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**Ethics, Business Ethics  
and the Role of Codes of Conduct**

**for IST-enabled Cross-border  
Work Arrangements**

**Context Analysis**

CSI, 30 June 2001

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## ***1 INTRODUCTION***

“Information Society Technologies (IST) are changing the map of business activities rapidly. New ways in organising enterprises and work are emerging. Company entities and workplaces can be located independently of each other in different time zones and distances. This not only implies access to new markets and a new platform for economic growth, but also works across national borders and the confrontation between different value systems and conflicting interests as well. Information technology can be used for unfair exploitation of labour and natural resources, but it also facilitates the shaping of a ‘new world’ towards more sustainable solutions to combat unfair competition and distribute the potential benefits of the Information Society to many recipients” (Uno Mondo 2001, 1).

When discourses on ethics and morality become virulent in societies, they seem to be an indicator of radical social, economical, technological and cultural changes taking place. One of the most interesting reactions to the globalisation of economic relationships during the past two decades is the emergence of what we might call a “politics of morals”. New world capitalism, whose characteristics are, among other factors prominently driven by the use of advanced IST, is nowadays critically reflected in public discussions about the fair distribution of wealth and avoidance of global ecological risks, and debates which readily judge the “good” or “bad” behaviour of different social actors, such as governments, corporations and individuals. The contemporary discourse in Europe and the USA is highly ambivalent: on the one hand, a dissolution of traditional institutions having characterised industrial modernity can be observed while they make place for a highly competitive culture of postfordian individualism. Furthermore, trajectories in info and biotechnological innovation deeply question the basic self-understanding and cultural outline of the Western human being. As a consequence, the media nowadays regularly promote the picture of a historical turn, pronounced as an “end of morals” (see e.g. Emcke/Schwarz 1999, 50ff). On the other hand, we live in a post-ideological era where judgements and social actions seem to have lost their roots in genuinely political beliefs and systems. Thus, in the pre-dominance of economic rationales and in witnessing a new powerful role of Multinational Corporations (MNC’s) in the globalisation process, reactions by NGO’s and other representatives of the highly diversified public sphere are articulated rather in terms of morals than as systematic political criticism. Moral argumentation nowadays, whether under the heading of “political correctness” or “Corporate Social Responsibility”, reflects not only the basic assumptions of good and bad, legitimate and illegitimate, but has also established itself as an effective tool for succeeding with individual and collective interests.

Business ethics have been taught at universities and business schools for decades; however it is a recent phenomenon that MNC’s promote “Corporate Social Responsibility”, “Stakeholder Balance Management” or the “Triple Bottom Line” - denoting the equal observance of profit, people and the natural environment - at large scale as integral parts of their strategies and performance (see Fischermann 2001, 21f.). A special feature in the context of “politics of morals” are the so-called “Codes of Conduct” or “Codes of Practice”, i.e. voluntary unilateral or multilateral declarations and guidelines, which are expected to serve as “soft” regulating tools for corporate behaviour in the complexity of the world economy. These codes reflect a weakening of national policies as well as the need for managerial orientation among the worldwide acting economic actors.

The following study seeks to analyse the genealogy and societal context for the emergence of “ethical codices” and further suggest classifications within the high diversity of such standards. In this framework, the potential advantages and weaknesses of voluntary standards are discussed. However, an important strand of our study focuses on the shift from the industrial paradigm to an informational economy that relies on IST as the means for a dramatic decentralisation of production. Worldwide network production via computers and telecommunications “has tended progressively to redefine labouring practices and relations, along with, indeed, all social practices and relations” (Hardt/Negri 2000, 291). In this context, the analysis identifies the major challenges of productive communication and work, which produces information as an immaterial good regardless of national borders. Finally, in an empirical analysis we explore the extent which “Codes of Conduct”, as provided by some key sectors of the informational economy, cope with the disparities and problems inherent to traditional modes of industrial production as well as the new paradigm of immaterial production.

## ***1.1 Background***

This study was carried out as part of the EC-funded project “Voluntary Code of Practice for Cross-border Work Arrangements-VIP” (IST-2000-25463) from January to June 2001 by the Centre for Social Innovation (CSI), Vienna, whereby particular parts of the empirical work were supported by a students’ team of the FH-Studiengang Informationsberufe in Eisenstadt. Within the VIP-project the study belongs to Work Package 3 and figures as Deliverable 6.

## ***1.2 Aims and Objectives***

The research aims to examine the socio-historical, political, economic and cultural background for the emergence and the contemporary opportunities of voluntary corporate codes in dealing with the consequences of the internationalisation of economic relationships, in particular with the consequences of IST-enabled cross-border work.

After a discussion about the basic notions of ethics and business ethics (Chapter 2) the first strand of the study focuses on the process of globalisation and the potential and actual disparities as caused by the current de-localisation of production and services (Chapter 3 and 4). Another strand concerns the history of so-called Codes of Conduct, issued by inter-governmental organisations, partnerships of stakeholders, NGO’s and Multinational Corporations (MNC’s) as political and managerial instruments to softly regulate issues of global cross-border work. In this context, we explore the role of voluntary “ethical” standards in comparison with alternative tools in policy making and further present classifications of codices as far as discussed in previous studies. In this case, it is our interest to identify the advantages and disadvantages of codices for different social actors and finally, to compile some criteria for the elaboration of “good” codes (Chapter 5).

The third strand concerns the specific problems as raised by work carried out via Information Society Technologies (IST) such as data protection, IPR, mental distress, distrust, de-differentiation of work and leisure time, a “digital divide” along dimensions such as gender, region, etc (Chapter 6). To pursue these questions 72 Codes of Conduct (or: Codes of Practice) were investigated from economic sectors which rely extensively on IST for the

performance of cross-border work. The documents were analysed systematically, whereby the leading interest was the extent which these standards cover the issues as identified to be most relevant in a process, in which technological “[c]ommunication not only expresses but also organizes the movement of globalization” (Hardt/Negri 2000, 32; Chapter 7).

### ***1.3 Methodology***

To gain “orientation knowledge” for this study, we carried out expert interviews with nine representatives of academic institutions, trade unions, NGO’s and industrial corporations. As far as the history of a “politics of morals” is concerned, the study was carried out as a literature study, which comprises of theoretical as well as empirical studies, newsletters of companies, trade unions and NGO’s.

For the empirical research of corporate and associations’ codes as primary sources, a sample of 500 leading European companies and business associations was compiled which formed the basis for an Internet research. The documents obtained were scanned systematically and explored via the means of quantitative content analysis. For this purpose, full-text documents are still continuously stored in a database and analysed via a set of headwords, whereby frequencies and cross-references are measured. Within the VIP-project the analysis of 72 codices in June 2001 is to be seen as a snapshot and the interpretation as having a preliminary character, as the research and exploitation of documents continues beyond the aims of this study.

### ***1.4 Impact***

The impact of this paper is to provide a background for further discussions about the usability of Codes of Conduct in IST-enabled cross-border work. The compiled knowledge addresses in particular those social actors who wish to participate in the VIP-project and debate and elaborate new frameworks for IST-enabled cross-border work.

## ***2 BASIC UNDERSTANDING OF ETHICS AND BUSINESS ETHICS***

In societies, ethics and morals serve to distinguish between good and bad (evil), legitimate and illegitimate actions, thoughts and facts. Since the classical antiquity ethics have developed as a particular discipline in philosophical thinking. In his work "Nicomachean Ethics" Aristotle made a basic distinction between two different sorts of human virtues: rational virtues are acquired by teaching and education, whilst ethical virtues are formed by habit and practices. Only our potential to become virtuous beings is a matter of our nature, but the formation of the virtues themselves is due to a process of social communication.

According to Annemarie Pieper (1994, 24f.) "ethics" as introduced by Aristotle as a title of a philosophical discipline has two linguistic origins: the first root is "ethos" with an epsilon or short e, which denotes the adjustment to norms as manifested by the habits, customs and traditions that rule life in the antique polis. Ethical action in a more specified sense however goes along with the ability to question traditional norms and act in a good way based on intellectual reflection and ratio. "Ethos" as written with an "etha" (or a long e) denotes a quality of a personal character. Both notions of ethos, tradition and character, are retained in the Latin translation into "mos" (pl. "mores") from which the English words "morals" and "morality" are derived.

In accordance with this difference of notions in the etymological roots, ethicists nowadays stress a distinction between morals on the one hand, defined as traditions and habits in societal practice, and ethics on the other hand, defined as the critical discourse on morals. From the viewpoint of an analytical philosophy, Bertrand Russell for example has claimed programmatically "that it is not the business of ethics to arrive at actual rules of conduct, such as 'Thou shalt not steal'. This is the province of morals. Ethics is expected to provide a basis from which such rules can be deduced" (Russell 1979, 180). Further, ethics and morals must be distinguished from legal systems that manifest the norms connected with instruments of sanction by state power. Standards of cultural and societal morals provide the historical foundations of legislation, and laws and their practice are objects of ethical considerations. However, legislation and morals are not necessarily congruent.

Other scholars in line with common sense prefer a terminology which uses "ethics" and "morals" as synonyms and at least implicitly reflects that morals as an expression of social traditions and ethics as the meta-view on these processes cannot be strictly divided from each other. Ethical reflection is bound to a cultural and societal background and a change of morals can be influenced by ethical discourses. The work of Max Weber has extensively shown that from a sociological perspective ethics are always dependent on the generally socially valid patterns of values within a culture. However, "morality" is one of the key terms in the ethical theories, of which the notion implies a limitation of cultural and social influences on moral and ethical considerations. Strongly connected with the history of European enlightenment and nowadays regarded as universally valid, morality denotes the *conditio humana* which serves as a necessary preliminary for morals and ethics with the basic assumption that every human being possesses the freedom to make rational and autonomous choices.

Weber (1921) distinguished between two different ethics. "Gesinnungsethik" (ethics of conviction) on the one hand is rather oriented towards the original intention behind social actions, values or goals and might have its weaknesses in the rigorous attempts of the



realisation of values by social action. Political or religious fundamentalism for instance has a strong bias towards "Gesinnungsethik" and is structurally endangered to subvert the own goals by keeping to these values without negotiating them with social realities. Here, we find the common figure of goals that justify any sort of means. "Verantwortungsethik" (ethics of responsibility) on the other hand, is rather oriented towards the consequences of social action, a type which seems to be widely spread in the strategies of "real" politics. The common problem here is, that values as societal goals might be lost out of sight due to the manifold negotiations of consequences between the interests of different social actors. A similar analytical distinction is drawn by the terms "teleological" and "deontological" ethics (see also Pekkola/Pekkola 2001, 13f.): The first denotes a goal oriented sort of ethics being concerned with the question how to reach a maximum of common well-being, whereas the latter seeks to clarify general principles, which serve as guidelines for responsible behaviour, help to determine the aims of our activities and support the critical self-reflection of actions in concrete situations (see Ulrich 2001, 75f.).

A look at European history shows that the concepts of economic theory in the 18<sup>th</sup> and 19<sup>th</sup> century were heavily intertwined with moral and ethical concerns, since these ideological primary texts have their origins in the genuinely ethical discourse of moral philosophy. Adam Smith's liberal market concepts were based on ethical reflections about human nature, whereby he understood market competition as a "system of natural freedom" which created wealth and social harmony by utilising individual interests for the sake of society. Smith's outline on the one hand relies on normative assumptions on the nature of human beings, who are expected to act in an empathic way, and refers on the other hand to assumptions of a structural, faceless mechanism. Here, human beings, market mechanisms and their desired results are constructed as components of a natural order that deploys basic principles of the good in economic reality. Besides doubtful anthropological assumptions in Smith's concept, empirical and historical evidence has shown that a principle of free economic competition tends to produce social inequality rather than a level of general wealth. Utilitarianism has been another relevant ethical tradition in economics, which opposed the ideas of early liberalism by criticising the egotistic principle of the maximisation of private benefits. Instead, with a teleological tendency it emphasised the goal of maximised common prosperity (Bentham). Acts should be judged by their consequences and utility for the good of common social goals. Utilitarianism has been criticised for setting economic growth as a final objective and thus, subordinating ethics under the economic rationale of modern efficiency and structural restraints of productive discipline, whilst ignoring matters of fair distribution among individuals (see Ulrich 2001, 179ff.). Besides Marxist theory with its strong ethical and moral implications and the references to the metaphysics of a "natural order" by 20<sup>th</sup> century neo-liberalists, mainstream economics since the 1870's were marked by a formalistic, "value-free" habit in theoretical approaches and a rigorous distinction of economic from ethical concerns as expressed in the doxa of the "two worlds" (see Hengsbach 1991, 44). Nevertheless, the fact that economic activities have their ethical (or moral) preliminaries (in a normative sense) and moral consequences remains obvious and an inner contradiction of purified economics.

Nowadays, among other factors pushed by the recent economic and political development, business ethics have gained increasing attention in the public as well as in the academic community. In the light of the current theoretical debates, three major trends in business ethics can be observed according to Peter Ulrich (2001):

- 1) Business ethics, as developed mainly in the Anglo-Saxon context, takes the normative principles of individualistic profit-interest behind the capitalist organisation of work and markets as given and unquestioned, but seeks to react as “applied ethics” from a managerial point of view via corrective action to singular situations of market failure. In this sense, ethics is mainly performed in a teleological way, retaining partly the division of ethics and economic practice of the “two-world”-concept. Applied ethics strive for a limitation of economic rationality (even by taking a decrease in economic success into account), but avoid reflecting its normative foundations.
- 2) Variants of such “applied ethics” are “functionalistic ethics” or “normative economics”, which emphasise a substantial congruence between morals and economic principles with the assumption that morals themselves were mainly driven by vital individual economic interests. Hence, in the dominance of such a merely economic point of view, ethics and morals are regarded as engines for economic success.
- 3) “Integrative” business ethics as developed in the context of mainly middle-European debates around the notion of a “Wirtschaftsethik” (economical ethics), goes beyond the limits of business ethics, by the work of Peter Ulrich, who criticises applied ethics as “ethics without morals”, since they subordinate morality as the *conditio humana* of autonomous, rational beings under the logic of market principles (2001, 95ff.). This approach shows strong deontological tendencies and claims, in comparison to the two approaches mentioned above, the priority of a “moral point of view” that allows us to basically question the implicit norms of economic practices and mainstream economics. In this outline, public sphere and civil society are identified as the preferred societal locations for a discursive reflection of moral standards. Ulrich outlines an “economic citizen” or “institution citizen”, whose democratic rights and duties are integrated in his/her economic and professional actions. From an organisational point of view, companies are expected to subordinate their gain orientation under the societal legitimacy of their activities, which is negotiated in a dialogue with the stakeholders. The preferred location for the negotiation of legitimacy, again, is the critical deliberative general public, which is not one “special interest group” or stakeholder amongst others but supposed to function as a meta-institution of reference for companies. According to Ulrich (2001, 448f.) legitimacy must not be confused with simple acceptance, since acceptance concerns only the strategic power potentials of particular interest groups to affect the direction of a firm. Legitimacy, so the idealistic argumentation, is based on the better argument, not on unregulated power mechanisms. As a step towards the regulation of power, the author suggests an institutionalisation of stakeholders’ interests via “Stakeholder Advisory Boards” or a “Stakeholder Bill of Rights”.

However, such a classification is not without analytical problems. It neglects the actual deliberation of economic activities by existing legislation as one of the representations of morals, which are discursively developed in the general public. Hence, also proponents of applied and functionalist ethics in practice must implicitly deal with the deliberation of societal institutions and integrate these limitations into their economic success strategies. Furthermore, the concept of the public sphere as the generator of legitimacy in Ulrich’s proposal relies on an assumption of formally equal and rational citizens who form up a

collective entity, whereby he neglects the fact that communication within this public does not take place regardless of societal power and influence. Thus, under the precondition that the ideal of a strictly democratic general political public under the aspects of formal equality and rationality exists, it is justifiable to claim that the relevance of this meta-institution must not be reduced to the status of one stakeholder amongst others. However, as the early work of Jürgen Habermas (1990) argues, the ideal of a general political public has been historically corrupted by the formation of powerful interest groups, relying on economic capital, the accumulation of political influence and media concentration.

Regarding growing media power and the manifold crisis of representative democracy in the 1990's, the institutional place of a general public seems to be unclear. Under such conditions a distinction between the demands of special interest groups and the demands of a general public is problematic.

### ***3 GLOBALISATION AND THE ROOTS OF THE CONTEMPORARY DISCOURSE ON BUSINESS ETHICS***

The contemporary discussions on business ethics are strongly interconnected with the topic of globalisation. In the early 1990's the term "globalisation" became one of the key terms in discourses on economy, politics and social processes, reflecting the fact that political and technological change accelerated the expansion of the production and consumption patterns in the Northern hemisphere towards a capitalist world system. However, since a clear and unequivocal concept of the term "globalisation" is missing, it has become a quite slippery buzzword at the turn of the century (see Wiseman 1998, 1), an umbrella term that covers manifold aspects and different, often contradictory forms of understanding, interpretations or political interests.

At first glance, globalisation can be simply defined as a consequence of modernity striving towards the intensification of social relationships, connecting distanced locations in a way that processes in one place influence those in places many kilometres away (and vice versa).

"The simplest dimension of this connectedness is communication; today nearly a billion homes can talk to each other within a few seconds. Global positioning technologies can precisely track positions anywhere on the surface of the planet. Mobile phones can be carried up cliffs and into deserts" (Mulgan 1998, 19).

However it is not simply the fact of communicative intertwinement that makes the essence of most contemporary debates on globalisation. Rather it is the specific cultural, economic, and political consequences of the expansion of a worldwide economic system.

Liberalisation, privatisation and deregulation as the "engines of globalisation" (Group of Lisbon 1995, 32) are welcomed by positive globalists as instruments for economic growth, and as prerequisites for a betterment of international welfare and democratisation across countries. In contrast, critical studies in the social sciences support the negative globalists' view that the enforced hegemony of capitalist production caused growing disparities between the most industrialised countries and the so-called developing countries as well as growing inequality within the societies of these two antipodes. In this sense, increasing inequality along major social dimensions such as incomes, wealth, consumption or technological development has been recognised (see Thompson 1998, 110). The most relevant topics of critical comments are the exploitation of natural resources and labour force in the former economic periphery called "Third World" (and as a relatively new phenomenon, in the CEEC-countries), a worldwide competition of labour force as facilitated by IST which support the practice of cross-border work, the shift of capital from the productive sphere into the sphere of speculation; structures of injustice in the world wide trade system; the dissolution of a joint loyalty between employers and employees in the capitalist North (Sennett 1998) as well as a growing gap between productivity and profit on the one hand, and employees' incomes (Gorz 2000), the precarisation of employment and unemployment on the other hand (Castel 2000, 349ff.).

In eighty countries of the world the per capita income today is lower than 10 years ago. A large proportion of the worldwide export goods is manufactured by ignoring fundamental labour rights. In economic enclaves, so-called "Free Production Zones", where common taxation is not applied and trade unions are usually banned, about 4,5 million people are

presently employed. In these figures China is not included, where the estimated number of employees in special economic zones would have increased to 40 million in the year 2000. Cavite, a free production-zone in the Philippines, is only one of the many examples of the dark side of globalisation: 60% of the workers earn less than the minimum wage. They have to work between 12 and 14 hours daily, between six and seven days per week. Fix employment contracts are increasingly being replaced by free contracts, which implies the loss of maternity protection and right of vacancies. Union activists lose their jobs (weltumspannend arbeiten 2000, 9f.).

During the last two decades of the 20<sup>th</sup> century, a growing interconnectedness of societies through the mass media and communication technologies has steadily weakened the importance of national boundaries. Both technological innovations, which enable trans-national transactions and provide the infrastructure of interaction that supports the growth of global markets and the success of neoliberal policy, have challenged the scope of sovereignty and limited the policy options of nation states. The political strategy to rationalise and downsize state bureaucracy in the US and Western Europe goes hand in hand with an understanding of the state agency as a service amongst others, which competes with services in the private sector. Furthermore, a high level of competition between international locations has strengthened the position of multinational corporations and weakened the position of nation states. "Regional blocks and countries compete against each other for investments of multinational companies by offering them best investment climate and conditions, e.g. lenient pollution and labour laws, tax exemption etc. Firms often take advantage of this rivalry by dictating own terms and conditions of business" (Kumar/Graf 1998, 133). As far as power is expressed in economic terms, a view on the performance of multinational corporations (MNC's) is impressive: At the end of the 1990's the total revenues of Wal-Mart Stores Inc. equalled the GDP of Greece and the Volkswagen AG's revenues were on a similar level as New Zealand's GDP (see Stopford 1998/99, 16). At present, MNC's are confronted with a new wave of criticism in the industrialised countries. 74% of the US-citizens think that the "Global Players" have too much power (Falk 2000, 1).

The withdrawal of state institutions in a so-called "post-ideological" era is interdependent with the emergence of a broader concept of governance than elaborated in the classical concepts of Western democracy. One aspect of this broader concept of governance is that NGO's, which formerly found themselves in the role of parties in opposition to governments, have nowadays taken over an inclusive and participate role. Increasingly, NGO's are concerned with services and tasks as outsourced by the public administrations, social capital is a highly estimated economic and political resource, political parties in Western Europe occasionally seek to recruit their former critics, and increasingly NGO's are perceived as relevant dialogue partners in national and international forums of political decision-making. The second, and in our study more important aspect is, that in the political void of post-ideological era and the focus on economic paradigms in the stretching of social relationships, economic actors, especially the big multinationals as the main players of globalisation, are becoming increasingly relevant as *social* actors, whose activities are characterised by high social and political impact. This is not only due to their tremendous negotiation and contractual power, but also the deficits in the legal system and law of nation states, especially in developing countries. Parallel to a growth of discretionary power, the vis-à-vis of particularistic legal and political systems, and differences in basic assumptions, values and

policies that exist even between countries of similar economic and cultural background, a demand for patterns of orientation for the management of MNC's has been articulated mainly in the managerial literature.

From an ethical point of view, the gap between the limited scope and possibilities of national jurisdiction on the one hand and the economic reach of private enterprises on the other is connected with an increase of corporate social and environmental responsibility. In this context the question, to which extent and how MNC's should take over a role as moral actors has become one of the major questions in business ethics.

To analyse the internationalisation of the economy, a distinction between multinational corporations (MNC's) and trans-national corporations (TNC's) has been suggested. Whilst an MNC with some of its productive capacities located abroad can be identified by a clear national home base, a nationally formed management style and personnel, according to Grahame Thompson (1998, 103), TNC's

...would tend to operate with no clear home base. They would source, produce and market genuinely internationally. They would seek competitive advantage and the most secure and largest returns by roaming the globe for cheap but efficient production locations. They would have an internationalized management style and personnel. Thus the image here is one of footloose capital searching the globe for competitive advantage.

