

MASTER THESIS

THE PEOPLE, THE ENVIRONMENT, AND THE COMPANY: AN EXAMINATION OF THE
TRIPARTITE DIMENSIONS OF PRIORITIES RELATING TO BUSINESS JUDGMENTS IN
MULTINATIONAL BUSINESS ORGANISATIONS

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PRO-GRADU THESIS

YEAR: 2016 (SPRING)

ABSTRACT

The onset of Globalization has ushered in an era of growth and expansion in the areas of multinational business Agreements, international business investments and Global Trade. Profit making, is without doubt the objective in these business ventures. Nevertheless, there exists certain other concerns that cannot be set aside in the course of running an effective business venture. On a daily basis, many business owners, leaders and managers are faced with a dozen decisions that they have to make and these decisions influence the success of the company as well as the reputation of the company in the eyes of the society. This is mainly due to the fact that these decisions have an impact not only on the company in terms of profit-making, but also on the employees, the customers, and the environment.

All business organizations, as a matter of necessity, must comply with governmental laws and statutes regulating business ventures irrespective of whether it is a domestic or multinational corporation. Most times the nature and type of some business corporations may require special regulatory laws, monitoring agencies and various business permits and licenses. Therefore, business owners and managers need to be well informed as to what laws regulates their business venture, having regards to the nature of the business, who the target customer are, the jurisdiction or country in question, and finally the peculiarity of that marketplace.

Apart from knowing and understanding these laws and regulations, the business manager must also ensure that he is abreast of the recent developments and law amendments with respect to their business. It is in the wake of these that companies today engage in activities to promote Employee Retention, Customer Satisfaction, Corporate Social Responsibility (CSR) as well as eco-friendly decisions for sustainable development. However, the factors surrounding such decision making in the light of the above are not always easy to evaluate or prioritize to ensure a well informed and effective decision is arrived at. When it comes to decisions making, many business managers are influenced by their emotions, personal values, professional risks or rewards, stress, and lots more. These factors influence a manager's decision, one way or the other.

Be that as it may, the focus remains the same, and this area stands out as the major area of Interest on the top priority list of the company. For most major corporations, this falls into three main categories; the people, the environment, and the company. This brings us to the purpose of this paperwork. In this

paperwork, I will be examining the tripartite dimensions of Priorities in relation to Business Judgements in Multinational Business Organizations. The aim of this work is to discuss the extent to which these three interests or priorities have been accommodated in International business dealings.

Chapter one gives an Introduction of the paperwork explaining what this work is all about. It also sets the context of the paperwork and provides general information about the topic. This is achieved by explaining the background of this study to throw more light on its history and where or how it originated from. This is followed by stating and explaining the objective of this study. This is to spell out the reasons for the study and the desired outcome at the conclusion of the study. This chapter will be concluded by stating and explaining the research question with regards to this paperwork as this forms the very core of this study.

Chapters Two, Three and Four of this work gives a comparative analysis of the three dimensions of priorities in relation to Business Judgements in Multinational Business Organizations. For most of the business organizations, these three areas of interests form the main heading of priorities which houses the many other minimal areas of concern. In these chapters, I will be discussing each of the three major dimensions of priorities in details, that is to say; the people-based priority angle, the company-based priority angle, and finally the environment-based priority angle. This will also include looking at these priorities from all angles, and giving analogies to show how these priorities stand out as essential and paramount in their own respect.

Chapter Five of this work gives a detailed Result of the Survey I carried out in relation to this subject matter. Project 'Priority Triangle' was embarked upon to provide a practical angle to this subject matter in order to know how the public in general view these multinational companies especially the most popular ones in terms of the topic in question. The participation was from different individuals of different age groups and resident in different countries. Further, this chapter talks about the Vanishing point; a point at which these priorities converge and intertwine. Does one exist? If so, where? And how can a balance be achieved? This is followed by making some recommendations in the light of the issues and viewpoints discussed above together with the observations made from the survey and its findings. It is hoped that these recommendations will be taken into consideration especially by business owners, managers, and leaders in the course of making business judgements. Finally, this work is concluded by restating, as a reminder to the reader, the essence or aim of the study, the findings, and the viewpoints of the researcher based on the analysis and the implications of the findings addressed above.

In conclusion, it goes without much saying that these three areas of priority are the major focus points when it comes to businesses. Does the issue at stake call for a focus on the interests of the company? Or should the focus be directed towards the people who will be affected by this decision? How about the effect of the decision on the Environment in general? The fact remains that all of these three dimensions are of utmost importance at every point in time, rendering decision making a very difficult task. This is a dilemma that most business managers have to face before they make any major business judgement. This forms a 'Priority Triangle' since all of these priorities are important and can be ranked top on the list, depending on the angle one is viewing the issue at hand from. Certainly, there must be a vanishing point where these three priorities converge and intertwine; a point where a business judgement can accommodate all of these interests. The question here is: At what point do they all meet and how can this balance be achieved?

KEYWORDS

Analysis; Priority Triangle; People; Environment; Company; Tripartite; Priorities; Business Judgements; Multinational Business Organizations; Survey; Public Opinion Poll; Business Decisions; Dilemma; Vanishing Point; Balance; Recommendations.

ACKNOWLEDGEMENT

It has been said and I could not agree more, that; honor must be given to whom honor is due. In that light, it is correct to say that this piece of work is incomplete if I do not give regards to the persons who made this work a success.

First of all, my heartfelt gratitude goes to God Almighty who in His infinite love, mercy and strength has made it possible for me to complete this work.

My profound gratitude and respect goes to my Supervisor Professor Karhu for his guidance and teachings in the course of my Masters programme at the University.

I also use this medium to appreciate all the Lecturers and Staff of the University of Lapland, Rovaniemi for their great impact and assistance during the course of my academic pursuit at the university.

Finally, with joy in my heart, I express my immense gratitude and thanks to my wonderful husband Henrik Kumpula, and to my in laws, parents and siblings for their continued love and support.

Olivia Joy Kumpula

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CHAPTER ONE

INTRODUCTION

1.1 TARGET OF STUDY

Multinational Business Organizations are without doubt the most powerful economic players of the world. Due to the rate at which world economies are growing and advancing, national and International business organizations are being set up on a daily basis to meet the present demands. As at today, there are several national or domestic businesses that have expanded their business tentacles to other nations of the world due to economic, political or social reasons. Different countries are at different stages of development, and as such, companies do not like to concentrate all their efforts in only one region. Rather, many domestic companies prefer to venture into other markets which are different in terms of growth rate, size, customer base, and profit generation. To them, going multinational is the real deal.

A company is said to be multinational if it has its facilities, factories, offices, and other assets in at least one country other than its home country, with a centralized head office for global management. Such a corporation owns or controls production of goods or services in other countries other than the home country and generates revenue from such operations. Franklin Root defines an MNC as a parent company that;

- (i) engages in foreign production through its affiliates located in several countries,
- (ii) Exercises direct control over the policies of its affiliates, and
- (iii) Implements transnational business strategies in production, marketing, finance and staffing that transcend national boundaries.

An example of a Multinational Corporation is Barilla has plants and offices in Greece, France, Germany, Norway, Russia, Sweden, Turkey, US, and Mexico¹.

In the words of the economist Contessi;

‘Let’s be clear about what we mean by a multinational. This is a firm that extends beyond the borders of an individual nation and operates with affiliates and branches in at least two countries. A multinational organizes phases for producing goods and services to sell in different countries. For example, many car companies have mastered the so-called international segmentation of production, which works like this: A Toyota vehicle assembled in San Antonio may have been designed at the Toyota design centre in Australia; the vehicle’s aluminium-wheel components may have been produced in Delta, British Columbia; and its other components may have been produced in yet another location. Other multinationals replicate entire production processes in different countries. Consider Coca-Cola. If you are visiting Poland, the Coke you drink probably was produced in a plant in Lodz, Poland, not in the United States, although the brand and the company hail from the U. S².’

Why Go Multinational?

The many advantages of having different type of markets consists majorly of a more consistent revenue flow and a balanced company economically, politically and socially. The Dunning Eclectic theory³ lists down the advantages of corporations going Multinational and this theory is best summarized in this UKEssay’s publication as follows:

‘Ownership Advantages: Ownership advantages are usually intangible and can be transferred within the multinational firms at a cheaper price. The firm would possess monopolistic advantages as they would get easy access to the resources which are scarce in the home country

¹ Cited by Professor Kwan Choi in Introduction to the World Economy series, Econiastate 2015.

² Silvio Contessi: ‘Why Would a Firm Want to become a Multinational?’ published in The Regional Economist of April 14th 2015 at page 23.

³ The Dunning Eclectic theory, also known as the OLI model or Framework is a well-recognized paradigm formulated by John H. Dunning in 1979 which provides a three-tiered framework of Ownership-Location-Internalization for a company to follow as determining factors for Foreign Direct Investment.

of the firm. The barriers to entry would also be high, due to high setup costs of the business. They also possess the share of technology and information from the countries in which the expansion takes place that helps the firm. Besides gains for the MNE, the host economies are also at a benefit. These MNC's generate large amounts of employment opportunities and bring with them high levels of managerial skill and globally employed advanced technology. Since the firm has high buying power, the advantages of economies of scale also become realistic and thus, very prominent.

Economic advantages: Relate to all cost and revenue related factors such as low costs of raw materials, low transportation, storage and distribution, and the resulting development of economies of scale and scope, the large size of an unexplored market, and so on.

Political advantages; include the nature of an economy, the government's policies, systems and the overall bureaucratic setup. Lenient policies affect and encourage inward Foreign Direct Investment (FDI) flow, intra-firm trade and international production.

Socio-cultural advantages; include the ability to adapt to the culture the firm wishes to operate in in terms of overcoming language and cultural barriers (such as, it may be easier for an American firm to expand into the UK rather than into China), distance barriers (it may be easier to invest in a neighboring country rather than otherwise), general attitude towards foreigners and so on.

Internalization Advantages: Internalization is the process by which the activities are kept directly within the firm's control. The key advantage is that it would reduce the transactional costs and no threat of principle agent problem to the organization⁴.

Furthermore, companies have come to the realization that it is no longer an option to concentrate only on one's domestic market. This is because the ability to compete successfully in the domestic markets and retain one's customers depends upon a company's ability to match the resources of multinational companies especially when goods from such companies are being imported into the domestic market.

⁴ 'How and why firms go International or Multinational'; A publication of the UKEssays, November 2013, Web. 7 January 2016.

It goes without much saying that some multinational corporations tend to spread their business tentacles to less developed economies where they can pay less taxes, get cheap labor and reduce production cost. Professor Choi’s table below gives a very clear explanation including examples of the reasons why many business corporations decide to spread their business to other countries and economies:

Figure 1

<p>1 Growth motive</p>	<p>A company may have reached a plateau satisfying domestic demand, which is not growing. Looking for new markets.</p>
<p>2 Bypass protection in importing countries</p>	<p>Foreign direct investment is one way to expand. FDI is a means to bypassing protective instruments in the importing country.</p> <p>Examples:</p> <p>(i) European Community: imposed common external tariff against outsiders. US companies circumvented these barriers by setting up subsidiaries.</p> <p>(ii) Japanese corporations built auto assembly plants in the US, to bypass VERs.</p>
<p>3 avoid high transport costs</p>	<p>Build factories where consumers are.</p> <p>Transportation costs are like tariffs in that they are barriers which raise consumer prices. When transportation costs are high, multinational firms want to build production plants close to either the input source or to the market in order to save transportation costs.</p> <p>Multinational firms (e.g. Toyota) that invest and build production plants in the United States are better off selling products directly to American consumers than the exporting firms that utilize the New Orleans port to ship and distribute products through New Orleans.</p>



Paul Sample
American, 1896-1974

Port of New Orleans, 1935-1936
Oil on canvas

Gift of Mrs. Seymour Weiss, 1986.94

4 avoid
Exchange
Rate
fluctuations

Japanese firms (e.g., Komatsu) invest here to produce heavy construction machines to avoid excessive exchange rate fluctuations. Also, Japanese automobile firms have plants to produce automobile parts. For instance, Toyota imports engines and transmissions from Japanese plants, and produce the rest in the U.S.

Toyota is behind GM and Volkswagen in China, and plans to expand its production in China and has no plans to build more plants in North America. (China's auto parts are cheaper.) It may have been a mistake for Toyota to over expand its plants in the US. GM and Volkswagen have expanded their production plants in Shanghai.



A Komatsu machine used in ethanol production in Ida Grove, Iowa.

5 reduce
competition

The most certain method of preventing actual or potential competition is to acquire foreign businesses.

GM purchased Monarch (GM Canada) and Opel (GM Germany). It did not buy Toyota, Datsun (Nissan) and Volkswagen. Subsequently, they became competitors. Toyota is #1 in the car industry.

6 secure essential inputs	A foreign country may have the necessary resources (e.g., rare earth minerals).
7 cheap labour	<p>United Fruit has established banana-producing facilities in Honduras.</p> <p>Due to high transportation costs, FPE does not hold. ⇒ Cheap foreign labour. Labour costs tend to differ among nations. MNCs can hold down costs by locating part of all their productive facilities abroad. (Maquiladoras)</p> <p>Komatsu first established its European factory in Belgium in 1967, and its American subsidiary in 1970. Over the years it established many other subsidiaries throughout Europe, Russia, America and Asia.</p>

Culled from Professor Kwan Choi’s lecture series. Supra in Footnote 1.

1.2 BACKGROUND OF STUDY

Business leaders make thousands of decisions yearly, in the line of business transactions and these decisions affects the business, the environment and the people, one way or the other, depending on the nature of the business. Sometimes, a single decision can have so powerful and far reaching effect which may have a positive or negative connotation to it. On a regular basis, business decisions are made that may not promote or fulfil the financial needs and objectives of the company, even though majority of business leaders have that very interest of the company at heart. These kind of decisions affect the shareholders’ interests in the company. Also, there are several business organizations that have made decisions which have affected the environment adversely. However, this kind of occurrence has reduced greatly due to the awareness campaigns of environmentalists together with governmental policies and agencies keeping a close eye on the activities of business organizations. In addition, certain business decisions have not worked in favor of the society or the consumers who desire quality, a reasonable price, and of course developmental policies where the business is located in a developing country.

The idea behind this paperwork was borne out of observing countless decisions of companies, especially multinational organizations, and how these business decisions affect the major interests of the people,

the company or the environment. This consists of the people who represent the market and who are directly or indirectly affected by the activities of the company. Secondly, there comes the company as a profit making venture, and this consists of the shareholders and owners of the company who depend on the managers to make decisions that will promote the interest of the company and generate profit as a result. Thirdly, the environment cannot be left out. This consists of the society in which the company does business, and the effect of the company's activities on the environment, especially if its nature of business involves manufacturing, explorations, and mining or drilling operations.

This led to a thorough study and eventual Survey project to gain an inside knowledge into how business judgements are made in a practical, real time situation, what major interest stood out as paramount in the view of the decision maker, and the factors influencing the decisions that were arrived at. This paperwork, gives a detailed report of such findings together with a comparative analysis of these decisions to give the reader a complete picture of the whole idea of this study.

1.3 OBJECTIVE OF STUDY

The objective of this study is to fully discuss this Priority triangle mentioned above, namely; The People, The Environment, and The Company. This study examines the tripartite dimensions of Priorities relating to Business Judgements in Multinational Business Organizations. The aim is to provide a detailed analysis of these priorities in business decisions of some of the very popular Multinational Corporations. In addition, several other decisions of companies accompanied by certain actions undertaken by them will be discussed in details as each of these decisions are significant for the effect they had on one, some, or all of these interests discussed above. The companies range from manufacturing and drilling companies to cosmetics companies both on domestic and international levels.

The reasons for this analysis is to reveal how these companies arrived at certain decisions that were made when faced with the dilemma of having to choose between these priorities and the factors that influence these decisions. These decisions show that not all of these interests or priorities are regarded with high sense of importance by some of these business leaders. For some of them, the company and its interests remains the ultimate interest to look out for, while other believe that winning and retaining the trust and

patronage of the people matter most. A host of others, consider the first two priorities are an added advantage and an overflow from being an environmentally friendly company. To them, looking out for the environment leads to more trust and patronage from the people, and this equals Profit.

The desired outcome at the conclusion of this study is to show that these priorities are all of utmost importance and as such should be all considered when making business decisions. It is quite understood that considering and upholding all three interests at the moment of decision may prove difficult and almost impossible. However, this is not totally unachievable. It is strongly argued here that a balance of the three priorities can be achieved. This does not call for a situation of compulsory co-equal footing of victory. Rather, this demands for a situation where all three interests are considered and evaluated before a decision is arrived at. That way, a decision is sure to be reached which may appear to uphold an interest slightly above the other two but at the same time watches out for other interests as well. In my opinion, that is a win-win situation.

1.4 RESEARCH QUESTION

The issue here is that many business decisions are made on a daily basis and these decisions affect the company, the people and the environment, at different levels and degrees. The question that forms the very core of this study was borne out of the need to promote the making of business decisions which consider and uphold the basic interests of the people, the company and the environment. This should be achieved to a certain degree irrespective of the personal beliefs, ethical stand, or the economic or political limitations of the decision maker at that point in time. As has been argued above, a balance of these three priorities is attainable and should be so attained in every decision of the company no matter the level of business or who appears to be the direct target of the decision at that time.

It is understood that this poses quite a challenging situation for a business manager or leader who has to decide every day, before every single decision, which of these interests should be top on the list. This situation arises from the dilemma caused by this 'Priority Triangle' as the business manager is left to wonder if he should look out for the interests of the company and shareholders, or should his focus be on the people who will be affected most by the decision, say the consumers. In addition, questions on how to make sure that the decision does not have an adverse effect on the environment may be paramount

on his mind as well. This is a dilemma that most business managers have to face before they make any major business judgement since all of these interests are vital at every point in time.

Certainly, there must be a way to accommodate all three interests in every decision. This paper argues that there is a vanishing point; a point where these three priorities converge and intertwine. For the purposes of this study, the research question here is: At what point do they all meet and how can this balance be achieved?

CHAPTER TWO

THE PEOPLE AS A PRIORITY

2.1 Customer Satisfaction

Making the customers top priority in business mainly consists of Customer satisfaction, Consumer safety, and Corporate Social Responsibility, amongst other things. Customer satisfaction measures the level of satisfaction experienced by the customers based on the expectations of the customers concerning a product or service provided by the company. This consists of factors such as the quality of the product or services, the price of the product or service, the value of the product as it relates to the price, before-sale and after-sale services, customer-friendly environment and convenience. Customer satisfaction is at the heart of the success and reputation of the company. Many business managers would tell you that it is much easier to retain existing customers than to attract new ones.

Ross Beard in his Article stated that Customer Satisfaction is very important to every company. He goes ahead to list the reasons as follows;

‘Here are the top six reasons why customer satisfaction is so important:

- It’s a leading indicator of consumer repurchase intentions and loyalty
- It’s a point of differentiation
- It reduces customer churn
- It increases customer lifetime value
- It reduces negative word of mouth
- It’s cheaper to retain customers than acquire new ones⁵.’

⁵ Ross Beard; ‘Customer Satisfaction; 6 Reasons why Customer Satisfaction is Important. Client Heartbeat Publication of January 20, 2014.

