globalization, *vis-à-vis* the issue of morality within the business arena. The transitional phase in which Finland business

concerns find themselves make it an interesting country in which to study the impact of globalization on ethics codes. As the adoption of ethics code is a recent phenomenon among Finnish businesses, one expects to see clear examples *vis-à-vis* the proposed impacts. It can be expected that because of this state of transition, one will be able to find research results that are informative both for nations in the same phase and for nations yet to experience this transition stage. The empirical data was qualitatively collected in eleven interviews of approximately one-hour duration. A twelfth interview was originally also made with an industrial firm, who withdrew from participation in the research in the last minute, referring to issues of confidentiality, sensitivity and legitimacy. This shows that access is sometimes problematic in researching issues of business ethics. Of the eleven interviews, three were with NGOs (Greenpeace, Amnesty International, World Wildlife Fund WWF), one with an association engaged in business ethics (Finnish Business & Society), two with business financiers (Ilmarinen, Varma-Sampo), three with global firms that have ethics codes (Stora Enso, Metso, Huhtamäki) and two with firms with no ethics codes, who are nevertheless heavily engaged in business relationships with firms who emphasize corporate ethics codes (Quebecor World Nordic, SanomaWSOY). The interviews focused on the use of ethics codes and issues surrounding the future of globalization and competition. More details on these interviews can be found in a thorough report by Lindfelt (2004). In performing and analyzing the interviews, focus is linked to the concept of *verstehen*, whereby the basic premise is to understand – by means of a qualitative study (Alasuutari 1995, Alvesson & Sköldbberg 1994, Solvang & Holme 1991, Bryman 1989, Yin 1994, Ragin 1992) – the impact of globalization upon corporate ethics codes. The data was therefore chosen with care and the organizations are interconnected. Accessibility was a prime motive when choosing an organization, and therefore data is rich and descriptions are in places lengthy.

This study adopts the abductive method developed by Alvesson & Sköldbberg (1994), in which a case is understood using a hypothetically reigning pattern. An understanding of the case is later affirmed by new observations (cases). This method is a combination of empirically driven induction and theoretically driven deduction. The case in point here is the impact of globalization on ethics codes. An initial understanding of the case was achieved in a study comprising five of

these organizations (Lindfelt 2004). This study reported three global implications for ethics code usage, related to value pluralism, codes as empowering tools in large firms and enormous business networks. The extension of empirical data and further research has produced three additional linkages between globalization and corporate ethics codes, relating to social constructivism, NGOs and competition. In all, the theoretical study in combination with the empirical study illustrates six relations or impacts posed by globalization on ethics code usage:

1. Value pluralism
2. Socially constructed multiple realities
3. Codes as tools of empowerment in large firms
4. Enormous business networks
5. Contractualism and NGOs
6. Competitive advantage.

Six Propositions with Empirical Examples

Each proposed impact is presented below, firstly in a theoretical manner, followed by empirical data from interviews with the eleven organizations. The empirical data serves to give an understanding to and support the argument which is brought up in each proposition.

Value Pluralism

The growing globalization of markets and firms has resulted in business ethics becoming more concerned with value pluralism. Value pluralism evolves as a result of business encounters in foreign countries and therefore increased contact with new cultures and traditions. Ethical questions are closely tied to culture and what is considered acceptable in one location is not necessarily so in another continent or even a neighboring country. Different values among certain sets of actors are often referred to as incidences of value pluralism. This pluralism can easily develop into a conflict of values when they vary across markets (e.g. Håkansson & Johanson 2001, Pearson 1995, Sen 1995). In order to sustain a

global concern across markets and countries a business tends to lean on different ethical principles, which become a way of handling value pluralism and conflict (e.g. Steiner & Steiner 1997, Brytting 1998, Laczniak & Murphy 1993). A firm aggregates interests, views, judgments and preferences from a variety of stakeholder groups into a unified ethics code (Sen 1986, Hausman & McPherson 1993). North (1998) claims, that social values also play an important role in the success of various forms of business. Research shows that ethics codes are a way to implement and transmit common values throughout a firm in order to achieve cultural homogeneity (Wotruba *et al.*, 2001, Cleek & Leonard 1998, Kaptein & Wempe 1998). This is not possible externally because it is not possible for firms to be culturally homogeneous with all their business partners. An expanding degree of globalization makes this challenge ever more compelling, as several studies show (see e.g. Håkansson & Johanson 2001:1, Johanson *et al.*, 1999, Törnroos & Möller 1993, Pearson 1995:39, Näsi 1995, Jones and Wicks 1999).

Thus, value pluralism and value conflict often appear in international business literature as notions of cultural impact on business. Sinclair (1993), for example, perceives a culturally related risk when using an ethics code. She contends that cultural plurality is a value in itself, and therefore an ethics code can be problematic if it only accepts one way of doing things. She warns against cultural imperialism and proposes that a theoretical approach towards discourse ethics should be the ideal for maintaining subcultures. Discourse ethics implies that value systems are breaking down and it is not to take for granted what kind of morality it is that is present in everyday life. Therefore, instead of ethical principles, what is needed is an ongoing discussion regarding how to solve individual problems. According to this standpoint, it is not constructive to rely on social conventions in order to discern the correct way to behave. A preferable method is to solve problems by way of argumentation and discussion. Karl-Otto Apel and Jürgen Habermas are well known thinkers who have championed this approach (Brytting 1998). Thus, Sinclair (1993) and other discourse ethicists disagree with those advocating the institutionalization of ethics codes, such as Johnson and Smith (1999), Tucker *et al.*, (1999) and Wotruba *et al.*, (2001). Network researchers, such as Gulati *et al.*, (2000) and Sandström (1992), claim that common values appearing in the form of mutual norms or institutionalized rules strengthen business relationships. Quite oppositely, cultural

misunderstandings can become complications in the same.