However, in practice a distinction between MNC and TNC seems problematic: The market rationale of seeking competitive advantage and maximising return of investments by outsourcing economic activities to the strategically most profitable locations of the globe can be assumed for both types of enterprises. Homebased MNC's nowadays deploy their activities in complex chains and co-operations with local and regional suppliers and sub-contractors, often outsourcing key processes of manufacturing or services to such satellites. Thus, there are certainly differences in the degrees of the coherence in management strategies, the uniformity of business policies and the dominance of a rationale of profit in decision-making processes for the choice of production sites, investments and the marketing of territories, however these differences are better understood as forming up a continuum rather than strictly defining two certain types of economic actors. Thompson himself admits that only a very small number of companies nowadays match his definition of the "footloose capital" as quoted above. In contrast, the International Organisation of Consumer Unions (IOCU) has suggested a definition of TNC's that disbands the difference to MNC's and tries to cope with the whole range of complexity that might occur in the economic structures of international activities. Here, TNC's are defined as

(...) irrespective of their country of origin and their ownership, including private, public or mixed, comprising entities in two or more countries, regardless of the legal form and fields of activity of these entities, which operate under a system of decision-making, permitting coherent policies and a common strategy through one or more decision-making centres, in which the entities are so linked, by ownership or otherwise, that one or more of them may be able to exercise a significant influence over the activities of others, and in particular, to share knowledge, resources and responsibilities with others (IOCU 1990; quoted after Zeldenrust/Ascoly 1998, 10).

Keeping in mind that there is a continuum in the ability to identify original habitats of business activities and investigate different levels of organisational complexity, for further

discussions we prefer not to distinguish between MNC's and TNC's in Thompson's sense, firstly because the distinction itself uses very weak criteria and secondly because a number of international policy documents uses either the term "TNC" or "MNC" without providing any items of differentiation. The actual use of one of these words seems to be rather oriented to discursive fashions than hard facts. Finally, and most important for a discussion of business ethics, even descriptive definitions might (consciously or unconsciously) allow for normative side effects. The idea of the "footloose capital" might suggest an anonymous structure impregnated against any attempt to locate responsibilities for the consequences of economic activities, whilst the IOCU-definition, although depicting on a de-centralisation of decision-making processes, still connotes the space to potentially identify the relevant social groups in hierarchies of hidden or obvious dependencies.

For a better understanding of the present role of MNC's in the processes of economic internationalisation we adopt the classification from Wolfgang Bonß (2000, 343 ff.), who distinguishes between economic, industrial and political globalisation:

*Economic globalisation* is mainly described as the trend towards the delimitation of capital by national borders, the de-materialisation of production and rise of globally oriented network enterprises. However, some potential statistical indicators for the growing integration of a global economy seem to support the scepticism of a traditionalist position which disputes the assumed evidence of a systemic shift in economic relations and regards the discourse on globalisation as an exaggeration and construction of a myth. The argument is that contemporary global flows of trade and money are not essentially different to the level of economic internationalisation in previous historical times. Thompson (1998, 97ff.) for instance, shows that the ratio of merchandise trade to GPD at current prices of some of the economically most important Western countries would indicate that the extent of trade openness and interdependency was about the same in 1995 as it was in 1913, whilst the same statistics on the basis of constant prices would support the (optimistic or pessimistic) globalisers' expectation to suggest a growth of openness and economic interdependency since 1913.<sup>1</sup>

Apart from trade flows, another widely accepted indicator for a degree of economic globalisation is the measurement of capital flows, in particular of foreign direct investment (FDI). A look at the aggregated statistics shows a sharp rise of flows to industrialised as well as to the developing countries in the mid 1980's, a fall in the early 1990's and a rise again after that (see Thompson 1998, 107). Hence, even when we accept the historical argument of an intensive interconnectedness of the world economy till 1913, a dramatic shift in the intensification of economic relationships since the 1980's is significant.

*Industrial globalisation* is characterised by the division of labour independently from geographical location as enabled by IST and the internationalisation of Western production and consumer models. "Diversified and customized markets are regulated by quasi universal norms and standards" (Kumar/Graf 1998,132). An implicit aspect of universalised production models is the practical generalisation of modern Western work ethics, with work itself as one of the core values of human existence, with the values behind exchange on capitalist markets,

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<sup>1</sup> For a critical and instructive discussion of these specific indicators and general problems for the measurement of the extent of international activities see *ibid.*

behind the accumulation of goods as well as behind individualisation and formal equality as combined with the notion of individual prosperity in general. Cultural clashes and several forms of co-existence between different value orientations, economies of time and notions of economic and symbolic exchange have been discussed extensively, mostly critically in the ethnological literature (e.g. see Bourdieu 2000), nowadays and mainly pragmatically with the aim to harmonise diverse models to the needs of Western culture in the managerial literature (e.g. see the contributions in Kumar/Steinmann 1998).

*Political globalisation* mainly denotes the universalisation of Western ethical standards as represented by Human Rights. Historically the ethical and moral principles of Human Rights are deeply interwoven with the preliminaries of a capitalist economy. The basic ideas of formal equality, or rights on property and privacy are structurally necessary for an order of formally equal social actors as conceptualised for the modes of exchange in capitalist markets. Here, criticism is marked by two arguments: the first argument is similar to a possible objection against the universalised work ethics: it is on social justice and criticises that the universalisation of standards of formal equality (along with Western work ethics) goes hand in hand with an acceptance of inequality regarding social standards. The second argument is the argument of relativist ethics: Historically and structurally human rights are deeply interwoven with the Western ideology of individuality and the individual as a homo oeconomicus. Hence, a universalisation of political standards is also a universalisation of their societal and moral foundations.

The fourth aspect highlighted in the social sciences is the *globalisation of cultural goods* as a part of the general intensification of flows that transcend national boundaries. Positive globalisers focus on the potential of a "global village" (McLuhan 1964) as created by electronic and digital media to realise a multiplicity of voices in worldwide communication and subvert paternalism as observed under the regime of national broadcasting systems and the authoritative "one-to-many"-communication order in traditional mass communication (Barlow 1998). Critics draw their attention to the increasing inequality in the ownership of media infrastructure, access to information and the threats of cultural homogenisation ("Americanisation") and the growing power of an oligopoly of global media corporations (Eisenstein 1998). A third group of scholars tries to harmonise the evident political and cultural influence of images and lifestyle creating media giants on the one hand and new potentials for the articulation of local and regional cultures on the other. Terms like "globalisation" or slogans like "Think global, act local" suggest a dynamics between local and global (Western) influences and focus on the transformation of contents by their local use and adaptation.

Fifth, a *globalisation of technological risks* (Beck 1986) has been observed. Increasing economic integration parallel to a growing extent and impact of Large Technological Systems (LTS) have made ecological and health risks a global matter. Theorists of a global "risk society" regard the "equality" of human beings as potential victims of industrial disasters and the different reactions of social groups to technological threats nowadays as more important than traditional paradigms and indicators for the formation of social stratification.



#### **4 REACTIONS TO ECONOMIC INTERNATIONALISATION AND THE EMERGENCE OF CODES**

With regard to the present weakness of national and supra-national institutions in the task of elaborating normative foundations for a regulation of the issues of global cross-border work and production, the following trajectories are currently discussed in the political arena:

1. The creation of a “co-operative framework among nations at the global level, that is, socially accountable and politically democratic forms of global governance” as suggested by the Group of Lisbon (1995:xvii). The objection raised against this option, which is associated with the idea of a “*world police*”, was that “the divergence of economic conditions and priorities, interests and traditions between the involved countries is far too great in order to achieve consensus in the near future on purpose, content and underlying values of global governance.” (Kumar/Graf 1998, 134). However, the strengthening of the position of nation states and/or the position of supranational entities and inter-governmental bodies in the face of unregulated market forces seems to be a necessity, especially regarding taxation and a deliberation of speculation: The financial markets fulfil their function for the supply of capital for productive investments only to a small amount. 95% of the conversions on the foreign exchange markets have purely speculative background with serious political, economic and social consequences. Free capital transfer and tax havens cause a competition in location which leads to decreasing taxation on fortunes and gains and the flight of capital. According to calculations of the European Commission, tax pressure on employees increased by 20% between 1981 and 1995, whereas it decreased for companies by 22% (Glotz 2000, 2). Furthermore, international concertation is necessary for the liquidation of the poor countries’ debts, which is one of the preconditions for their self-determined development.

2. A strengthening of democratic and social aspects within the existing institutions (International Monetary Fund, World Bank and WTO) and instruments for international economic affairs, e. g. the requirement of NGO’s and the international unions movement on *social clauses in trade agreements* aims at making the grants for trade privileges dependent on the compliance with central ILO conventions. In the case of offence against these standards a consulting committee consisting of WTO- and ILO-representatives should be able to recommend negative trade sanctions (Greven/Scherrer 2000, 2).

3. Voluntary measures of the industry: Analogue to the ISO-norms a number of consistent standards exists, which are concerned with social affairs. The most developed standard is “SA 8000 (Social Accountability 8000)”, an initiative of the US-American Council on Economic Priorities. Similar to the ISO-norms the implementation of SA 8000 is to be monitored by external certification enterprises. As a further measure which targets consumer decisions, *social seals of approval* for products of morally correct production has been suggested, which provides information about working conditions, such as the application of social minimum standards. However, so far social seals of approval have not succeeded beyond the state of a niche existence. In this context, Greven/Scherrer (2000, 3) argue that for the success of social seals in the long run a reform of the set of rules of the WTO was necessary since at present social seal approval programs might be interpreted as competition distortions and thus not WTO-conformable.

As an alternative or complementary tool to norms such as SA 8000 and social seals, so-called Codes of Conduct or Codes of Practice can express and guide corporate social responsibility. Codices as means of voluntary self-regulations reflect a choice of not opting for precise and binding legislation but to apply soft rules concerning the social and environmental impact of the MNC's performance. There seems to be a broad consensus that this kind of instrument should not be considered as a substitute but as complement to legislative and regulatory provisions (see European Commission 2001). From the viewpoint of NGO's and trade unions codes can serve as reference documents in order to support the pressure on companies.<sup>2</sup>

#### ***4.1 History of Codices on Corporate Social Responsibility***

According to Murray (s. a.), the first international code of conduct was the "Code of Standards of Advertising Practice" of 1937, created by the International Chamber of Commerce (ICC), which aimed at regulating competition. Since then, the code has been revised a number of times and at present includes the "International Code of Sales Promotion", the "International Code of Practice on Direct Marketing", the "Code on Environmental Advertising", the "ICC Code on Sponsorship" and the "International Code of Marketing and Social Research Practice".

Although globalisation is a phenomenon referring nowadays to the quantitative and qualitative intensification of an economic global integration in the 1980's, the role of MNC's in the internationalisation of economy has been on the top of the agenda of international polity since the 1960's. In the transformation process to a post-colonial era parallel with increased political awareness in the industrialised countries at that time, social disparities, ecological risks, demographic problems and political rights became objects of public debates and political negotiations. In the light of an awakening confidence of the developing countries, the often problematic influence of MNC's was discussed and the lack of control for their behaviour criticised.

During the 1970's and 1980's it was mainly governmental and inter-governmental bodies, traditional social players such as trade unions and churches and the "new" non-governmental organisations (NGO's) consisting of development organisations and environmental groups which were engaged in questioning the grounds of the MNC's empirical and systemic legitimacy as well as those of the legal systems and practices of nation states. As a political instrument most of these actors have been regarding Codes of Conduct directed towards both MNC's and national governments as a tool of "second choice" and the best instrument realistically available to achieve internationally acknowledged minimum standards and/or undertake first intermediate steps on the way to binding international regulations. The current revival of awareness of these codes has largely been promoted through the initiatives of NGO's (see Zeldenrust/Ascoly 1998, 4) and, as mentioned before, the estimation of their utility has remained the same.

The mood to define a social purpose for MNC's and control their activities was symbolised by the 1974 UN resolution advocating a New International Economic order. In response to

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<sup>2</sup> Interview with Paul Kolm, Department Manager for Work and Technique, Private Sector Employees Union/Austria, 16 May 2001.

pressure from developing countries and human rights groups, several international organisations developed ethics guidelines addressing the conduct of MNC's. The first governmental and inter-governmental guidelines for MNC's were created for foreign companies engaged in business in or with South Africa. The first time South Africa came into conflict with the ILO was in 1949 when it refused to endorse the Convention No. 87 on Freedom of Association. In 1961, the ILO passed a resolution specifically criticising the country's apartheid policy and racial discrimination regarding employment practices. At a meeting of European Community foreign ministers on 12 July 1977, the European Community drew up the "Code of Conduct for European Enterprises in South Africa". The code emerged in a framework of political co-operation and had the status of a foreign policy instrument. It stressed the need for an internationally acceptable system of industrial relations based on collective bargaining and the recognition of independent trade unions by employers. Furthermore, the "Sullivan Principles", launched in 1977 by Pastor Leon Sullivan, compiled rules for foreign investment under the apartheid regime, which intended to support the conduct of foreign enterprises and provide an alternative to the general condemnation of companies which had business with South Africa (Paul/Garred 2000, 5).

In 1976, an Intergovernmental Working Party was set up with the task to draw up a code for MNC's under the guidance of the United Nations. The elaboration of such a code proved to be a process lasting nearly two decades, which was finally abandoned in 1992. In 1999, UN Secretary General Kofi Annan at the World Economic Forum in Davos proposed a *Global Compact* between the UN and MNC's to uphold and promulgate a set of core values in the areas of human rights, labour standards and environmental practice. The proposal was made with the aim to develop a new constructive relationship between the UN and the business world, a goal also reflected by two joint declarations of the Secretary General and the International Chamber of Commerce. More than 60 signatories endorsed the Global Compact in summer 2000<sup>3</sup>, which covers nine principles and bases on the "General Declaration of Human Rights" 1948, the "Declaration on Fundamental Principles and Rights at Work" ILO 1998 and the "Agenda 21" (the "action programme for the 21st century") of 1992. However, Falk (2000, 2) expresses criticism against the Global Compact, which is typical for the view of many NGO's since the initiative provides a good basis for the public relations for the signatories, whilst lacking clear mechanisms for the obedience of the agreed standards.

Back in 1976, the OECD adopted its "Declaration on International Investment and Multinational Enterprises". The Declaration includes the "OECD Guidelines for Multinational Enterprises", which were reviewed in June 2000 by OECD Ministers and are the only multilaterally endorsed Code of Conduct that governments expect their companies to apply wherever these operate. The revised Guidelines represent a minimum standard and cover areas of corporate social responsibility such as human rights, the refusal of child labour and forced labour, social relations, environmental protection, consumer protection, transparency and disclosure, fight against bribery, transfers of technology, competition and taxation. The Guidelines are balanced by the setting up of National Contact Points in each of the 30 OECD countries (plus Argentina, Brazil and Chile), which are in charge of mediating in cases of specific problems.

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<sup>3</sup> Interview with Werner Oesterheld, DBG Bildungswerk – Nord-Süd-Netz, Düsseldorf, 02.02.01, at the Symposium „Globalisierung von Arbeitnehmerrechten“, DGB Bildungszentrum Niederplöcking, Germany

Also in 1976, a declaration on MNC's behaviour was proposed by the Committee for International Investments and Multinational Enterprises (CIME), which contains a detailed clause concerning employment and industrial relations. The declaration requires that employers must pay at least minimum wages and guarantee the right of trade union organisation with the facility for unions to negotiate with authorised representatives of the management. However, due to intervention from the United States the CIME may not comment on the behaviour of specific companies. MNC's can be required to give their point of view on identified problems, but this provision is not obligatory. With its deficits regarding the verifiability, the code was suspected to undermine initiatives towards binding rules. Despite the resistance of MNC's in the beginning, National Contact Points dealing with complaints about repeated breaches of the code were introduced to the member states in 1979 (Zeldenrust/Ascoly 1998, 8).

In 1977, the "ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy" was issued. In contrast to the OECD Guidelines, the Declaration addresses a wide range of social actors, namely governments, employers' and workers' organisations and MNC's operating in their territories. It concerns the right of unionist activity and collective bargaining, employment policy, equality, job security, training, and health and safety. The "Declaration on Fundamental Principles and Rights at Work", issued by the ILO 1998 and discharged by two thirds of its members, covers freedom of association, prohibition of forced labour, child labour and negative discrimination, which are central items also firmly embodied in international law. However, the recent example of forced labour in Burma (Martens 1999a, 34) shows the dilemma of the ILO to set up sanctions against the disregard of these principles.

Among other factors, the adoption of international standards in the 1990's was driven by a new surge of social responsibility, as registered in the enforced organisation of special interest groups and increasing media awareness since the late 1980's. This time the argumentation focused not so much on the disparities between developed and developing countries, but on the impact of globally acting economic players. In the international debate a view emerged that violations of human rights, even if they were accordable with the host country's legal and cultural realities, cannot be accepted as components of ethically legitimate business exercise. Political pressure from NGO's and consumer organisations created a new imperative for accountability, in relation to both labour standards and environmental issues.

From a European perspective the Report "Our Common Future" (1987) on behalf of the UN under the chairmanship of Gro Harlem Brundtland (at the time the Norwegian prime minister and now the general director of the WHO) was regarded as a milestone in a discourse on business ethics, respectively on the development of Codes of Conduct. The report, also known as the "Brundtland-Report", demonstrated a tight nexus of environmental problems, matters of economic development and poverty. In this context, the normative term "sustainable development" was coined and defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs<sup>4</sup>. Whereas the sustainability debate in certain cases might have resulted in an enforced awareness for environmental and social matters in business practices, it also proved to be used as a pretence

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<sup>4</sup> Interview with Werner Oesterheld.

for business and governments to justify their actions under the heading of a new, fashionable umbrella term. However, a whole industry cropped up on servicing the subject of “sustainability” and the current practice of social and environmental reporting was initialised. Further reports as edited e.g. by Amnesty International and other NGO’s added genuine political and social aspects to a public discussion on business ethics.<sup>5</sup>

In the 1990’s matters of labour and employment to a higher extent started to complement public awareness on environmental topics, which had been the big issue in the 1980’s. A number of MNC’s began to formulate and adopt codes of conduct covering labour practices that were meant to also apply to their subcontractors and suppliers. These unilaterally adopted codes of international labour practice are the latest achievements in the development of voluntary standards. Their number has increased rapidly, and they might be regarded as “new” under four important aspects (International Confederation of Free Trade Unions [ICFTU] 2001):

- Although the commitment to the existing ILO and OECD standards has voluntary character, these standards are part of an international framework of principles as agreed to by governments, employers and trade unions, and represent recommendations of a third party to companies. In contrast, many of the new codes derive from the single source of an individual private company, whereby many companies ignore the established standards in favour of creating their own.
- The new codes tendentiously regard governance under the perspective of national governments and the international community as having failed to adopt or enforce acceptable labour standards.
- Unlike company policy on labour practices, which traditionally refers to national legislation, the new corporate codes are sought to be applied internationally regardless of where the work is being performed.
- Many of these corporate codes extend their scope of application to the MNC’s suppliers and sub-contractors, hence, to the labour conditions of workers that are not directly employed by the paternal company.

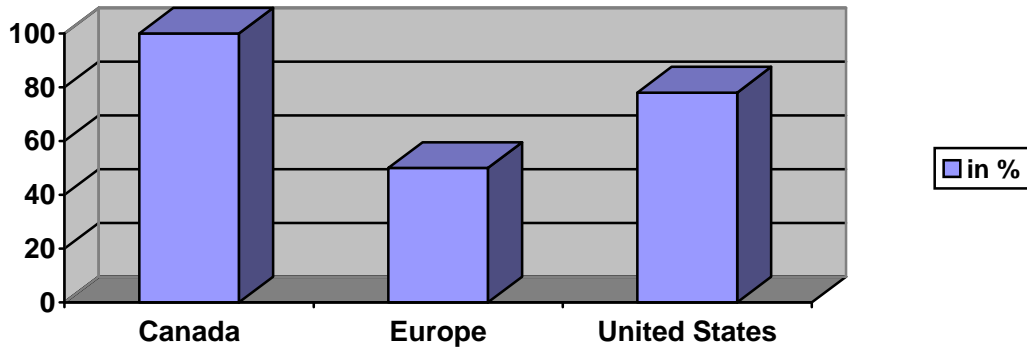
In general, “ethical codices” as a managerial instrument are more common in the business culture of North America, where a widespread production and publication of corporate Codes of Conduct started earlier than in Western Europe.<sup>6</sup> An international survey of 1991, quoted by the ILO, reveals that codes were issued to a higher extent by US-American and Canadian companies than by European companies 10 years ago.

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<sup>5</sup> *ibid.*

<sup>6</sup> *Ibid.*

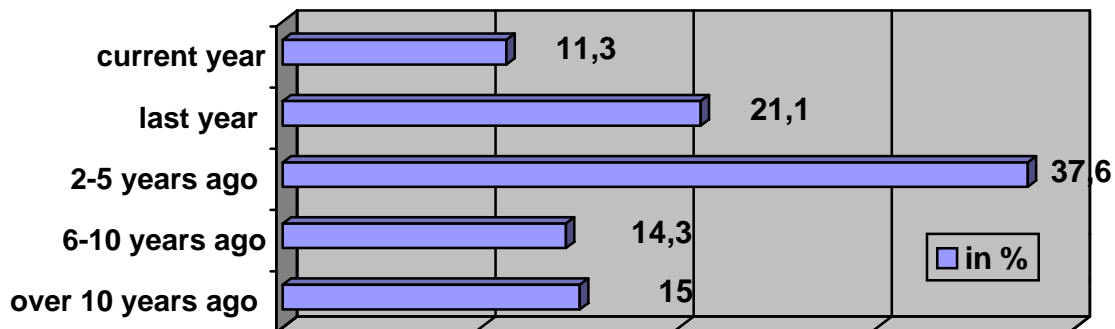
Figure 1: Regional prevalence of company codes in 1991



Source: The Conference Board quoted after ILO Bureau for Workers' Activities (s.a.)

A recent survey of the international consulting firm KPMG (2000) carried out with 1300 Canadian CEO's showed that 84,4% of the respondents could rely on a written document that outlined the values and principles of their companies. The increased current implementation of corporate codes of conduct is illustrated by figure\* (see also Chapter V), which demonstrates that 70 % of these documents were created within the last five years.

Figure 2: Corporate codes: date of creation



Source: KPMG 2000, 4.

The KPMG study (2000, 11) provides “a view to the future” for certain ethical issues. Respondents were asked which issues would be of greater concern in the next three to five years. The most prevalent emerging issues identified were:

- security of information (23,4%),
- employee and client privacy (16,9%),
- environmental issues (13,6%),

- governance (13%) and
- conflicts of interest (12,3%).

The preferences of the interviewees here show clearly that “environmental issues”, one of the major political concerns of the 1980’s, has lost relevance (maybe because it has gained a self-evident character in the public as well as in corporate policies) whereas with “security of information” and “privacy” two main issues being connected to matters of information ethics in the context of the emergence of IST have gained priority.