Furthermore, a publication in the Business Case Studies highlights levels of Customer Satisfaction in the form of a ladder showing the hierarchy of customer loyalty based on their satisfaction. It states that;

‘Building customer relationships can be seen as moving up a ladder. At the top rung of the ladder are your loyal customers (advocates). The ladder consists of four main rungs (with 4 being the highest):

- 4 - Advocates
- 3 - Regular customers
- 2 - Occasional users
- 1 - On-off purchasers

The extent to which customers move up the ladder depends on how well they are treated by the organization. Well focused sales methods and attention to individual detail is likely to encourage customers to move up the ladder⁶.

Now, let us take a moment to consider the strategies of well-known companies who have stood out in their customer satisfaction potentials. Rick Conlow makes a list of such companies to include Amazon, Apple, Wegmans, Southwest Airlines, Walt Disney, and Nordstrom. In his words;

‘Their cultural habits are not merely lip service; it’s how they do business -

- Amazon says on its Investor Relation’s page: *We seek to be Earth’s most customer-centric company for four primary customer sets: consumers, sellers, enterprises, and content creators.* Amazon put a stake in the ground by announcing its hope to be the world's most customer-centered company.
- Wegmans’ motto is: *Every day, you get our best.* Wegmans makes grocery shopping a true experience rather than offering the same drudgery of a chore that most consumers expect at the grocery store. Its reputation goes well beyond its market area. Wegmans has reported that it received nearly 5,000 letters and e-mails in a year from consumers in 46 states who urged the chain to open a store in their area.

⁶ Business Case Studies; ‘Why Customers Are Important: Customer Satisfaction’; January 2016.

- Southwest Airlines began at Love Field in Dallas. They became the "love airline" with the flashy flight attendants and the most entertaining flight experience. The President Emeritus, Colleen Barrett, has a favorite saying about Southwest Airlines: "*We are a Customer Service Company; we just happen to fly airplanes.*"
- Apple's sales per square foot are higher than Tiffany and Co.'s. Employees are supposed to focus on helping customers, not selling products. A quote from the training manual demonstrates this commitment: "*Your job is to understand all of your customers' needs—some of which they may not even realize they have.*"
- Disney cast members are taught an important truth: "*The guest isn't always right, but let them be wrong with dignity.*" A secret to Disney's success is their guest-centered approach. Their philosophy is not just lip service – it actually guides behavior. Disney cast members consider what they do to be a helping profession and a *noble calling*.

Each of these companies have cultures that ensure they have a sense of urgency to innovate and improve, so that they continue building customer loyalty. Because employees have freedom to act, they are able to deliver creative solutions at pivotal moments for each customer, which enhances each company's reputation and service delivery capability⁷.

2.2 Consumer Safety

The United Nations Guidelines for Consumer Protection is highly notable as a declaration of best practices in consumer protection law and policy. The Guidelines provided are not binding on companies and business organizations. However, these guidelines do provide a set of basic consumer protection objectives on which several governments have deliberated on and agreed upon. They thereby serve as a policy framework for implementation at national levels⁸.

The Objectives of the UN Guidelines for Consumer protection are as follows;

1. taking into account the interests and needs of consumers in all countries, particularly those in

⁷ Rick Conlow; 5 Cultural Habits of Customer Focused Companies?, WCW Partners, published May 7, 2014.

⁸ See *Division for Sustainable Development of the United Nations Department of Economic and Social Affairs (1998). "Consumer Protection and Sustainable Consumption: New Guidelines for the Global Consumer"*.

Developing countries; recognizing that consumers often face imbalances in economic terms, Educational levels and bargaining power; and bearing in mind that consumers should have the right of Access to non-hazardous products, as well as the right to promote just, equitable and sustainable Economic and social development and environmental protection, these guidelines for consumer Protection have the following objectives:

- (a) To assist countries in achieving or maintaining adequate protection for their population as Consumers;
- (b) To facilitate production and distribution patterns responsive to the needs and desires of Consumers;
- (c) To encourage high levels of ethical conduct for those engaged in the production and distribution Of goods and services to consumers;
- (d) To assist countries in curbing abusive business practices by all enterprises at the national and International levels which adversely affect consumers;
- (e) To facilitate the development of independent consumer groups;
- (f) To further international cooperation in the field of consumer protection;
- (g) To encourage the development of market conditions which provide consumers with greater Choice at lower prices;
- (h) To promote sustainable consumption.

Based on these guidelines, 8 consumer rights were formulated in order to protect consumers and safeguard their interests. These include the following;

1. Right to Safety - safeguarding against goods that are hazardous to life and property.
2. Right to Information - consumers have the right to be informed regarding the price, quality, quantity, etc., of the products they buy.
3. Right to Choice - consumers should be provided with a wide variety of goods to choose from.
4. Right to be heard - the right of consumers to have their complaints heard.
5. Right to Satisfaction of Basic Needs - this right demands that people have access to basic, essential goods and services: adequate food, clothing, shelter, health care, education, public utilities, water, and sanitation.
6. Right to redress - consumers have the right to seek redress regarding their complaints.

7. Right to Consumer Education - the right of consumers to be educated about their rights.
8. Right to a Healthy Environment - this is the right to live and work in an environment that is non-threatening to the well-being of present and future generations⁹.

In recent times, consumer safety and customer protection has been a major issue of concern to many individuals including the government and private organizations. These concerns include the safety and quality of goods and services ranging from automobiles, entertainment products and kids toys, to foods, cosmetics and drugs. As a result of the growing rate of these concerns at both governmental and consumer levels the safety and quality of foods and other products and services have greatly increased to match the demands. Nonetheless, there still exist some major areas of concern for both the government and private organizations including individuals. On a daily basis, several products already in the market are being recalled for safety reasons.

Some of the notable ones recorded on the Daily Finance Consumer Protection news page will be mentioned below;

1. The Associated Press Release of August 11th 2015 records that;

‘Discount Tire and America's Tire chains are recalling nearly 80,000 light truck and SUV replacement tires because the tread can separate. The recall affects certain Pathfinder tires made between August 2013 and May 2015. Affected tires weren't sold after May 19. Discount Tire says it noticed premature separations on Pathfinder tires in February and started testing them. It found that the rubber coating between the two steel belts in the tire wasn't thick enough. If the steel belts crack, the tread could separate, increasing the risk of a crash. Discount Tire says there are no reports of deaths or injuries due to the defect. Stores will notify owners and will either replace the tires for free or offer refunds¹⁰’.

2. On August 14th 2015, it was recorded that;

‘Volkswagen is recalling about 461,300 cars in the United States and Canada to fix a fault that could prevent air bags from deploying. The world's biggest carmaker said Friday that the recall

⁹ See the United Nations Guidelines for Consumer Protection, as expanded in 1999.

¹⁰ ‘Discount Tire Recalls 79,513 Truck, SUV Replacement Tires’, The Associated Press Release August 11th 2015, available on the Daily Finance webpage.

included VW Golf, Passat, Jetta and Tiguan models assembled between 2010 and 2014. No accidents or injuries related to the problem have been reported, VW said. The recall comes as the German group struggles to overcome underperformance in the United States, where the sale of VW-branded cars plunged 10 percent to 367,000 last years, and less than half its ambitious target of 800,000 by 2018. VW said there will be 420,000 models recalled in the U.S. market and another 41,300 in Canada. VW is examining whether such issues affect cars delivered to other markets, a VW spokesman said. The spokesman said that debris could, under certain circumstances, interfere with the clock spring that keeps the vehicles' air bags powered, but added that no such incident has been reported¹¹.

3. On August 21st 2015, it was recorded that;

‘U.S. auto safety regulators are investigating reports that air bags on some older Honda Accords may not inflate in a crash. The probe by the National Highway Traffic Safety Administration covers about 384,000 cars from the 2008 model year. The agency says in documents posted Friday that it received 19 consumer complaints that the air bag control computer failed in the Accord, which then was Honda's top-selling model. A driver in Belleview, Florida, was injured when his car hit a concrete wall at 50 miles per hour and the air bags didn't inflate, according to a complaint filed with the agency. This also means that the safety of the vehicle passengers and operators are in jeopardy and potentially face serious injury or death - another complainant wrote. People filing complaints are not identified in the agency's database. The agency says the malfunction causes the air bag warning light to illuminate on the dashboard and disables the air bags until repairs are made. Investigators will look into how often the problem happens and decide if a recall is needed. Honda said it is cooperating with the investigation and will continue an internal review. The investigation is based on a small number of complaints, the company said in a statement’¹².

4. The Release of 4th September 1025 shows that;

¹¹ ‘VW Recalls 420,000 Vehicles to Fix Air Bag Problem’, The Associated Press Supra August 14th 2015.

¹² Safety Agency Probes Honda Accord Air Bag Failures, Associated Press Release Supra, 21st August 2015.

‘Nissan is recalling nearly 300,000 of its Versa and Versa Note vehicles to adjust a console panel that could catch the driver's shoe and slow braking efforts. The carmaker said it received a report of an accident involving injury, but no deaths have been tied to the issue. It said in a report filed with the National Highway Traffic Safety Administration that in rare cases, the right edge of a driver's shoe might catch on the center console's lower trim panel. Nissan North America Inc. said owners of vehicles affected by this recall have already been notified, and those who have not had the issue addressed will get a recall letter. Dealers will trim the console panel so that its leading edge is farther from the driver's foot. The fix will be done free of charge. The recall involves four-door Versa sedans from the model years 2012 to 2015 that were made between June 9, 2011, and March 11, 2015, and 2014 and 2015 Versa Note hatchbacks made between April 23, 2013 and March 11, 2015’¹³.

5. The Associated Press Release of 10th September 2015 records that;

‘Fiat Chrysler is recalling more than 1.5 million trucks to fix problems with side-impact and driver's air bags. The biggest of two recalls announced Thursday covers 1.35 million Ram 1500, 2500 and 3500 pickup trucks and 3500, 4500 and 5500 Chassis Cabs, mainly in North America. All are from the 2012 through 2014 model years. Fiat Chrysler says a company investigation found that some trucks may have steering wheel wires that can wear due to contact with a spring. That can cause a short circuit that could make the driver's side air bags inflate without a crash. The company says it knows of two injuries caused by the problem but no crashes. It says an analysis of warranty data found that less than 1 percent of trucks repaired for the problem had air bags that inflated without a crash. In some affected trucks, an air bag warning light will come on before there's a problem. Dealers will inspect each vehicle, tie off the wiring harness and install protective caps on the springs. The company is now mailing notices to owners telling them about the recall. The second recall covers about 188,000 Ram Quad Cab pickups from the 2014 and 2015 model years. Fiat Chrysler says the side curtain air bags don't comply with federal regulations that protect rear passengers if the trucks roll over. The company says it knows of no crashes, injuries or complaints. Owners will be told when they can make an appointment to fix

¹³ ‘Nissan Recalls 300,000 Versas to Adjust Console Panel’, Associated Press Release Supra, 4th September 2015.

the problem. The company says drivers and passengers should wear seat belts in addition to relying on air bags¹⁴.

6. The Associated Press Release of September 25th 2015 records that;

‘Hyundai is recalling nearly a half-million midsize cars in the U.S. to replace the engines because a manufacturing problem could cause them to fail. The recall covers 470,000 Sonata sedans from the 2011 and 2012 model years equipped with 2-liter or 2.4-liter gasoline engines. At the time, the Sonata was Hyundai's top-selling vehicle in the U.S. The company also is recalling nearly 100,000 Accent small cars because the brake lights can fail. In documents on the Sonata recall posted Friday by the U.S. National Highway Traffic Safety Administration, Hyundai says that metal debris may not have been fully removed from the crankshaft area during manufacturing at Hyundai's Alabama engine plant. That can restrict oil flow to the connecting rod bearings, and since they are cooled by oil, they could fail. If that happens, the engines could stall and cause a crash. So far, Hyundai said it has no reports of crashes or injuries from the problem. The company said in documents that a worn connecting rod bearing will make a cyclical knocking noise, and it also could cause the oil pressure warning light to illuminate. Continued driving with the problem can cause the bearing to fail and engine stalling. The company said that the 2011 Sonata was the first Hyundai vehicle to use engines made in Alabama, where the company initially used a mechanical process to remove machining debris from the crankshaft. That process was changed to a high pressure wet blasting system in April of 2012. Hyundai discovered the problem when owners started reporting engine noise. In June of 2015, NHTSA raised the issue with Hyundai, which said it didn't consider the issue to be a safety problem because owners would get warnings. But NHTSA told the company it was concerned about the possibility of high-speed stalling. Hyundai decided to recall the cars on Sept. 2, according to the documents. Dealers will inspect the cars and replace engines at no cost to owners, a company spokesman said. The company also will increase the engine warranty for 10 years or 120,000 miles. Owners will be notified Nov. 2,

¹⁴ ‘Fiat Chrysler Recalls Over 1.5M Trucks for Air Bag Problems’, The Associated Press Release Supra, September 10th 2015.

and they'll get a second notice when the replacement engines are available. Hyundai spokesman Jim Trainor declined to disclose how much it will cost to replace each engine. The Accent recall covers certain 2009 to 2011 models. It's an expansion of a recall issued in 2013. Hyundai says the brake light switch can fail, and the lights won't come on when a driver steps on the brakes. Also, the cruise control may not be deactivated by stepping on the brake, and the gear shifter may get stuck in the "park" position. The company says in documents posted by NHTSA that it has no reports of crashes or injuries. Hyundai will replace the brake switch at no cost to owners starting Nov. 2, the company said¹⁵.

7. Furthermore, on September 30th 2015, it was recorded that;

‘Ford recalls about 342,000 vans from 1998 through 2003. The company said Wednesday that the Windstars were recalled in 2010 due to axle cracks that could grow and lead to complete failure and a crash. They're being recalled again because a reinforcement bracket from the first recall could have been installed incorrectly. The bracket was designed to mitigate problems if the axle failed. The company says it has reports of a small number of accidents but no injuries. The exact number of wrecks wasn't available. Dealers will inspect the vans, and if the brackets weren't installed right, replace the axles. If they were correctly installed, customers will be offered a \$300 discount on the price of an axle replacement. The recall is taking place in the U.S. and Canada. Also Wednesday, Ford said it was recalling 37,000 F-150 pickups from the 2015 model year in the U.S. and Canada to fix a problem with the adaptive cruise control system that automatically brakes the trucks to avoid a crash. The company said that when passing a large truck, the radar could incorrectly determine that it's in the F-150's travel lane when it isn't. The system could apply the brakes until it senses that the truck is no longer in the way. Ford says it has a report of one crash caused by the problem but no injuries. Dealers will update software to fix the problem¹⁶.

¹⁵ ‘Hyundai Recalls 470,000 Sonatas to Replace Engines’, The Associated Press Release Supra September 25th 2015.

¹⁶ Axle Problem Prompts Ford to Recall 342,000 Minivans Twice, The Associated Press Release Supra, September 30th 2015.

All these recorded cases mentioned above show the recent happenings with regards to the Safety and Protection of Consumers using Automobiles and they do not represent the totality of the bulk of cases.

Regarding children's products, food and other products, several cases of safety have arisen regarding one product or the other and this has led to the recall of some of these products. Some of the notable ones recorded in the national and international newspapers will be mentioned below;

1. Tiffany Hsu of Los Angeles Times recorded in December 27th 2012 that;

‘Four major national retailers — Amazon.com, Toys R Us/Babies R Us, Buy Buy Baby and Diapers.com — are voluntarily recalling more than 150,000 Nap Nanny baby recliners after reports of at least five infant deaths. At the request of the Consumer Product Safety Commission, the companies said they were calling back Nap Nanny Generations One and Two, as well as the Chill model of the recliner. The products, according to the government agency, "contain defects in the design, warnings and instructions, which pose a substantial risk of injury and death to infants." In addition to the fatalities, the CPSC said it received nearly 100 reports of children hanging out of or nearly falling over the sides of the seats, even when a built-in harness was used. The portable recliners featured a foam base shaped like a bucket seat and a fitted fabric cover’¹⁷.

2. On January 21st 2010, Andrea Chang of the Los Angeles Times reported that;

‘About 1.5 million strollers sold at major retailers including Wal-Mart, Toys R Us and Target are being recalled after several children had their fingertips cut off, the Consumer Product Safety Commission announced Wednesday. The strollers, manufactured by Graco Children's Products Inc., have hinges on the canopy that can pose a laceration hazard when being opened or closed. Graco said it received reports that five children had their fingertips severed and two had fingertip cuts. ‘Amputations of children's fingers is a very serious hazard, and it's one that we hope will motivate parents to respond right away to the recall,’ safety commission spokesman Scott Wolfson said. Wednesday's action was the second major recall involving strollers in recent

¹⁷ ‘Amazon, Babies R Us recall Nap Nanny recliners after baby deaths’, reported by Tiffany Hsu in the Los Angeles Times dated 27th December 2012.

months. In November, the government agency announced a recall of about 1 million strollers made by Maclaren USA Inc. after a dozen reports of children's fingers being severed when caught in the stroller's hinges'¹⁸.

Within the very short period of 1st December 2015 to date (today being the 17th day of January 2016), more than 20 products have been recalled due to hazardous faults arising from either technical faults to health risks associated with the use of these products. The most notable of these recalls have been reported in the Consumer Product Safety Commission's website as follows;

1. Harbor Freight Tools Recalls Cordless Drills Due to Fire and Burn Hazards due to the fact that an internal switching mechanism can become stuck in the "on" position and overheat, posing fire and burn hazards.
2. Felt Bicycles Recalls Mountain Bikes with OEM Carbon Fiber Seat posts Due to Risk of Injury, Fall Hazards. The carbon seat post originally sold with the bicycle can crack and break, posing injury and fall hazards to the rider.
3. North Central Industries Recalls Fireworks Fountains Due to Burn and Injury Hazard. The rear plug of the candle can dislodge while lit, posing burn and fire hazards to the user if the user is holding the device.
4. Cost *plus* World Market Recalls Reading Chairs Due to Fall *Hazards*. The front leg on reading chairs sold without front leg support blocks can bend or break, posing a fall hazard to the user.

¹⁸ '1.5 million Strollers are recalled', reported by Andrea Chang in the Consumer Safety column of the Los Angeles Times dated January 21st 2010.