What can be seen is that a large part of this literature assesses ethical values through a cultural medium. Hofstede (1999:381) defines culture as “the collective programming of the mind which distinguishes the members of one category of people from another”. This can refer to people from different countries, regions or ethnic groups, but also to groups of people employed in a firm. Gustafsson (1991) adds to Hofstede’s definition by pointing out that culture is environmentally determined rather than genetically:

“Culture is as such a complex and elusive phenomenon, a kind of generalized space of values, ideas, habits, expectations, tradition, artifacts and techniques. Culture forms behavioral regularities and patterns which are not genetically determined” (Gustafsson 1991:82)

Researchers use different terms to describe culturally related and potentially difficult situations for international firms: value pluralism, cultural distance, psychic distance, and value conflict (Sandström 1992, Treviño & Nelson 1999, Foster 1997). Sandström’s (1992) research shows that a successfully functioning business relationship is characterized by mutual routines and rules, often a result of common historical experience. Occasionally, norms and mutual values take the form of unspoken and unwritten agreements. Törnroos (1997) tackles the same issue, arguing that an exchange between business actors takes place in a social setting, which forms part of the embeddedness of a firm. On the other hand, Williamson (1975) perceives an emotional setting for a business relationship. He calls this an atmosphere which emerges as a result of interaction within the relationship, characterized by feelings, values and attitudes. This often becomes an internal culture fostered by the actors in the interaction. Hofstede’s (1994) definition of culture – with Gustafsson’s (1991) addition of learning – seems to offer a wider and more general description of culture similar to Sandström’s cultural distance (1992), Törnroos’ (1997) social setting and Williamson’s (1975) atmosphere. Firms have their own particular cultures and cultural distance occurs both between and within firms. Such cultural distance is accentuated in global business by regional offices, local production and outsourced operations. Subsequently, firms are faced with cultural pluralism, conflict and distance.

Coping with diverse local cultures is a further aspect of globalization facing

international firms. On the one hand, these firms are often subject to suspicion by host governments and local residents who envy their contribution in terms of space, money, respect and the workforce. On the other hand, however, they are often culturally respected if they abide by local customs (Laczniak & Murphy 1993, Chonko 1995). Ahlstedt (1991:138) describes this dilemma using the stakeholder approach, where the firm is:

“...a fragile institution continually subject to revision as stakeholders come and go. Accordingly strategy is an uncertain dynamic process of juggling diverse and conflicting stakeholder relationships that make up the corporation. The stakeholder framework translates a basic assumption about environmental complexity into a detailed analysis of many interrelated stakeholder relationships”.

A first proposition of the theoretical advancement in this article claims that globalization has an impact on ethics code usage because:

- Value depends closely on culture and the process of globalization brings cultural conflicts.
- The stakeholders or business partners of a firm can be culturally distant, which brings value plurality into the corporate management of a firm
- Firms must balance different values: a) local indigenous culture, b) internal company culture, and c) trans-company culture.

* * *

Examples from the empirical data regarding value pluralism are as follows:

Stora Enso views business practice as one of its single largest challenges, as it is too complex to be regulated by a global norm:

“We also operate in the markets that are really different from the Nordic culture and the Nordic values. They are not maybe the worst ones, but they are still a lot of problems – all kind of what is still acceptable, what you accept in this area, so how you balance kind of your need to be in presence somewhere with kind of your principles, because one company doesn’t change a society over night and you also need kind of support from the governments and so forth, so I would say that that’s a very difficult area for all the companies, or the global companies

so...Where to draw the line?" (Manager of Corporate Social Responsibility Kaisa Tarna in an interview from 1.7.2003).

Another challenge for Stora Enso is community involvement and responsibility, necessitated by the fact that the local populations in many of the mill sites are dependent on the employment opportunities they provide. Another challenge for the forestry industry, as with other natural resource industries, are conflicts arising from ownership issues. Stora Enso is also faced with the ethical challenge stemming from the complex management of the global supply chain. This is especially the case where national differences are extensive in areas such as living standards, work ethics, human rights and child labor. Stora Enso noted that it has seen an increase in the global importance of diversity. Furthermore, freedom of association is a problem that appears in the interview with Stora Enso, based on the fact that the firm operates in countries where there are no independent trade unions. At Stora Enso this problem has been overcome by guaranteeing employees the right of common and open dialogue with their employers, "so that they can use their kind of collective power/.../ that's the key issue", explains Manager of CSR Kaisa Tarna. (Stora Enso 1.7.2003)