## 5 CATEGORISATION OF CODES

Apart from historical differences between North American and European business cultures, a quantitative proliferation of codes of conduct can be observed in general on international level during the last few years. Codes have been mainly objects of political debate and only to a very modest extent objects of a systematic scientific classification and analysis. With the exception of the KPMG study quoted above and work done in the frame of the ILO, investigations were undertaken mainly by the OECD. A recent OECD report titled “Expanded Review” (2000) is a follower of a 1999 inventory of codes of corporate conduct which assembles and classifies 246 different documents. However, none of the existing studies can rely on a representative or complete sample due to the high variety and heterogeneity of these instruments and partly to the fact that codes as an object of research are relatively new. In the following, the classifications provided are mainly based on findings of investigations by the OECD and KMPG, whereby the latter is restricted to corporate policies in Canada and the former considered a wide range of different documents on national and international level, reaching from international conventions to corporate codes. The interpretation of these data, originally provided in a mainly descriptive way, rely on our own studies of the literature on business ethics, experiences of social initiatives, expert interviews we carried out between January and June 2001 and a qualitative analyses of 72 corporate codes we surveyed ourselves (see Chapter 7).

### 5.1 Addressed issues

In view of the high variety of codes, it is quite problematic to make general statements on their nature. Some of them represent very detailed rules, others vague statements on guiding immaterial values or declarations of intent.

Major issue areas of codes as identified by the OECD (1999, 10) are the following, whereby few of the existing codes cover all of them:

- *Fair Business Practices*: Compliance with contractual obligations, respect for intellectual property, production of high quality or safe products, internal company ethics addressing issues such as conflict of interest, and ethical sales and marketing practices, including conformity with trade and customs regulations on country-of-origin labelling, product testing and labelling, and transshipment rules;
- *Observance of Rule of Law*: Avoidance of bribery and corruption in business transactions, avoidance of restrictive business practices and safeguarding of property;
- *Fair Employment and Labour Rights*: Non-discrimination (race, gender, age, sexual orientation, disability, religion) in employment, respect of right of association and right to organise and bargain collectively, avoidance of child, forced or bonded labour, and maintenance of healthy and safe work environment;



- *Environmental Stewardship*: Protection of the biosphere, sustainable use of natural resources, reduction and disposal of wastes, energy conservation, risk reduction, and environmental restoration;
- *Corporate Citizenship*: Enhancement of the economic and social well-being of host country and local population.

A code can be concerned with more than one issue area. The breakdown of code coverage by issue areas in figure 3 shows a high level of engagement in “fair business practices”, which mainly articulate economic interests of companies in the sense of “applied ethics” and “functionalist ethics” as outlined in Chapter 2. Partly, the OECD data can be interpreted as revealing the companies’ need for rules to ease competition in the enterprises environment as well as within the own premises, as far e. g. contractual obligations, IPR or conflict of interest are denoted by the notion of “fair business practices”. However, a distinction between the categories “fair business practices” and “rule of the law” as made in the OECD report is not always clear without ambiguity. The latter simply indicates a reference to national and international legislation, whereby in most cases it remains unclear which legal minimum standards apply in the case of international activities. As far as matters of corruption and bribery are covered by a reference to laws and legislation, we are confronted with a phenomenon which seems to be one of the major concerns of the US business world. The importance of these items is also a sign of the inconsistency of values in a globalised environment, thus a matter of ethical relativism in intercultural relations. Concepts of occidental companies about the legitimacy of gifts that might influence individual and organisational decisions and result in illegitimate advantages, can conflict with concepts in oriental cultures, where an exchange of gifts is regarded as an expression of mutual acknowledgement and respect.<sup>7</sup>

Furthermore, the promotion of the quality of products via codes shows that many of these documents have an *instrumental character* as instruments to advertise the economic performance of companies. A high representation of “Environmental Stewardship” and “Labour and Employment Topics” proves that current codes have reacted to the two major concerns raised in the general public and by organised groups of stakeholders during the 1980’s and 1990’s. As far as the organisation of such concerns has influenced consumer decisions (as one example amongst many others, the success story of “Body Shop” indicates that in the US and the EU particularly a sensitivity for environmental topics became established as a market force), on the one hand a regard of environmental issues might reflect only reactions from an economic point of view, on the other hand it might reflect that companies also have integrated the moral point of views behind such concerns into their policies. However, the low representation of “corporate citizenship” in the survey indicates that only a modest proportion of the economic actors have adopted a view of a broadly societal and internationally applicable responsibility.

Restricting to the Canadian background, KPMG (2000, 10) asked CEO’s to identify problematic managerial issues, i.e. to recall cases in which they had ever had a lawsuit, or issues, for which they had observed high media coverage or had experienced as a significant problem in their companies. As the table below shows, nearly one-third of the respondents had observed problems related to ”downsizing“ and ”fraud and theft“, a quarter of them

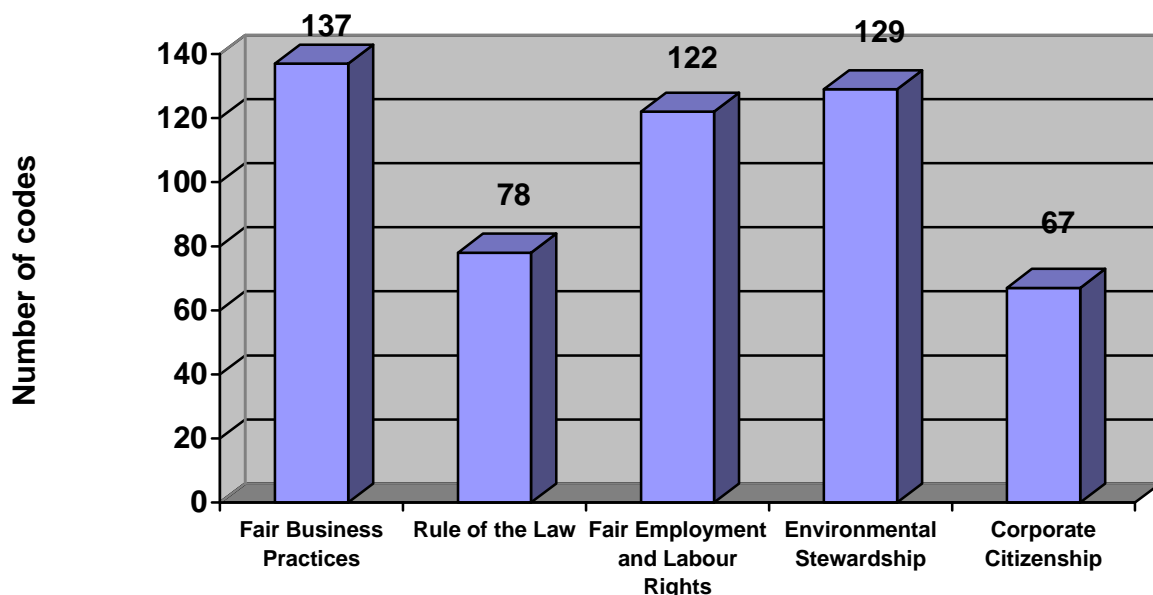
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<sup>7</sup> Interview with Silvia Buchinger, Human Resources Manager of Hewlett Packard / Austria, on 18 05 2001.

”conflicts of interest“. Whereas downsizing as an organisational engine and consequence of increased competition in a neoliberal economy implies very general moral questions (loyalty between employers and employees, the ”value“ of human beings as labour forces etc.), fraud and theft as well as conflict of interest strike the problem of the legitimacy or legality of the means to succeed individually in a rough and highly competitive climate.

The impression that companies have more and more to deal with the control and limitation of the legitimacy of egotistic profit interests in the highly competitive and cold atmosphere of the ”new economy“ is complemented with statements from the expert interviews we carried out.<sup>8</sup> In this context, even the attention given to ”discrimination“ and ”sexual harassment“ as expressed by the Canadian CEO’s has an ambivalent character: On the one hand it reflects that formal equality as belonging to the foundations of Western morality and the disadvantaging along dimensions as gender and ethnicity have gained high public awareness, and resistance against discrimination became integrated in the work sphere. Hence, the public debate of these issues mainly reflects a progress compared with previous forms of silent and structural oppression. On the other hand, the revealing of morally unjustifiable forms of dominance has led to a “democratisation” of power games that makes individual competition for social acknowledgement and economic success explicit and visible.

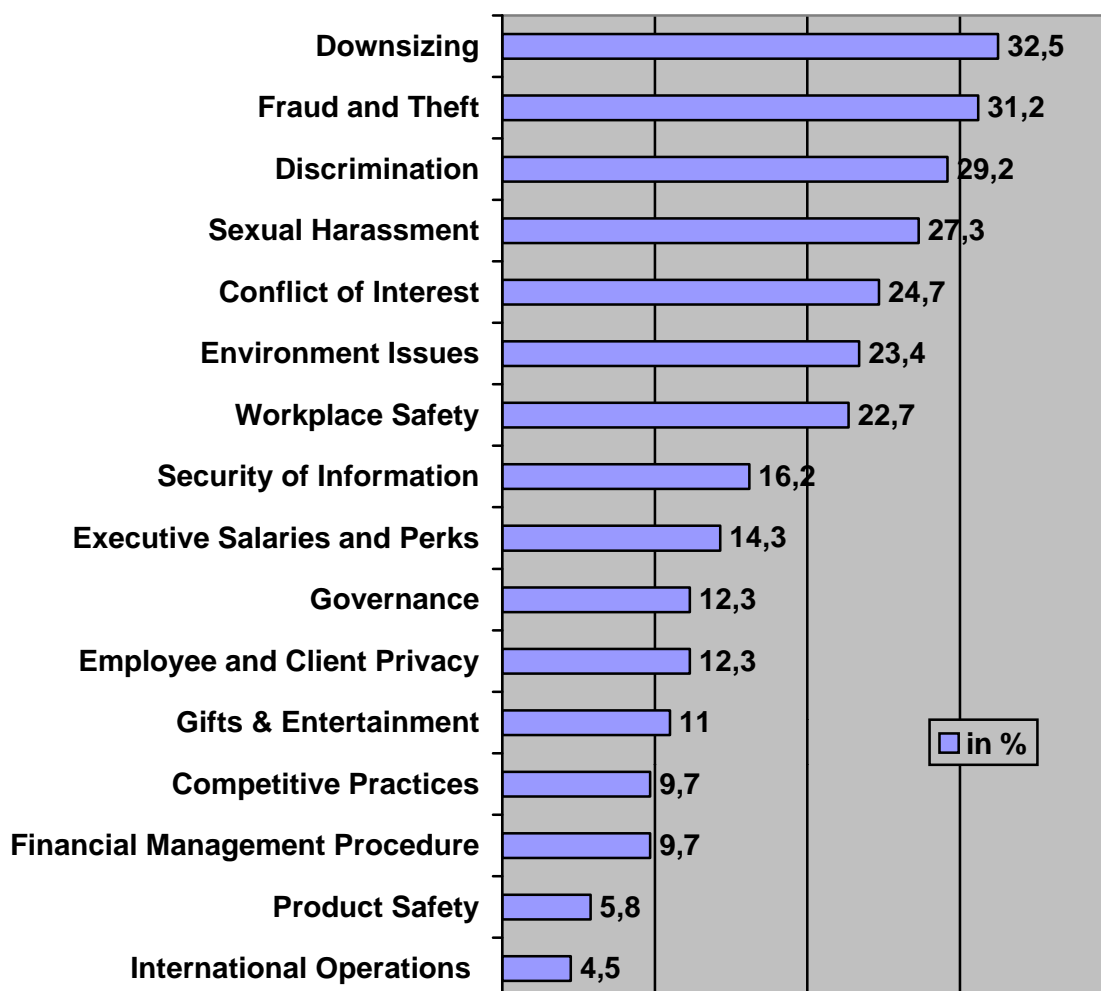
Figure 3: Distribution by issue area



Source: OECD 1999, 11.

<sup>8</sup> e.g. Interview with Othmar Hill, President of Institut of humanistic Management, Hill&Woltron International, on 21 05 2001.

Figure 4: Incidence of lawsuit, media coverage, or significant problems with various situations



Source: KPMG 2000, 10.

## 5.2 Scope

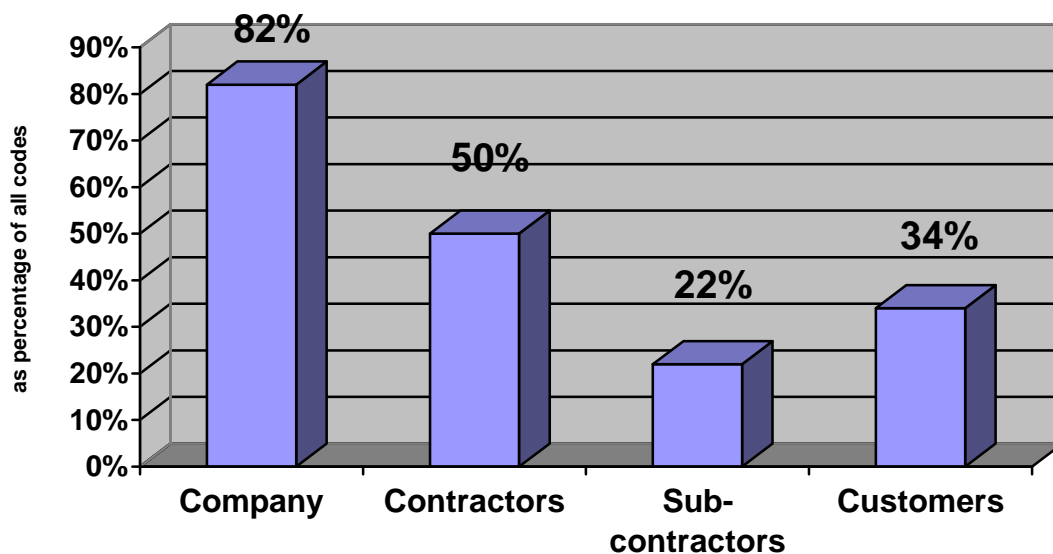
The codices assembled by the OECD investigations can either apply to a particular profession or economic sector, or a variety of sectors. Regarding their scope, they can be classified as follows:

- General, cross-sector omnibus codes, e.g. the *Declaration of International Investments*, OECD 1976,
- Codes for special sectors of function or production, e.g. the *Infant Formula-Codex* (=International Codex of marketing for breast milk substitutions), WHO&UNICEF 1981, or the “*International Codex of use of Pesticides*“, FAO 1989,

- Codes for special professions, e.g. the “Code for Nurses”, International Council of Nurses 1973, or the *Code of the British Computer Society*, 1984
- Corporate codes, e.g. the Code of the Otto mail-order house.

In particular, in the case of corporate codes of conduct it is a question of major interest which persons and institutions are addressed by the guidelines expressed. The OECD inventory identifies four types of addressees of business transactions, whose behaviour can be ruled by moral guidelines. The figure below shows that a large majority of the codes apply to the core employees of parent companies (82%). Under the preconditions of a globalising economy with tendencies like the outsourcing of tasks to contractors and sub-contractors with low labour costs, it is one of the critical key questions, whether moral standards apply beyond the premises of the paternal company or not, a fact which is e.g. reflected by the *Basic Code of Labour Practice*, developed by the International Confederation of Free Trade Unions (ICFTU) or the revised OECD Guidelines for MNC’s. According to the OECD-inventory only 50% of the codes apply to contractors and 22% to sub-contractors.

Figure 5: Addressees of corporate codes



Source: OECD 1999, 15.

### 5.3 Source organisations

The following organisations can figure as the initiators of codes:

1. *Governments*: Codes resulting from inter-governmental negotiations or consultations, e.g. The International Labour Organisation (ILO), the United Nations Conference on Trade and Development (UNCTAD), the Organisation for Economic Co-operation and

Development (OECD), the United Nations Conference on Environment and Development (UNCED),

2. *Industry*, e.g. European umbrella Organisation of toys producers (TME), Apparel Industry Partnership (AIP), European Union Social Action Program (EBNSC), Canadian Business for Social Responsibility (CBSR), World Federation of the Sporting Goods Industry (SGI),
3. *Partnerships of Shareholders*, mainly represented by managed investment funds such as a unit trust or life insurance or pension fund, which practice ethical investment.
4. *Trade Unions*, e.g. International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF), International Federation of Building and Wood Workers (IFBWW), International Confederation of Free Trade Unions (ICFTU), International Brotherhood of Teamsters (IBT),
5. *Interest Groups - NGO's*, e.g. Clean Clothes Campaign (CCC), Accountability 1000 (AA 1000), Amnesty International (AI), Coalition for Environmentally Responsible Economies (CERES), Ethical Trading Initiative (ETI), Forest Stewardship Council (FSC), Global Reporting Initiative (GRI), Sweatshop Watch, Global Exchange, Social Accountability International (SAI),
6. *Schools – Universities*, e.g. United Students Against Sweatshops (USAS), Occidental College, University of Notre Dame,
7. *Companies*, Codes developed by individual companies, e.g. Codes of conduct of C&A
8. *Others*, e.g. International Chamber of Commerce (ICC), American Petroleum Institute (API).

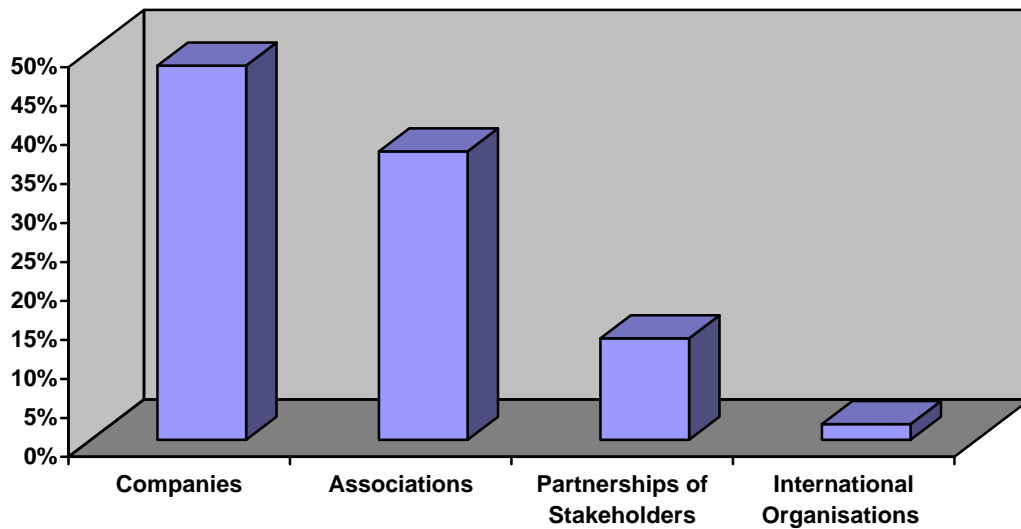
Concerning the performance of MNC's, the ILO (Bureau of Workers' activities, s.a.) distinguishes two types of codices:

- “*corporate codes of conduct*”: The initiators are companies, the documents are individual company policy statements, defining a company's own moral standards, and the obedience of these standards is completely *voluntary*.
- “*codes of conduct for multinational corporations*”: The initiators are inter-governmental organisations, the documents are to some degree imposed on MNC's and regarded as *recommendations*. They are different from framework agreements negotiated with trade unions. Even if the codes have been agreed by a number of sovereign states, they do not have a status of international law. Hence, codes of conduct for MNC's impose no legal but only moral obligations on companies, and they are not capable of enforcement by the application of external sanctions.

The OECD “expanded” review of 246 collected codes (2000, 7f) reveals a high quantity of private initiators for the development of codes:

- mainly companies issue (individual) codes (118 codes)
- code activity extends beyond companies to industry and trade associations (92 codes)
- partnerships of stakeholders, mainly NGO's and unions (32 codes)
- and some inter-governmental organisations (4 codes)

Figure 6: Composition of codes by type of issuer



Source: OECD 2000, 9.

However, quantity here does not inform about the influence of different actors: e.g. for OECD or ILO standards an influence as models and pilots for many other initiators can be observed.

The OECD (1999) finds that international standards, e.g. ILO Conventions, are explicitly quoted in only 18% of the codes. The ILO survey 1998 of 215 codes leads to a similar result - only 1/3 of the sample refers to the internationally agreed social standards of the ILO (Martens 1999b, 40).

Nevertheless, the OECD survey shows a high degree of variety in code characteristics and differences in transparency of their contents to externals.

- Codes can set forth standards of conduct based on a variety of sources ranging from local laws and regulations to internationally recognised standards.
- In the case where international standards are explicitly quoted, they mainly refer to ILO Conventions and UN Declarations. The ILO Conventions most frequently mentioned are: (29) Forced Labour Convention; (87) Freedom of Association and Protection of the Right to Organise Convention; (98) Right to Organise and Collective Bargaining Convention; (100) Equal Remuneration Convention; (105) Abolition of Forced Labour Convention; (111) Discrimination (Employment and Occupation) Convention; (122) Employment Policy Convention; (138) Minimum Age Convention. Some codes refer to certain ISO Standards.
- In the sample only one code used the OECD Guidelines for Multinational Enterprises (see Appendix) as a reference. Two codes cited the OECD Recommendation on Bribery in International Business Transactions, and three the OECD Guidelines on the Protection of Privacy and Cross-border Flows of Personal Data.

- At least ten of the company codes as well as a number of other codes refer to international standards in an *implicit manner* by using terms like “sustainable development” or “universal” or “internationally recognised human rights”.

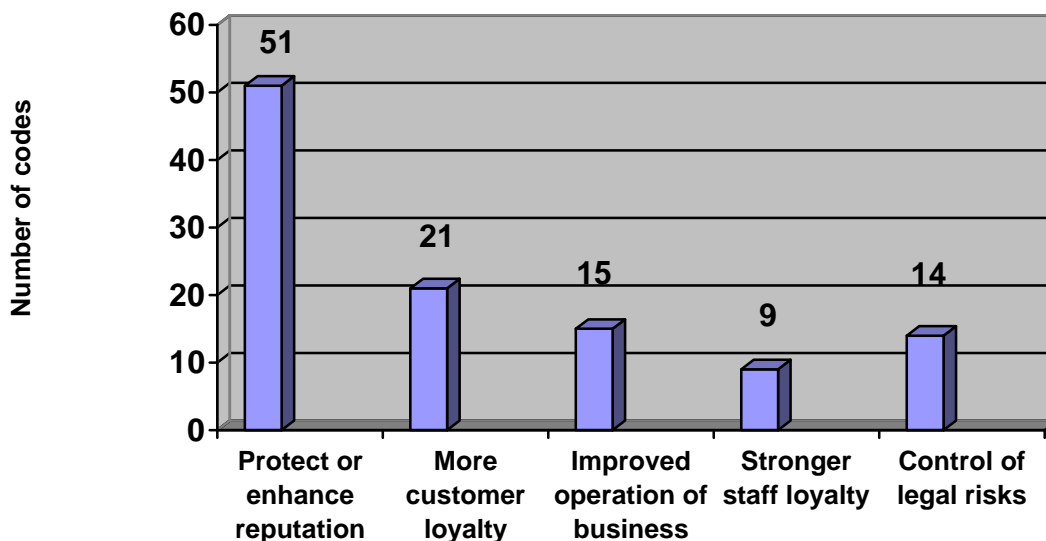
Companies that do not possess explicit codes of conduct do not necessarily ignore the moral impact of their economic activities (nor is the existence of a code a proof for high standards). Many MNC’s simply use other instruments than codes to testify their commitments, such as detailed annual reports describing corporate practices, values and achievements.