5. Technical Consumer Products Recalls LED Lamps Due to Electrical Shock Hazard because Water can enter the lamp in wet location applications, posing an electric shock hazard to the user.
6. Limoss Recalls Battery Power Packs for Power Recliners and Lift Chairs Due to Fire Hazard because the battery power packs can overheat, posing a fire hazard.
7. Jofran Recalls Cement Table Due to Injury Hazard. A stress fracture can form in the table, posing an injury hazard.
8. Kawasaki Expands Recall of Teryx and Teryx4 Recreational Off-Highway Vehicles Due to Injury Hazard (Recall Alert). Sticks or other debris can break through the vehicle's floor board and protrude into the foot rest area, posing an injury hazard to the operator and front passenger.
9. Dollar Tree Recalls Burn Relief Gel Due to Failure to Meet Child Resistant Closure Requirement because the packaging is not child resistant as required by the Poison Prevention Packaging Act.
10. Polaris Recalls RZR XP Turbo Recreational Off-Highway Vehicles Due to Fire Hazard (Recall Alert) because the vehicles' oil drain line can leak, posing a fire hazard.
11. Polaris Recalls Snowmobiles Due to Crash Hazard (Recall Alert) because the steering pitman arm or drag link can crack and result in a loss of steering, posing a crash hazard.
12. Basler Electric Recalls Transformers Due to Fire, Shock Hazards (Recall Alert). This is because the circuit breaker in the transformer can fail to trip, posing fire and electrical shock hazards.
13. The Craftsman Brand Recalls Blower/Vacs Due to Fire and Burn Hazards
14. Kubota Recalls Utility Vehicle Due to Fire Hazard (Recall Alert) because the Combustible debris can make contact with the exhaust manifold and ignite, posing a fire hazard.
15. Victorian Trading Company Recalls Tealight Holders Due to Fire Hazard (Recall Alert) . The diameter of the hole in the top hat is too small, which can allow heat to build up and create cracks in the surface, posing a fire hazard.
16. Breville Recalls Pressure Cookers Due to Risk of Burns due to the fact that the sealing gasket can be incorrectly inserted upside down on the lid which can allow the unexpected release of built-up pressure. This poses a risk of burns to the user or consumers nearby.

17. Carrier Recalls to Repair Packaged Terminal Air Conditioners, Heat Pumps Including Previously Recalled Units Due to Fire Hazard . This is because the power cord plug can overheat, posing a fire hazard to consumers.
18. Focus Bicycles Recalls Izalco Max Bicycles Due to Fall Hazard because the headset could cause the carbon-fiber fork steer tube to crack, posing a fall hazard.
19. S.R. Smith Recalls Pool Lifts Due to Fall Hazard because the Welds securing the lift base plate and/or mast can break, posing a fall hazard.
- 20 Casablanca Recalls Ceiling Fans Due to Injury Hazard. The fan motor and attached blades can separate from the adapter when operating in reverse updraft mode, causing the fan motor and blades to fall, posing an injury hazard.
21. Ace Bayou Recall of Bean Bag Chairs Due to Low Rate of Consumer Response; Two Child Deaths Previously Reported; Consumers Urged to Install Repair. The zippers on the bean bag chairs can be opened by children who can then crawl inside, get trapped and suffocate or choke on the bean bag chair's foam beads.
22. Skip Hop Recalls Crib Mobiles Due to Injury Hazard because the strap attaching the product to the crib rail can break, posing an injury hazard if the product falls on the infant in the crib.
23. Pier 1 Imports Recalls Swingasan Chairs and Stands Due to Fall Hazard .
24. Zulily Recalls Children's Pajamas Due to Violation of Federal Flammability Standard (Recall Alert). The pajamas do not meet the federal flammability standards for children's sleepwear, posing a risk of burn injuries.
25. Office Depot Recalls Executive Chairs Due to Fall Hazard because the seat plate weld can break, posing a fall hazard to consumers.
26. KTM North America Recalls Competition Off-Road Motorcycles Due to Fire Hazard (Recall Alert). The molded fuel hoses could leak fuel at the radius or the ends of the hose, posing a fire hazard.

27. KTM North America Recalls Competition Off-Road Motorcycles Due to Fire Hazard (Recall Alert). Under extreme riding conditions, fuel can escape from the tank breather assembly. This poses a risk of fire and injury to the rider.

28. Origin8 Recalls Folding Bicycles Due to Fall Hazard because the frame on the folding bicycles can break, posing a fall hazard.

29. Macy's Recalls Martha Stewart Stainless Steel Cookware; Injury Hazard with Frying Pans because the metal discs that cover the frying pan's rivets can pop off and hit consumers, posing an injury hazard.

30. John Deere Recalls Zero Turn Lawn Mowers Due to Risk of Fire, Serious Injury or Death (Recall Alert). A fuel hose could have been cut during manufacturing, allowing fuel to leak, posing a fire hazard.

31. KTM North America Recalls Husqvarna, KTM Brand Motocross Competition Off-Road Motorcycles Due to Risk of Injury (Recall Alert). The front wheel spoke assembly can fail, causing the operator to lose control of the motorcycle and crash.

32. IKEA Recalls Toy Drums and Drumstick Sets Due to Choking Hazard because the rubber ball on the drumsticks can detach or be unscrewed, posing a choking hazard.

33. Altar'd State Recalls Monogrammed Coffee Mugs Due to Fire Hazard because the coffee mugs are mislabeled as microwave safe. If microwaved, the metallic paint accents on the coffee mugs can spark, posing a fire hazard.

34. Steelcase Recalls Chairs Due to Fall Hazard because the screws connecting the seat and back to the base of the chair can detach, posing a fall hazard to the user.

35. School Specialty Expands NeoRok Stools Recall Due to Fall Hazard (Recall Alert) because the 18- and 20-inch tall models of the stool can break during use, posing a fall hazard.

36. QBP Recalls Stolen Series BMX Bicycles Due to Fall Hazard due to the fact that the bicycle's front wheel can detach due to improperly fitting retention washers, posing a fall hazard to the rider.

37 Cost Plus World Market Recalls Tovin Chairs Due to Fall Hazard as a result of the legs on the chair that can bend or break, posing a fall hazard to the user.

38. Walmart Recalls Rival Griddles Due to Shock Hazard; Sold Exclusively at Walmart due to the heating element that can crack and water can get inside, posing a shock hazard.

Culled from the Consumer Product Safety Commission's webpage at <http://www.cpsc.gov/en/Recalls/>

Taking a moment to reflect on all of these numerous and seemingly endless cases of Consumer Safety concerns, one cannot help but wonder if there will ever be an end to all these, or at least an improvement in the quality of goods being manufactured for consumer's use. It is understood that most of these cases are as a matter of fact unforeseen. However, can they be said to be unavoidable, if not totally but to a great extent for the common good of all?

This brings us back to the customer-centric and customer focused companies discussed earlier on at the beginning of this chapter. To be consumer focused will without doubt increase the safety and quality of these products and ensure that they are adequately tested before they are released into the market place.

Jo Ann Joy in her Article summarized what it takes to be a customer focused company, and highlighted some of the characteristics of such a company. In her own words;

‘A customer-focused company looks first at the best ways to serve its customers before anything else. It listens to customers and acts upon their needs. And it pays off. You must close the gap between service and customer expectations. This creates a tremendous opportunity for your company to do better than your competitors and gain market share. You can only close the gap if you understand your customers' needs. These are some characteristics of a customer-focused company:

1. They reward staff when they achieve customer satisfaction.
2. Managers support staff in doing their jobs well, and the staff focus on customer satisfaction.
3. Employees are promoted and rewarded for good customer service skills.
4. Employees are trained to provide outstanding customer service.

5. All employees know their customers and greet them by name.
6. Employee feedback is regularly sought and considered on key customer issues before decisions are made.
7. Regular tracking of customer satisfaction is part of the business.
8. Customer satisfaction results are brought to every employee's attention at each level, from senior management to production workers.
9. Every department considers the results and has input on how to improve the results.
10. Departments with the highest customer service scores are acknowledged and rewarded.

Never underestimate the importance of ongoing, regular follow-up. You must constantly seek feedback from your customers, employees, and anyone who comes in contact with your customers. If management doesn't continually seek feedback, then it risks the "gap." Management must know without any doubt that their perception and the customers' perception of good service are the same¹⁹.

2.3 Corporate Social Responsibility

Corporate Social Responsibility (CSR) is without doubt another major aspect of the People based Priority or Interest in which I have very keen interest. It is quite usual to come across a business manager whose business policy revolves around what is only 'business related'. To such a person, there is no room for sentiments in Business. The focus is on the objectives and interests of the company and the goal is to minimize costs and maximize profit. How about other requirements expected or desired by the society? Does following all the governmental policies, safety regulations and payment of all the necessary levies signify that a company has fulfilled all the responsibilities desired and expected by all and sundry? It happens that there are certain actions which are expected of the company by the general society, by their customers and even by the employees. This includes developing and implementing effective strategies for socially responsible business practices. It has been argued that Corporate Social Responsibility (CSR) entails complex ethical issues and requires that the company makes informed and justified ethical

¹⁹ Jo Ann Joy; 'How To Be A Customer Focused Company', published in the Magazine for Customer Service Managers and Professionals. Retrieved January 2016.

judgments about what is right and fair for all members of society. And to be able to make well informed and justified ethical judgments they need carefully analyze and evaluate the concepts, principles, and theories that they appeal to in defining and defending their philosophies and normative claims about social responsibility²⁰.

In explaining the importance of Corporate Social Responsibility in business, Carroll Archie came up with the Corporate Social Responsibility pyramid. This consists of what is expected from the company by the society, what is desired by the society, required by the society and required by the law in the sense of Philanthropic responsibilities, ethical responsibilities, legal responsibilities and economic responsibilities²¹.

Figure 2

²⁰ ‘Complexities and Dimensions of Ethical Corporate Identity: A Framework for Understanding Social Responsibility; José -Carlos García-Rosell, Johanna Moisander and Jukka Mäkinen; the 22nd Annual Conference of the European Business Ethics Network (EBEN). Greece, 10th – 12th September 2009.

²¹ Carroll Archie B. – The Pyramid of Corporate Social Responsibility: Towards the Moral Management of Organizational Stakeholders, Business Horizons, July – August 1991.



Archie Carroll’s Pyramid.

Source: See footnote 25.

According to Carroll; ‘For CSR to be accepted by a conscientious business person, it should be framed in such a way that the entire range of business responsibilities are embraced²²’. According to him, the first duty of business organizations is to generate profits which is an economic responsibility. At the same time business is expected to comply with the laws and regulations as they have a legal responsibility. The ethical responsibility consists of business practices that are fair and just while the philanthropic responsibility encompasses those corporate actions that are in response to society’s expectation that businesses be good corporate citizens. This includes actively engaging in acts or programs to promote human welfare or goodwill²³.

Carroll went further to explain each of these responsibilities in a tabular form as shown below;

²² Carroll Archie, supra at page 4.

²³ Carroll Archie, supra at pages 5-6.

Figure 1
Economic and Legal Components of Corporate Social Responsibility

Economic Components (Responsibilities)	Legal Components (Responsibilities)
1. It is important to perform in a manner consistent with maximizing earnings per share.	1. It is important to perform in a manner consistent with expectations of government and law.
2. It is important to be committed to being as profitable as possible.	2. It is important to comply with various federal, state, and local regulations.
3. It is important to maintain a strong competitive position.	3. It is important to be a law-abiding corporate citizen.
4. It is important to maintain a high level of operating efficiency.	4. It is important that a successful firm be defined as one that fulfills its legal obligations.
5. It is important that a successful firm be defined as one that is consistently profitable.	5. It is important to provide goods and services that at least meet minimal legal requirements.

Economic and Legal Responsibilities

Source:

Carroll Archie B. – The Pyramid of Corporate Social Responsibility: Towards the Moral Management of Organizational Stakeholders, 1991 at page 5.

Figure 2
Ethical and Philanthropic Components of
Corporate Social Responsibility

Ethical Components (Responsibilities)	Philanthropic Components (Responsibilities)
1. It is important to perform in a manner consistent with expectations of societal mores and ethical norms.	1. It is important to perform in a manner consistent with the philanthropic and charitable expectations of society.
2. It is important to recognize and respect new or evolving ethical/moral norms adopted by society.	2. It is important to assist the fine and performing arts.
3. It is important to prevent ethical norms from being compromised in order to achieve corporate goals.	3. It is important that managers and employees participate in voluntary and charitable activities within their local communities.
4. It is important that good corporate citizenship be defined as doing what is expected morally or ethically.	4. It is important to provide assistance to private and public educational institutions.
5. It is important to recognize that corporate integrity and ethical behavior go beyond mere compliance with laws and regulations.	5. It is important to assist voluntarily those projects that enhance a community's "quality of life."

Ethical and Philanthropic Responsibilities

Source: Carroll Archie B. – The Pyramid of Corporate Social Responsibility: Towards the Moral Management of Organizational Stakeholders, 1991 at page 6.

In this sense, it would be right to say that following all the governmental policies, safety regulations and payment of all the necessary levies are all requirements of the law and falls under the legal responsibilities of the company. This does not in any way fulfil the Corporate Social Responsibility of the Company which consists of what is desired by the society and what is expected from the company. These are the items that would fall under the philanthropic and ethical responsibilities of the company.

For instance, several national and multinational corporations have realized the importance of incorporating CSR schemes and projects into their business policies. This is due to the realization that embarking on and successfully carrying out CSR schemes puts the company in a positive spotlight while at the same time aids in promoting the trust and the patronage of the people. Without doubt, it is right to sum up the equation thus: CSR = more customers = more profit.

Many corporations now have CSR managers who engage in CSR strategizing and reporting both to the company and to the public via the company websites, the social media or the company's Annual Report. For example, Shell Petroleum Development Company and its operations are very notable in the Niger Delta area of Nigeria. The company aims at being a socially responsible company by contributing to the wellbeing of the members of the society in providing Scholarships for the youth and ensuring that a certain quota of the graduates in the community are employed in the company. The company's Livewire project in Nigeria has trained over 3000 Niger Delta youths in enterprise development and management and assisted over 500 to set up their businesses, creating over 1000 jobs. The Cassava Enterprise Development Programme (CEDP) is a partnership with USAID and International Institute of Tropical Agriculture covering Rivers, Bayelsa, Delta, Abia, Edo, Cross Rivers and Akwa Ibom states of Nigeria, and this has led to the introduction of 44 higher yielding cassava varieties. More than 500 processing enterprises have been established creating well over 3000 sustainable jobs.

This is clearly beyond obeying the law of the country and paying tax as at when due. In its media release in 2010, the company proudly boasts of being awarded the best company for Poverty reduction, child and maternity health:

'The Shell Petroleum Development Company of Nigeria Ltd (SPDC) emerged Best Company in the Poverty Reduction and Child and Maternal Health categories at the Annual Social Enterprise Report and Awards (SERA) ceremony held on September 24th in Lagos. SPDC was nominated in three categories, and was the only IOC that won in two. The Vice President Human Resources, Shell Africa, Osagie Okunbor who received the prizes expressed appreciation for the honor. SPDC's winning entries in Poverty Reduction included LiveWire Nigeria and Cassava Enterprise Development Programme'²⁴.

²⁴ 'SPDC wins two Corporate Social Responsibility Awards'. News and media Releases; SPDC 29/09/2010. However, I must also add that irrespective of these developmental projects, the company does not have a very

Another example can be seen in Toshiba's Corporate Social Responsibility Report where the President and CEO Atsutoshi Nishida stated and I quote:

‘Since I assumed the presidency of Toshiba a year ago, I have positioned the principles of CSR at the heart of management, alongside sustained growth with profit and maximization of the multiplier effect of innovations. CSR-oriented management is a core theme of Toshiba's business plan for fiscal 2006 to 2008 which was announced in May 2006. Based on the fundamental principles of according the highest priority to human life and safety and legal compliance in all business activities, Toshiba Group is addressing human rights, environmental management, enhancement of customer satisfaction and corporate citizenship. We strive to make CSR an integral part of daily business operations for each and every business division and employee and in doing so we hope to earn the trust of all our stakeholders and the business community. For the CSR perspective, there are two essential aspects to being a global enterprise. One involves taking a leading role in the environment by contributing to the sustainable development of society. To this end, Toshiba established its Environmental Vision, with the aim of doubling Toshiba Group's overall eco-efficiency by fiscal 2010 and implementing the company's voluntary environmental action plan. Prevention of global warming is a particularly pressing issue. In addition to offering environmentally-conscious products and promoting energy-saving at factories, we recognize our responsibilities as a leading supplier of energy equipment. The other aspect of being a global enterprise involves respecting the cultures and customs of the communities where we do business. The links between a company and its stakeholders are many and various. We value the relationships we have with our customers, investors, employees, local communities and suppliers, and respect each of these stakeholders' interests and needs. As CSR activities come to the fore, their quality is becoming an issue. We pledge to attain a level of excellence in our CSR activities that is worthy of a dynamic Toshiba’²⁵.

satisfying or completely positive reputation in the Region due to its drilling and exploration activities that have negative effects on the environment.

²⁵ ‘Social and Environmental Activities – Toshiba’s Commitment. Unleashing Toshiba’s Dynamism Through CSR-Oriented Management’: Atsutoshi Nishida, CEO Toshiba Corporation. Published in the Corporate Social Responsibility Report 2008.

Top Media Companies like Forbes, Business News Daily, and Daily Finance have also listed down several national and multinational corporations highly recognized for being Socially Responsible. These companies stand out from the rest and they include Google, Amazon, Microsoft, BMW, Walt Disney, Lego, and few others²⁶. It is true that different companies engage in CSR activities for different reasons ranging from product branding and company values to gaining popularity advantage and target market trust against a competitor. Irrespective of what the reason may be, these companies would tell you how embarking on CSR activities will greatly influence the growth and success of a company if it is dutifully incorporated into the business strategies and core values of the company.

²⁶ Check out Forbes' – 'The Companies with The Best CSR Reputations in the World', published on 17th September 2015.

CHAPTER THREE

THE COMPANY AS A PRIORITY

3.1 Ethics and Business Judgements

Business Judgements refers to the ability of the company manager or director to make reasonable or well considered decisions on behalf of the company. These managers and directors have the responsibility of managing the affairs of the company. The exercise of their discretion plays a defining role in the success or otherwise of the business since an error of judgement can lead to the downfall of the business. Therefore, it appears that such a business manager carries upon his shoulders a huge responsibility which puts him in a delicate position. In order to assist the manager in meeting up with the challenging role of managing the affairs of the company without fears of liability or being held responsible for an error of judgement, courts have formulated the Business Judgement Rule. This rule gives the managers and company decision makers' immunity from liability for losses incurred by the company under their management and authority, as long as such transactions were made in good faith and with reasonable prudence.²⁷ The Company based priority consists mainly in the need for every action or decision of the managers and directors to strictly be for the commercial benefit of the company. At every point in time, the company is the going concern and the interests of the company should be upheld above every other interests.

The question then is; where is the place of Ethics in businesses today? How have businesses accommodated the Codes of Universal Ethics in their business decisions and practices? In past years, business ethics activists have made several attempts towards the development and implementation of a Universal Code of Business Ethics. In their argument, this would assist in facilitating ethical business

²⁷ For the purpose of this paper, we will not be focusing on the Business Judgement Rule since the paper is not a discussion on the liability arising from these business judgements. Rather, the main focus is on how business decisions are reached in the exercise of these judgements, the dimensions of interests considered in making such decisions.

practices, and international relations between countries would be improved to a very large extent leading to peace and harmony across the globe. As Klonoski described in his work;

‘International codes of ethics can develop in several ways. First, international bodies can adopt Guiding principles to which member nations or individual organizations may agree to subscribe. Second, legislation often embeds ethical assumptions, and laws passed in one country can have a ripple effect in other countries. Third, trade organizations may adopt rules that, again, contain ethical assumptions. Finally, ethical codes can be built through practice, that is, through the patterns created by exchanges over time between two or more people or organizations in different cultures. If these patterns are learned and replicated by others, they may contribute to the standards of behaviour used by people in these two cultures’²⁸.