An interesting perspective is adopted by Huhtamäki – a customer of Stora Enso – which incorporates a company into a wider societal environment and takes heed of the opinion of the general public: "We, as a company, operate of course as part of the society and of course the values and the drivers of within the society impacts on us as a company. So it is based on that kind of external related issues as well as internal interest, to make sure that we have these issues in order." (Huhtamäki 31.10.2003)

Quebecor World Nordic is a large buyer of Stora Enso forestry products. A notable feature of the interview carried out with its Commercial Director, Jaakko Nyman, was that he had never heard of the suppliers' ethics codes or CSR principles, despite the fact that Quebecor World Nordic had been a customer of both Stora Enso for a considerable time. He commented that the times are tough and this makes business very competitive: "soft issues are not very popular at that point/.../unfortunately I haven't found a single case that the customer is willing to pay more". Nyman explained that there is no need for ethic codes because Stora Enso and other producers they buy from, as well as Quebecor World Nordic, is located in Finland. Nyman claimed on October 31, 2003 that it would be another matter if these companies were located in different parts of the world:

"Finns usually trust each other and Finns are very honest, compared to other countries. And of course when the paper is made in Finland, we know that there is a certain level of things that

you really have to do and the whole atmosphere takes care of that that everything goes towards the right direction. That's also that we don't need them to inform all the time that they are doing because we can read it, we can hear it and we can see it."

In stating this Nyman is arguing that a firm adjusts to the local culture where they operate, and furthermore that in his industrial sector ethics codes are not perceived as a Finnish way of conducting business. (Quebecor World Nordic 31.10.2003)

Varma-Sampo is of the opinion that local culture determines how firms act in different regions. "We see that if an investment is in a Chinese firm, then this firm should adhere to Chinese demands, and not to Finnish", stated Petri Kuusisto, the Director of Investments (Varma-Sampo...19.9.2003). Thus, Varma-Sampo is a proponent of cultural pluralism rather than practising a global ethic.

The case is different with Metso, which regards itself as a global firm in all areas of its output. As a consequence of this, they are faced with a dilemma regarding issues that must be relatively open and generalized from an ethical point of view in order to incorporate diverse cultural values. The Vice President of Metso, Jukka Seppälä thinks that the concept of an ethics code in the European business environment reflects clear American influence: "Everything that relates to the actions of listed companies, is getting globalized and very much dictated by the Americans". (Metso 26.8.2003) Stora Enso also attested that US influence on business ethics is considerable in Europe (Stora Enso 1.7.2003).

Finnish Business & Society is a body for Finnish business promoting ethical issues in Finland, and is also part of the CSR Europe network and receives funding from the European Commission. The Project Manager, Sirpa Juutila explains that Finnish Business & Society has a niche, providing ethical guidelines with a global perspective. Finnish Business & Society, nevertheless, also concentrates on the specific context of Finnish business life. (Finnish Business & Society 31.10.2003)

Socially Constructed Multiple Realities

Sen (1999) argues that the powerful system of mutual partnership and trust when exchanging products and services depends upon a common set of values and norms. It has already been stated in this chapter that value pluralism can make business relationships complex in global business settings. The problematic nature of value plurality has also been criticized by a number of philosophers and

researchers, including Hausman and McPherson (1993), who have been skeptical of holding an objective stance when defining value. They argue that value is a subjective phenomenon, not only for individuals but also for companies. This is similar to the concept of social constructivism, forwarded by Björkdahl (2002), Burrell and Morgan (2000) and Checkel (2004), in which an individual shapes its own view of the world based on individual perspectives. This perspective implies a notable challenge for a global firm under pressure to develop an ethics code with a common set of values. Corporate values, however, may also be interpreted subjectively. Indeed, according to social constructivists, every individual can have a different view of the world and a unique understanding of reality. Consequently, a firm can communicate its values in an ethics code thereby creating an image regarding its ethical profile for its various stakeholders. There is the possibility, however, that individual stakeholder value perceptions of ethic codes may differ considerably from those of the corporate management who launched them. The same issue can be seen from multiple viewpoints and can be judged in phenomenological terms as the existence of multiple realities (Fetterman 1989). Globalization therefore brings greater challenges for ethics codes, which have to contend with varying social constructions among worldwide stakeholders. A possible problem arising from this is that a firm can be accused of not living up to its ethical commitments stated in the code. It is entirely possible, however, that a firm will dispute a claim that it has strayed from its stated ethics code and conducted itself inappropriately. A scenario such as this poses the risk of producing a scandal at the expense of the firm.

A second proposition claims that globalization has an impact on ethics code usage, because it enhances the likelihood that socially constructed multiple realities exist. This can become a challenge for those interpreting ethical values and codes across global business operations and markets.

* * *

Examples from empirical data on the topic of socially constructed multiple realities are as follows:

Multiple realities imply that different people understand the word “ethics” in different senses. Many of the organizations interviewed in this study were reluctant to use the concept of ethics simply because of the fact that it has a myriad of different meanings.