### 5.3.1 The reasons for the ethical initiatives of private companies

The reasons for the initiatives of private companies can be manifold:

- Companies understand their role as *socio-political and moral actors* and seek to find out about their responsibilities and the opportunities to practice them.
- Companies respond to concerns raised by consumers and other stakeholders. Especially regarding consumers’ behaviour, market mechanisms can play the role of political correctives as soon as a specific political topic achieves high significance in the public awareness (Korff et al. 1999, 416). Codes therefore might be an instrument for marketing (as an often stated point of criticism to codes as such<sup>9</sup>). Some of the codes inventoried by OECD (2000, 20) mention first of all commercial benefits or competitive advantages which code issuers hope the commitments will contribute.

Figure 7: Competitive advantages mentioned by codes



Source: OECD 2000, 20.

<sup>9</sup> Interview with Manfred Travnicek, Senior Vice President Marketing, SAP Austria, on 14 05 2001.

- Codes may help to define a company's behaviour in the face of *varying legal systems of different nation states*. They might support a company's argumentation in legal cases (e. g. cases of consumer protection like in the US), or give orientation in host countries with low social and living standards, where a company feels morally obliged to perform on higher standards than the foreign country's legislation would suggest. As the figure above shows, this has a subordinate role in the commitment to a code of conduct.
- Companies use codes as a *system of dialogue* between the company and the publicity on the one hand, and on the other hand *in the employer – employee line*. Codes can be a tool of consistent management for personal conducting<sup>10</sup>, which can be used as an alternative to the “command-and-control”-style of traditional tayloristic-fordian work arrangements. This becomes more important with growing aspects of internationalisation in personnel management and a shift towards “human resources” approaches (de-centralisation, flat hierarchies, high autonomy of employees). From a cynical point of view, codes can be reduced to the function of disciplinary tools for the own staff, especially when the content of codes conflicts with values, interests and cultural background of the employees.<sup>11</sup>

#### ***5.4 Critical Discussion of codes***

Fundamental critics like Vivianne Forrester (2001) presently speak of a decade of “ultra-liberalism” with a trend of “profit over people” (Chomsky 2001). From such a perspective, codes appear as superficially putting a “human face” on exploitative capitalism. A frequent criticism of the codes is that most of them are reduced to serve as public relations exercises. Hence, the social impact of these has been questioned. There is justifiable concern that companies use codes of conduct as tools to deflect criticism from e.g. environment groups or when confronted with consumer pressure. Due to the voluntary character of codes the actual commitment to their contents might vary. The fulfilment of such commitments generally seems to be easier in times of economic success than in periods of a recession.<sup>12</sup>

Apart from fundamental criticism, codes of ethics are also controversially discussed: At one end of the spectrum we find the argument that ethics should be structurally open and reflective, and that keeping to a written moral code implied a confusion of ethics with law. The latter statement asserts that it is a mistake to assume that there is special ethics for professionals which can be separated from the ethics of ordinary human beings within a moral society. Professionals do not have special rights or duties isolated from their rights and duties as moral persons, and therefore codes of ethics are possibly pernicious.

A different sort of attack on the usability of codes of ethics is articulated by Luegenbiehl (quoted after Centre for Study of Ethics in the Professions, Illinois Institute of Technology s.a.) although he basically acknowledges that codes of ethics do have some social value: “The adoption of a code is significant for the following of professionalism of an occupational group, because it is one of the external hallmarks testifying to the claim that the group

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<sup>10</sup> Jeroen Strengers, FVN Mondiaal Amsterdam, at the symposium „Globalisierung von Arbeitnehmerrechten“, DGB Bildungszentrum Niederplöcking, Germany.

<sup>11</sup> Interview with Paul Kolm.

<sup>12</sup> Interview with Renate Huppertz, Co-ordinator of CCC Düsseldorf, 02.02.01 at the symposium „Globalisierung von Arbeitnehmerrechten“, DGB Bildungszentrum Niederplöcking, Germany.



recognises an obligation to society that transcends mere economic self-interest”. But at the end of the day, according to Luegenbiehl, codes create moral problems rather than help to resolve them. He notes that in practice professionals rarely turn to such codes for guidance and the guidelines as expressed by codes sometimes seem to be inconsistent. He also supports the argument that the implementation of a code of ethics may be in conflict with the moral autonomy we might expect from individuals.

In contrast to Luegenbiehl’s position, one could object that codes of ethics, although they sometimes seem to be inconsistent, can be understood rather as expressions of ethical considerations to be borne in mind than as clear rules for decision-making. Furthermore, moral autonomy is not necessarily compromised by a code. If a code's provision can be supported with good reasons, why should a profession not include an affirmation of those provisions as part of what it professes? This does not preclude individual members from autonomously accepting those provisions and jointly committing themselves to their support. The codes ethics might be understood as conventions between professionals. The code protects each professional from certain pressures by making it reasonably likely that most other members of the profession will not take advantage of its good conduct.

Olson (s.a.) states that a code of ethics fulfils many purposes within an organisation. It increases ethical sensitivity and judgement, strengthens support for individuals’ moral courage, and helps to hone a corporate identity. As an active member of the Centre for the Study of Ethics in the Professions (CSEP), which performs an online-collection of Codes of Ethics, Olson had the opportunity to analyse over 500 different codes of ethics from a vast variety of professions, institutes, associations, societies, and other organisations, codes which appeared to him as diverse as the variety of groups being concerned with their elaboration. Olson further observed that the brevity of many documents seems insufficient in fulfilling the many wishful purposes of a code of ethics.

A further critical circumstance is the currently increasing number of (mainly corporate) codes. Complaints about a global plethora of codes is on the one hand hampering the work by companies trying to improve the ethical performance of their suppliers, and on the other hand suppliers, and contractors are confused by the diversity of codes which they have to obey. For example, the same sub-contractor may conceivably employ workers producing for different multinational companies who would have different salaries, different working hours, etc.<sup>13</sup>. Michael Goldstein, chairman of Toys R US: “If so many companies and organisations are developing their own codes, we’re going to have visits to factories time and time again and the factories are going to say, ‘what’s going on?’ Why can’t you get your act together so that we have one set of visits.” He comments that the proliferation of codes had left many suppliers reeling. “We were in one factory recently where there had been 40 audits in one month under initiatives such as ETI, WRAP, SAI and so on.(...) It is not necessary to have so many codes of conduct. One standard is enough” (ethical performance 2001, 2).

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<sup>13</sup> Interview with Renate Huppertz

### 5.4.1 *Composition and implementation*

Undesirable results might occur when companies are not viewed holistically, which might enable them to fortify an “ethical” image based on limited achievements in isolated categories. The following points should be critically investigated when a company uses a code of conduct:

- The issues of the code and intended scope of responsibility
- The processes by which the code is determined and implemented: training, monitoring, reporting mechanisms and reviewing/updating the code
- The extent of the specified wording of the code
- The underlying references of the code

One of the more contentious issues concerning what is crucial in a code of conduct is the issue of a “living wage”. The ICFTU code, SA8000, the Ethical Trading Initiative (ETI) base code, Global Exchange and others include provisions for a living wage, which provide a sufficient income to meet the basic needs of workers and their families.<sup>14</sup> The “International Code of Conduct for the Production of Cut-Flowers” 1998, refers to terms of “living wages” as follows:

Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income. Pay should be in cash, direct to the workers, promptly and in full. Information to wages shall be available to workers in an understandable and detailed form.

However, according to Yanz/Jeffcott (1999) most European and international model codes are either silent on how and by whom a living wage would be defined, or refer to cost of living studies by international institutions. The authors underline another key issue which is currently under debate: “the right to organise and bargain collectively”.

While there is always the danger that MNC’s will use codes of conduct to justify investments in countries with repressive regimes, repressive governments might be less likely to suppress nascent forms of democratic unionism if a sufficient number of major companies have adopted codes of conduct with the same similar provisions requiring suppliers to facilitate or at least tolerate worker self-organisation.

Fundamentally, a code of conduct depends on its credibility. Credibility depends on the one hand on monitoring, enforcement and transparency, and on the other hand on the awareness of contractors, subcontractors, workers, the public, NGO’s and governments of the codes’ existence and meaning. Many existing codes do not specify precisely the limits of their responsibility. Does the code only apply to the direct employees or also to the employees of the subcontractors and suppliers? Does the code apply to all products?

An important flaw in corporate codes of conduct is the lack of information on how they are implemented and monitored.

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<sup>14</sup> *ibid.*

Companies often say they instruct their buyers or send special teams to implement and monitor their codes. It is impossible to know if they really do so consistently, because records of these activities are not publicly available for scrutiny or follow-up (Zeldenrust/Ascoly 1998, 24).

Zeldenrust/Ascoly (1998, 4) quote a research analyst from a US ethical investment fund who claimed: “Setting the standards is 5% of the job, ensuring compliance 95%”, a statement which leads directly to the critical question, what sanctions in case of violations are foreseen. The easiest option to deal with breaches of codes of conduct by suppliers might be that the paternal company severs contractual relations with them. However, there is no guarantee that e.g. in the case of exploited workers, they will actually be better off when their employer loses an important contract. Of the 154 responding organisations surveyed by KPMG (2000, 6), only 20,8% indicated that they had a confidential reporting mechanism such as a confidential telephone line in place. Walker Information (1999, 1) sets out that 30% of employees knew of or suspected ethical violations in their organisations during the past two years. The majority of these employees who saw or knew about a violation had not reported it. The reasons given were that the “employees did not feel the organisation would respond, there was a perceived of anonymous and confidential means of reporting and fear of retaliation from management prevented workers from reporting the misconduct they had witnessed”. In this survey less than half of working Americans believe that their senior leaders are people of high integrity. (Across ten moral measures the lowest-scoring sector is the transportation industry, followed by the public administration and manufacturing, of which employees ratings were the lowest in believing that their firm is highly moral overall. According to the study, the pace of workplace integrity was set by financial services, the technology sector and the insurance sector.)

A key factor of success in integrating codes of conduct in day-to-day operations is, first, having someone *clearly responsible* for implementing, monitoring and evaluating different moral initiatives. In the KPMG survey (2000, 5) 41,6% of the respondents stated they had a senior level manager established, whose professional role specifically includes a responsibility for moral initiatives. Secondly, the success of moral initiatives depends on the employees’ confidence in the leaderships’ integrity.

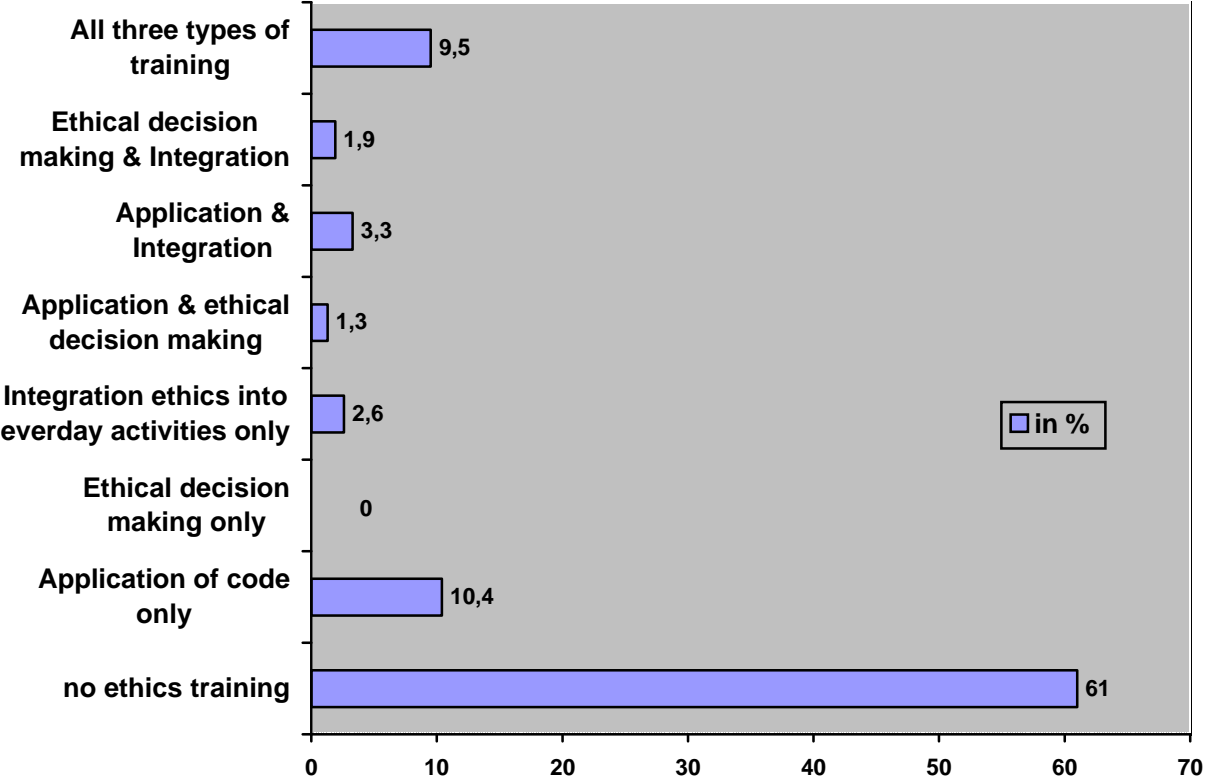
#### **5.4.2 Training Programs**

For the internal distribution and acknowledgement of codes contents, training programs at all company levels are essential. The ILO “Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy” Geneva 2000, in article 30. and 31., emphasises the thesis that training programmes for workers are necessary instruments for the functionality of voluntary agreements. In comparing different surveys in the matter of ethics training, the ILO, Bureau for Workers’ Activities (s.a.), summarises that

training courses utilized a variety of formats. Some were limited in scope to discussion of the company’s ethics statements, while other tried to promote ethical sensitivity through Socratic exercises that require participants to analyse case studies presenting common ethical dilemmas. (...) In addition, it was evident that the intensity of the training varied widely from company to company (ILO, Bureau for Workers’ Activities).

According to the KPMG (2000, 6f) survey, ethics training is not yet the rule: only 39% of the companies provide some form of training in ethics. For the purposes of the survey, training was divided into three categories: application of the code, ethical decision making, and integrating ethics into everyday activities. 19,5% of the companies provide all three types of training and 10,4% limit their training to the application of the code.

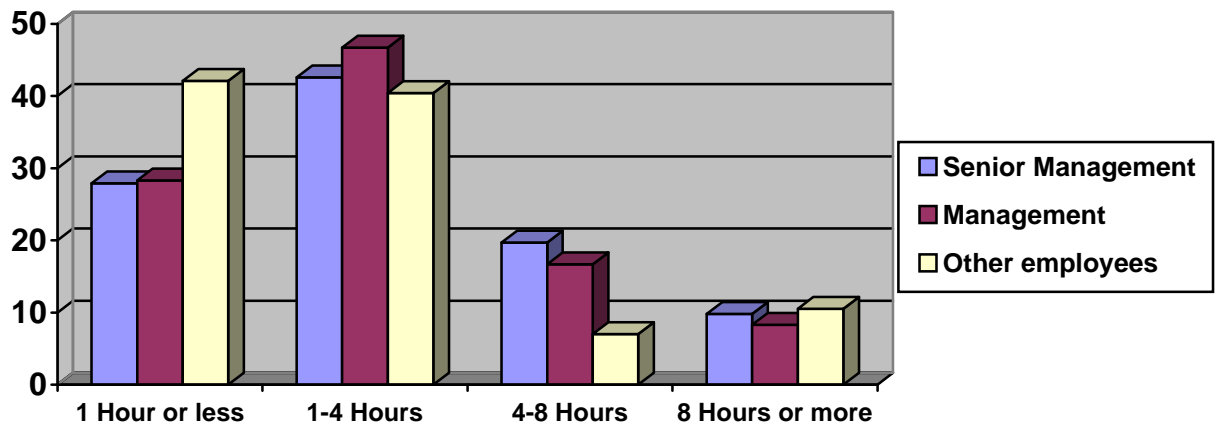
Figure 8: Types of ethics training



Source: KPMG 2000, 7.

In order to effectively integrate the meaning behind codes into day-to-day operations, employees must not only learn the “right way of doing things” but also must be able to apply this knowledge to their own reality. Considering the number of moral issues resulting form managerial decisions, it seem surprising that such a large percentage of the companies provide less than an hour annually to support the abilities of their managerial staff in developing ethical decision-making.

Figure 9: Amount of time spent per year on ethics training



Source: KPMG 2000, 7.

### 5.4.3 Monitoring

There is a general agreement in the current discussion that internal monitoring (by company staff) of supplier compliance is not adequate. Many NGO's such as the "Clean Clothes Campaign" underline the need to make swift progress which would support the credibility of publicly articulated policies. The ideal of monitoring would involve visits and inspections by externals and internal control procedures such as keeping records and reporting by the staff of the company, whereby the inspection by an internationally composed group which contains representatives of both the civil society (NGO's) and multinational institutions (UN) is the most desirable option in the view of many NGO's.

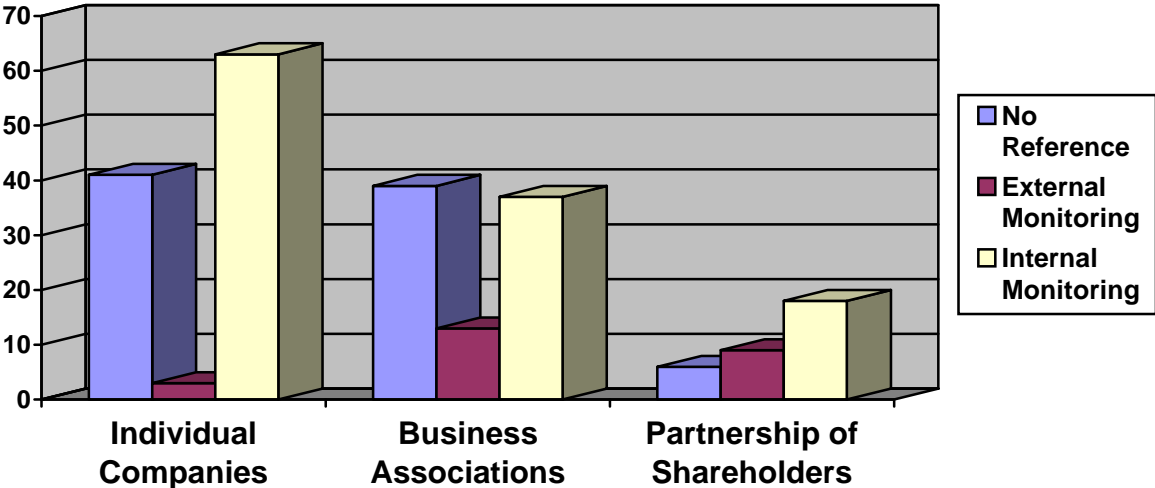
Similarly Zeldenrust/Ascoly (1998, 21) demand, that

...there must be involvement of appropriate trade unions and NGO's in every step of the monitoring process. This does not mean the monitoring itself (the actual spot checks and interviews) must be carried out by trade unions and NGO's. (...) Monitoring must be carried out by the actual observance of working conditions through unannounced inspection visits ("spot checks") to all workplaces covered by the code. The frequency of inspections must be established; accredited monitors must be permitted to interview worker on a confidential basis. In addition to regular or routine inspections, inspections shall be undertaken at specific locations following substantiated complaints, where there is sufficient reason to believe that the code is not being observed.

In this respect, one of the current main problems in developing countries is that local NGO's do not have the capacity to monitor or audit the thousands of supplier factories producing for developed countries. They "are increasing uncomfortable with the emerging model in which large private sector social auditing firms with little or no human rights experience or commitment to workers' rights are becoming the primary judges of whether codes of conduct are being adhered to" (Yanz/Jeffcott, 1999).

The OECD (1999, 18) identifies a significant number of company and business association codes that *do not touch* the subject of monitoring at all. Companies tend to prefer internal procedures or remain silent on this issue.

Figure 10: Monitoring provisions



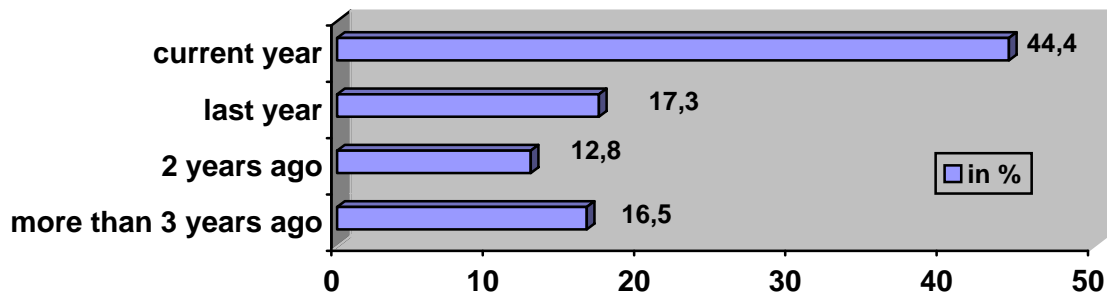
Source: OECD 1999, 18.

Of the 233 codes surveyed in 1999, 52 mention some form of corrective action to make improvements necessary to meet code standards. 58 codes mention “other” measures, such as complaints to professional bodies, expulsion or suspension from association memberships, or disciplinary action against employees. 39 (primarily company) codes state that non-compliance could or will result in the termination of an existing contract or business relationship.

Currently, the further development of monitoring systems is a work in progress. From a number of recent pilot projects and round tables we mention only the “European Initiatives on Monitoring and Verification of Codes of Conduct in the Garment and Sportswear Industry” carried out by Ascoly et al. on behalf of SOMO (Centre for Research on Multinational Corporations) and the international secretariat of the Clean Clothes Campaign (CCC).

Codes may change over time due to changes in society and organisations, and a desire to improve the efficiency of a code. In this sense, a code of conduct should be regarded as a “living document”. In order to maximise its utility, a code must be adapted to the changing atmosphere of an organisation and the environment in which the organisation operates. Regular review of the relevance of codes of conducts` content and issues is likely to be beneficial. KPMG (2000, 4) shows 74,5% of the companies surveyed have reviewed their moral standards during the past two years.