Several attempts have been made to set up International business standards which are universally deemed acceptable for Multinational business corporations (MNC). The Universal Declaration of Human Rights which was adopted by the United Nation in 1948 addressed issues ranging from political freedom to personal rights in the area of work, family, health and general standard of living. Notable for mention also are the Declaration on Fundamental Principles and Rights at Work by the International Labour Organisation, the United Nation’s Global Compact, and the Rio Declaration on Environment and Development. In addition to these, other Universal Codes have been formulated by several other Non-Governmental Organisations (NGOs) all geared towards promoting positive contributions by businesses to environmental, economic and social progress globally. This will also assist in improving business practices and international relationship amongst Multinational Business Corporations. A notable example is the Guidelines for Multinational Enterprises adopted by the Organization for Economic Cooperation and Development (OECD).

3.1.1 The OECD’s Guidelines for Multinational Enterprises

These guidelines annexed to the Declaration on International Investment and Multinational Enterprises are recommendations containing business standards for MNCs. Although the Guidelines are non-

²⁸ Robert Klonoski: ‘Adopting A Global Code of Business Ethics: A Comparative Analysis of German and U.S Attitudes towards Universal Guidelines’. Published in the Journal of Law and Social Sciences (JLSS), Vol.1, No. 1 @ 946.

binding, they play a very vital role in the business world today due to its international recognition. This is majorly due to the fact that the Guidelines are the only multilaterally agreed and comprehensive code of responsible business conducts that several governments have recognised and implemented.

The OECD Guidelines cover several aspects of business ethics and this includes: Environment, Information disclosure, Employment, Taxation, Competition, Human Rights, Bribery, Science and Technology, and Consumer Interests.

The General Policies of the Guidelines for Multinational Enterprises are stated in the Updated Guidelines text as follows;

‘Enterprises should take fully into account established policies in the countries in which they operate, and consider the views of other stakeholders. In this regard:

A. Enterprises should:

1. Contribute to economic, environmental and social progress with a view to achieving sustainable development.
2. Respect the internationally recognised human rights of those affected by their activities.
3. Encourage local capacity building through close co-operation with the local community, including business interests, as well as developing the enterprise’s activities in domestic and foreign markets, consistent with the need for sound commercial practice.
4. Encourage human capital formation, in particular by creating employment opportunities and facilitating training opportunities for employees.
5. Refrain from seeking or accepting exemptions not contemplated in the statutory or regulatory framework related to human rights, environmental, health, safety, labour, taxation, financial incentives, or
Other issues.
6. Support and uphold good corporate governance principles and develop and apply good corporate governance practices, including throughout enterprise groups.
7. Develop and apply effective self-regulatory practices and management systems that foster a relationship of confidence and mutual trust between enterprises and the societies in which they operate.

8. Promote awareness of and compliance by workers employed by multinational enterprises with respect to company policies through appropriate dissemination of these policies, including through training programmes.
9. Refrain from discriminatory or disciplinary action against workers who make *bona fide* reports to management or, as appropriate, to the competent public authorities, on practices that contravene the law, the *Guidelines* or the enterprise's policies.
10. Carry out risk-based due diligence, for example by incorporating it into their enterprise risk management systems, to identify, prevent and mitigate actual and potential adverse impacts as described in paragraphs 11 and 12, and account for how these impacts are addressed. The nature and extent of due diligence depend on the circumstances of a particular situation.
11. Avoid causing or contributing to adverse impacts on matters covered by the *Guidelines*, through their own activities, and address such impacts when they occur.
12. Seek to prevent or mitigate an adverse impact where they have not contributed to that impact, when the impact is nevertheless directly linked to their operations, products or services by a business relationship. This is not intended to shift responsibility from the entity causing an adverse impact to the enterprise with which it has a business relationship.
13. In addition to addressing adverse impacts in relation to matters covered by the *Guidelines*, encourage, where practicable, business partners, including suppliers and sub-contractors, to apply principles of responsible business conduct compatible with the *Guidelines*.
14. Engage with relevant stakeholders in order to provide meaningful opportunities for their views to be taken into account in relation to planning and decision making for projects or other activities that may significantly impact local communities.
15. Abstain from any improper involvement in local political activities.

B. Enterprises are encouraged to:

1. Support, as appropriate to their circumstances, cooperative efforts in the appropriate fora to promote Internet Freedom through respect of freedom of expression, assembly and association online.
2. Engage in or support, where appropriate, private or multi-stakeholder initiatives and social dialogue on responsible supply chain management while ensuring that these initiatives take due

account of their social and economic effects on developing countries and of existing internationally recognised standards'²⁹.

3.1.2 The United Nations Global Compact

Another notable International code of business ethics is the United Nations Global Compact initiative. The United Nations Global Compact encourages Multinational business enterprises to incorporate into their business activities sustainable and socially responsible business standards. These principles are 10 in number and covers areas of Human Rights, Labour standards, Environment, and Anti-corruption. These principles were derived from the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention against Corruption.

The Ten principles are as follows;

‘Human Rights

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

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

Labour

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

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

Principle 5: the effective abolition of child labour; and

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

²⁹ Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. 2011 Edition.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery³⁰.

3.1.3 The World Trade Organization

One cannot help but wonder what the role of the World Trade Organization (WTO) in ethical business practices is. The WTO was established in 1995 when it replaced the General Agreement on Tariffs and Trade (GATT). It deals with the global rules of trade between member states. Its main objective is to ensure that trade flows as smoothly, predictably and freely as possible. This it tries to achieve by promoting free and fair trade through multilateral talks and negotiations, and to arbitrate between countries that are in dispute. The Organization has been severely criticized for its failure to tackle environmental issues such as the Depletion of global Fish Stocks, Deforestation, and Climate Change³¹. Another area of concern involves the refusal of the WTO (manifested especially in the famous Tuna-Dolphin case) of extraterritorial jurisdiction. That is to say, the application of national laws imposing

³⁰ The Ten Principles of the United Nations Global Compact. Available on the United Nations Global Compact webpage <https://www.unglobalcompact.org/what-is-gc/mission/principles>

³¹ The World Trade Organisation': Economics Online – New Analysis Theory Comment 2015. Available online at http://www.economicsonline.co.uk/Global_economics/The_WTO.html

trade barriers aimed at the protection of human health and the environment to conduct taking place in a foreign nation³².

In addition, many argue that the World Trade Organization has failed to confront ethical issues of International Trade such as Child Labor and poor working conditions in developing countries. In fact, the WTO has been accused of being unethical for several reasons which includes placing economic considerations ahead of human right concerns; taking power away from individual nations; being undemocratic in its activities; increasing inequality by making the rich countries richer and leaving the poor countries poorer. Developing regions, like South-East Asia and Africa, look to international trade as a potential solution to their economic problems. Although development assistance and foreign aid are important to these regions, governments do not want to rely on foreign aid for the provision of basic needs. Developing countries generally want a 'fairer' system which lets them trade with wealthier nations and earn more money, so that their own economies can grow. This would then assist developing countries in funding their own infrastructure, education and healthcare. In general, wealthier countries generally seek to protect their own markets and agricultural sectors against cheap exports from poorer countries. This can be seen as being overly restrictive on poorer countries. Ghana, for example, can export raw cocoa to Europe without incurring any tariffs. If they process the cocoa a 25 percent tariff is imposed on the processed cocoa, making it considerably less attractive to foreign buyers. It is argued that the processing of the cocoa (tinning, roasting, labelling) would help a country like Ghana earn more money and develop its manufacturing base, which would in turn help its economy to grow³³.

The World Trade Organization has been criticized for implementing and enforcing trade policies like the ones discussed above. Now whether this amounts to unethical behavior on the part of the WTO is debatable as there are still a handful of others; notable institutions and governments who are in full support of the activities of the WTO. In their opinion, they do not think that the WTO is acting in an

³² 'The Multilateral Trading System and Non-Trade Issues': How the World Trade Organization Managed to Integrate Environmental Concerns without Integrating International Environmental Law: - Elisa Ruoizzi 21/11/2013. European Yearbook of International Economic Law, Volume 5, 2013, pp 141-171.

³³ Ethical Issues of International Trade; Transnational Corporations: Skwirk Online Education. Mar 31 2015. Available online at http://www.skwirk.com/p-c_s-58_u-488_t-1330_c-5116/ethical-issues-of-international-trade/wa/transnational-corporations/

unethical manner whatsoever. In January 2015, the Organization marked its 20th Anniversary and the Director-General had this to say:

‘Over the years the WTO has helped to boost trade growth, resolve numerous trade disputes and support developing countries to integrate into the trading system. It has also provided a bulwark against protectionism, the value of which was made plain in the trade policy response to the 2008 crisis, which was very calm and restrained in contrast to the protectionist panic that followed previous crises. Indeed, when the global economy is more interconnected than ever, it is difficult to imagine a world without the WTO’³⁴.

Many may find these words not entirely factual but the truth still remains that the WTO has grown since its inception on 1st January 1995 with about 160 members recorded last year. It also sounds relieving to hear the Director General admit that there still remains a lot of work to be done by the Organization, and many challenges to meet ahead. He acknowledges that they need to deliver more outcomes in the future and more quickly and effectively. He admits that they are aware of the bad economic situations of their poorest members and the need for those countries to be integrated into the trading system. Having said all that, hope is thereby renewed as we many developing member nations now have something to look forward to.

3.2 The Role of Culture in Business Ethics

Today, many business enterprises have gone International due to the onset of globalization, borderless trading, and easier movement of persons and services across nations. This has led to more profit growth and increase for many businesses. Be that as it may, going international comes with its bag of challenges. One of the major challenges hindering the development and implementation of a Universal code of business ethics is the diversity of national cultures and traditions. Differences in traditions, ethnicity, religion, value system and local practices are major areas of concern in the business industry especially in Multinational business ventures.

³⁴ WTO marks 20 Years of Helping Boost Trade Growth’: Director-General Roberto Azevêdo. 1st January 2015. Available online at https://www.wto.org/english/news_e/news15_e/dgra_01jan15_e.htm

Today's MNCs face the challenge of adapting to different cultures. It is very important to pay attention to cultural variations as each location is majorly influenced by the cultures and traditions of the locals there. It goes without saying that every enterprise influences and is in turn being influenced by the internal structures, traditions and practices of the people in the market place where the company is doing business. For multinational companies, this reality has led many managers to adopt a set of practices for each branch, different and separate from the practices in other branches, depending on the cultural setting and uniqueness of each jurisdiction. This has hindered the development of a universally acceptable and practical International code of business ethics. The notion of a Universal code of ethics entails in a generally acceptable meaning and effect for certain terms related to business ethics. For example, 'Fairness' or 'Good faith' which is a key term in business ethics may be viewed in different lights and as such produce different meanings in different cultural settings. For some, Fairness and Good faith have a firm meaning, no matter the situation or circumstances. For other cultural settings, fairness and Good faith have flexible meanings depending on the circumstances of each case. In this sense, business managers face the challenge of how to effectively determine what constitutes ethical conduct in different countries in that what is ethically right in one jurisdiction may actually be ethically wrong in another jurisdiction.

Research has proven that culture affects ethical judgments and decision making. In the words of J. Srnka:

'In an increasingly multicultural marketing context, the question of the compatibility of ethical values across cultural borders has gained much in importance over the past decades. Given that more and more countries with rapid economic development are being integrated into world markets, culture needs to be understood as a multidimensional phenomenon that comprises more than just nationality. Often enough, decision makers within their own cultural boundaries do not know which the most ethical alternative is. The problem of choosing an ethical option is even exacerbated, when the decision maker is confronted with differing cultural values and ethical expectations. Today, marketers are increasingly faced with exchange partners from cultures different from their own background (not only with respect to nationality but also regarding political and particularly economic aspects, such as industrialization, standard of living, etc.). In view of the continuing integration into world markets of countries with rapid economic development – particularly in Asia and Eastern Europe – the need to consider cultural aspects in marketing ethics as well as the demand for a conception of culture that embraces more than simply

the “nationality” dimension have significantly increased. The assumption that cultural norms and values influence individual decision making is soundly based in the marketing literature. It is more or less consistently acknowledged that different cultures produce different expectations, which become expressed in distinct ethical norms. These, in turn, influence decision making and may result in dissimilar behaviours³⁵.

3.3 Profit Maximization and Business Expansion

Although many major Multinational Corporations have realised the importance of improving customer satisfaction as well as environmental sustainability, it goes without saying that profit maximization, company growth and expansion are interests of major concerns to the business manager and shareholders. In fact, it has been argued that business managers should pursue the interests of the company’s shareholders which is majorly profit maximization. Specifically, Milton Friedman has argued that the main responsibility of business managers as an employee of the company owners is to increase profits. According to him, it is illegitimate for a company manager to act in a way that is detrimental to the shareholder’s financial interests. This includes carrying out Corporate Social Responsibility or any other philanthropic projects. In his words;

‘When I hear businessmen speak eloquently about the "social responsibilities of business in a free-enterprise system," I am reminded of the wonderful line about the Frenchman who discovered at the age of 70 that he had been speaking prose all his life. The businessmen believe that they are defending free enterprise when they declaim that business is not concerned "merely" with profit but also with promoting desirable "social" ends; that business has a "social conscience" and takes seriously its responsibilities for providing employment, eliminating discrimination, avoiding pollution and whatever else may be the catchwords of the contemporary crop of reformers. In fact they are—or would be if they or anyone else took them seriously—preaching pure and unadulterated socialism. Businessmen who talk this way are unwitting puppets of the intellectual forces that have been undermining the basis of a free society these past decades. In a free-enterprise, private-property system, a corporate executive is an employee of the owners of

³⁵ Katharina J. Srnka: ‘Culture’s Role in Marketers’ Ethical Decision Making: An Integrated Theoretical Framework’; Acad. Mark. Sci, Rev, 12 (6).

the business. He has direct responsibility to his employers. What does it mean to say that the corporate executive has a "social responsibility" in his capacity as businessman? If this statement is not pure rhetoric, it must mean that he is to act in some way that is not in the interest of his employers. For example, that he is to refrain from increasing the price of the product in order to contribute to the social objective of preventing inflation, even though a price increase would be in the best interests of the corporation. Or that he is to make expenditures on reducing pollution beyond the amount that is in the best interests of the corporation or that is required by law in order to contribute to the social objective of improving the environment. Or that, at the expense of corporate profits, he is to hire "hard-core" unemployed instead of better qualified available workmen to contribute to the social objective of reducing poverty. In each of these cases, the corporate executive would be spending someone else's money for a general social interest. Insofar as his actions in accord with his "social responsibility" reduce returns to stockholders, he is spending their money'³⁶.

Friedman's position is based on the following arguments. First, it is argued that there is a contract between the shareholders and a manager which binds the manager to pursuing the interests of shareholders, and therefore makes it illegitimate to pursue other ends. Second, pursuing other ends to the detriment of shareholders' financial interests, is equal to taxing the shareholders, and taxation is a task for the government, not the business managers. Third, if business managers focus on too many tasks beyond the core operations of the business, they become less efficient and the business has little or no growth. Fourth, a business enterprise that focuses on other responsibilities apart from maximizing profits, will incur added costs, and will therefore be wiped out in competition with firms that do not assume such responsibilities. In other words, assuming costly responsibilities will be self-defeating, and ultimately³⁷. These four arguments have been unsupported by many who argue that CSR, or other social, philanthropic or environmental projects go hand in hand with profit maximization. Profit is the inevitable reward of a company that provides true value to customers, as well as being socially and environmentally responsible. To them, the more focus is given to these other interests, the more profit is made for the business³⁸.

³⁶ Milton Friedman: 'The Social Responsibility of Business is to Increase Its Profit'; The New York Times Magazine, September 13, 1970.

³⁷ Ivar Kolstad: 'Why Firms should not Always Maximize Profit'; Journal of Business Ethics (2007) 76:137–145.

³⁸ See Ivar Kolstad, *supra*.

Dipasri Ghosh and others in their paper show that business ethics and profit maximization work together and not at loggerheads others have argued. In fact, business ethics have been linked as a managerial tool which can be utilized to increase productivity, sales and profit. Many businesses who have incorporated social responsibility and environmental awareness projects into their corporate practices have strongly testified that their gross income has increased as a result of such practices. For example, Anita Roddick of The Body Shop, a company highly committed to ethical decision making stresses that for more than 10 of 15 years that it has been in business, its sales have grown an average of 50% a year³⁹.

3.3.1 Staff Layoffs and Child Labour

Many other Multinational business corporations, in a bid to maximize profit, undertake other measure like staff layoffs and this act has been frowned upon by many activists. Most of these layoffs come in the wake of an economic recession, which may be as a result of many factors, including increase in cost of production, or decrease in sales, and all these lead to a decrease in the Gross profit. Furthermore, in order to reduce production costs, some MNCs engage in unethical behaviours like Child labour. As Hindman and Smith puts it;

‘In 1995, based on limited statistical evidence from 100 countries, the International Labour Organization (ILO) estimated there were 73 million child workers between the ages of 10 and 14 worldwide in 1995. One year later, based on a closer scrutiny of the problem, the ILO estimated, in 1996: In the developing countries alone, there are at least 120 million children between the ages of 5 and 14 who are fully at work, and more than twice as many (or about 250 million) if those for whom work is a secondary activity are included (ILO, 1996). The 120 million children fully at work comprise a labor force roughly equivalent to that of the United States. The 250 million for whom work constitutes at least a secondary economic activity comprise a labor force as large as our entire population. Today, the use of child labor is concentrated most heavily in the developing countries throughout Asia, Africa, and Latin America: 61% (of child workers) are found in Asia, 32% in Africa, and 7% in Latin America. Although Asia has the largest number

³⁹ Dipasri Ghosh, Dilip K. Ghosh, Angie Abdel Zaher: ‘Business, Ethics, and Profit: Are they compatible under Corporate Governance in our Global economy? Global Finance Journal 22 (2011) 72 – 79 @ 73.

of child workers, Africa has the highest incidence at around 40% of children between 5 and 14 years old (ILO, 1996)⁴⁰.

The practice of Child labour is considered unethical and exploitative by many human rights activists and majority of the developed countries. Therefore, several legislations across the world prohibit this practice. In addition, some MNCs have included Anti-Child Labour Codes in their company's codes of ethics. International organizations like the United Nations Children's Emergency Fund (UNICEF), and the International Labour Organization (ILO) have impacted greatly in reducing incidences of Child Labour across the world. According to the 2013 estimate; 'Global number of children in Child Labour has declines by one third since 2000, from 246 million to 168 million children. More than half of them, about 85 million, are in hazardous work (down from 171 million in 2000)⁴¹. Nevertheless, the rate of Child Labour is still very high in developing countries due to the high rate of poverty and the lack of schools or poor education facilities. According to the above report; 'Asia and Pacific still has the largest number (almost 78 million or 9.3% of child population), but Sub-Saharan Africa continues to be the region with the highest incidence of child labour (59 million, over 21%)⁴².