From the interviews it seems that ethics – as it is used in Western Europe – is more often than not identified with individual values, rather than with organizational values. Instead of ethics, Stora Enso prefers the term “corporate sustainability”, which the Stora Enso Manager of Corporate Social Responsibility Kaisa Tarna argued is mostly used in Europe. (Stora Enso 1.7.2003)

Ilmarinen also feels that the word “ethics” is difficult, as their Chief Investment Officer Jussi Laitinen states: “That what is ethical in this location is experienced in a different way in another location. Because our norms here deviate from norms in other regions, we use the term socially responsible investing/.../It is extremely difficult to say where the line is drawn for what is ethical and what is not.” At Ilmarinen, the benchmark for ethical values is the UN Declaration of Human Rights. Ilmarinen invests in funds and firms across the globe and it has relied on a consulting company to screen firms according to what they call “Global Ethical Standards”. In addition to providing a so-called “exclusion list” of firms who have violated different ethical standards, more importantly it also vets companies according to the UN Declaration of Human Rights. This procedure has led Ilmarinen to avoid investment in certain global firms. It has become a form of risk management at Ilmarinen to adhere to an SRI (Socially Responsible Investing) procedure, with the active campaigns of Greenpeace proving to be a catalyst in this process. Accordingly, Ilmarinen has had difficulty in creating its own independent list of values, relying on the UN global document. (Ilmarinen 19.9.2003)

It is company policy at Metso to abide by local customs in areas such as bribery, hosting events and gifts. This sentiment is reflected by Jukka Seppälä, the Vice President of Public Relations and Trade Policy at Metso, who states: “The head office, located far away, doesn’t know the proper value of things.” As a global concern, Metso has 30,000 employees in 50 countries and therefore one must also take into account the enormous linguistic challenge necessary to ensure each employee not only reads the ethical principles, but as Jukka Seppälä also states, they must “understand what we want them to understand”. Metso also aims to simplify its ethical principles as much as possible so as to not “include all the problems of the world”. (Metso 26.8.2003)

In turn, Huhtamäki feels that it would be “from a company perspective a catastrophe to have suppliers whose value bases are completely different value base than the ones we are trying to promote in the market”(Karri Koskela, Group Quality and Environmental Manager). Huhtamäki monitors its suppliers regarding their ethics codes or related statements, but states it cannot always know how the practical implementation of an ethics code is functioning. Huhtamäki itself was consolidated from over 150 companies in 1995-2003 and is developing

its own ethics code and communicating it to every employee. The Chairman of the Working Committee on Corporate Responsibility states that "it is important to explain what the values mean". (Huhtamäki 31.10.2003)

One example of multiple realities is shown when asking for an example of good ethical practice. Many firms, such as Metso, regard it as sound ethical practice to donate money to good causes, such as building schools in poor regions, or sponsoring developing countries in certain procedures. However, other organizations, such as Greenpeace and Amnesty International, see this as "green wash".

A final example of multiple realities comes from Amnesty International. Director Frank Johanson claims it sees the global economy differently than most global businesses:

"...what we try to tell the businesses is that they would profit from listening to us, because if they don't, then market economy will have no future. What we are in fact doing is some kind of reform program of social democracy that aims at saving market economy from a total collapse. If firms don't take more ethical responsibility, then the existing conflicts, demonstrations, protests against close-downs of factories, against all the political agenda on trade, these conflicts will grow enormously and it is in the interest of the firms to do something, before it is too late." (Director Frank Johansson, Amnesty International 19.9.2003)

Codes as Tools of Empowerment in Large Firms

Other developments arising from globalization are mergers, acquisitions and the growth of individual firms. This leads to an increasing distance between managers within a firm. Managers are not only located around the world, but they are also found in larger numbers and possibly on several different levels in each location. It is therefore impossible for managers – let alone for workers – to know each other, and consequently be able to predict behavior or to trust that a value means the same thing for each employee (see also Stevens 1999, Somers 2001). Likewise, any kind of truly democratic discussion process is difficult in firms with tens of thousands of employees. Thus, in order to create a common corporate culture, it is inevitable that values are largely imposed by relatively few upon the large mass of employees. This is carried out by a top-down procedure (Gaumnitz & Lere 2002, Cleek & Leonard 1998, Frankel 1989). Industry-specific or company-specific codes can serve significant purposes claims Pearson (1995:158). Furthermore, Pearson (1995) claims that such a practice establishes

an organization's culture and is manageable. In many firms an ethics code must be read and signed by employees and managers to show that they have understood the ethical conduct expected when at work. In this regard, ethics becomes a matter of power. Not all researchers agree with Pearson (1995) on this point. One critic is Schwartz (2000), who sees problems with a top driven code of ethics. He argues that management may use an ethics code as a tool for control in the firm. He calls this behavior "paternalism" and writes that it is not "commensurate with contemporary, post-industrial, pluralistic societies" (Schwartz 2000:175).

A third proposition claims that globalization has an impact on ethics code usage because global firms become very large; whereby an ethics code turns into a useful tool for managing control and exerting power over the employees of the firm.

* * *

Examples from the empirical data on the topic of ethics codes as empowering tools are as follows:

Metso came into being after the merger of Valmet and Rauma and later acquired Svedala. These three firms each had approximately 10 000 employees. As Vice President Jukka Seppälä explains:

"So, because we are a listed company and because we were a new set-up since 1999, and actually in 2001 it became very obvious for everybody this feeling that now that we are composed of very different parts and we are now creating something that is Metso culture and Metso policy, so obviously we will have to do something to show that we have the interest to create this culture and thinking. And because all these companies had very different their own cultures, so, we saw that we had to make some statements that really unified the company. And one of these was really the ethical principles issue because for example when we acquired Svedala; Svedala had big workshops in Brazil. It was easy to understand that the people on the floor shop in Brazil had no idea about Metso's ethical principles or ideas if we don't tell them what we want to be. So we realized that we will have to be active from our side from the head office to make these policies clear."