Figure 11: Document reviewed/updated



Source: KPMG 2000, 4.

Furthermore, the wording of a code of conduct is a critical point. The precision of the wording enhances the creditability of the document, e.g. what does the garment company Peek and Cloppenburg tell us with the statement that “goods [are] produced under human conditions” in a document called “Social awareness”?<sup>15</sup> The vagueness of the whole document lacks and overrules the precision as provided by ILO Conventions and opens up a wide range of interpretations. Also a paragraph titled “Prohibit child” in the same document lacks any definition of childhood in terms of age, or references to international standards or conventions. In contrast, the wording of a code issued by H&M regarding child labour<sup>16</sup> is precise:

We base our policy on child labour on the UN Convention on The Rights of the Child, article 32.1. (...) We define, in this context, the word “child” as a person younger than 15 years of age or, as an exception, 14 years in countries covered by article 2.4 in the ILO convention No. 138.

#### 5.4.4 Some criteria for “good” codes

KPMG (2000, 3-18) identifies specific aspects which are necessary to lead a code’s intention to a successful result. In general, a code of conduct is a commitment from the top and reflects in both policy and process design - management policies, reporting structures and reward and promotion systems. An ethic commitment requires clear ongoing communication, both up and down the line, all in a supportive environment. Clarity, accountability and evaluation of current practices are important for successful ethical management. The goals of the code has to be clarified, the consensus developed and must suit the purpose for which it is designed.

Concerning matters of successful implementation Zeldenrust/Ascoly (1998, 20) define a range of activities that should be regarded by a company when putting a code into effect. Elements of successful implementation programmes include:

<sup>15</sup> <http://www.peakundcloppenburg.com/>

<sup>16</sup> <http://www.hm.com/hm/code/default.asp>

- The code should be incorporated in the overall philosophy of the company and therefore the responsibility for the code should not be left only to the company's public relations department. Instead, responsibility for the implementation should be assigned to a more appropriate part of the organisation and implementation duties should also be assigned at each workplace.
- Adherence to the code must be made an enforceable and enforced part of any agreement the company enters into when it outsources production or services. Companies must take into account the ability of subcontractors and suppliers to observe the terms of their code when selecting subcontractors and suppliers. This should be clearly written out in all agreements.
- The code must include a mechanism to involve the workers which are the addressees of the guidelines. At a minimum level, workers must be informed about the terms of the code in a language they understand. They must be provided with a secure and confidential reporting system dealing with violations of the code. Workers should not be disciplined, dismissed or discriminated for providing information concerning the observance of a code.
- Possible negative consequences to workers must be taken into account. If the implementation of a code of conduct also has negative effects on individual workers, as it might occur when child workers are displaced by other workers formally employed, programmes must be put in place to compensate or assist the transition of the workers concerned.
- The company itself must ensure compliance with its own code (via inspections, instructing staff of quality control departments, informing management of suppliers in a structured way).

In concluding our findings, the aspects highlighted in the critical discussions are summed up in the attempt to summarise some criteria for a "good" code.

A "good" code:

- reflects as an absolute minimum level of the *core standards* in inter-governmental guidelines
- is a *collective result* of bargaining between all stakeholders, including NGO's and Trade Unions and therefore leads to *employees* trust and *compliance*
- covers issues which are *beyond legal "minimum standards"*
- is *clearly worded*, i.e. unambiguously and without misinterpretation
- is applied and *implemented* in all levels, at each workplace within the parent company, the *contractor* companies, the *supplier chain* and *licensee* (franchise holder), and for each product
- provides *documentation* to the implementation program and results
- provides *transparency* of the code through dissemination, distribution and **training** within the parent company, the *contractor* companies, the *supplier chain* and *licensee* (franchise holder)
- is translated into local languages at different production places
- provides frameworks for ongoing discussions, negotiations and reforms and is therefore *reviewed and updated*
- provides a clear *responsibility* for ethics function



- provides a program against *violation* through *confidential reporting mechanisms*
- includes *monitoring/auditing mechanism* in terms of “spot checks“, preferably independent and external

## **6 MAIN ISSUES OF IST-ENABLED CROSS-BORDER WORK**

In previous chapters we pursued the generally acknowledged thesis that IST represent a key factor in current processes of economic, political and cultural processes of globalisation. Besides this general function of providing the technological basis for the extension and acceleration of economic activities worldwide and enforcing the shift from material to immaterial production, the organisation of IST-enabled cross-border work itself raises new questions about its moral and ethical implications.

Typical technologies that facilitate IST-enabled work are computer networks with internet-based working tools, databases accessible via company communication networks, mobile phones, web cast and video conferencing, or virtual reality applications simulating office environments. Through the convergence of digital and analogue data processing, computing and telecommunication, digitisation forms up a "universal machine", a term coined by the computer pioneer Alan Turing. The "universal machine" is not only multi-functional and tendentially replacing the work as done by other machines as Turing had foreseen, but is also universal regarding the worldwide deployment of new modes of work organisation. It rationalises informational processes, facilitates organisational flexibility in time and space, enables wide dispersal of the enterprise's functions, essentially increases the mobility and location options of work, enables access to information independent of the location of work sites and mediates a new sense of proximity for co-operation across distances.

Examples of cross-border work applications as listed in the first draft of the VIP-code (Uno Mondo 2001, 4) are:

- Virtual teams: Work teams or company units which collaborate across distances and national borders in order to complete common tasks or achieve common goals, e.g. to prepare a tender, draft a marketing campaign, draw up a budget or prepare a production plan.
- Various services: Printed matter and translation work (hand books/manuals, product specifications etc.) where parts of the production chain are located to different countries.
- Customer support: Technical support functions, help desks, complaint services etc. established in locations with good knowledge of languages, technical skills and/or low costs.
- Sales support: Order processing, booking, telemarketing functions, which are established in locations with good knowledge of languages, technical skills and/or low costs.
- Remote systems maintenance, e.g. maintenance of computer software systems from remote locations.
- Data processing, data entry etc located to low cost areas or locations with good competence/work force supply
- Research work, e.g. research units within large companies which co-operate in networks in joint research projects.
- Soft ware development, technical development work etc. take advantage of teams in different time zones in order to reduce production time and level out workload.
- Planning work and administrative work within management, financing, marketing, production, R&D etc. in large multinational enterprises which take place across national borders

Since IST drastically change the notion of proximity in the entire geography of work, several critical issues of computerised work organisation in the administrative part of industrial

production and in the third sector may appear similar within the intranet of a companies' headquarter or within networks of regional, national and international scope. Such issues are, for instance, data protection and privacy which apply to employees, customers and users in a clearly confined environment and gain higher complexity in the global infosphere.

As far as trans-national matters are concerned, at first glance it is obvious that the substantial ethical and moral considerations regarding the justice of distribution of income and wealth, opportunities to participate in the formation of the work and political sphere, the relationship with the natural environment and (more general and at the same time subject-oriented) the quality of life, also concern work carried out worldwide in computer networks and via telecommunications.

However, some of the potential negative implications of a worldwide production in the industrial and manufacturing sector seem to have far less importance for work carried out via IST, or might have a totally different character and demand a changed quality of ethical and moral judgement. For example, electronic smog and the disposal of computer waste are certainly serious problems in an information economy, however at present they seem to have lower impact on the natural environment than the risks as inherent in traditional industrial production and the accompanying means of transport. It is even one of the ecological arguments behind the promotion of telework that tele-commuting has the potential to reduce emissions as caused by physical mobility required by the organisation of labour within the capitalist-industrial paradigm.

### ***6.1 Effects on Labour Markets and Work Organisation***

Regarding trans-national relations, the glaring inequality regarding wages between the US, Europe and Japan on the one hand and the CEEC and so-called developing countries on the other is less drastic than in traditional sectors of the industry, where exploitation of labour has been controversially discussed in branches like textile or mining. Presently, IST-enabled work mainly employs qualified elites in fast developing countries, and although a reduction of labour cost belongs to the main motives for an export of work, the income of such elites is close to the standards in the First World, and high compared to the social level in the regions or countries where work by such elites is actually carried out.<sup>17</sup> Here, ethical reflection is concerned with the macro-political effects on both the host country's society and the societies of the wealthy North. On the one hand, the employment of elites in fast developing countries is put forward as a relating argument against the criticism that rationalisation via computers caused structural unemployment (or, as in the case of the US, the phenomenon of the "working poor") in the First World (see Glotz 2000, 3). On the other hand, the same situation finds a critical reflection by drawing attention to an increased competition of labour force worldwide. Due to their functionality, IST can support strategies for a reduction of labour costs such as downsizing and outsourcing. Here, the industry is criticised for the situative acquirement of labour force trans-nationally instead of investing in qualification measures for skilled labour within the national boundaries of the industrialised countries which shift more

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<sup>17</sup> Interview with Othmar Hill.

and more towards economies driven by the use of IST.<sup>18</sup> In general the reorganisation of the economic landscape as enabled by IST according to Sennett (1998) has resulted in an erosion of the long-term joint loyalty between employers and employees built up in many Western European countries in the second half of the 20<sup>th</sup> century. Such an erosion of loyalty not only raises questions asking for new integrative mechanisms for social aggregates, but also might be perceived as a managerial problem: “The more uncertain an employee’s job security becomes, the less that person will be inclined to deliver adequate performance unless it has a clearly beneficial effect” (Depickere 1999, 111).

Furthermore, the downsizing/outsourcing-strategy in conjunction with the withdrawal of the welfare state has created the emergence of the new class of fictitious self-employed in Europe. Contractual work, the rise of “micro-enterprises” and an increase in part-time work belong to the most significant characteristics of the development of European labour markets in the second half of the 1990’s (see European Commission 1999, 41-61). Whilst neoliberals celebrate a trend towards self-employment as a wave of new entrepreneurship, representatives of the left draw attention to an increasing precarisation of work.

Postfordian work organisation relying on IST is signified by individual flexibility, increased autonomy and responsibility, an erosion of the borders between work and leisure time and accompanied by a widespread dissemination of managerial attitudes to individuals, who actually do not belong to the managerial class but face the necessity to manage and discipline themselves and their work. Whereas one part of empirical studies proves high job satisfaction due to increased autonomy at work and the acknowledgement of the employees’ knowledge, others refer to an increase of mental distress due to the acceleration and compression of work by IST, the difficulty to separate work from leisure and the pressure for women who carry out homebased computer work to manage the sphere of reproduction (household, children) simultaneously with their jobs.

## ***6.2 Digital Divide***

Generally, “skills gap”, “digital divide” and “information poor vs. information rich” belong to the most prominent terms and dichotomies being used not only within the economic rationale, but also denoting the major ethical-moral questions on the access to information and work in the current industrial revolution.

The latest ILO (2001) world occupation report with the title “Life at Work in the Information Economy” concludes that IST could be a contribution to the world-wide improvement of life and work quality if their dissemination would not exclusively depend on radically free market forces: At present, within and between the industrialised and the developing countries the IST-revolution intensifies the digital divide instead of depreciating it. Fewer than 5% of the world population possess an Internet access, whereby 88% of these users of advanced technology live in the industrialised countries. More than 50% of the world inhabitants have never used a telephone, Tokyo or Manhattan possesses more telephone connections than the entire African continent. Contrary to the myth of the “knowledge society” which highlights knowledge as the most important factor for social stratification, surveys on national and

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<sup>18</sup> Such a position is roughly represented by trade unions in the recent discussions in Austria and Germany on the immigration of certain contingents of IT-experts from non-European countries.

international level clearly show a strong correlation between access to or property of IST and economic power.

Apart from regional inequalities the ILO-report further highlights the gender aspect of the digital divide: in the European union only 25% of the internet users are female, in the Near East only 4%. As other reflections of the digital divide the ILO report underlines the necessity of a effective education systems to combat exclusion from productive communication.

However, matters of skills and qualification are more complex than the usual complaints about a digital divide might suggest: A vast proportion of the world population is confronted with the structural violence of poverty and illiteracy, hence, already excluded from the benefits of the industrial era. Computer illiteracy might not be one of the most urgent problems in many disadvantaged regions of the globe. On the flip side, the European IT-industry and the service sector relying on IST show an urgent demand for highly skilled information professionals. If the employment trends in the second half of the 1990's continue, supply for this demand may have the highest strategically importance, but it seems to be modest in quantitative terms compared with the entire volume of the European labour markets. Employment increased between 1994 and 1997 in six sectors, computer software and business services being two of them, whereby the latter figured as the largest source of jobs in terms of numbers. However, the six prospering sectors accounted for only 10% of employment in the EU (see European Commission 1999, 53). Furthermore, automatisations as shown by Sennett (1998) implies de-skilling of certain professions, a finding which is also valid for particular sectors of communicative production such as Call Centers. Postfordism also implies that particular key qualifications which are traditionally connected with professional pride and individual identity are not necessary any more, whilst "soft skills" like communicative competence and the use of "personality" for professional reasons emerge as new forms of qualification.

### ***6.3 Data Protection***

The major issues of contemporary information ethics are privacy, data protection and confidentiality. Until the middle of the 1990's discussions on privacy mainly focused on the intervention of public interests that might violate the private sphere. Nowadays, the potential abuse of data by private and commercial interests has gained increasing attention (see Whitaker 1999, 343), since in the Information Economy sensitive and personal data have also gained the status of desired goods on markets. Furthermore, certain applications of IST from a technical point of view allow for nearly unrestricted control of employees at workplaces, a threat which is increased by the fact that information from separate institutions stored in databases can be easily compiled and compared. As a result of the confrontation between the administration of nation states and individual interests, the basic right of "Informational self-determination" has become an integral part of the legislation of some EU-member states (e. g. Austria and Germany). Self-determination here means that the individual himself decides which information about himself may be disclosed to others. In connection with informational civil rights, the question has been raised, to what extent such rights as informational and communicative self-determination or access to information can or must be applied to the work sphere (Faßler/Halbach 1994, 37), and to what extent their realisation can or must be limited by economic and managerial interests. The minimum standards are that companies have to disclose their monitoring measures, employees provide data about themselves voluntarily (though voluntariness is a quite soft criterion in settings of economic dependency) and have

access to data being stored about them by an employer. Access to one's data is also a minimal requirement in the relationship of users, customers and patients to companies.

Access to information is furthermore one of the key terms in current debates about Intellectual Property Rights (IPR). Global computer networks allow for an easy access to information and the technical characteristics of digital documents makes the copying and changing of information in many cases not only simple and cheap, but has also promoted new productive styles of merging and sampling. Free access and use of information were some of the major political expectations of the first Internet generation (see Barlow 1998), these hopes however were disappointed by an increasing dominance of commercial interests in the net. Regarding the conditions in the US, Zillah Eisenstein (1998, 50f.) maintains that the "Telecommunications Act of 1996 fully authorised media corporations to compete for control of the Internet. (...) As a result...the net has been commercialised by a pro-market ideology established by the cyber-media-corporate-complex." IPR's are not only a battlefield between companies and stakeholders but have also become more relevant for the inner circles of business and work. Digital reproduction of information bears conflicts of interest for information brokerage and knowledge transfer.

#### ***6.4 Trust***

Matters of information ethics are often directly related to managerial concerns. As IST renegotiate the principles of physical presence and visibility in work processes, they also redefine the mechanisms for the emergence or destruction of trust among individuals and between individuals and institutions. Trust, traditionally secured by face-to-face-relationships and traditions, is increasingly vested in abstract institutions and the loose orders of time and space provided by IST as the dominating technical institution. Nandhakumar (1999, 49ff.) e. g. reports from an empirical study which investigated virtual teamworking in a large multinational company that several disfunctionalities disturbed the well-being of the team members - being located in different places the team had no history of working together. The workers regarded virtual communication as "unreliable", not in a technical but social sense. Senior managers "extended their authority over subordinates, for example, by making their presence more visible in the remote sites." Furthermore, the workers at those sites feared being isolated from the communication taking place within the company.

## **7 CODIFICATION IN IST-RELATED ECONOMIC SECTORS: FACTS, FINDINGS AND CONCLUSIONS**

### **7.1 Methodology**

Sources of information/investigation/selection:

While the quantitative findings on codes of conduct and our interpretation presented in previous chapters are based on general and broad studies (e.g. OECD Inventory of 1999, Expanded Review of 2000), ILO surveys (e.g. Corporate Codes of Conduct; Codes of conduct for Multinationals) (ILO s.a.) and the compilation of a wide range of different codes in large-scale databases (e.g. ILO Database “Business and Social Initiatives”, European Initiative of Ethical Production and Consumption [IEPCE]), our own empirical explorations presented in this chapter focused on matters of IST-enabled cross-border work.

However, the studies and databases explored so far helped us to understand the complexity of voluntary industrial standards and select and complement issues for our own research of corporate codes as primary sources.

In the following we present the preliminary results based on the research and analysis of 72 documents. In the first step, a sample of 500 European companies and business associations supposed to be forerunners in IST-enabled cross-border work was gathered, whereby a few Japanese and US companies were included in case they play an important part as "global players" in Europe.

For the purpose of this study a database was developed as an analytical tool<sup>19</sup> which presently provides

- the full text documentation and publication of the codes
- links to the codes' places of origin in the internet
- and the implementation of a statistical tool which serves to count the frequencies and cross-references of the documents' contents, and obtain findings about the coverage and distribution of topics

The database is work in progress as codes will be continuously added to the 72 codes, a number which provides a “snapshot” of the ongoing work at the beginning of June 2001.

In a later phase we intend to enrich the database with features that facilitate on-line participation, knowledge transfer and a self-assessment of companies regarding their policy on ethics and morals, and give access to the social actors, who seek to contribute to aims of the VIP-project.

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<sup>19</sup> At present located in the preliminary address <http://vip.zsi.at>. In a later stage of the VIP-project, the database will be linked to the project's website.

To limit the samples for the analysis, the respective economic sectors were selected as follows:

- Commerce and e-commerce
- Financial services
- Hard- and Software/manufacturing and services
- Internet/Network providers and services
- Telecommunications
- Business Associations of the sectors listed above

The list of sectors further comprises the sectors

- Chemical and pharmaceutical Industries
- Manufacturing

Chemical and pharmaceutical Industries were included due to the relevance of data-processing in their daily operations and matters concerning information ethics such as IPR and patents or the confidentiality of personal data (e.g. patients' data that apply). They stand for R&D-intensive production, whereby knowledge transfer across borders plays an eminent role.

The category "Manufacturing" was chosen for two reasons: 1) The administration of data via IST gains increasing importance for the first sector of the economy, 2) It is one of the characteristics of globalisation that the activities of MNC's become highly diversified: "They (...) get involved in a range of business lines, so it becomes difficult to tell in which sector of industry they are mainly operating" (Thompson 2000, 104). Hence, companies which began as manufacturers might now operate in the IST-supported service sector.

The third step was the development and selection of key-words (key items) in order to grasp the contents of the codes.

A consultation of the inventories and databases quoted in the beginning served as a first point of reference to clarify the following questions:

what items do codes generally cover?

what are the important issues in the existing classifications that should be considered for an analysis of IST-enabled works?

what items must be supplemented for our purposes?

The result is a first list of key-words, whereby common categories like "Labour and Employment Topics", "Environmental Topics", or "Business Relations" were complemented by a set on "Information and Communication Topics". The categories were revised continuously with growing knowledge of the codes' contents in the research process. The nine final categories (and key-words) of the first order are:

- Sectors  
*Covers selected sectors of source organisations, which operate mainly by IST cross-border work arrangements*
- Labour and Employment Topics  
*Compiles issues of work and employment conditions and labour rights*



- Environmental Topics  
*Compiles issues of sustainable use of natural resources and environmental preservation*
- Business Relations  
*Compiles issues of fair business principles, trade and customs regulations*
- Societal Responsibility  
*Compiles issues of corporate citizenship, enhancement of economic and social aspects in community relations*
- Information and Communication Ethics  
*Compiles issues of fair and safe access and use of IT*
- Scope of Application  
*Compiles the potential addressees of the codes (employees, customers, host country etc.)*
- Explicit Reference  
*Disclosure on reference standards, conventions, codes of intergovernmental entities*
- Commitment / Monitoring  
*Disclosure on implementation, evaluation, accounting and auditing processes*

Each of these categories of the first order is differentiated by more detailed sub-categories with nine to fifteen items.

A reduction of the second order items' complexity was necessary to guarantee user-friendliness of the database - a goal which had to be balanced out against the conflicting tasks of covering issues as complete and detailed as possible. Due to a relatively low number of key-words the content analysis required high semantic competence, as in the process of key-wording not only the keywords themselves had to be identified in the text of the investigated documents but (concrete and abstract) contextual connectivity also had to be taken into account.

The analysed sources comprise documents available on websites, found via internet research or, in some cases, obtained from printed material (folders, reports) available from companies and business associations.

The *documents* chosen for the analysis show a broad variety in contents and scope as well as in denomination. The following points were taken into consideration:

- Company policies
- Corporate guidelines
- Codes of conduct
- Codes of ethics
- Vision, mission and values statements
- Annual reports

The codes vary in size, scope, wording. The sample includes codes which cover a broad range of topics or issue areas, as well as codes dealing with single issues (environment, health and security, privacy etc.).

In order to grasp and check the contents of the codes, a multiple-choice format was used. The figures and tables of this chapter refer in most cases to the absolute number of codes and the

number of keyword entries in the database, i.e. the frequency the codes mention a specific topic explicitly or implicitly.

The methodology chosen has some unavoidable limitations:

Our data are based on a non-random sample and are far from representing a complete collection. These are limitations that apply to all existing studies and databases dealing with codes of conduct.

With these limitations in mind, caution has to be taken when interpreting the findings.

The VIP content analysis refers to information contained in the code texts themselves. As already mentioned in the OECD Inventory of 1999 (OECD 1999, 5), very often other necessary information is not contained in the code text itself and would have to be obtained from other sources.

Another limitation is set by the disproportionate distribution of data across economic sectors in our study. A more homogenous distribution of data will have effects and impact on the results, in any case as far as findings are expressed for the entire sample. However, in most of the cases we restricted the interpretation to those economic sectors where a critical mass of data is available. In these sectors, the data quality suffices to at least articulate strong hypotheses about trends.

Generally, a quantitative content analysis as provided here provides insufficient information about the quality of the investigated codes. In previous chapters, by relying on findings in the related literature and our own content-oriented reading we suggested some criteria to assess the quality of codices. Such criteria are partly represented by the composition of the keywords on the second order level in our analysis. Thus, statements, which extended documents cover a general issue like “working conditions”, a precise issue like “wages”, or statements, whether a certain type of monitoring is mentioned in the text of the codices, do inform about their quality.