An Ethical Dilemma

- o Mr. John, production manager of ABC Limited in Country X pays a visit to their long time business partner DEF Corporations in Country Y (not real names).
- o Upon visiting the DEF Corporations factory, Mr John discovered more than 100 under aged children sewing the toys skilfully, some of the kids were even singing.
- o Mr. John was furious, thinking about his own kids at home and how he wouldn't want to see them in a similar situation. He decided to discuss what he saw with the manager of DEF corporations.
- o Then he paused for a moment; thinking about the promotion he received at work as the best production manager for reducing production cost and increasing profit. He loves his new position

⁴⁰ Hugh D. Hindman and Charles G. Smith: 'Cross-Cultural Ethics and the Child Labor Problem'; Journal of Business Ethics 19 (1): 21 – 33 (1999).

⁴¹ Facts and Figures; Marking progress against Child Labour – Global estimates and trends 2000-2012; ILO – IPEC, 2013.

⁴² Supra.

and all its benefits. Besides, this is allowed in this country and the kids at the factory look happy. Does this fact not make a difference?

Reflecting on the ethical dilemma above, one cannot help but wonder if Child labour under duress is different or worse than Child labour done joyfully. Would the answer be different if the kids are being ‘trained’? The average Japanese or Chinese man would tell you that there is a difference especially if the labour is some sort of training or school for the child. Same goes for an average African man. However, those that are well incorporated into the western ways and culture would think differently. Does it then mean that the circumstance, situation, or geographical location determines if a business practice is ethical or unethical? This brings to mind the saying of Michael Josephson that; “There is no such thing as business ethics; there is just ethics. And ethics makes no concessions for the real or imagined necessities of making a profit”. Does it therefore mean that being ethical leaves no room for profit making? Either be Ethical or be Profitable. Agreeing with this line of reasoning would mean that the paths of ethics and profit making do not cross at all, and a business manager intending to make profit should stay very far away from ethical practises. This line of reasoning is the very thing that this paperwork seeks to debunk.

3.3.2 Tax Evasion and Business in Less Regulated Areas

Tax evasion or tax avoidance is a recent ploy by some MNCs to reduce their costs and maximize profit or returns. Tax evasion entails the company deliberately misrepresenting the true statement of business activities in order to reduce the amount payable in tax. They do this by declaring less income or profit made for the fiscal year or even overstating their deductibles. Although tax avoidance legally uses tax laws to avoid payment of tax, both can be seen as forms of tax non-compliance and deemed highly unethical by many. According Verschoor;

‘The furor over the extensive tax avoidance measures used by technology companies such as Google and Apple has reached new heights in both the United Kingdom and the United States. Government members from both countries recently accused the two tech giants of scheming to avoid paying taxes. When this kind of news breaks, most companies respond by saying they must do everything possible to maximize net profits for shareowners, but the countries that miss out on the tax revenue based on profits they believe were generated within their borders argue that these companies are being unethical and possibly skirting the law. Critics maintain that high taxes

on repatriating profits to the U.S. exacerbate the problem and encourage overseas investment to the detriment of employment at home. During a Parliament committee hearing in the U.K., Margaret Hodge, chair of the Public Accounts Committee (PAC), accused Google of “devious, calculating, and unethical” behavior. Hodge alleged that the company marketed its product in the U.K. but used “smoke and mirrors to avoid paying tax” there. “You are a company that says you do no evil, and I think that you do do evil,” Hodge told Matt Brittin, Google’s vice president for sales and operations in northern Europe. Google vigorously denied it avoided taxes by disguising the real nature of its business in the U.K.’⁴³.

Ushering in a ray of hope, the OECD has embarked on the fight against tax non-compliance with the introduction of new guidelines to help track down and penalize MNCs who indulge in such practices. The new rules include 15 recommendations⁴⁴ on how to stop tax avoidance and also to ensure that MNCs accurately and truthfully divulge their exact statement of income. This collaboration, led by the G20 nations targets many of the world’s largest MNCs. Although many have expressed less enthusiasm about this project, others are more optimistic, believing this project if adequately monitored and effected, will yield good results.

Doing business in less regulated areas or market places is a matter of business strategy to many business managers today. To them, it is more profitable to venture into less regulated areas like under-developed or developing countries as the company is less likely to be bombarded with governmental regulations or ethical restrictions. In addition, these areas poses little or no challenges in terms of competition or rival products. Furthermore, governmental or environmental regulations are very few and not adequately effected. As such, the rate of corruption is very high in most of these developing countries due to political instability. Therefore, company is most likely to ‘pay off’ any inappropriate business practices and go scot free without any sanctions issued. Coupled with that, wages and benefits are very low. As such, most of the production costs and manpower can be gotten at a much cheaper rate compared to what is obtainable in more developed nations. Although doing business in less regulated areas comes with its disadvantages, the advantages are numerous, and a business manager looking to maximize profit and expand the business would most likely venture into these areas for maximum results.

⁴³ Curtis C. Verschoor; ‘Maximizing Returns or Unethical Tax Avoidance?’ July 15, 2013, Strategic Finance; Vol. 95 Issue 7, p13

⁴⁴ The 15 OECD/G20 BEPS Project is available at <http://www.oecd.org/ctp/beps-actions.htm>

CHAPTER FOUR

THE ENVIRONMENT AS A PRIORITY

4.1 Environmental Pollution – A case study of the Niger Delta Region of Nigeria

Nigeria is located in Western Africa with approximately 174 million inhabitants, making it the largest country in Africa. The country occupies a total area of 923,768 square kilometers (both land and water) and has abundant natural mineral resources. Nigeria's oil reserves have played a major part in its growing economy and influence and as such have made the country the biggest producer of Petroleum in West Africa. As the oil reserves rose, the country became increasingly dependent on oil revenues and failed to develop other sources of revenue. This has resulted in lack of stability and balance in the country's economy. Petroleum is very significant to the nation's economy and oil operations in Nigeria dates back to the 1950s when multinational corporations came into the country to carry out mining activities and this provided the country with the necessary technology and resources to extract oil⁴⁵. Over the years, the presence of these oil companies, especially Shell, in Nigeria has become more and more detrimental to the environment and the inhabitants therein as a result of the incessant oil spillage, the basic human rights violation and the environmental degradation.

The focus here will be on the Niger Delta region being the major oil producing region of the country. This area has over the years attracted several international mining companies and the unsustainable use of these mineral resources has led to untold hazards to the environment. The Niger Delta is a densely populated region of Nigeria located in the delta of the Niger River with an abundant supply of Greenland vegetation, water mass and natural resources. As Bronwen (1999) puts it;

‘The Niger Delta is one of the world's largest wetlands, and the largest in Africa: it encompasses over 20,000 square kilometers. It is a vast floodplain built up by the accumulation of centuries of silt washed down the Niger and Benue Rivers, composed of four main ecological zones – coastal barrier islands, mangroves, fresh water swamp forests, and lowland rainforests – whose

⁴⁵ See Pearson, Scott. R. – Petroleum and the Nigerian Economy. Stanford. Stanford University Press, 1970. Page 13.

boundaries vary according to the patterns of seasonal flooding. The mangrove forest of Nigeria is the third largest in the world and largest in Africa; over 60 percent of this mangrove, or 6,000 square kilometers, is found in the Niger Delta. The freshwater swamp forests of the delta reach 11,700 square kilometers and are the most extensive in west and Central Africa. The Niger Delta region has the high biodiversity characteristic of extensive swamp and forest areas, with many unique species of plants and animals⁴⁶.

The Niger Delta region of Nigeria is home to the country's large oil reserves. Reports show that about 2 million barrels of oil a day are extracted from the Niger Delta region and 38 billion barrels of crude oil still reside underneath the Niger Delta soil⁴⁷.

4.1.1 Oil Spillage and Gas Flaring

This is a major issue in the Niger Delta resulting from the production of Oil in the region. Majority of the oil spills results from the pipeline/oil tanker due to inadequate inspection and Maintenance⁴⁸. A report issued in 1983 by the Nigerian National Petroleum Corporation (NNPC) states that;

‘We witnessed the slow poisoning of the waters of this country and the destruction of vegetation and agricultural land by oil spills which occur during petroleum operations. But since the inception of the oil industry in Nigeria, more than twenty-five years ago, there has been no concerned and effective effort on the part of the government, let alone the oil operators to control environmental problems associated with the industry’⁴⁹.

Reports from the Department of Petroleum Resources show that between 1976 and 1996, a total of 1.89 million barrels of petroleum were spilled into the Niger Delta (both into the swamps and on lands) in about 4,835 incidents⁵⁰. According to findings by NNPC, the quantity of petroleum spilled into the

⁴⁶ Bronwen Manby: The Price of Oil. Corporate Responsibility and Human Right Violations in Nigeria's Oil Producing Communities. – Human Rights Watch, Printed in USA. 1999. Page 53.

⁴⁷ Isumonah, V. Adelfemi (2013) – Armed Society in the Niger Delta; Armed Forces and Society 39(2) page 331-358.

⁴⁸ Dr. P.C. Nwilo & O.T. Badejo: Impact of Oil Spills along the Nigerian Coast; The Association for Environmental Health and Sciences (2001). Here, Dr. P.C Nwilo gives a list of some of the major oil spills. Internet source: <http://web.archive.org/web/20080430164524/http://www.aehsmag.com/issues/2001/october/impacts.htm>.

⁴⁹ Quoted in Green Peace International; Shell Shocked, 11. Internet source: <http://www.greenpeace.org/international/en/campaigns/>

⁵⁰ Shell And The N15 billion Naira Oil Spill Judgement debt:- The Daily Independent Newspaper reported on the 19th of July 2010.

nation's environment yearly is at 2,300 cubic meters with about 300 incidents yearly⁵¹. This fact is however disputable as another research carried out the World Bank shows that the actual figure is in reality more than what was stated seeing that the report did not include minor spills⁵². According to Baird J (2010) about 9 – 13 barrels of crude oil have been spilled into the Niger Delta since 1958⁵³. Notable spills include the blow out of a Texaco offshore station in 1980 which resulted in about 400 barrels of petroleum spillage, and the Royal Dutch Shell's Forcados Terminal tank failure which led to oil spillage estimated at about 580,000 barrels⁵⁴. Permit me to mention here however, that there are other spills caused by oil bunkering and siphoning activities of some indigenes popularly referred to as '*militants*' who are aggrieved because of the abject poverty of their people while petroleum is right underneath their feet. The stolen oil is usually sold at the local commercial stands known as '*black market*' and the oil pipelines vandalized end up faulty or destroyed. This may go unnoticed for weeks by the oil companies due to lack of frequent supervision and check-ups resulting in oil leakage and pollution of the area. Explosions have occurred in the past on some of these occasions. In 2006, about 200 people were burnt to death while 60 others were injured with burns in a ruptured oil pipeline explosion in Lagos⁵⁵.

Apart from the Oil spillage mentioned above, Gas flaring is another major issue in the Nigerian Oil industry and this is caused by the mining activities of the oil companies who work in partnership with the government. A huge percentage of the natural Gas produced annually is wasted via flaring. This is as a result of the practices of the oil companies who in a bid to minimize cost, burn off Associated Gas instead of separating it from the Oil. This act releases toxic substances into the Environment. For example, Methane, a substance released in large quantity during gas flaring has a high potency for climate change leading to global warming. Major oil companies like Shell BP, ExxonMobil and Total have been reported to be found wanting in this area but the company claims that only about 50% of the oil is flared. World Bank reports actually show that the percentage of gas burnt off during oil production is 75% putting the country top of the list of Gas flaring.

⁵¹ See Bronwen Manby: The Price of Oil. Supra at page 59.

⁵² See David Moffat and Olof Linden: Perception and Reality (1995): Assessing Priorities for Sustainable Development in the Niger Delta. *Ambio* 24. No. 7-8.

⁵³ Baird J. July 26th 2010. – Oil's Shame in Africa. *Newsweek*:27.

⁵⁴ Dr. P.C Nwilo (2001) supra.

⁵⁵ Pipeline Explosion kills at least 200, CNN. 2006. Internet source:

<http://web.archive.org/web/20071227231055/http://www.cnn.com/2006/WORLD/africa/12/26/nigeria.blast/index.html>

4.1.2 Effects and Liability

Environmental Pollution especially in the Niger Delta region is a major problem to the Nigerian economy. It is by far a violation of the Fundamental Human Rights of the people especially the Right to Life and Personal Dignity as enshrined in Chapter 4 of the Constitution⁵⁶. Furthermore, this gradual and consistent pollution of the Environment leads to untold environmental hazards including toxicity of the soil, destruction of crops, animals and aquatic creatures, depletion of the fish population, damage to the ozone layer, and pollution of the air. As was reported in the Observer by John Vidal (2010);

“We could smell the oil long before we saw it – the stench of garage forecourts and rotting vegetation hanging thickly in the air. The farther we travelled, the more nauseous it became. Soon we were swimming in pools of light Nigerian crude, the best-quality oil in the world. One of the many hundreds of 40-year-old pipelines that crisscross the Niger delta had corroded and spewed oil for several months. Forest and farmland were now covered in sheen of greasy oil. Drinking wells were polluted and people were distraught. No one knew how much oil had leaked. "We lost our nets, huts and fishing pots," said Chief Promise, village leader of Otuegwe and our guide. "This is where we fished and farmed. We have lost our forest. We told Shell of the spill within days, but they did nothing for six months⁵⁷."

Poisonous substances are released into the Air during Gas flaring especially Sulphur dioxide, hydrogen sulphide, benzene and toluene. Health issues resulting from this includes Cholera as a result of drinking unclean water, Asthma, chest pain, chronic bronchitis, leukemia etc. Due to all these negative effects of the Oil and Gas pollution, the inhabitants of the region find it difficult to continue living there due to lack of food, clean water or oxygen. Thousands of these people have fled their homes in search of greener pastures and a healthier environment.

Furthermore, conflicts have arisen over the years between the government and the indigenes of the Niger Delta region due to the environmental hazards caused by the oil mining activities carried out only for the interest of the political leaders who have no thoughts concerning the wellbeing of the people. This has

⁵⁶ CONSTITUTION OF THE FEDERAL REPUBLIC OF NIGERIA 1999 CAP. C23 L.F.N. 2004. Online copy available at www.nigeriarights.gov.ng/files/download/43.

⁵⁷ ‘Nigeria’s agony dwarfs the Gulf oil spill. The US and Europe ignore it.’ - John Vidal, Environmental Editor, The Observer, Sunday 30th May 2010. Internet source: <http://www.theguardian.com/world/2010/may/30/oil-spills-nigeria-niger-delta-shell>.

led to ‘oil war’ between the Nigerian Military Joint Task Force on one hand, and the youth of the region on the other hand who have formed insurgent groups including the Movement for the Emancipation of the Niger Delta (MEND), the Niger Delta People’s Volunteer Force (NDPVF), Niger Delta Liberation Front (NDLF), and Niger Delta Vigilante. Many have been killed while a lot of others injured in these ongoing clashes between the Nigerian government and these insurgents. Statistics show that 2,500 people have been killed so far and 3,642 militants have surrendered their weapons to the government in exchange for Amnesty, free education and better living conditions⁵⁸. Reports show that as at 2012, there are still about 15,000 active militants in the Niger Delta⁵⁹.

Now, one cannot help but ask; what is the liability of the oil companies in all these? Do they go unpunished for the environmental hazards caused as a result of their recklessness and nonchalance towards the supervision and maintenance of oil production facilities? On the 30th of January 2013, a Dutch court ruled that Shell can be held partially responsible for the pollution in Niger Delta and ordered it to pay damages to the Ogoni farmer. The company had claimed that it is not liable for the spills were as a result of the oil pipeline bunkering by the Ogoni people in which case the oil companies are not liable for under the Nigerian Law. The court dismissed this claim on the ground that Shell has violated a duty of Care and shall be held liable for Tort of Negligence⁶⁰. Also in November 2005, a Federal High Court in Nigeria ordered Shell to stop the Gas flaring in the Niger Delta community as it violates the people’s constitutional rights to life and personal dignity. Same was the reasoning of the court in a case brought by Jonah Gbemre on behalf of himself and the Iwherekan Community in Delta State against Shell and the Nigerian National Petroleum Corporation (NNPC), where the judge (Justice C.V. Nwokorie) ruled that by the provisions of the Constitution of the Federal Republic of Nigeria, every citizens has a right to clean poison-free, pollution free healthy environment⁶¹. Obviously, this ruling has not been adhered to by the oil companies as seen from the re-occurring Gas flaring, but it can be said that

⁵⁸ Armed Conflict Report – Nigeria. Ploughshares.ca. Internet source: http://ploughshares.ca/pl_armedconflict/nigeria-1990-first-combat-deaths/

⁵⁹ Africa/Nigeria Militants end ceasefire. BBC News 16th October 2009.

⁶⁰ Raymond Ridderhof. 15th February 2013; Shell and Ogoni People – (s) Oil Pollution in the Niger Delta. Peace Palace Library. Available at <http://www.peacepalacelibrary.nl/2013/02/shell-and-ogoni-people-soil-pollution-in-the-niger-delta/>

⁶¹ Environment News Service: International Daily Newswire – “Nigerian Judge Rules Gas Flaring Violates Constitutional Rights”. Internet Source: <http://www.ens-newswire.com/ens/nov2005/2005-11-15-04.asp>. See also the cases of Shell BP Ltd v Cole & ors (1978) NSCC vol. II, page 96, and Umudje v Shell BP (1975) 9/11 SC, page 155.

the percentage of Gas flared has been reduced to a great extent as can be seen from the Satellite data from World Bank⁶².

Environmental Pollution as a result of Oil production has been an issue in Nigeria for decades now. Efforts to reduce or altogether alienate this problem have proven abortive over the years. In a media briefing in Friends of the Earth Article, it was stated about Gas flaring that ‘despite regulations introduced 20 years ago to outlaw the practice, most associated gas is flared, causing local pollution and contributing to climate change⁶³.’ In 2007, a documentary film was released by Producer and Director Sandy Cioffi, a Professor in Seattle Central Community College’s film and video communications department, pointing out the agonies of the Niger Delta people in relation to the adverse effects of Oil mining and exploration in the region. The documentary points out the irony of an Oil rich region which accounts for more than 80% of the country’s revenue, while the indigenes of the region live in deprivation, contamination and desperation. As was stated on the webpage; ‘The region is seething and the global stakes are high. But in this moment, there is an opportunity to find solutions. What if the world paid attention before it is too late?’⁶⁴

4.2 Environmental Sustainability

Sustainability is a term which has been making huge waves in the recent years. Sustainability refers to the ability to improve the quality of human life without being used up completely or destroyed. Environmental sustainability has been defined as responsible interaction with the environment to avoid depletion or degradation of natural resources and at the same time allow for long-term environmental quality. The practice of environmental sustainability helps to ensure that the needs of today's population are met without jeopardizing the ability of future generations to meet their needs⁶⁵. This is as a result of the various activities of humans and the tendency for these activities to deplete natural resources or have some other form of negative impact on the environment. Therefore calls have

⁶² Global Gas Flaring Reduction: The World Bank – Estimated Flared Volume from Satellite Data, 2007-2011. Internet source: <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTOGMC/EXTGGFR/0,,contentMDK:22137498~pagePK:64168445~piPK:64168309~theSitePK:578069,00.html>

⁶³ ‘Gas Flaring in Nigeria’; Friends of the Earth, October 2004. Internet source: <https://www.foe.co.uk/sites/default/files/downloads/gasflaringinnigeria.pdf>

⁶⁴ Sweet Crude Movie LLC (2007). Website: <http://www.sweetcrudemovie.com/index.php>. Retrieved 18th October 2014.