Metso claims that it does not want to implement top-down principle, preferring to rely on feedback from the operational business. Also, their ethical principles are part of their risk abatement. (Metso 26.8.2003)

Kaisa Tarna, Manager of Corporate Social Responsibility at Stora Enso, thinks the importance of ethical issues will grow, “especially within the global companies – this is an issue you have to take care of if you want to stay in the business in the long run.”(Stora Enso 1.7.2003)

Karri Koskela, Group Quality and Environmental Manager, claims that the values of the Huhtamäki code of conduct have existed for a long time (Huhtamäki 31.10.2003). The same was confirmed by Stora Enso (1.7.2003) and Metso (26.8.2003). Despite this fact, they both bear witness to the difficulty of introducing and transmitting these values to every employee. Thus, one can expect that not all employees are embracing the ‘right’ type of values, which is why there is a power perspective which appears when values are implemented from the top-down.

Enormous Business Networks

In recent years, there has been an exponential development of large-sized firms and huge business networks (Pearson 1995). Some researchers argue that with the development of globalization, distances almost disappear (e.g. Törnroos 2002, Niskala & Tarna 2003). With the advent of modern communication technology, this has become an indisputable fact. From a certain perspective, however, one can argue that distances become even larger with globalization. This is especially so when considering the external distance found between global business actors in different firms. Global operations and partnerships across worldwide markets make features, such as familiarity, trust, loyalty and common history evaporate. Insecurity leads to contractual agreements, in which ethics codes or principles play a role. This feature is somewhat paradoxical, as an ethical statement can never cover all aspects of trust, loyalty or honesty. In spite of this, an ethics code can give unfamiliar business partners a sense of security. It can be expected, however, that business partners who have a common history and who have built up their social capital throughout the years, will view ethics codes with a certain degree of skepticism. The growing size of firms and their business networks have created a large external distance where traditional trust no longer exists. This emptiness has in many places been filled with different value statements and ethics codes.

A fourth proposition claims that globalization has an impact on ethics code usage because enormous business networks force the issue of trust between

partners to be codified in a type of ethical statement.

* * *

Examples from the empirical data on the topic of enormous business networks are as follows:

New business partners far away, for example in Brazil, together with conscious German buyers and worldwide end product users, have been some of the main drivers behind the adoption of ethics codes at Stora Enso. This brought about huge challenges and the ensuing bad publicity almost created scandals not only for Stora Enso, but for other competitors in the market as well. This has led to a serious attitude towards ethics issues among the forestry firms. In addition to Stora Enso, Metso also acknowledges that its huge chain of suppliers makes it a necessity to have ethical principles to lean on. It claims to have 70,000 suppliers, an amount that is difficult to monitor. This may be the case, but every supplier – with all three firms – is, according to held interviews, asked to provide information on their ethical principles. Stora Enso even has a chain of custody, which enables the firm to know the origin of every log of wood. The supplier database includes questions on environmental issues, CSR, and aspects of health and safety. Stora Enso has such a supplier database for the purpose of auditing and monitoring their suppliers. The chain also continues to function with customers. Metso goes as far as to say that it would be impossible for a global stock listed company of their size not to have ethics principles. It has been important for Stora Enso and Metso to have ethical principles in order to answer questions from analysts and investors. Socially responsible investors and pension funds favor companies that are included in indexes of ethical sustainability. (Stora Enso 1.7.2003, Metso 26.8.2003)

Huhtamäki – a buyer to Stora Enso – confirms that ethics codes play an important role in their business relationship with paper suppliers. Stora Enso is the single biggest supplier of cup stock material to Huhtamäki in their European operation. This means that the two partners have a long business history. In addition, Huhtamäki works on joint projects with customers on the evaluation of sustainable development and ethics related issues in their common supply chain. End customers and the general public also observe Huhtamäki and evaluate their products and operations. To secure ethical sustainability, Huhtamäki claims that their code of conduct is issued with every contract they sign. (Huhtamäki 31.10.2003)

An example of a situation when it has been awkward to have an ethics codes, due to an already established long-term relationship between business partners, is shown in the following case, concerning media group SanomaWSOY, in which the impacts of globalization are evident. This important customer of Stora Enso did not know of the supplier's ethical principles. This