In the case of some of the big companies (e.g. AT&T, BASF) there are several documents of various contents (codes, values & principles, safety & health), which were stored and analysed separately. The number of the sample thus explicitly means the number of codes analysed, not the number of individual companies.

## 7.2 Analysis

### Description of the database (Status: June 2001)

Figure 12: Breakdown of codes by sectors

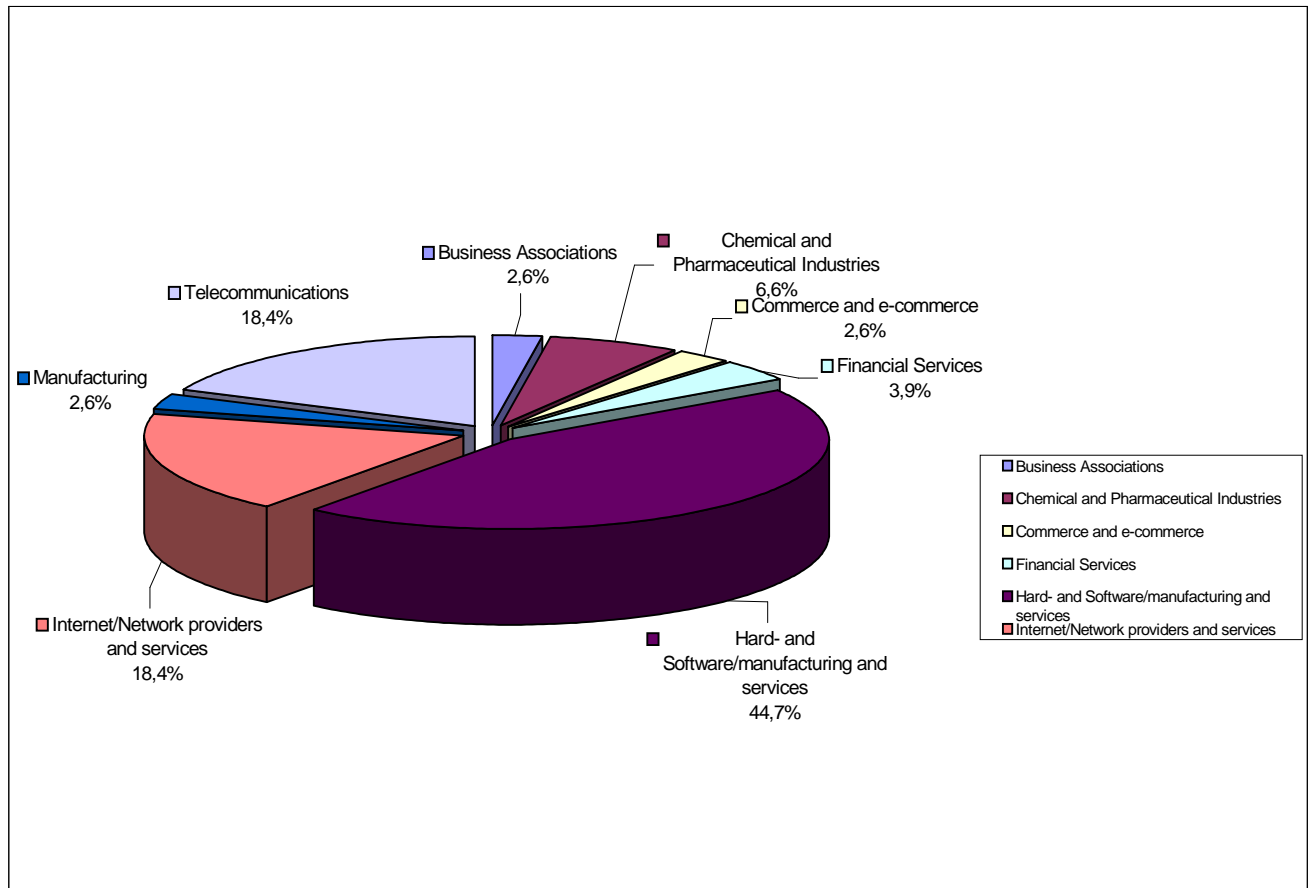
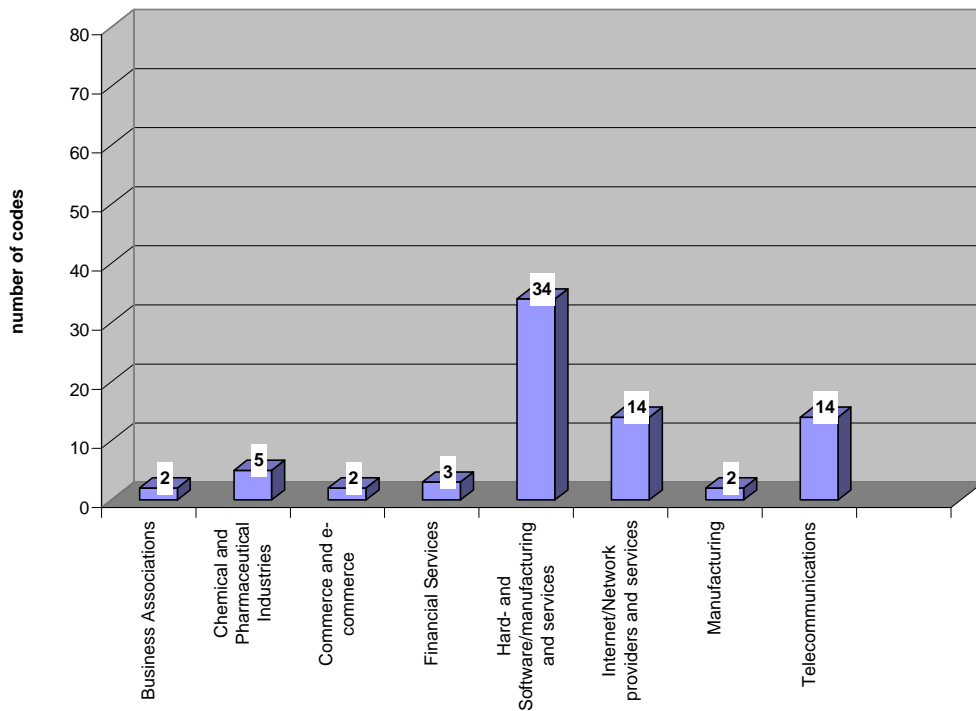


Figure 13: Distribution by sectors

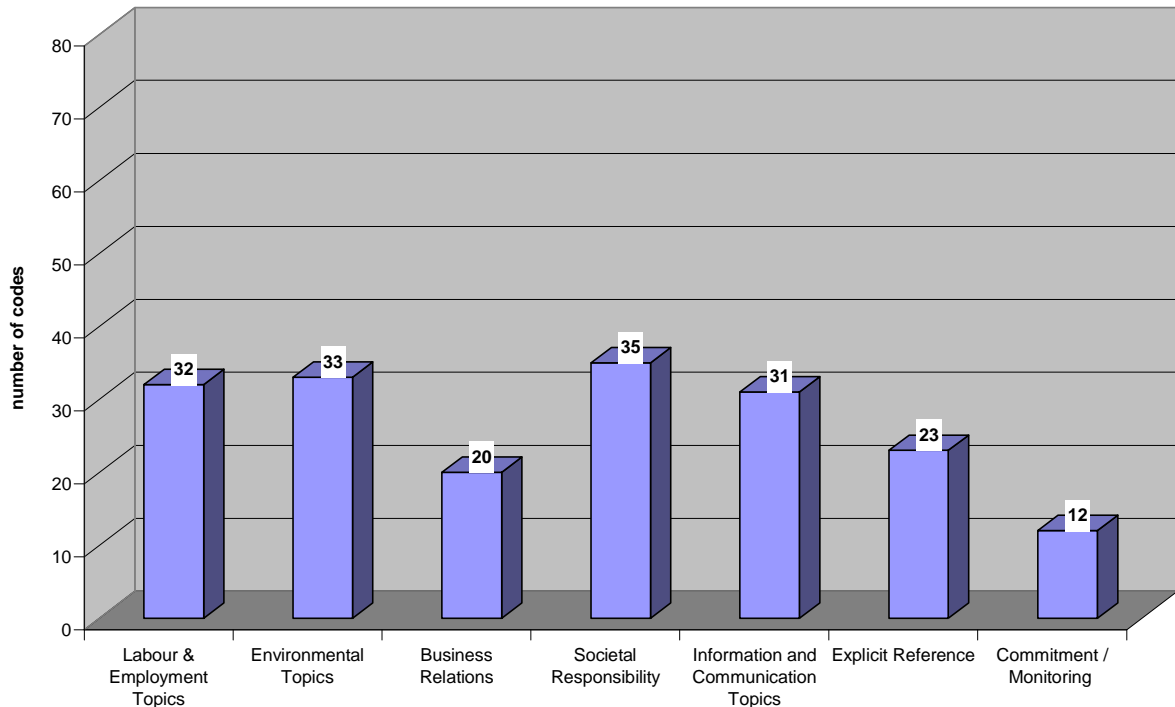


The disproportion among the 72 codes shows an accentuation of sectors relevant for IST-enabled work. The largest number of codes in the database (34) was issued by companies of Hard-/Software manufacturing and services, followed by Internet/Network providers and services (14) and Telecommunications (14).

The sample contains only a small number of codes from Business Associations (2), Chemical and Pharmaceutical Industries (5), Commerce & e-Commerce (2), Financial Services (2) and Manufacturing (2).

## Topics dealt within the codes:

Figure 14: Distribution by topics



The distribution of topics within the entire sample shows a high proportion of Environmental Topics (46%, i.e. 33 codes of 72), Labour & Employment Topics (44 %, i.e. 32 codes) and Information & Communication Topics (43%, i.e. 31 codes). Business Relations are dealt with in 20 codes (28%).

The highest proportion is covered by topics on Societal Responsibility (49%, i.e. 35 codes of 72).

The set "Explicit Reference" which covers the reliance of the codes on already existing international standards and agreements is referred to in 23 codes (32%)

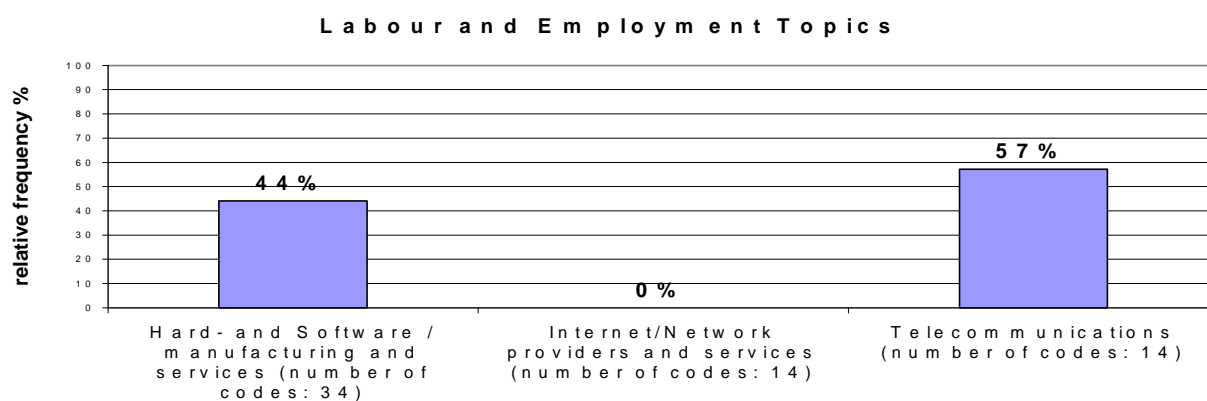
The topics of Commitment/Monitoring are treated to a far lesser extent in 12 codes (17 %).

The low proportion of reference to commitment/monitoring underlines a general weakness of codes, which is regularly emphasised by the “constructive sceptics” of voluntary instruments. This weakness is also evident in the area of the economic sectors, of which work processes and business transactions rely heavily on the use of IST.

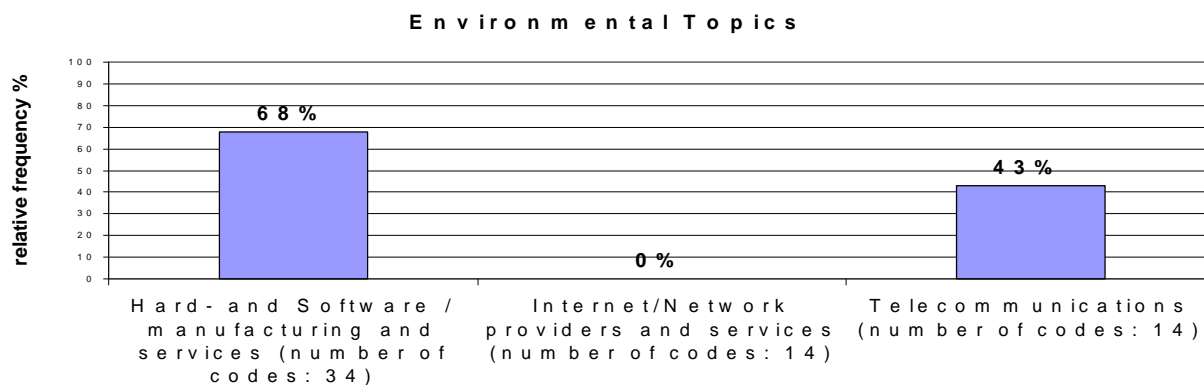
Figure 15 a-g: Topics by selected sectors, overview

The following figures a-g show the relative frequency of topics referred to in the codes of the selected sectors Hard- and Software / manufacturing and services (total number of codes: 34); Internet/Network provider and services (total number: 14 codes); Telecommunications (total number: 14 codes)

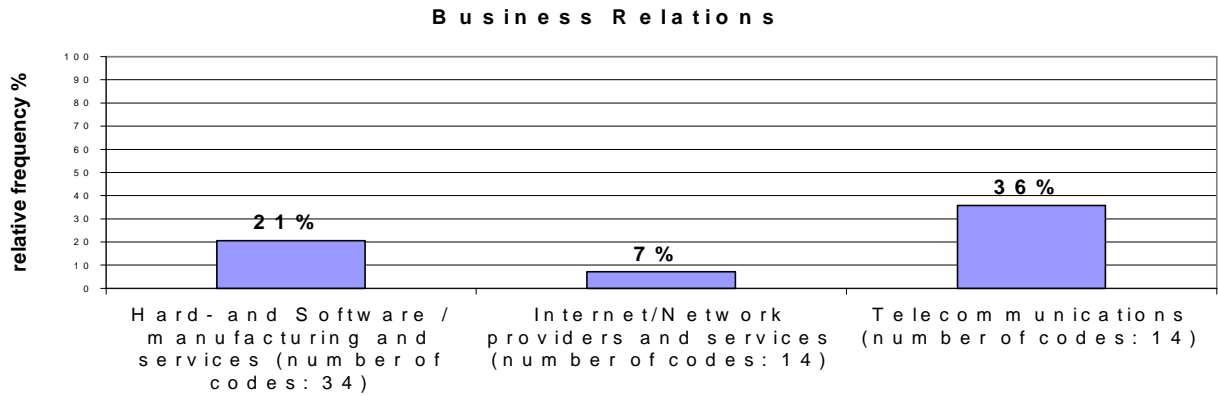
a)



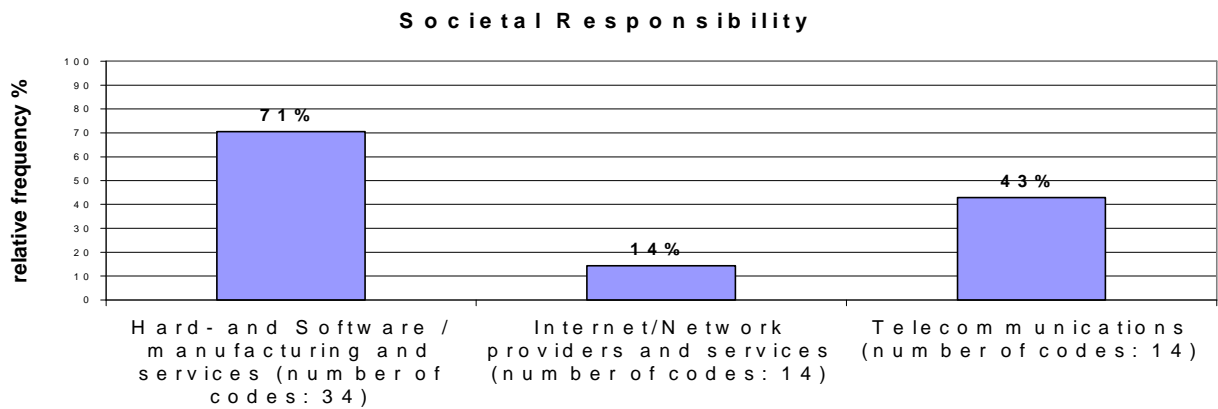
b)



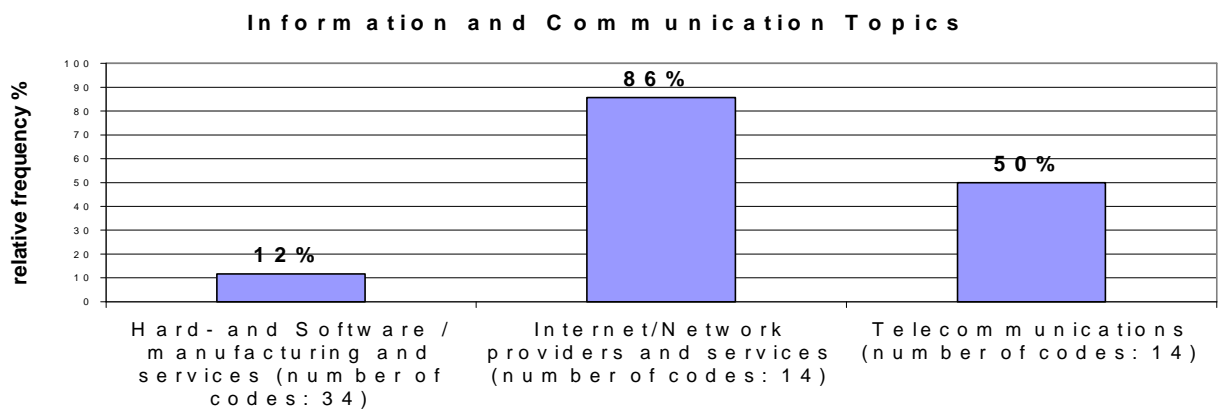
c)



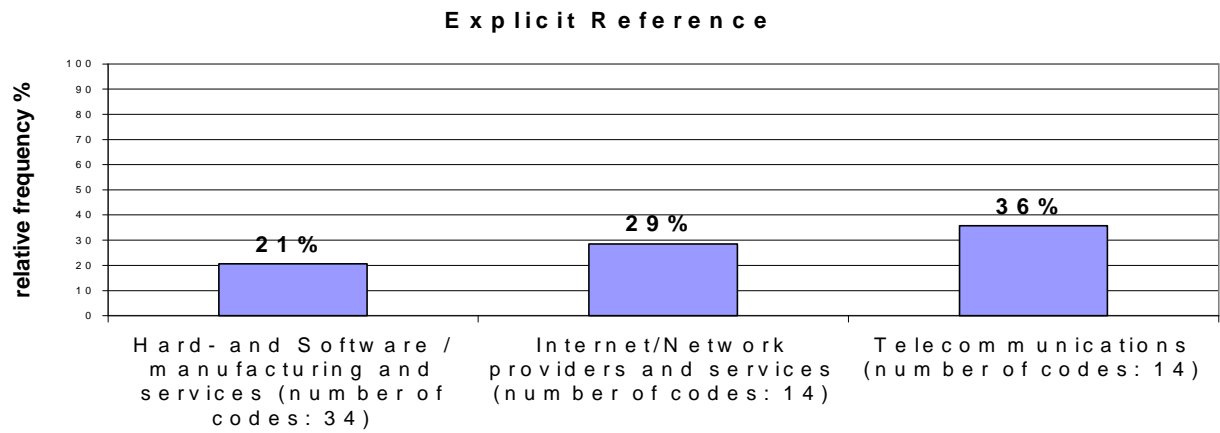
d)



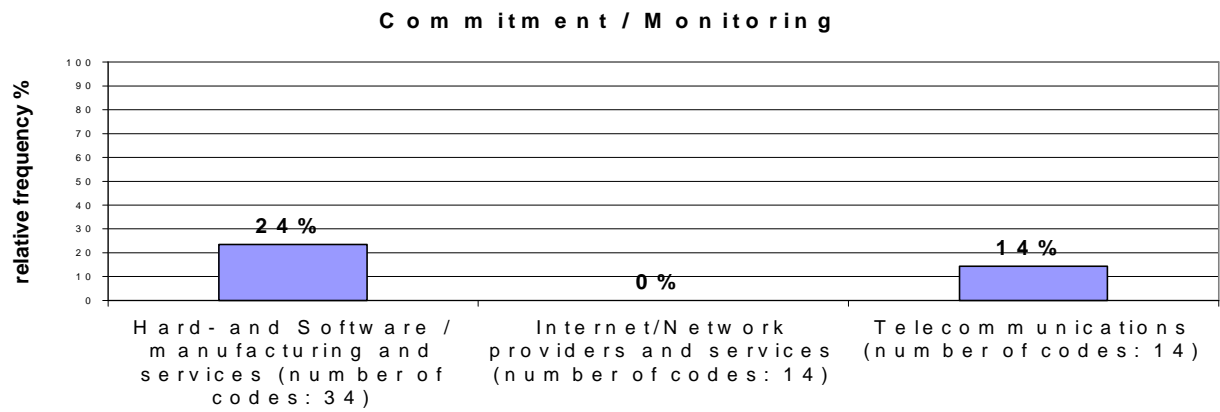
e)



f)



g)



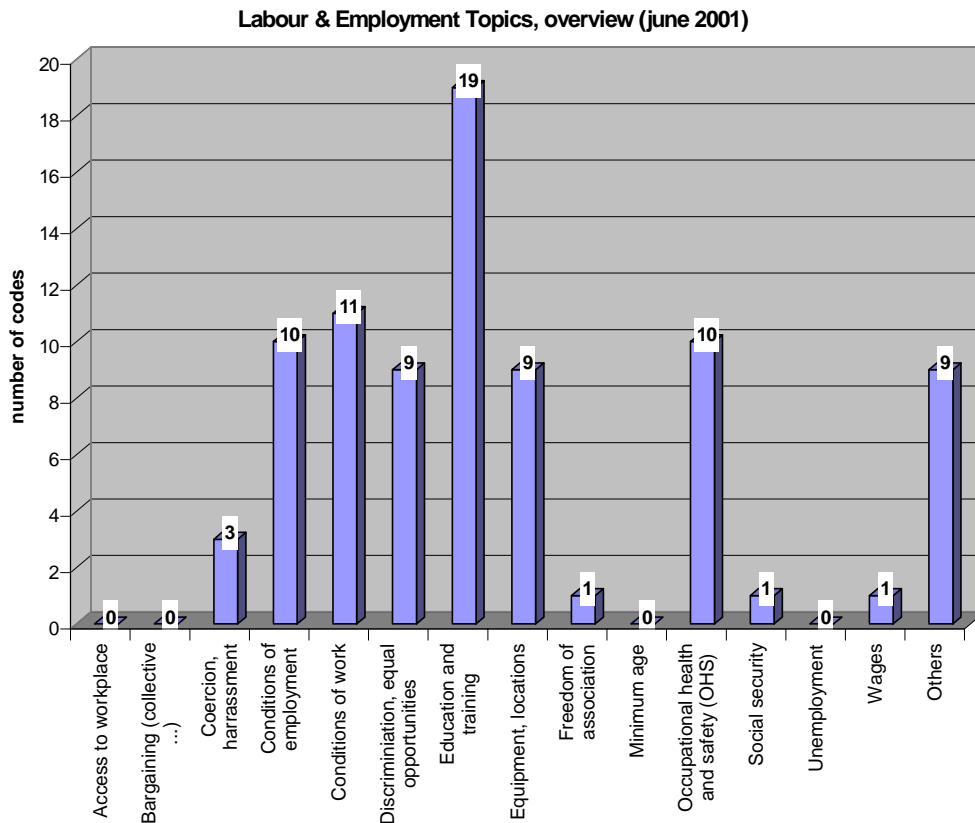
The overview of topics visualises the eminent role of environmental stewardship and societal responsibility in the moral policies of the three selected sectors.