⁶⁵ Rebecca Gillaspay: ‘Environmental Sustainability: Definition and Application’; Chapter 16, Lesson 1, Study.Com webpage at <http://study.com/academy/lesson/environmental-sustainability-definition-and-application.html>

arisen for regulatory projects on how the oceans, freshwater systems, land, atmosphere and the ecosystems as a whole can be managed in order to preserve them for the present and future generations. The essence is to create an avenue in which the human demands placed on the environment on a daily basis can be met without the negative effect of reducing the environment's value or its capacity to accommodate and offer a good standard of living to the people, now and in the future.

There are several examples of Sustainable development and these include Solar Energy which helps by replacing non-renewable energy with solar energy thereby helping to reduce pollution. Also, there is Wind energy which assists by using windmills thereby supplementing or replacing the cost of grid power and at the same time environmentally effective. Furthermore, there is the Installation of Efficient Water heads, toilets and other water appliances which replaces old construction practices. This helps to conserve water which is a very basic natural resource precious to mankind. In addition, the preservation of the Green Spaces is very vital to the preservation of the environment in that certain areas are ear-marked as nature spots where plants and wildlife can grow without any hindrances. These are just a few of those instances and it is hoped that more will be discovered and utilized for best results.

Some Multinational Corporations have incorporated environmental sustainability projects into their business strategies. Some of these companies have devised better means to recycle their products, and also make eco-friendly products in order to minimize environmental waste. This also involves carrying out their business activities in a manner that is environmentally conscious and friendly. For example, PepsiCo its 2014 Sustainability Report stated;

‘At PepsiCo, we rely on the continued availability of water to grow the fruits, vegetables, grains and other commodities essential to our products; to run manufacturing processes; to serve as the key ingredient for most of our beverages; and to be a foundational prerequisite for healthy communities around the world; making water stewardship a key focus area for us. We are also working to achieve an absolute reduction in our GHG emissions by reducing energy use in our manufacturing and delivery operations. We're utilizing renewable alternatives to fossil fuels; improving the efficiency of our delivery truck fleets; and working with suppliers— especially farmers— to help them manage and reduce their energy and water use and emissions. We rely on the PepsiCo Resource Conservation Program (ReCon) to scale best practices in the conservation of water and energy and in the reduction of emissions and waste across PepsiCo facilities and among key business partners. Understanding the urgency of current global crises, we are working

to establish new goals and performance metrics to build upon our environmental sustainability progress. We are also adapting to meet the changing needs of our business and beyond. And as always, we will continue to seek expert advice from key stakeholders to inform our thinking and targets’⁶⁶.

The Volkswagen Group in its 2014 Sustainability Report stated that;

‘We aim to be the world’s most successful, fascinating and sustainable automobile manufacturer. This is the target we set ourselves for 2018, and we have already achieved some of our aims. In a world that is undergoing ever more radical changes, however, targets can never be more than milestones: reach them and they are already out of date. With the advent of digitization, the industry and the Group are on the cusp of a new era – one we aim to play a major role in shaping. By 2018, the Volkswagen Group is aiming to be the world’s most environmentally compatible automaker. In order to achieve this goal, we have set ourselves some ambitious targets, particularly with regard to environmental protection. In 2014 we continued our consistent pursuit of these goals. Our Environmental Strategy embraces all of our brands and regions, and extends throughout every stage of the value chain’⁶⁷.

On its part, Chevron Corporation seeks to provide energy in a responsible manner. According to them;

‘Protecting the people and the environment can go hand in hand with meeting the world’s energy needs. We are continually assessing and improving our processes to reduce emissions and waste, conserve energy and natural resources, and reduce the potential for environmental impacts from our activities and operations. From our everyday actions to our major capital investments, we are focused on making the right decisions for the environment. In support of our values, we developed four environmental principles that take a life-cycle approach to defining how we provide energy

⁶⁶ PepsiCo Inc.; 2014 Sustainability Report; Available online at http://www.pepsico.com/docs/album/sustainability-reporting/pep_csr14_sus_overview.pdf?sfvrsn=18

⁶⁷ Volkswagen Group; 2014 Sustainability Report; Available online at http://www.volkswagenag.com/content/vwcorp/content/en/sustainability_and_responsibility/Sustainability_Report_2014.html

in an environmentally responsible manner; include the environment in decision making, reduce our environmental footprint, operate responsibly, and steward our sites'⁶⁸.

Furthermore, in a report released by Lamm and Dimas of the University of San Francisco, three companies were listed as the best when it comes to effective environmental sustainability projects. The reported companies are as follows;

‘1. EBay Eco-Initiatives: One example of a company with an environmental sustainability focus built right into its business plan is eBay. The online retail and auction site makes it easy for people all over the world to exchange and reuse goods rather than throwing them away, thereby lengthening the lifespan of these products so they don’t wind up as trash. The company also introduced an eBay Classifieds section, where individuals can buy and sell used household appliances, furniture and other hard-to-ship items within their local community, eliminating the need for shipping and packaging, and keeping functional items out of landfills.

2. Starbucks Stores Go Green: Another company that has introduced principles of environmental sustainability and green supply chain management across the board is Starbucks. In addition to purchasing Fair Trade Certified™ and certified organic coffee, the company is setting out to achieve LEED® certification for all new company-owned outlets. By focusing on creating “green” stores, Starbucks has been able to reduce both operating costs and the environmental impact of its business practices. The company’s green building strategy includes adjusting the temperature in air-conditioned stores from the standard 72°F to 75°F, purchasing cabinetry made with 90% post-industrial material and incorporating low-flow water valves.

3. Google’s Environmental Innovations: Widely recognized as a business innovator, Google is also leading the way to a greener future with its environmental sustainability and green supply chain management practices. The company has demonstrated a commitment to existing in concert with the environment rather than at odds with it. Through initiatives such as powering its facilities with renewable energy sources, bringing in goats to trim the grass, and hosting farmer’s markets

⁶⁸ Chevron Corporation; Corporate responsibility strategies; Available online at <https://www.chevron.com/corporate-responsibility/environment>

and sustainable-cooking seminars, Google has established an environmentally aware corporate culture and solidified its reputation as one of the world's most forward-thinking companies'⁶⁹.

The above instances gives just a few of the environmental sustainability projects of some Multinational corporations as reported. The question lies not in the multiplicity of these sustainability projects and reports but in the actualization of these projects in their various business practices home and abroad.

⁶⁹ University of San Francisco; Three Companies with Best Practices in Environmental Sustainability. By University Alliance, Marie Lamm and San Dimas. Available online at <http://www.usanfranonline.com/resources/supply-chain-management/three-companies-with-best-practices-in-environmental-sustainability/#>

CHAPTER FIVE

SURVEY, VANISHING POINT AND RECOMMENDATIONS

5.1 Project ‘Priority Triangle’

In this Chapter, I will be giving a detailed information on the Survey I carried out in relation to this subject matter. Project ‘Priority Triangle’ was embarked upon mainly for the purpose of providing a practical angle to this topic in order to see, understand and analyze how the public in general view these multinational companies especially the most popular ones in terms of the topic in question. It was an online Public Opinion Poll with participation from different individuals (both males and females) of different age ranges and resident in different continents. Find below details of the Survey;

Survey Summary

Topic:

The People, the environment, or the Company. Which of these interests do business managers put first when making business decisions?

Created:

2/16/2016

Pages:

10 pages

Survey language:

English

Questions:

10 questions

Questions:

1. What is your Gender? (Drop down answer choice)
2. What is your Age? (Drop down answer choice)
3. In what country do you live? (Drop down answer choice)
4. Would you say that profit making should be the only objective of every business?
(Multiple choice answer options)
5. In your opinion, what is a successful company? (Multiple choice answer options)
6. Assuming these 3 companies make the same product, which company's products are you likely to purchase? (Multiple choice answer options)
7. In the midst of a dilemma or tie, which of these interests should come first in your opinion? (Multiple choice answer options)
8. In your opinion which of these interests below influence today's business decisions the most? (Multiple choice answer options)
9. Do you think it is possible to have a balance or vanishing point where all three interests can be taken care of in every business decision? (Multiple choice answer options)
10. Here is a list of some very popular multi-national companies. How would you score these companies based on customer satisfaction, environmental friendliness, and business success? Scale 1 - 10, with 10 being the highest score.
Exxon Mobil, Shell Oil, TebOil, Toyota Motors, Volkswagen Group, Nike
Incorporation, Nestle Group, Coca-Cola Inc., Nivea, Unilever Group, Body Shop
International, Plukon Food Group, PepsiCo Inc., Apple. (Rating Scale answer option)

Total Responses:

63 individuals (44 females and 19 males)

Age range:

From 18 to 75 and older

Respondents Locations:

Finland, Hungary, India, Ireland, Nigeria, Kenya, Sweden, and United Kingdom of Great Britain and Northern Ireland.

Survey Period:

2/16/2016 - 2/22/2016

Survey Status:

Closed

5.2 Survey Analysis**A. Question 1**

Answer Choices:

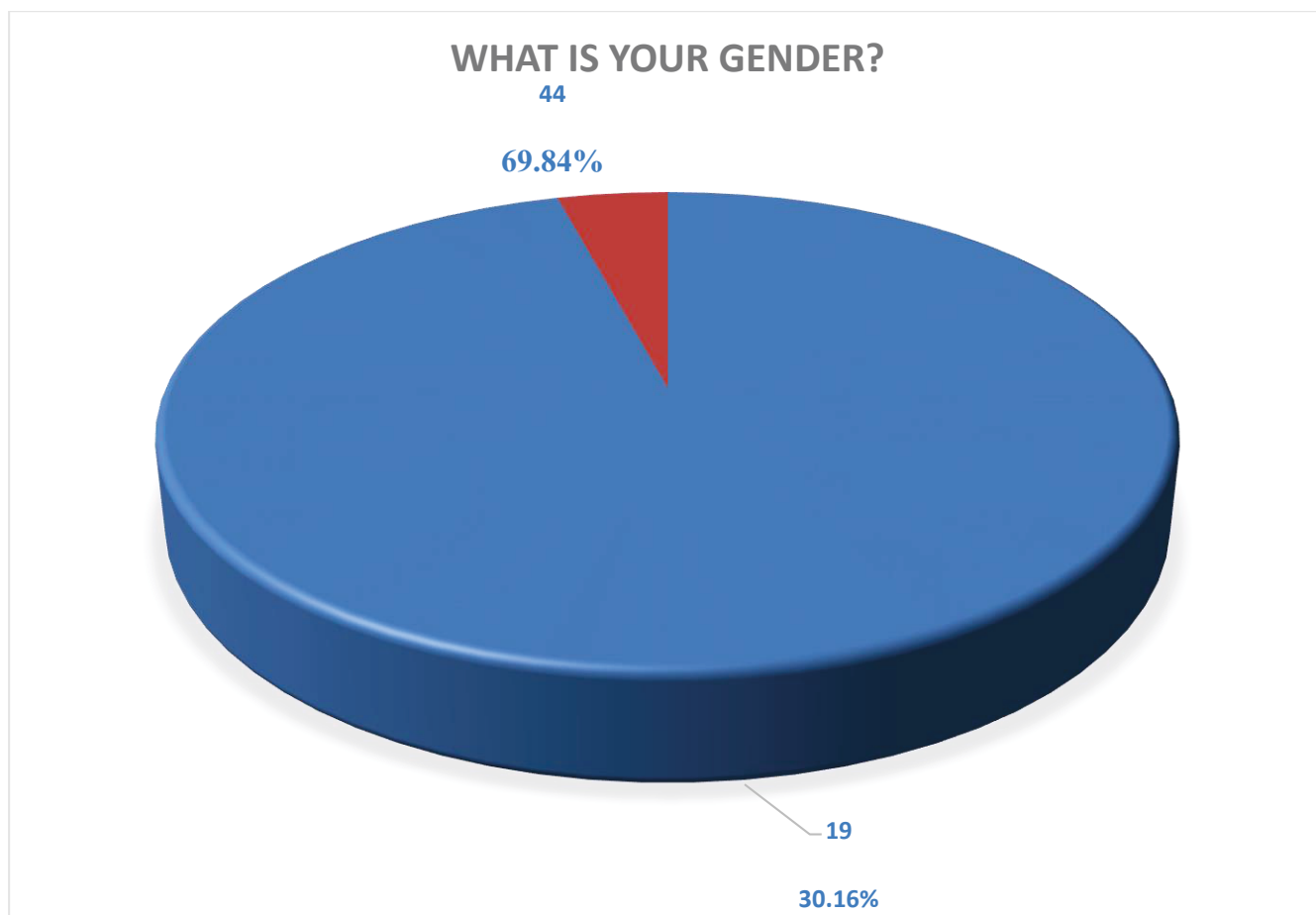
63 persons Answered the question

Male: 19

Female 44

0 persons Skipped the question

Male	Female
19	44



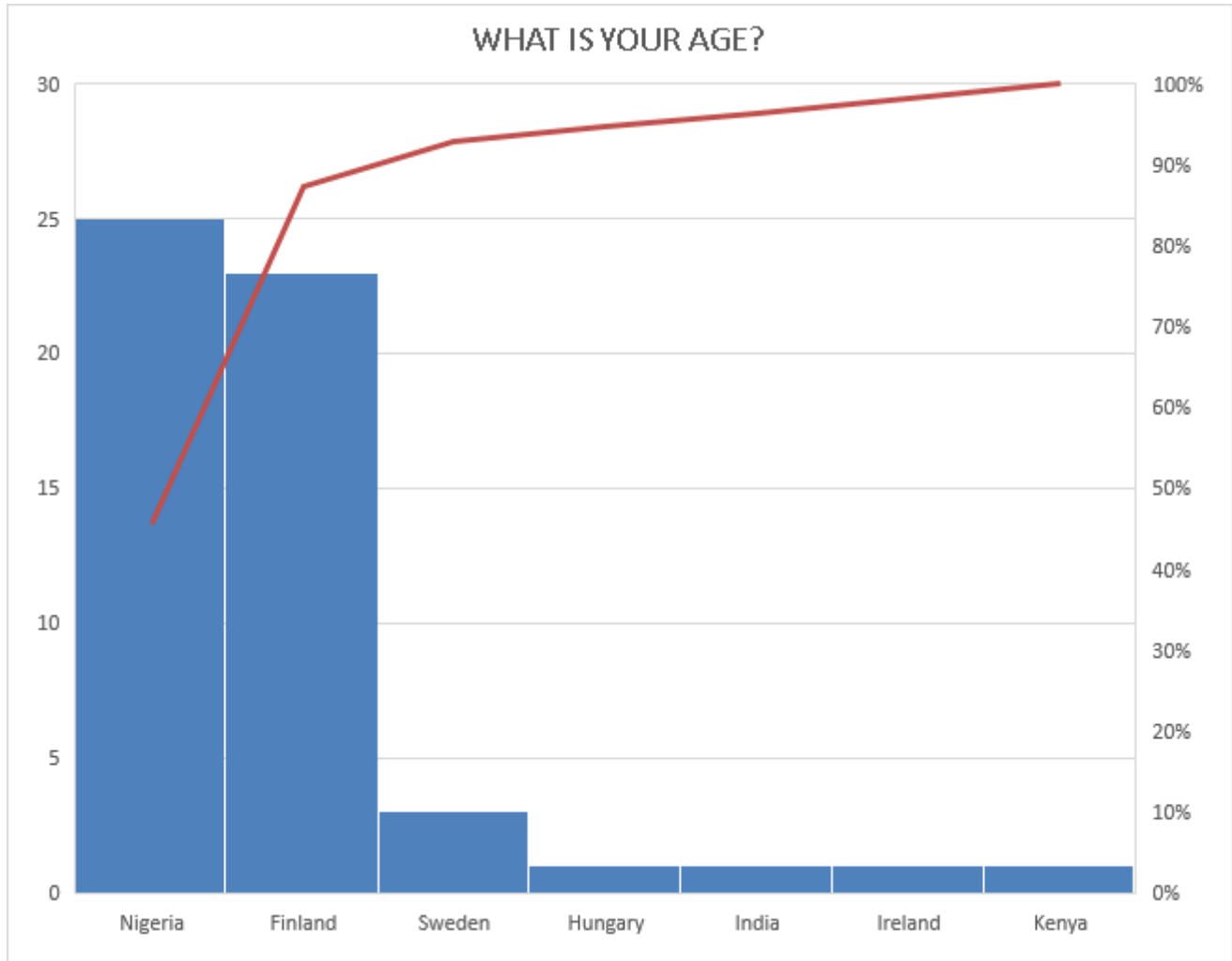
B. Question 2

Answer Choices:

63 persons Answered the question

0 persons Skipped the question

Age Range	18 to 24	25 to 34	35 to 44	45 to 54	55 to 64	65 to 74	75 or older
No. Of persons	4	34	21	2	1	0	1



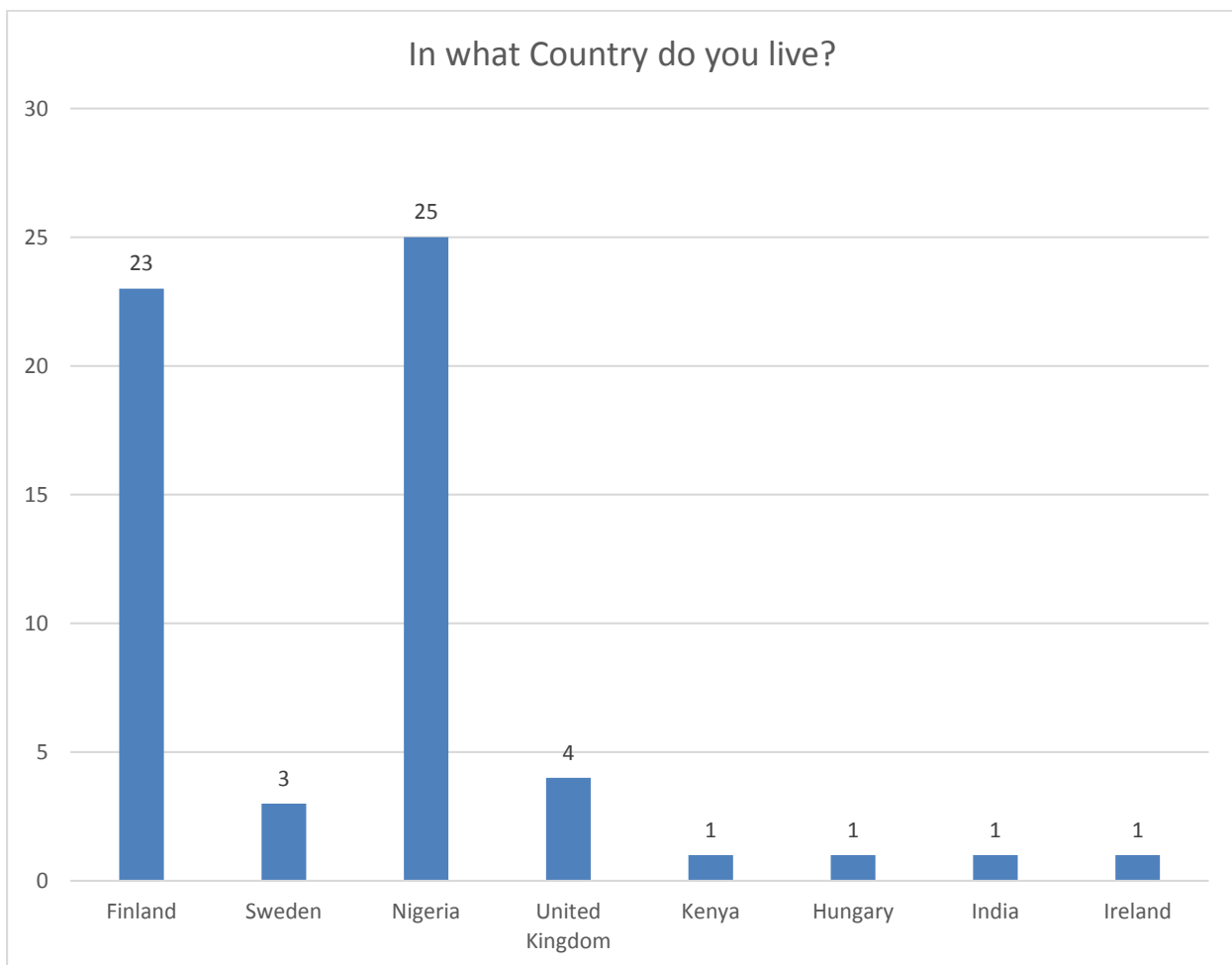
C. Question 3

Answer Choices:

59 persons Answered the question

4 persons Skipped the question

Age Range	Finland	Sweden	Nigeria	United Kingdom	Kenya	Hungary	India	Ireland
No. Of persons	23	3	25	4	1	1	1	1



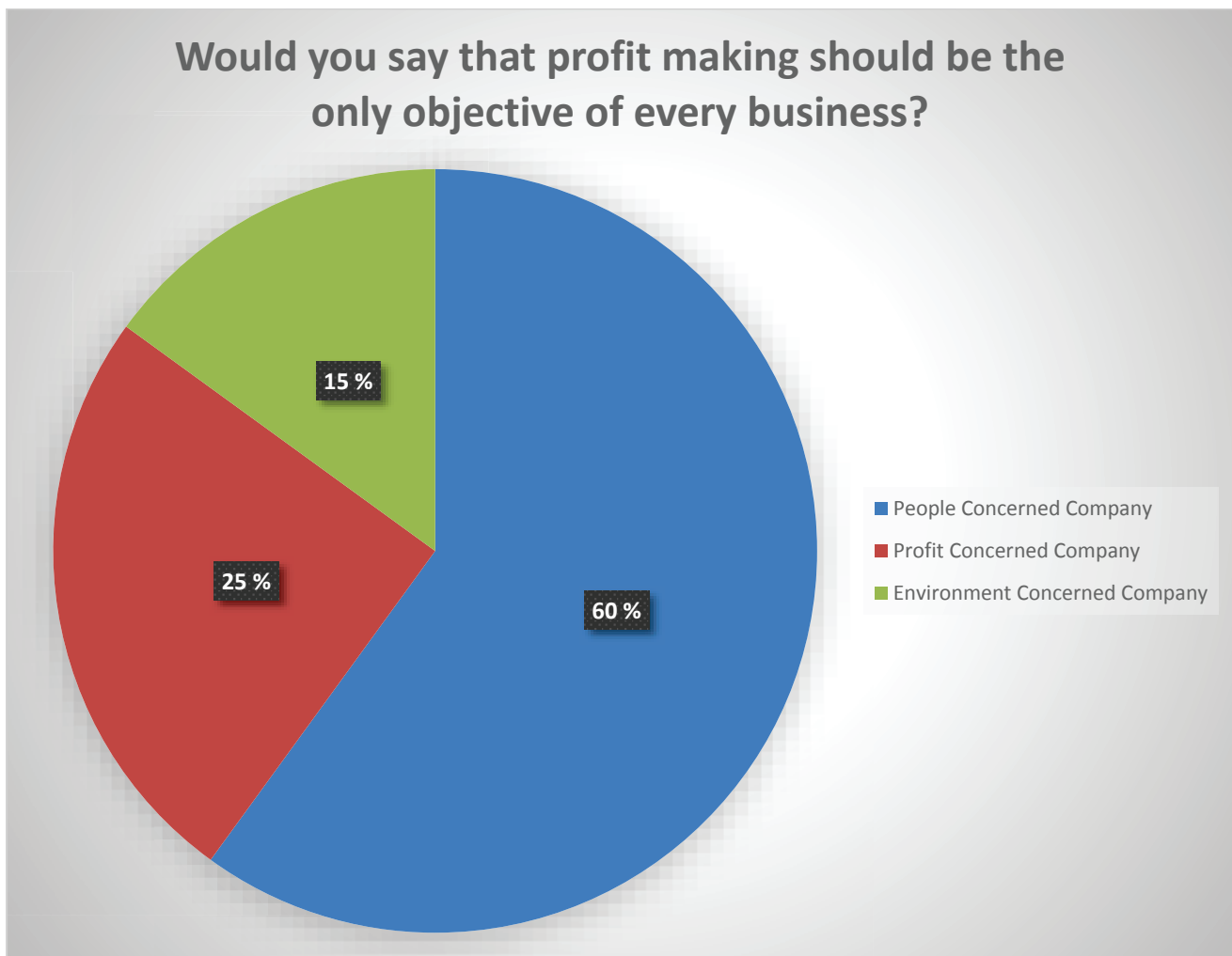
D. Question 4

Answer Choices:

61 persons Answered the question

2 persons Skipped the question

Definitely Yes	Definitely No	I'm not Sure
14	41	6



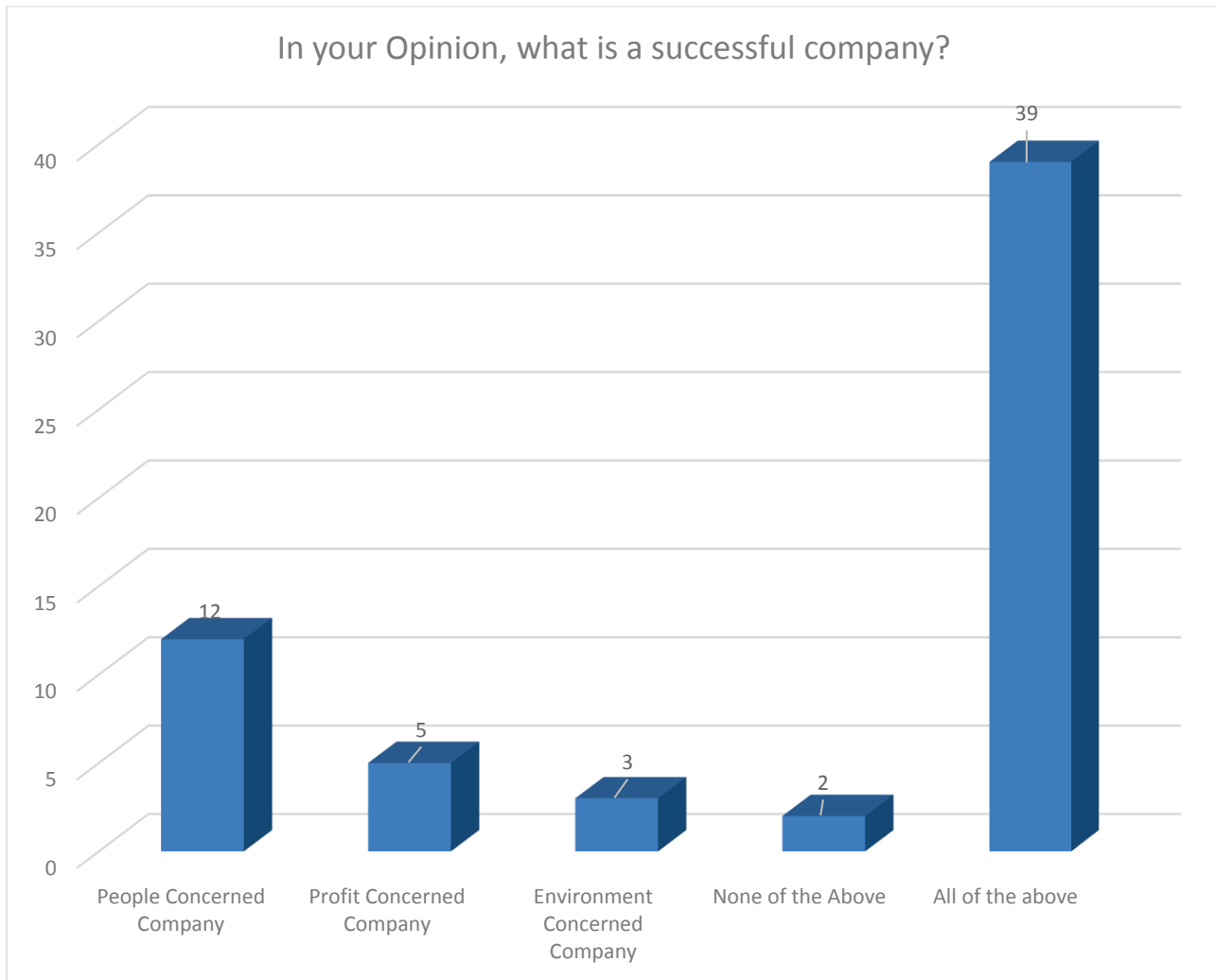
E. Question 5

Answer Choices:

61 persons Answered the question

2 persons Skipped the question

People Concerned Company	Profit Concerned Company	Environment Concerned Company	None of the Above	All of the Above
12	5	3	2	39



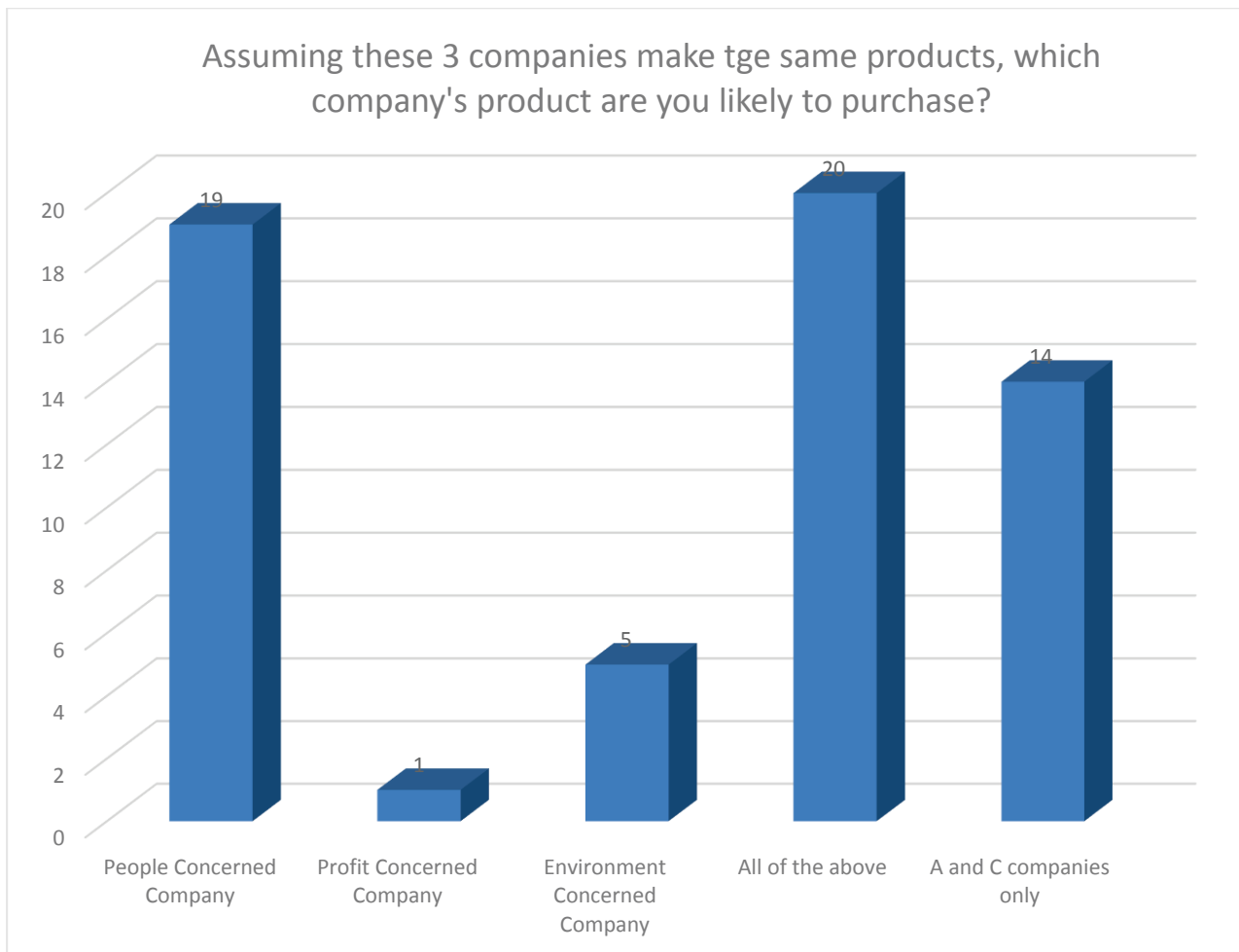
F. Question 6

Answer Choices:

59 persons Answered the question

4 persons Skipped the question

People Concerned Company	Profit Concerned Company	Environment Concerned Company	All of the above	A and C companies only
19	1	5	20	14



G. Question 7

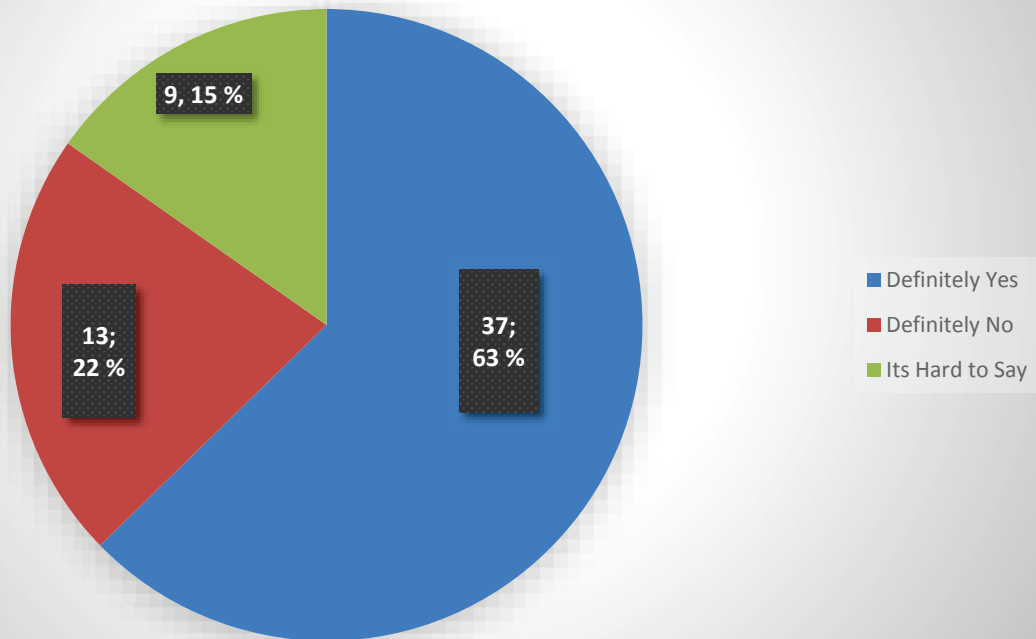
Answer Choices:

59 persons Answered the question

4 persons Skipped the question

Interests of the People	Interests of the Company	Interests of the Environment
37	13	9

In the midst of a dilemma of tie, which of these interests should come first in your opinion?



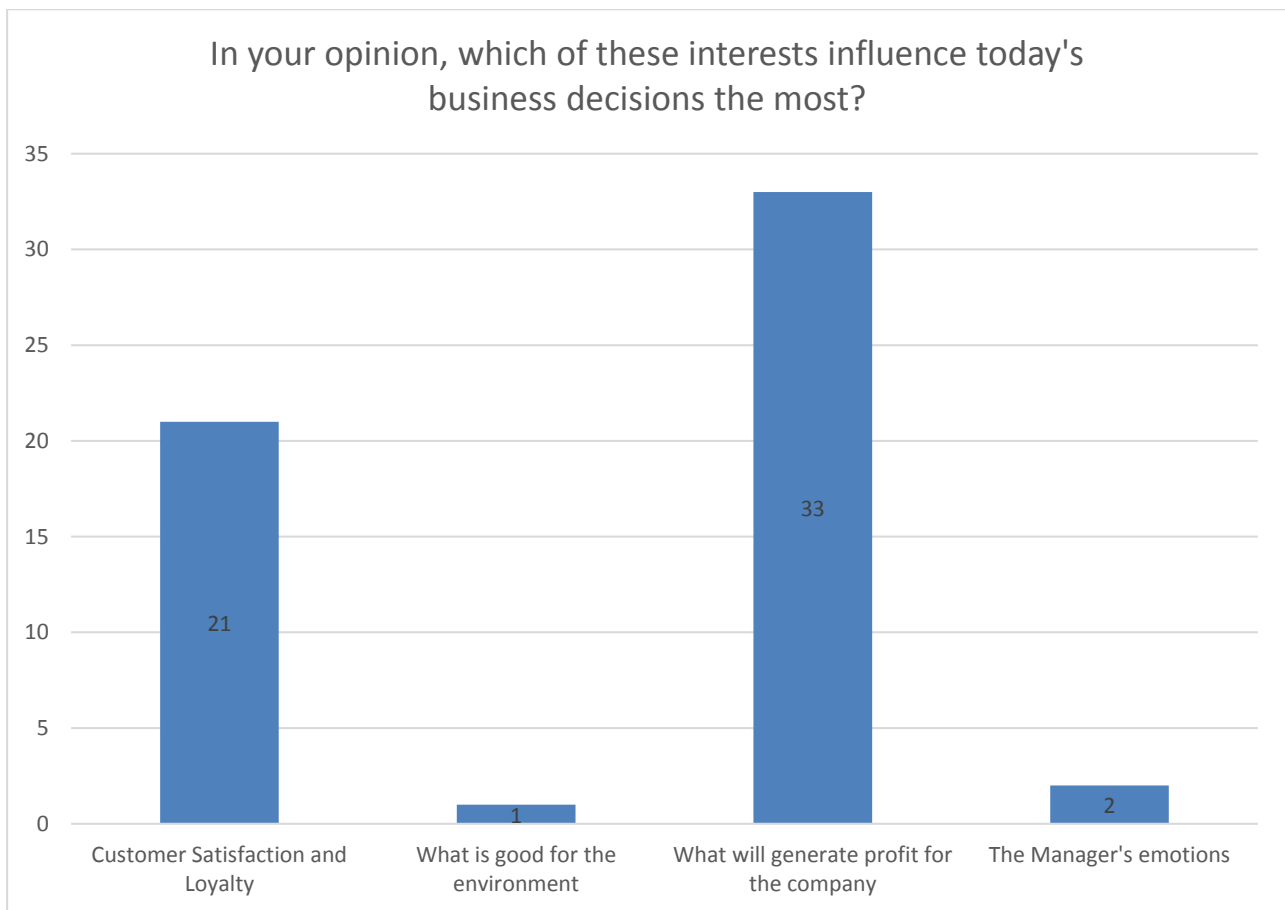
H. Question 8

Answer Choices:

57 persons Answered the question

6 persons Skipped the question

Customer Satisfaction and Loyalty	What is good for the environment	What will generate profit for the company	The Manager's emotions
21	1	33	2



I. Question 9

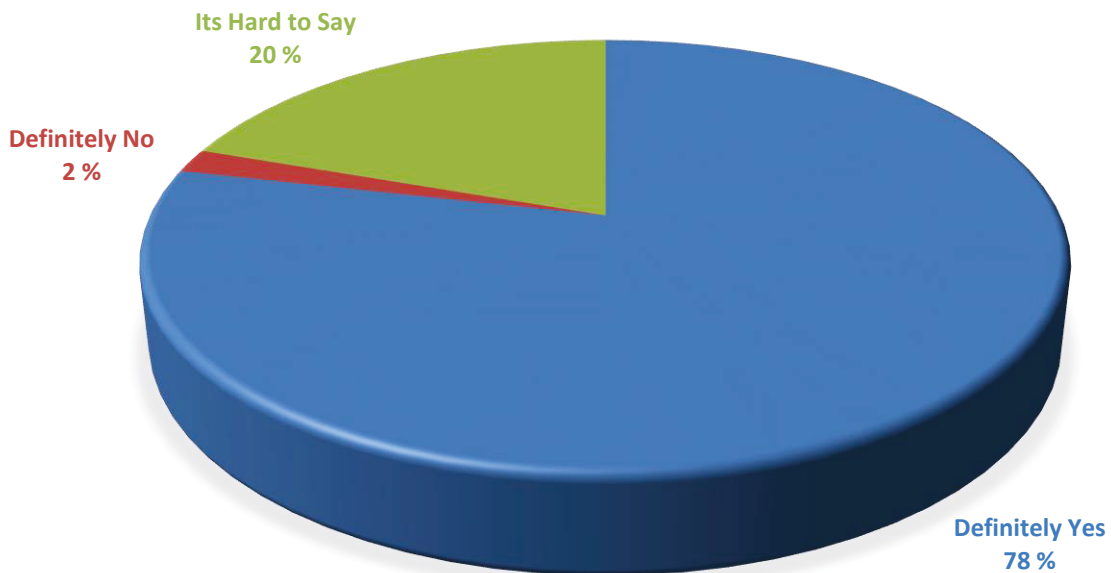
Answer Choices:

56 persons Answered the question

7 persons Skipped the question

Definitely Yes	Definitely No	It's Hard to Say
44	1	11

DO YOU THINK IT IS POSSIBLE TO HAVE A BALANCE OR VANISHING POINT WHERE ALL THREE INTERESTS CAN BE TAKEN CARE OF IN EVERY BUSINESS DECISION?

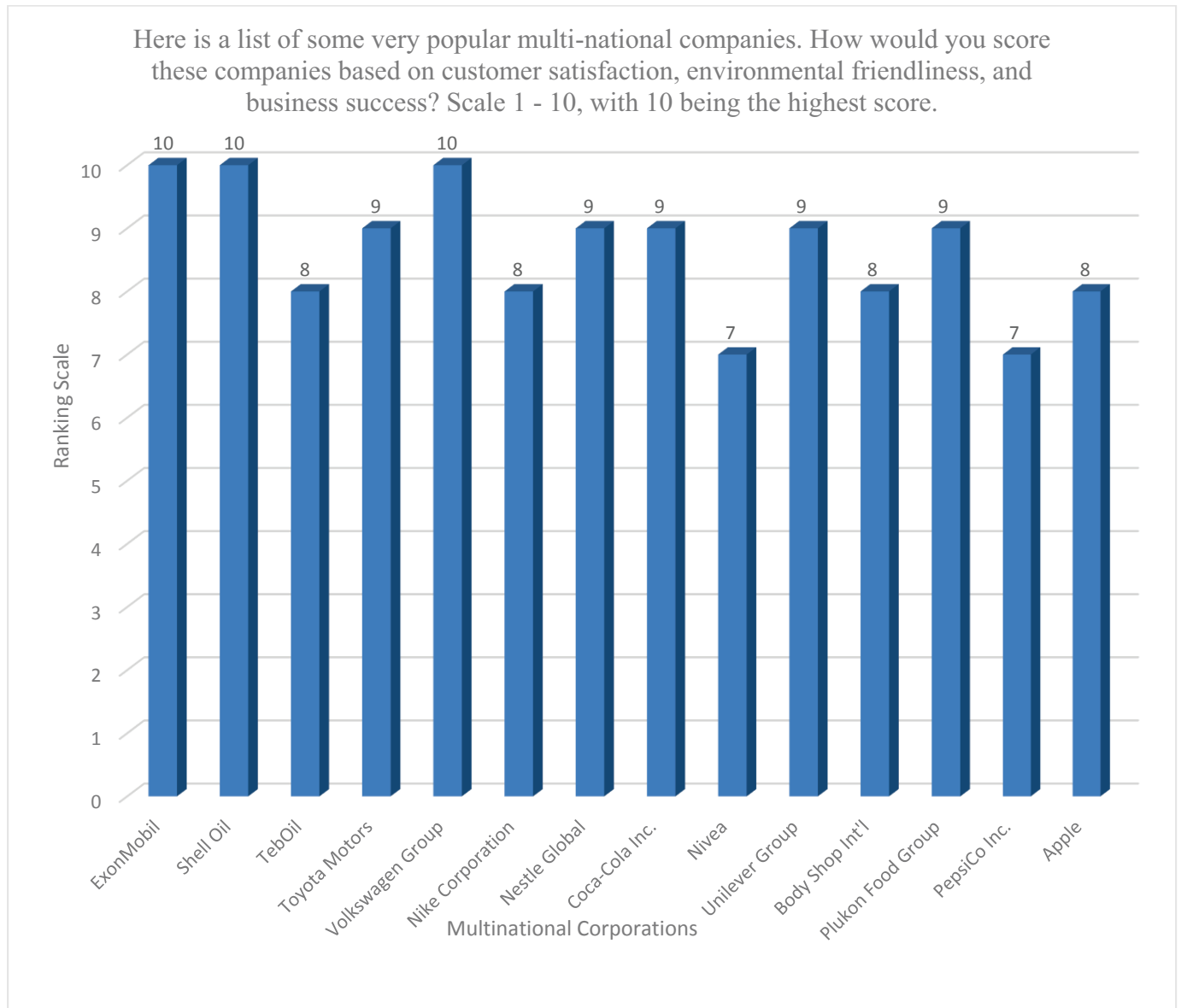


J. Question 10

Answer Choices:

48 persons answered the question

15 persons skipped the question



Multinational Corporations	Ranking
ExonMobil	10
Shell Oil	10
TebOil	8
Toyota Motors	9
Volkswagen Group	10
Nike Corporation	8
Nestle Global	9
Coca-Cola Inc.	9
Nivea	7
Unilever Group	9
Body Shop Int'l	8
Plukon Food Group	9
PepsiCo Inc.	7
Apple	8

Survey Analysis/Data culled from the Survey 'Project Priority' Result page⁷⁰.

⁷⁰ Detailed Survey Result available at <https://www.surveymonkey.com/results/SM-PKSNV8JS/>

5.2 Vanishing Point

The Vanishing Point is the Point where all the three interests are adequately and effectively represented in every business decision. Apart from the interests of the company, the target Market and Environmental sustainability plays a defining role in the success and reputation of the company. This is because they consist of the customers of the product or services rendered by the company and the world in which they live in. These people are the end users who ultimately uses the product or for whom the product or service is intended for. In order to gain the trust and confidence of the people, many companies have changed their strategies and policies to accommodate the people's interests. Customers would only stick to a product or service after they have had a successful experience using that product or service in addition how well company is concerned with sustaining the environment. These successful experiences are what would lead a customer to give a company their loyalty. In turn, this has led companies to continuously innovate new and better ways to improve customer experience and satisfaction in terms of social and environmental projects. There still exists a handful of others who still put other interests like profit maximization, low production cost, and growth above the interests of the people. Oftentimes as businesses grow and expand, the major focus has been on production costs, new business initiatives and capital. Little or no interest have always been given to the people or the environment.

On most occasions, the expectations of the customers have greatly advanced but the company may not have noticed this or invented new initiatives or strategies to meet these needs. This has led to numerous complaints from unhappy customers per second about the poor quality of goods, the dissatisfactory services rendered by so many companies, or the rate at which a particular company is polluting the environment with its products or activities. Of a truth, it is expected that a company should have an eye on how to maximize profit, but this does not mean that Profit maximization should be the main focus of the company. Focusing on the Customers, entails focusing on satisfying them as well as helping to keep the environment in which they live safe and clean. The question is: Is this possible? The answer is a definite Yes. A company that manages to balance out these three interests is what is I call a Consumer Focused company.

A Customer focused company looks for the best ways to serve its customers and this priority takes pre-eminence over every other interest. Making the customers a priority is an essential part of any

successful business and this priority should be the defining factor that makes up the culture of the company. Michel Falcon in his Article⁷¹ said;

‘How do you personally define a customer-focused company? I’m not talking about a company that claims to be customer-focused but one that genuinely obsesses over improving their customer experience. Year after year, we hear of companies of all sizes wanting to focus more on their customer experience. While some actually use the appropriate resources to be more connected to their customers, others continue to give lip-service to it. After all, it’s very easy to say you are customer-focused when, in reality, you’re not. It’s very easy to gain media attention and claim to be customer-focused but does your organization continue these efforts at the end of the quarter when you hit your numbers? Does your company sacrifice the customer experience to save the numbers?’

John Wiley in his Article explained and list down what it takes to make the Customer top priority in businesses. In his words;

‘A customer-focused company has one eye on profits and the other eye on how best to serve its customers. This company has learned that profit and market share are the product of listening to customers and acting upon their needs. Following are some qualities that characterize a customer-focused organization:

- Recognition is earned by staff who balance job efficiency with customer satisfaction.
 - Managers focus their attention on supporting staff in doing their jobs well so that the staff can focus their attention on taking care of customer needs.
 - Promotion is based on good service skills as well as on seniority.
 - Training staff is a high priority with a focus on both technical and interpersonal skills.
 - All staff know who their customers are (external or internal) and see how they are part of the customer chain.
61. A participative management style is common throughout the company, and staff feedback is sought on key customer issues before decisions are made.

⁷¹ Michel Falcon; ‘5 Traits of Customer-Focused Companies’; Customer and Employee Experience Expert blog. 13th January 2016.

- Long-term thinking is the rule rather than the exception⁷².

Andrew Robinson, a press officer stated in his Article⁷³ that Expert product liability lawyers have expressed their concerns over the lack of information flow to the Volkswagen consumers who were affected by the company's emission-rigging scandal. This was a call for the company to make its customers the number one priority after evidence reveals that a total of 1.2 million Volkswagen cars in the UK were affected by the defect. In reaction to the complaints brought by more than 500 VW drivers, an expert liability lawyer at the Irwin Mitchell have stated that;

‘While it is positive that VW in the UK has apologized for letting down its consumers, the company still doesn't appear to be making its customers its number one priority. In the US, Volkswagen has stated its number one priority is to ensure its dealerships return to profitability. We and the hundreds of concerned drivers who have contacted us for help want confirmation that UK consumers are a priority and that their individual financial losses and expenses will be compensated, not just dealership profits. Mr. Willis confirmed VW will take the necessary steps to regain trust but there have been no proposals to refund consumer losses. In fact, the UK boss has confirmed that he considers it premature to consider consumer redress. This is simply not good enough and we repeat our request for VW to commence early negotiations with lawyers representing VW consumers who have been let down so badly⁷⁴.’

It is understood that rolling out business decisions which cover these three interests totally is easier said than done. Nevertheless, it is the strong belief of this writer that such a phenomenon is not impossible, neither is it unheard of. This does not call for a situation of compulsory co-equal footing of victory. Rather, finding a balance demands for a situation where all three interests are considered and evaluated carefully before a business decision is made. Surely, a decision is likely to be reached which may appear to uphold an interest slightly above the other two but at the same time watches out for other interests as well. That is the Vanishing point; a point where all three interest is taken care of. There exists several Multinational Corporations (as clearly stated in the preceding chapters) who have over the years

⁷² John Wiley: ‘Exhibiting a Customer-Friendly Attitude’, published in the Dummies (Reference Series). Retrieved January 2016.

⁷³ Andrew Robinson; ‘Expert Lawyers Call for Consumers To Be Top Priority for VW; Possibility of Decreases In Performance, Fuel Economy And Post Recall. Published in Irwin Mitchell News and Media page, October 14, 2015.

⁷⁴ Kevin Timms; cited in Andrew Robinson's Article, supra.

attempted and succeeded in including the interests of the People and the environment in their business decisions while at the same time making huge profits. Somehow, they have managed to find the vanishing point, and it is my wish that other Multinational corporations would follow suit.

5.3 Recommendations

It goes without further saying that all of these three priorities are important and either one of them can be ranked top on the list, depending on who is doing the ranking and the interest or issues at stake. But as discussed above, there exists a vanishing point where these three priorities converge and intertwine; a point where a business judgement can accommodate all of these interests. The question here is: At what point do they all meet and how can this balance be achieved? It is my believe that if the following recommendations are put are utilized and incorporated into the company's business strategies, such a company will most likely make sound business judgments that will not only maximize its profits but will also look out for the people and the environment.

First, every business manager should be prepared and willing to make ethical decisions. This is where Rest's 4 component models come into play. Rest's model provides four different stages that a business manager can go through to make an ethical decision in the face of a dilemma. These four stages are as follows;

'Moral Sensitivity

The first step in moral behavior requires that the individual interpret the situation as moral by noticing the moral features of the decision. A moral person ought to have a certain preference about how to behave and then ought to behave in accordance with that preference. Moral features are built around consideration of how our actions affect others and whether we respect the rights of others in decision making.

Moral Judgment

Moral judgment entails finding the ideal solution to an ethical dilemma. It starts with cognition, the process of acquiring knowledge and understanding through thought, experience, and the senses. It continues by making assumptions and emphasizing some things over others. Typically,

philosophical reasoning methods help in the process. An integral part of virtue ethics is the application of practical wisdom, gained through years of experience and developing good habits.

Moral Motivation

Moral motivation reflects the degree of commitment to taking the moral course of action, valuing moral values over other values, and taking personal responsibility for moral outcomes. Moral motivation reflects an individual's willingness to place ethical values (e.g., honesty, integrity, trustworthiness) ahead of non-ethical values (e.g., wealth and fame) that relate to self-interest. A whistleblower who acts out of moral intent is willing to accept the risk of retaliation in order to follow her ethical beliefs.

Moral Character

Individuals do not always behave in accordance with their ethical intention. The whistleblower may know what the right thing to do is but lack the moral courage to do it. Rest describes moral character as persistence in completing a moral task, having courage, over-coming temptation, and implementing processes that serve a moral goal. A person with a strong ethical character is more likely to carry out ethical intentions with ethical action than one with a weak character because she is better able to withstand pressures from higher-ups in the organization to overlook wrongdoing⁷⁵.

Secondly, it is expedient that every business manager reflects on every piece of information or factor surrounding a particular scenario before making a decision, this ensures that he makes the best decision based on the circumstances. He should always remember that his decisions will affect other persons and as such he should ensure that such a decision brings good to the majority of the people, if not all persons. This demands for a situation where all three interests are considered and evaluated before a decision is arrived at. Before arriving at a particular decision or even implementing such a decision, the business manager should ask himself what the effect of that decision will be on the company, the people, and the environment. Each decision should consider and cover not just the interest of the shareholders but majorly the interests of the people and the needs of the environment at the same time.

⁷⁵ Steven Mintz; 'What does it take to make Ethical decisions in the Workplace'; 24th April, 2014. Workplace Ethics Advice. Available at <http://www.workplaceethicsadvice.com/2014/04/what-does-it-take-to-make-ethical-decisions-in-the-workplace.html>

Thirdly, every business manager should ensure that the universal values of ethics and other ethical principles are incorporated into the company's core values and goals. These include the following;

- Honesty,
- Accountability,
- Loyalty,
- Fairness,
- Caring,
- Goodwill,
- Transparency,
- Integrity,
- Full disclosure of company assets and finance,
- Corporate Social Responsibility,
- Respect for Cultural values and traditions,
- Adherence to Universal Human Rights principles,
- Customer Satisfaction and Safety,
- Quality and Trustworthiness, and
- Environmental awareness

Finally, every business manager should have an ethical leadership mentality. This entails leading by example in order to influence the other key members of the managerial board. This he can achieve by ensuring that puts away every unethical tactics and ploys, acting in an ethically responsible and accountable manner. He should be transparent in all his dealings and exhibits attitudes worthy of Trust and emulation. This way, not only will the customers benefit, the company also benefits. This is because a company that is internally and externally transparent and ethical in all its business practices has an advantage over other competitors, and will easily win the trust and loyalty of existing and prospective customers.

5.4 Conclusion

Many businesses are now going multinational due to the onset of globalization and the need to expand the business for maximum profit making. Daily, decisions have to be made and these decisions will determine the success of the company coupled with its customer retention rate and environmental friendliness. The essence of this thesis was to find out if there is a vanishing point where the demands of the customers, the interests of the shareholders and the needs of the environment can all be taken care of in every business decision made by major companies especially Multinational corporations. The summary of the research findings is to the effect that majority of the Multinational corporations focus on profit maximization and business expansion and as such would easily venture into less regulated areas, evade tax, or engage in practices like child labor just to achieve their goals. It is of a truth that little or no attention is paid to the needs of the environment or to the demands of the people irrespective of the numerous governmental regulations. Certainly, most of them have incorporated into their constitutions and business plans societal and developmental projects which has the end goal of providing the needed assistance to the people. Others have included in their mission statements very notable environmental sustainability projects. Nevertheless, the question lies not in words and plans, but in the actualization of these projects in an effective and impactful manner. On this note, I strongly state that if the above recommendations can be taken note of and incorporated by these major Multinational corporations, there is no doubt that business decisions would be made in a manner that watches out for the needs of the people and the environment while at the same time making good profit for the shareholders. Finding the vanishing point and striking a balance of all interests is what I call a win-win situation.

GLOSSARY OF TERMS

1. Priority Triangle: means the trilateral dimensions of priorities or interests when making business decisions, namely; the people, the company and the environment.
2. Business Judgment: means the ability of the company manager or director to make reasonable or well considered decisions on behalf of the company. This term is being used interchangeably with ‘business decision’ for the purpose of this thesis.
3. Project Priority Triangle: This is a term I use to describe the Online Opinion Poll or Survey Analysis carried out in line with this Research.

4. Vanishing Point: means the point where all interests meet or converge and are fully represented in a business decision.

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