does not mean, however, that ethical questions have not been an issue for SanomaWSOY. On the contrary, there has recently been a discussion on ethical sustainability that included Stora Enso, Greenpeace and SanomaWSOY. SanomaWSOY received the right to print Harry Potter in translated versions in Finland and used Stora Enso as its paper suppliers. J. K. Rowling, the author of the Harry Potter series, however, refused to allow her books to be printed on environmentally unsustainable paper. (SanomaWSOY 30.10.2003) Furthermore, Greenpeace campaigned against the alleged use of ancient forests in Finland by Stora Enso for paper production. (Greenpeace 5.9.2003) Consequently, as SanomaWSOY largely use Stora Enso products, they were asked to clarify the paper they used by the British printing with overall rights over Rowling's work. SanomaWSOY entrusted this explanation and clarification to its suppliers in the forestry industry, which included among others Stora Enso. SanomaWSOY did not suspect any dubious behavior by its partners in the forestry industry and sided with them in the dispute with Greenpeace and Rowling. (SanomaWSOY 30.10.2003) They felt that no ethics code was needed in order to create a trusting business relationship. When the Purchasing Director, Erik Puotila, explained his and the company's views on moral issues and ethical behavior, he emphasized that SanomaWSOY takes care of its own operations and issues of ethical sustainability within these. Similarly, SanomaWSOY takes for granted that its suppliers do the same. According to Puotila, SanomaWSOY does not need to be concerned with the ethical sustainability of its suppliers, because this is not any of SanomaWSOY's responsibility. (SanomaWSOY 30.10.2003) As Erik Puotila states:

"These are big questions, but the companies are also big and they take their global responsibility, that's the case that each one takes its own responsibility/.../ and we are part of the chain between the forest and the final novel reader or the pupils or a mother reading her Svensk Dam, whatever."

Contractualism & NGOs

Steger (1998) argues that the current situation is impossible for global corporations. First, he states that a board of directors is bound by law to protect the interests of the corporation. Secondly, a corporation is limited to existing technical, legal and institutional requirements. Thirdly, a single corporation cannot possibly solve all global problems. Fourthly, he echoes Sinclair's sentiment (1993) that there are no global ethics that can guide transnational firms, although there are frequently new ethical postulates proposed by different

institutions. Finally, Steger (1998) sees problems in the voluntary nature of a firm embracing an ethics code. This code is not legally binding, making the code weak in character.

In what way, therefore, should a firm define internal and external corporate values that are deemed morally correct? Which values should a firm include in its ethics code? Hausman and McPherson (1993) use the term “contractualism” to define the way in which corporate morality reflects accepted agreements or norms of society, and conclude that there are two ways of achieving this state. They base the first way on the philosophical principles of Hobbes and Hume, and the second on Kant and Rousseau. Thus, the first way involves a firm seeking strategic self-interest, and rationally bargains with partners or customers. This eventually also ends up with a mutually acceptable advantage for the winning firm(s) regarding ethical behavior. This is premised on the theory that competition eliminates the least desirable companies. The ideal values reflecting the needs and desires of society are in this sense selected on an evolutionary basis (Sen 1999). When a firm adopts an ethics codes with the purpose of creating competitive advantage, its reasoning reflects this philosophical way of thinking.

The second way to reach contractualism, according to Hausman & McPherson (1993), is to ensure that each actor aims to autonomously reach common principle goals. In this case, it is premised that common principles either already exist in society or must be created by an institution, such as the UN or ILO (see Table 1). In this type of contractualism, an ethics code does not bring about a competitive advantage. Some businesses create a mixture of these two approaches to contractualism by designing their own ethics code, which is based on one of the initiatives for a global ethic. Common to both approaches, and also to the mixed type, is the inclusion of a wish to be accepted in the eyes of the environment.

Non-governmental organizations (NGOs) play an important part in expressing, guarding and promoting norms accepted by society. Civil activist groups and NGOs, such as WWF, Greenpeace and Amnesty International, raise moral issues in areas like the environment, wildlife and human rights. NGOs often cooperate and enter into partnerships with global firms, but at times also pressure firms into raising their level of ethical behavior. Many NGOs are also global, which gives them a strong societal voice.

A fifth proposition claims that globalization has an impact on ethics code usage because of the fact that globalization in post-industrial society has brought about contractualism, institutionally set norms and ethics as important features of market competition. This leads firms to officially aim at taking an ethically sustainable stand – often through ethics codes.

* * *

Examples from the empirical data on the topic of contractualism and NGOs are as follows:

Stora Enso is one of the forerunners in Finnish industry on this topic. In recent years, many other companies have followed suit for ethical reasons. Greenpeace sees a clear connection between internationalization, increased competition, and mergers within the forestry industry on one hand, and a more open attitude towards ethical issues on the other. The reasoning behind this explanation can be found in the level of ethical demands made by Central European customers. "It is a must in every international, competitive firm", proclaims Mikael Sjövall, a press officer/fund raiser for Greenpeace. In the interview with Greenpeace, it also became evident that Greenpeace is neither against the market economy nor multinationals. It does, however have uncompromising demands and Sjövall states that Greenpeace "can consider passionate love affairs" with multinationals "but no marriage". (Greenpeace 5.9.2003)

The World Wildlife Fund (WWF) has a different approach, co-operating with firms on joint projects and also receiving part of its funding from businesses, such as Stora Enso and Metso. WWF also considers it impossible for global business to be devoid of ethics principles, because of NGOs, customers and market competition. (WWF 5.9.2003)

Amnesty International, a third NGO, has been involved in lengthy discussions with Stora Enso and Metso regarding their ethical principles. These two firms - in addition to a number of other global firms who have been in contact with Amnesty International – both refer to the UN Declaration of Human Rights in their ethical principles. Amnesty International regards this as a direct result of their pressure. Global ownership unequivocally brings global concern, according to Frank Johansson, the Director of Amnesty International. Furthermore, international analysts increasingly pose questions pertaining to ethical issues. According to Frank Johansson, global investors are a more important factor than NGO pressure and represent the primary catalyst for ethical development. Amnesty International also cites that global firms inevitably become involved in incidents of an ethical character when conducting business with the Third World. Such incidents reveal to global firms that they need to have principles on ethical issues.