The Internet/Network sector concentrates highly on Information & Communication topics, but – on the other hand - does not refer to Labour & Employment topics at all, i.e. topics with relevance to the employees.



## Labour & Employment Topics, Information & Communication Topics: Comparison of "classical" and new topics in the codes:

Figure 16: Labour & employment topics



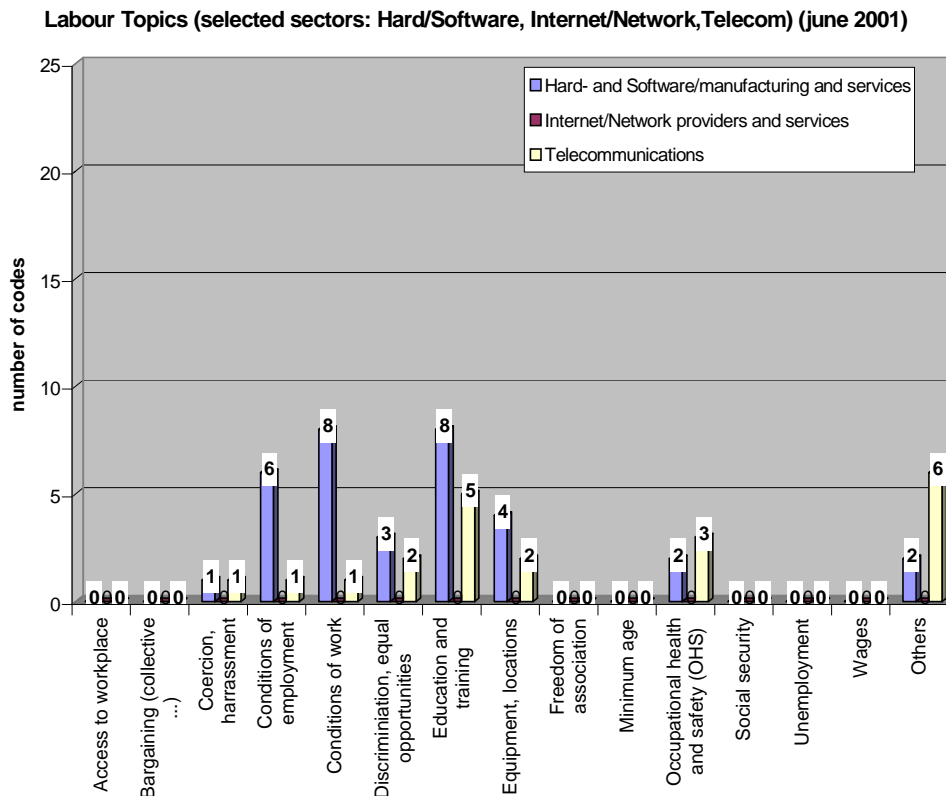
Regarding the entire sample, it can be seen that within the set of Labour Topics the most attention is paid to issues of general coverage like "education and training" (19 codes), "conditions of work" (11 codes), or "conditions of employment" (10 codes).

Little or no attention is explicitly given to issues concerning the dimension of negotiated labour rights ("bargaining", "wages", "social security")

A breakdown by sectors shows that Labour and Employment topics are addressed to a large extent by 34 codes of the Hard- and Software sector (see also the above mentioned overview of topics in selected sectors):

The topics range from "conditions of work" (8 codes within this sector) to the importance of "education and training" for the employees/workers (8 codes), "conditions of employment" (6 codes), "equipment, locations" (4 codes) and "discrimination and equal opportunities" (3 codes).

Figure 17: Labour Topics (selected sectors)



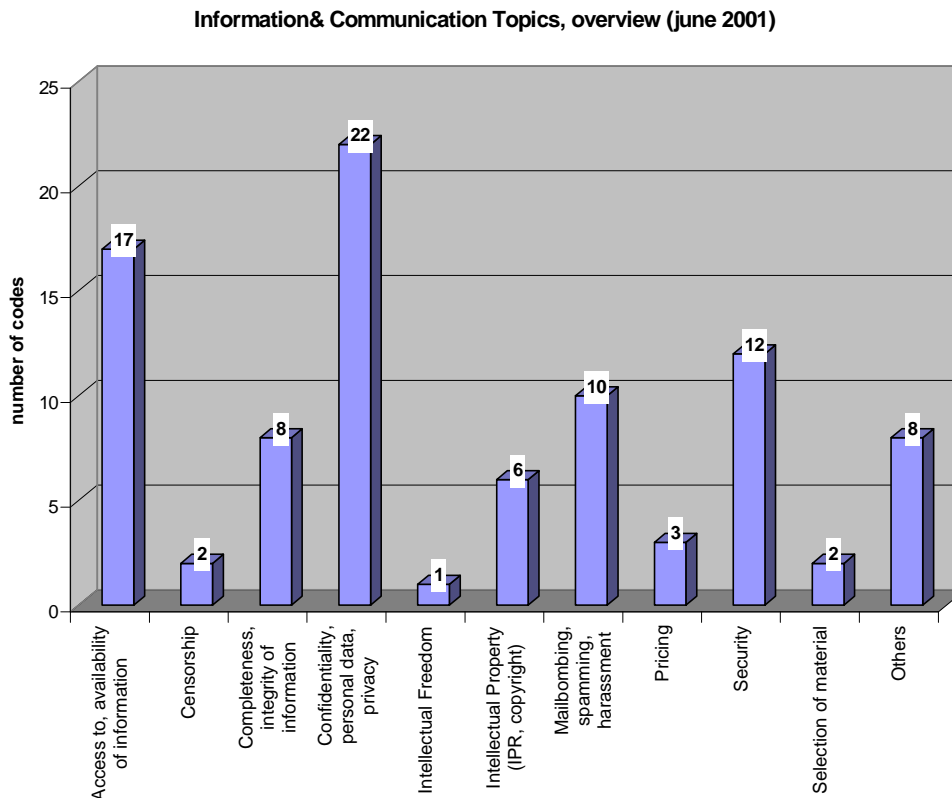
As already mentioned, it is significant that none of the codes of the Internet/Network sector addresses Labour and Employment topics.

Information and Communication topics range in the overall sample from statements concerning "confidentiality, personal data, privacy" (22 codes) to "access, availability of information" (17 codes), "security" (12 codes), "mail-bombing, spamming, harassment" (10 codes), "completeness, integrity of information" (8 codes), and "intellectual property" (6 codes).

Moral questions of "intellectual freedom" (1 code), "censorship" (2 codes) or "pricing" (3 codes) are only little addressed.

The predominance of the topics "confidentially, personal data, privacy" illustrates the forthcoming importance of these topics as already pointed out in the KPMG study (2000)

Figure 18: Information & Communication Topics



Naturally, the Information and Communication topics play an important part in the standards and codes of the Internet/Network provider and Telecommunications sector.

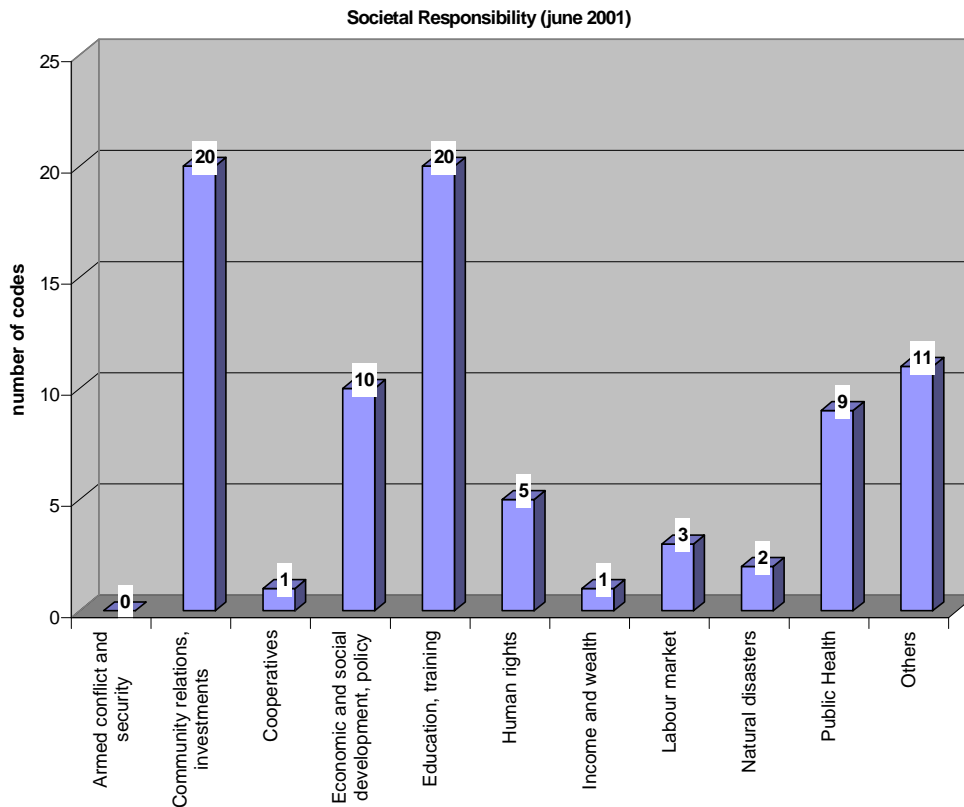
Within the Internet/Network provider sector, the most attention is given to "confidentiality, personal data, privacy" (more than one third of the codes of this sector, 11 codes of 34) and "security" (approx. one third of the codes, 10 of 34), followed by "access to, availability of information" (approx. one fourth, 8 codes of 34), "mail-bombing, spamming, harassment" (one fourth of the codes).

The Telecommunications sector stresses "confidentiality, personal data, privacy" to an even larger extent (42 %, i.e. 6 codes out of 14), whereas topics "access to, availability of information", "security", "mail-bombing, spamming, harassment" are covered by a tenth each (2 codes of 14 in each topic).

The figures show that the areas of Labour & Employment Topics and Information and Communication Topics are more integrated in the Hard/Software sector, but fall completely apart in the Internet/Network sector.

## Societal Responsibility

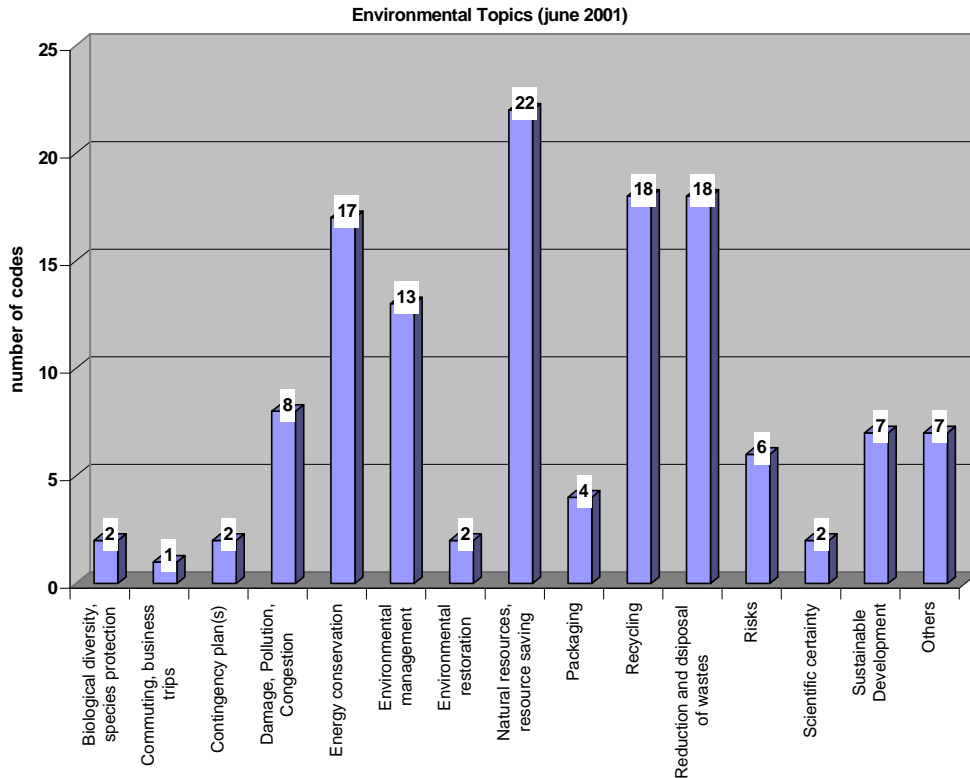
Figure 19: Societal Responsibility



In this thematic area a high number of codes refers to responsibility for "education, training" (20 codes mentioning the respective Education and Training programmes of the enterprise and the responsibility to improve education in the regional areas they are operating in), "public health" (9 codes); but here again there is little coverage of societal responsibility regarding "Income and wealth" (1 code) or "labour market" (3 codes).

## Environmental Topics

Figure 20: Environmental Topics



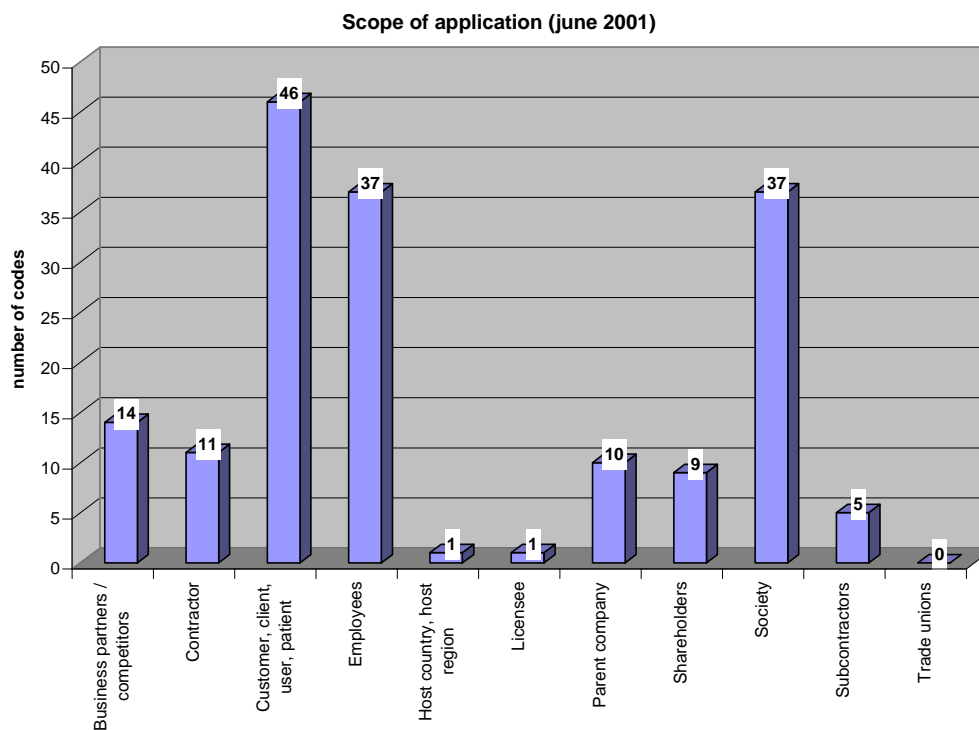
Environmental Topics are covered by a large number of codes (46%, i.e. 33 codes of 72).

Issues mentioned frequently are "Natural resources, resource saving" (31 %, i.e. 22 codes), "Reduction and disposal of wastes" (25 %, i.e. 18 codes), "Recycling" (25 %, i.e. 18 codes), "Energy conservation" (24%, i.e. 17 codes) and "Environmental management" (18%, i.e. 13 codes).

The items "Risks" (6 codes), "Sustainable Development" (7 codes), "Environmental restoration" (2 codes), "Scientific certainty" (2 codes) and "Contingency plans" (2 codes) have less importance within the codes of the sample.

## Scope of application:

Figure 21: Scope of application



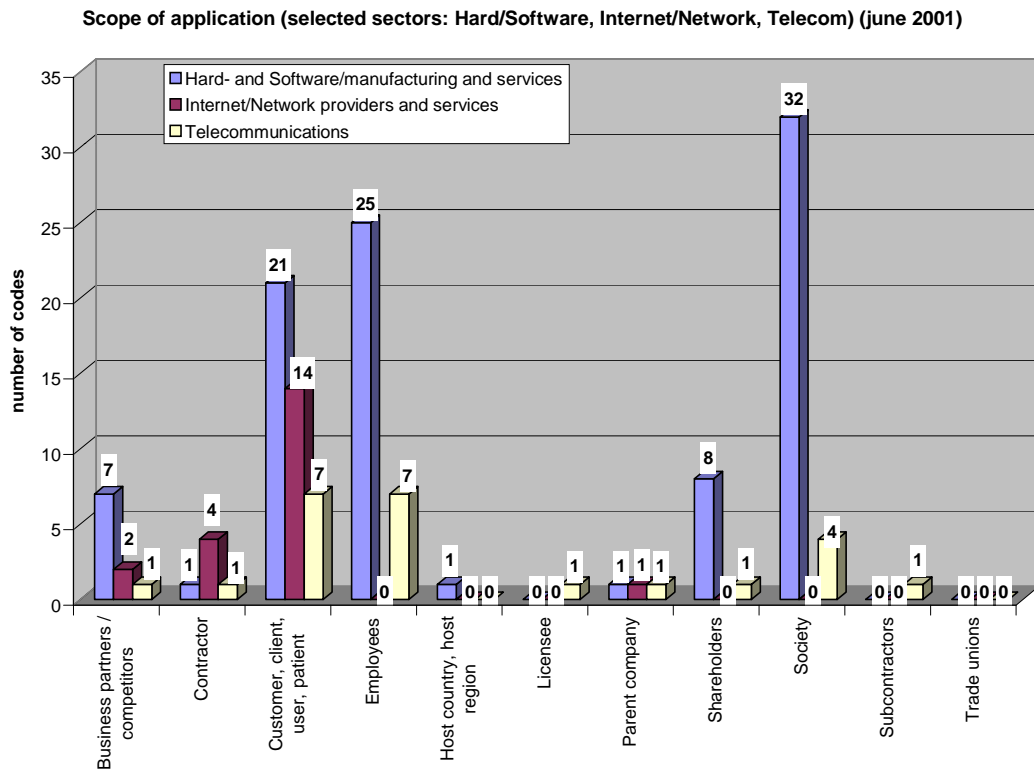
One of the key question in the analysis of codes is to ask for the scope of their application and the range of persons for whom the ethical impact of the codes is issued.

The Figure Scope of Application shows that 64 % (i.e. 46 of 72) of the codes address "customers, clients, users, patients", 51 % (37 codes of 72) address "employees" and 51 % (37 codes) address "society" in a very general sense. The references within the category "society" are very broad and non-specific, they are very often notices of intent (e.g. "living in harmony with local society and the environment" as quoted from Brother Industries Ltd. "Working for environmental conservation in the 21st century", <http://www.brother.com>).

19 % (14 codes of 72) refer to Business partners, 15% (11 codes of 72) to Contractors and 12 % (9 codes) to shareholders.

The high percentage of reference to "customers, clients, users, patients" has to be seen in the light of the already mentioned disproportion of sectors in the sample of codes, dominated by the Hard- and Software, Internet/Network and Telecommunications sectors.

Figure 22: Scope of application (selected sectors)

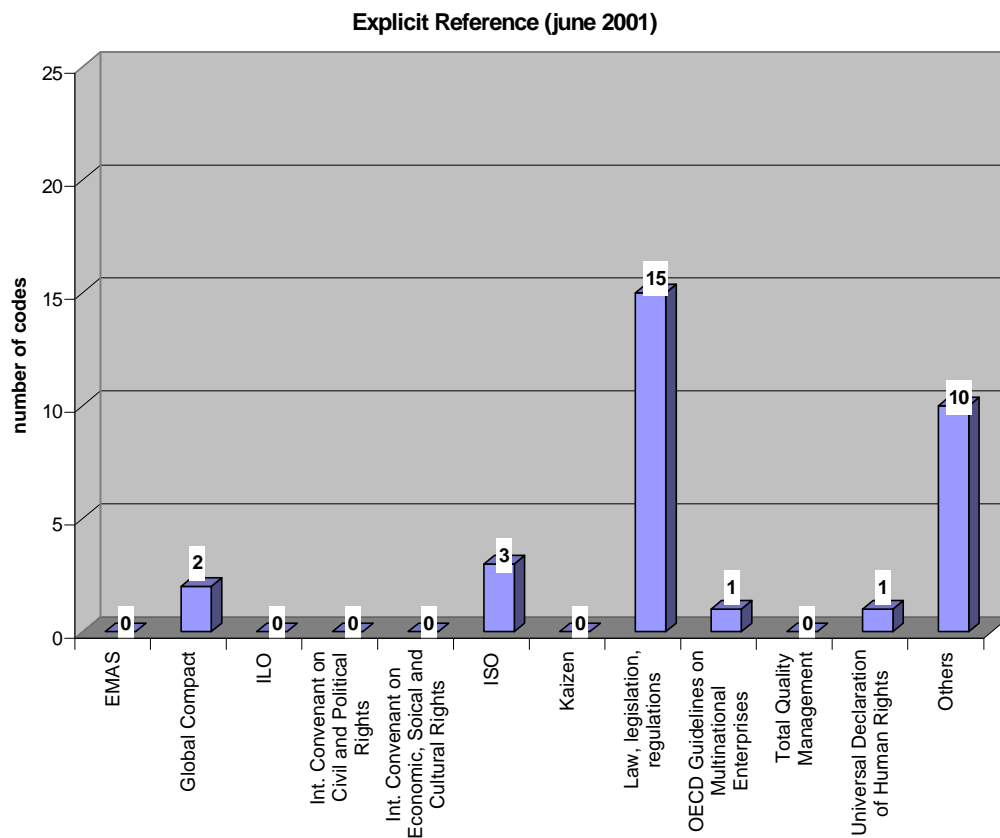


The breakdown by sectors shows an interesting distribution:

codes of the Hard-/Software sector address employees (74%, i.e. 25 codes of 34) as well as "customers, clients, users, patients" (62%, i.e. 21 codes of 34), and "society" in a very general sense (94%, i.e. 32 codes of 34), whereas all codes within the Internet/Network provider sector mainly stress customer-orientation: "customers, clients, users, patients" are mentioned in 100%, i.e. 14 codes out of 14. Especially in the case of information and communication services, moral guidelines are often connected with economic success, as trust on the side of the users of IT-applications is a precondition for the market chances of these products.