This experience also rapidly makes global businesses experts on possible scandals, because many of them put enormous resources into securing the ethical side of the business. (Amnesty International 19.9.2003)

NGOs and ethically aware investors are very much the drivers behind ethical principles at Stora Enso and Metso (Stora Enso 1.7.2003, Metso 26.8.2003). Ilmarinen Mutual Pension Insurance Company is a notable investor in Stora Enso. At Stora Enso the process regarding their CSR Principles began after a crisis with German NGOs in the mid1990s. At this time, Greenpeace in Germany started heavily campaigning against the Finnish forest industry, and were in direct contact with their sizeable customers in Germany. Whilst the environmental issues had been important for some ten years already, social aspects also came to the fore. (Stora Enso 1.7.2003) Greenpeace confirmed that some pressure had been exerted; Stora Enso had been open to dialogue. Mikael Sjövall at Greenpeace simply remarked that, “money talks” In this respect Greenpeace also stated its so-called “Corporate Crimes Report”, which analyzes environmental crimes in different sectors from a global perspective. It was launched in Johannesburg, in 2002 and includes a chapter on Stora Enso. Subsequently, cooperation has been much better between the two parties. (Greenpeace 5.9.2003) A more recent critique of Stora Enso from NGOs has been that it has chosen its partners badly. The extent of NGO influence has ensured that Stora Enso takes CSR issues seriously. At the moment it would be impossible for Stora Enso not to have an ethics code, claims Kaisa Tarna, the company’s Manager of Corporate Social Responsibility. This is no longer only due to NGOs, but also to other stakeholders, such as investors, customers, and partners, who have shown concern for ethical issues. (Stora Enso 1.7.2003)

Greenpeace is known for its uncompromising stance and makes use of so-called “cyber action alerts”. This means that on its web page Greenpeace encourages global cyber activists (there are allegedly 100 000 worldwide) to e-mail a certain specified firm in order to exert pressure vis-à-vis an unwanted operation or behavior. Cyber action alerts have been issued against Metso because of its acquisition of ancient forests

– an operation not approved by Greenpeace. As a result, Greenpeace claim Metso’s server was blocked; an effective action (in the eyes of Greenpeace) which made their voice heard. Greenpeace uses its global power, which includes approximately 550,000 members in Germany and 750,000 members in the Netherlands, to counter the actions of international firms. (Greenpeace 5.9.2003)

When reviewing what was said in the interviews with Metso and Stora Enso, it is evident

that they rely on the type of contractualism whereby ethical norms become part of a planned strategy to survive fierce market competition. These firms, however, also rely on set institutional norms as a guideline in their ethics codes.

The investor Varma-Sampo claims it relies on SRI (socially responsible investing). It is reluctant to divulge a great deal, however, regarding its ethical issues with other firms. It is interesting to note that it is more attentive towards firms in other countries than in Finland. It feels that the law in Finland sufficiently regulates environmental and labour rights. In this respect, Varma-Sampo is similar to SanomaWSOY (30.10.2003) and Quebecor World Nordic (31.10.2003) in that it is confident that Finnish firms take care of their own concerns, because the law regulates business behavior to a sufficient degree. (Varma-Sampo... 19.9.2003) One can say that these firms rely more heavily on the second type of contractualism.

Competitive Advantage

It is important to understand that the origin of a global firm influences the content of its ethics code. Aaltonen & Junkkari (1999), for example, claim that European and American codes differ, reflecting different corporate cultures. While Americans highlight fairness, equality and customer relations; European codes are more concerned with the behavior of personnel and tend to have greater trust in individual employees. Culture was discussed in a resembling perspective in the first proposition above; here focus is more on culture and ethics as a competitive advantage. Several researchers see a clear linkage between coping with corporate culture and corporate success. Törnroos (2002), for instance, discusses how researchers see cultural management and multi-culturalism in firms possibly turning into lost competitive advantage or contrarily to a strengthened business position. Törnroos (2002:20) concludes by noting that ethics have emerged as a new cultural norm and have become important for industrial buyers.

Corporate ethical codes via contractualism can be utilized as instruments to aid a firm in its quest to be accepted by society, customers and partners. Adam Smith, the father of modern economics, acknowledged the importance of this type of rules of conduct as early as 1790 (Smith 1790/1975). An ethics code can then become a marketing device with which a corporation can position itself as attractive to the market. According to Kotler (1997), the image and output of a

company should be designed so that it occupies a competitive position in a customer's mind. Attractiveness then becomes a way to remain competitive in the business arena. Intentional marketing of an ethics code provides a method of creating an ethical image of a company (see also Lindfelt 2004).