## Explicit reference: the role of international standards

Figure 23: Explicit Reference



Explicit reference is made to a high extent to the broad and general issue "Law, legislation, regulations" (21%, i.e.15 codes of 72), but only to a small extent to specific standards like the Global Compact (2 codes), ISO standards (3 codes) or the Universal Declaration of Human Rights (1 code). There is no reference to ILO conventions in our sample.

A large number of codes (10 codes) refers to standards (e.g. to Responsible Care and others) which are not explicitly key-worded in the database. For future interpretations two directions are possible: on the one hand, a reading of the single documents indicates a high number of different industrial standards and norms as well as standards suggested by stakeholders, which cannot be covered comprehensively within the limits of a reasonable analysis. On the other hand, a high frequency of certain standards in our category "others" demands an enlargement of our items.

Many codes refer to standards in an implicit manner (referring to "sustainable development" or "universal human rights" in a very general sense).It has to be noted in this context that generally explicit reference to international standards is little mentioned in the code texts themselves, nevertheless there may be reference in other documents of a company.

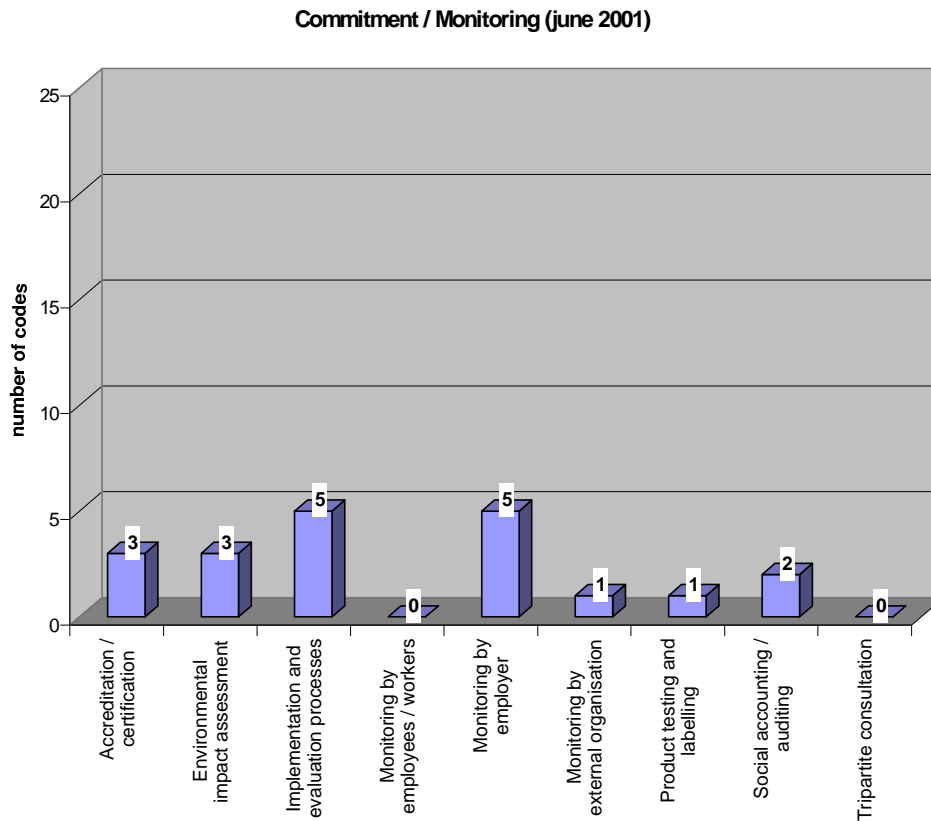
The expression of general observance of the "laws, legislation and regulations" of the countries the companies operate in ranges from explicit quotation of the laws and regulations referred up to a very broad and vague expression of respect, which leaves open the quality and impact of the regulations they refer to.

Only some codes express that their standards are beyond minimum standards.



## Implementation of codes: Commitment and monitoring

Figure 24: Commitment / Monitoring



Only a small number of codes of the sample (17%, i.e.12 codes of 72) refers to topics of commitment and monitoring at all.

The measures within this thematic area can be categorised in ranging between "soft" and "hard" items.

The distribution shows that the codes are more likely to refer to "soft" items ("implementation and evaluation process") than to "hard" items ("monitoring by external organisation", "social accounting") – if they refer to monitoring at all !

The item "Implementation and evaluation processes" is mentioned by 5 codes, "Monitoring by employer" (5 codes), "Accreditation/certification" (3 codes), "Environment impact assessment" (3 codes), "Social accounting" (2 codes).

Only one code mentions "Monitoring by external organisation", "Monitoring by employees" is not referred to at all.

A breakdown of the sectors shows that Commitment / Monitoring is referred to mostly by codes within the Hard/Software sector: 4 codes mention "Implementation and evaluation

processes", 2 refer to "Monitoring by employer" and 1 to "Monitoring by external organisation".

It is interesting to note that none of the codes of the Internet/Network sector has a reference to Commitment / Monitoring items.

### ***7.3 Conclusion***

Within each set of topics it can be observed that the codes of the sample refer to generalising or "soft" issues to a very large extent; e.g.

- general expression of social responsibility
- general respect for the laws, legislation and regulations of the countries they operate in
- general concerns with environmental problems

To a far lesser extent the codes cover items which imply involvement, obligation and/or commitment of the whole organisation / company: items such as e.g. labour rights, bargaining rights, processes of implementation, commitment, provision of training for the implementation of a code, provision of programmes and means against the violation of a code, evaluation and monitoring processes (esp. monitoring by employees and/or by external organisations).

In contrast, references to Labour Rights would be of eminent importance with concern to the current precarisation of labour. Commitment / monitoring is fundamentally necessary for the credibility of a code and provision of training / education is important for a lasting, sustainable impact of a code within the organisation of a company. As pointed out in Chapter VI, these issues are indispensable in making a code more than a piece of paper for marketing and reputation reasons but - in combination with already existing agreements and regulations - a lively instrument of ethical sensitivity.

## 8 SUMMARY

Liberalisation, privatisation and deregulation together with Information Society Technologies (IST) are „engines of globalisation“, whereby technology changes the map of business activities and work organisation rapidly and dramatically. The paradigm of an informational economy is marked by productive communication and a decentralisation of production regardless of national boundaries, which goes along with a tendency to radically redefine labouring practices and social relations.

Three trends can be identified in the complexity of these processes: a) a weakness of national and supra-national institutions in the task of elaborating normative foundations for the regulation of the risks and chances of global cross-border work and production, b) increasing public awareness for the discretionary power of Multinational Corporations (MNC's) as main players of globalisation, and c) the rise of a „politics of morals“ along with emphasising the need to found work and business on a comprehensive business ethics. A major instrument in performing Corporate Social Responsibility in an international context are so-called „ethical codices“ or „corporate codes“. There seems to be consensus among political and economic actors that this kind of instrument should not be considered as a substitute but as a complement to legislative and regulatory provisions.

For the setting of moral standards for global social, political and economic practices, international and inter-governmental agreements and declarations as connected with international organisations such as the UN (in particular the ILO) or OECD are to be regarded as historical milestones, which serve worldwide as models for labour organisation and ecological sustainability. However, during the recent years a high number of codices has been issued by corporations themselves with a wide range of addressed issues and varying in their scope of application, wording and social impact.

On the one hand, such codices may represent the serious attempt of MNC's to take on a role as conscious social and moral actors by allowing to reflect the implicit norms behind the practices of capitalist mainstream economics, integrating democratic rights in professional actions, seeking to institutionalise a dialogue with the general public and shaping human centred modes of production with an awareness for ecologically sustainable solutions (integrative business ethics). In accordance with the ideology of „applied ethics“, „functionalist ethics“ or „normative economics“, on the other hand, codices may be used only as public relations instruments or as managerial tools to increase productivity.

In the light of existing studies and surveys, the following can be compiled as criteria for codices with positive social impact. A „good“ code

- reflects as an absolute minimum level of the *core standards* in inter-governmental guidelines
- is a *collective result* of bargaining between all stakeholders, including NGO's and Trade Unions and therefore leads to *employees* trust and *compliance*
- covers issues which are *beyond legal* „*minimum standards*“
- is *clearly worded*, i.e. unambiguously and without misinterpretation
- is applied and *implemented* in all levels, at each workplace within the parent company, the *contractor* companies, the *supplier chain* and *licensee* (franchise holder), for each product

- provides *documentation* of the implementation program and results
- provides *transparency* of the code through dissemination, distribution and *training* within the parent company, the *contractor* companies, the *supplier chain* and *licensee* (franchise holder)
- is translated into local languages at different production places
- provides frameworks for ongoing discussions, negotiations and reforms and is therefore *reviewed and updated*
- provides a clear *responsibility* for ethics function
- provides a program against *violation* through *confidential reporting mechanisms*
- includes *monitoring/auditing mechanism* in terms of “spot checks“, preferably independent and external

Trans-national work organisation via IST changes traditional modes of production as it rationalises informational processes, facilitates organisational flexibility in time and space, enables wide dispersal of the enterprise’s functions, essentially increases the mobility and location options of work, enables access to information independently of the location of work sites and mediates a new sense of proximity for co-operation across distances. Corporate codes of the „old economy“ reflect the new challenges (chances and risks) of IST-enabled cross-border work only to a very modest extent. The main moral issues in the context of a global informational economy are the worldwide competition of labour force in services with a danger for the precarisation of work, digital divide and skills gap, data protection, confidentiality and privacy, access to information, IPR, mental distress by a compression of work per individual and the erosion of leisure and work time boundaries, and the establishment of trust in flexible and virtual work.

In our research we found that companies in economic sectors, identified as forerunners for the professional use of IST, regard some topics of information ethics such as confidentiality/privacy, access to information and data security in their codices. Furthermore, environmental stewardship and overall societal responsibility (mainly concerning training needs and community relations) are often mentioned by these documents. Labour and employment topics are mainly regarded by the codes of IST-manufacturers and partly in telecommunications, whilst entirely lacking with internet- and network providers and services. Similar to the codices in the „old economy“, the documents of the IST-forerunners make references to international standards (UN, ILO, OECD) only in exceptional cases. Codices generally share the problem of verifiability as credible monitoring mechanisms are foreseen only by a small minority of companies.

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## ***9.1 List of Expert Interviews***

1. Silvia Buchinger, Human resources Manager at *Hewlett Packard* Austria.
2. Rafael Capurro, Professor at *University of Stuttgart*, Germany, Member of the European Group on Ethics (EGE) at the European Commission.
3. Christian Frey, Certified Project Manager at *Austrian Airlines* Austria.
4. Othmar Hill, President of *Institute of Humanistic Management*, Hill&Woltron International Austria.
5. Renate Huppertz, Co-ordinator of *Clean Clothes Campaign* Düsseldorf. Germany.
6. Paul Kolm; Department Manager for Work and Technique at *Trade Union of the Private Employees* Austria.
7. Werner Oesterheld, Network North-South at German *Trade Union Federation*. Düsseldorf Germany.
8. Rainer Romic, Director of the Internal Auditing; Wolfgang Böhm, Information Systems Auditor; Bernd Schütter, Certified Information Systems Auditor at *Generali Holding AG* Austria.
9. Manfred Travnicek, Senior Vice President Marketing, *SAP* Austria.

## 10 ANNEX

### 10.1 VIP-Database List of Source Organisations

Source organisation	Title of code	Date of retrieval	Date of origin
<b>3com Corporation</b>	Community Affairs	2001-03	
<b>ABB</b>	Q& A Statements	2001-05	2001
<b>Acer, Inc.</b>	A Touch of Acer Culture / Acer Culture, A Sustainable Culture	2001-03	
<b>Adaptec, Inc.</b>	Corporate giving guidelines	2001-04	
<b>Adobe Systems Inc.</b>	Values and Beliefs	2001-04	
<b>Advanced Micro Devices, Inc.</b>	AMD's Purpose, Vision, Mission, and Values	2001-03	
<b>Agfa-Gevaert Group</b>	Company policy / Environmental policy	2001-04	
<b>Alcatel</b>	Statement on Business Practices	2001-03	
<b>AOL Bertelsmann Online</b>	Privacy Policy	2001-03	
<b>Astra Zeneca</b>	Code of Conduct	2001-05	2000-06
<b>Astra Zeneca</b>	Safety, Health and Environment	2001-05	1999
<b>AT&amp;T</b>	Foundation Programs	2001-03	
<b>AT&amp;T</b>	AT&T's Online Privacy Policy	2001-03	
<b>Atlantic Telecom Group PLC</b>	Annual Report	2001-04	
<b>Bank of Scotland</b>	Bank of Scotland Equal Opportunities Statement 1999	2001-04	1999
<b>BASF</b>	Values and Principles	2001-04	

<b>BASF</b>		Environment and Safety	2001-04	1999
<b>BASF Group Germany</b>		Verhaltenskodex – Compliance program	2001-05	
<b>Brother Industries, Ltd.</b>		Working for environmental conservation in the 21 <sup>st</sup> century	2001-03	
<b>CANON, Inc.</b>		Procurement Slogan, Green Procurement	2001-03	
<b>Cisco Systems, Inc.</b>		Cisco Systems, Inc. Online Privacy Statement	2001-03	
<b>Compaq Corporation</b>	<b>Computer</b>	Compaq Policy	2001-03	
<b>Dell Corporation</b>	<b>Computer</b>	Dell Vision / Environmental policy	2001-04	
<b>DIGA-Design</b>		Abuse-Policy	2001-04	
<b>European Association of Information Services (EUSIDIC); The European Information Researchers Network (EIRENE)</b>		Collected Guidelines and Codes of Practice	1999-08	1994
<b>Fireball Deutschland</b>		Datenschutz	2001-03	
<b>Global One</b>		Code of Conduct Policy for Global One IP Products and Services	2001-05	
<b>Groupe Bull</b>		A world citizen	2001-04	
<b>Hewlett-Packard Company</b>		hp philanthropy	2001-03	
<b>Intel Corporation</b>		Policies, organization and management system	2001-04	
<b>International Machines Corporation</b>	<b>Business</b>	IBM gives	2001-03	
<b>ISACA Systems Audit and Control Association, Inc.</b>	<b>Information</b>	Code of Professional Ethics	2001-06	
<b>KPN Telecom BV</b>		Corporate Citizenship	2001-05	

<b>Lexmark Inc.</b>	<b>International,</b>	The Lexmark vision statement	2001-03	
<b>LM Ericsson</b>		Privacy Policy	2001-05	2001-02-22
<b>Lotus Corporation</b>	<b>Development</b>	Lotus core beliefs / philanthropy	2001-04	
<b>LyNet und GmbH</b>	<b>Kommunikation und Netzwerkdienste</b>	Datenschutz	2001-04	
<b>Matrox Electronic Systems</b>		Social responsibility	2001-04	
<b>Matsushita Industrial Co., Ltd.</b>	<b>Electric</b>	Policy / Code of conduct	2001-04	1991-06-05
<b>MCI Deutschland GmbH</b>	<b>WorldCom</b>	Sicherheit	2001-05	
<b>Microsoft Corporation</b>		Microsoft Giving	2001-04	
<b>Montedison</b>		Human Resources – Code of Ethics	2001-05	
<b>Motorola</b>		Motorola-Code of Business Conduct	2001-03	1994-2000
<b>MSN Deutschland Microsoft Deutschland</b>		/ Privacy	2001-03	2001
<b>Netscape</b>		Data Security / Privacy Policy	2001-03	2001-01-30
<b>NoPayWeb.com</b>		Privacy	2001-03	
<b>Nortel Networks Limited</b>		Legal	2001-04	
<b>Novell Inc.</b>		Novell Online Privacy	2001-03	
<b>ONE Internet-Service KG</b>		Privacy	2001-03	2000-09-28
<b>Oracle Corporation</b>		Oracle in the community	2001-04	
<b>Panasonic Handelsgesellschaft m.b.H.</b>	<b>Austria</b>	Die Philosophie des Erfolges	2001-05	
<b>Pioneer Corporation</b>		Global citizen / Environmental report	2001-04	

<b>PSINet, Inc.</b>	PSINet Policies	2001-03	
<b>RealNetworks, Inc.</b>	RealGiving	2001-04	
<b>Robert Bosch GmbH.</b>	Robert Bosch Stiftung	2001-04	
<b>Royal Philips Electronics</b>	Environmentally sound	2001-03	
<b>Samsung Electronics Co., Ltd.</b>	Community relations	2001-03	
<b>Seagate Technology</b>	Contributions / Environment	2001-04	
<b>Seiko Epson Corp.</b>	Our vision	2001-03	
<b>Siemens</b>	Corporate Citizenship – Mission Statement	2001-05	
<b>Sonera</b>	Steissi – Work & Wellbeing Program	2001-05	
<b>Sony Corporation</b>	Environmental Report 1999	2001-04	1999
<b>Storebrand</b>	Environment Report, Corporate Social Responsibility	2001-03	1998
<b>Sun Microsystems, Inc.</b>	About SUN / EHS	2001-04	
<b>Symantec Corporation</b>	The Symantec Corporate Giving Program	2001-04	
<b>Telenor AS</b>	Annual Report 2000	2001-05	
<b>Texas Instruments Incorporated</b>	Ethics at TI	2001-04	1961
<b>Toshiba Corporation</b>	The Toshiba Commitment	2001-04	1990
<b>VIA Taiwan</b>	VIA Company Vision	2001-03	
<b>Western Corporation</b>	<b>Digital</b> Vision – Mission – Values	2001-04	1999-03-09
<b>WorldxChange Deutschland</b>	Legal & Privacy Notices & User Agreement	2001-05	
<b>XS4ALL</b>	Privacy Statement	2001-03	

## ***10.2 International Labor Organisation (ILO) “Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy”***

adopted in 1977 by the Governing Body of the ILO.

Principles of “ILO Tripartite Declaration of Multinational Enterprises” can – referring particular to MNC’s - be summarised as following<sup>20</sup>:

1. **General policies:** MNC’s should respect the sovereign rights of States, obey the national laws and regulations, should respect relevant international standards and the Universal Declaration of Human rights. Consultations should be held between MNC’s, the government and the national employers’ and workers’ organisations.
2. **Employment:** MNC’s should promote employment in general and equality of opportunity and treatment in employment in particular, should provide stable employment, should provide relevant training;
3. **Conditions of work and life:** MNC’s should provide the best possible wages – to satisfy basic needs of the workers and their families-, benefits and conditions of work; should maintain the highest standards of safety and health,
4. **Industrial relations:** Workers should have freedom of association and the right to organise, the right of collective bargaining;
5. **Consultation:** should provide regular consultation on matters of mutual concern;
6. **Examination of grievances:** any worker should have the right of grievance;
7. **Settlement of industrial disputes:** should establish voluntary conciliation machinery.

## ***10.3 Model of the revised OECD Guidelines for Multinational Enterprises, Paris 2000***

The following nine principles for Multinational Enterprises were adopted by the governments of the 29 Member countries of the OECD and Argentina, Brazil, Chile and the Slovak Republic at the OECD Ministerial Meeting on 27 June 2000<sup>21</sup> and shows the issues of current discussions:

1. **General Policies:** Enterprises should contribute to economic, social and environmental progress; respect human rights, encourage local capacity building, develop the enterprise’s activities in domestic and foreign markets, encourage human capital formation, refrain from seeking exemptions related to environment, health, safety labour, taxation, financial incentives or other issues, support and uphold good corporate governance principles, apply effective self-regulatory practices that foster a relationship of confidence between

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<sup>20</sup> see <http://www.itcilo.it/english/actrav/telearn/global/ilo/guide/triparti.htm>

<sup>21</sup> see <http://www.oecd.org//daf/investment/guidelines/mnetext.htm>

enterprises and societies, promote employee awareness of company policies including through training programmes, encourage business partners, including suppliers and sub-contractors and abstain from any improper involvement in local political activities.

2. **Disclosure:** Enterprises should ensure that timely, regular, reliable and relevant information regarding their activities, structure, financial situation and performance is disclosed. Enterprises should apply high quality standards for disclosure, accounting and audit.
3. **Employment & industrial relations:** Enterprises should respect the right of their employees to be represented by trade unions and other bona fide representatives of employees; contribute to the effective abolition of child labour and the elimination of forced or compulsory labour, not discriminate by race, colour, sex religion, political opinion; provide information to employees which enables them to obtain a true and fair view of the performance of the entity; observe standards of employment and industrial relations not less favourable than those observed by comparable employers in the host country; ensure occupational health and safety; employ local personnel and provide training with a view to improving skill levels; etc.
4. **Environment:** Enterprises should take due account of the need to protect the environment, public health and safety, and conduct their activities in a manner contributing to the wider goal of sustainable development.
5. **Bribery:** Enterprises should not offer, promise, give or demand a bribe or other undue advantage to obtain or retain business or other improper advantage.
6. **Consumer interests:** When dealing with consumers, enterprises should act in accordance with fair business, marketing and advertising practises and take all reasonable steps to ensure the safety and quality of the goods or services they provide.
7. **Science & technology:** Enterprises should ensure that their activities are compatible with the science and technology policies and plans and contribute to the development of local and national innovative capacity. Adopt practices that permit the transfer and rapid diffusion of technologies and know-how with due regards to the protection of intellectual property rights. Employ host country personnel in an S&T capacity and encourage their training.
8. **Competition:** Enterprises should conduct all their activities in a manner consistent with applicable competition laws; refrain from carrying out anti-competitive agreements among competitors to fix prices, make rigged bids, establish output restrictions or share or divide markets by allocating customers, suppliers, territories or lines of commerce.
9. **Taxation:** Enterprises should contribute to the public finances of host countries by making timely payment of their tax liabilities. They should comply with the tax laws and regulations in all the countries they operate in.