One can argue that having an ethics code thereby becomes a competitive strategy. Lindfelt (2004) has researched possible strategies behind ethics code usage and found four fundamental reasons. One of these is to create a competitive advantage in the business network. Others are to gain legitimacy in environmentally difficult markets, to achieve a more attractive image in the eyes of society and to obtain an increased capacity to resist global scandals so that the firm can concentrate on its business activities. There are also critics who argue against the use of ethics codes from a strategic point of view. In her study, Stevens (1999) argues that the public perception of ethics in business continues to be negative. She refers to an American Gallup poll conducted to measure the ethical credibility of twenty-five professions, in which business people ranked only 13th. Stevens (1999) writes that lack of credibility will be especially drastic if scandals hit those firms with official ethics codes. The idea of then creating a competitive advantage becomes counter-productive. Other similar criticism has been posed by Huang (2001), Tucker *et al.*, (1999) and Weiss (2003).

A sixth proposition claims that globalization has an impact on ethics code usage because with global competition becoming fiercer and tougher, firms strive to find ways to create competitive advantage. One such way is to adopt a corporate ethics code.

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Examples from the empirical data on the topic of competitive advantage are as follows:

It is preferable for Metso that ethical principles can be voluntarily adopted within a firm, as Jukka Seppälä claims (Metso 26.8.2003):

“Because as very often said that this one-size-fits-all policy I don't believe in that because companies are in so different positions from the size perspective, how global they are and what are the typical risks involved. If we compare ourselves operating in 50 countries and in developing countries and really doing business in the jungle, if I compare that with a bank operating in Finland or in the Nordic countries I think the issues are quite different.”

Stora Enso, however, would welcome more legislation on the issue of ethical sustainability. Kaisa Tarna states that it would not withdraw a competitive advantage for the firm, "because one can always do something that is above the law, for instance supporting diversity". Nonetheless, Tarna acknowledges that their environmental and social responsibility policies are one of the firm's key success factors. The firm not only sells products, but also sees itself as selling a risk-free product. Stora Enso believes this creates a competitive advantage. (Stora Enso 1.7.2003)

"It creates competitive advantage, this is kind of the customer side, it secures the access to capital, that's the investor side. And it attracts the best employees so that's how we get the best employees to the house. And of course as one kind of process of kind of big strategic importance is the kind of this growth and acquisition part of our operations are the mergers and company buyouts, and that, in those situations and new investments it is also very important to have this environmental and social aspects integrated." (Kaisa Tarna, Manager of Corporate Social Responsibility).

The world of investors is indeed very competitive. When screening firms, Varma-Sampo considers the return on investments to be its highest ethical demand. Being a mutual insurance company, Petri Kuusisto, the Director of Investments claims that, "...otherwise, the costs for society will be even higher". (Varma-Sampo... 19.9.2003)

Amnesty International is not keen on having voluntary ethical principles. It favours putting pressure on both the UN and EU to place human rights statements within a binding legal framework. "This is a development the global firms don't like..." states Director Frank Johansson, "...because it removes their competitive advantage". Amnesty International itself currently runs a program entitled Globalizing Justice, which shows that it is not against globalization per se; rather it also aims to globalize human rights issues and to promote justice for businesses and for international institutions. (Amnesty International 19.9.2003)

Conclusions

This chapter has discussed the impact of globalization on ethics code usage. Six specific impacts have been proposed. These are related to value pluralism, social constructivism, power, enormous business networks, NGOs and competitive advantage. The propositions have been elaborated and developed in an abductive study, including both inductive and deductive moments. It is argued that these six propositions, which come as a result of globalization, have influence on ethics

code usage in firms. This is seen in the examples drawn from a business network in a Finnish context. In addition to the six proposed impacts, there are probably additional aspects that impose a direct linkage between globalization and ethics code usage. The ones outlined in this chapter, however, need to be understood for any global firm with an ethics code. These six aspects of global developments show that ethics codes are an inseparable part of the modern business world. As long as we have the current situation in the business world, ethics codes will be needed. They will be needed for strategic reasons, to cope with the complexity of modern business life and to regulate the business. However, it is important to see that the world has not necessarily become more ethical with the introduction of ethics codes and the growing number of ethics codes does not in itself imply that business takes into consideration ethical issues any more than in the past. It may even be that ethics codes are a method of stating considerations that were previously implicit and foundational within business relationships.

The aim of the chapter was to bring an understanding to bear on the impact of globalization on the use of ethics codes. The aim was achieved in three ways. First, the linkage has been clarified in a theoretical discussion on how ethics codes can be related to the phenomenon of globalization. Second, six propositions concretely grasp theoretically and empirically found impacts of globalization on ethics code usage. Third, twelve interviews in various organizations of a Finnish business network on the global market, shows examples of the six proposed impacts. With the limitations of a qualitative study – not with aim to generalize, but rather to create understanding – this study should be seen to provide a first step to developing a theory on ethics codes and impacts of globalization. Further research is needed on this topic to verify and develop the results of this study. The tendencies of these six aspects on the impact of globalization on ethics code usage could be studied in another country experiencing a different phase of ethics development or as a comparative study with Finland. Furthermore, other aspects could be added to the six developed in this study.

This chapter thus contributes theoretically with the six developed propositions. It also contributes empirically in the creation of an understanding for ethics code usage within a certain context: the twelve interviewed organizations. This context is expected to contribute in a managerial sense as

well, since previous research show that there exist a remarkable confusion among business managers on how to deal with ethics issues (Lindfelt 2004).

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