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The Role of Ethics in Business Operations

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The Role of Ethics in Business Operations

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The final goal of any business is to gain profits, however pro-profits businesses have been known to commit unethical practices to increase their income. The research shows a deeper look into what is business ethics and how does it affect a business venture.

This research first looks into the definition of ethics, business ethics and the psychology, the reason behind why human was introduced with the concept. Consequences of unethical business acts were mentioned to show how negatively it affects the business and the surrounding society.

The author chose CosmEthics as a case study for the research for its special business: CosmEthics reveals the unwanted, harmful chemical substances that cosmetics manufacturers use for their production. CosmEthics is an ethical-based company and its operating process proves the improper sides of the cosmetics industry. With the SWOT analysis, the author takes a deeper looking into how the company, as a start-up, faces its challenges, receives supports and opportunities.

The research was carried out using a qualitative method, focusing on the B2B side of business ethics. Using the semi structured interviewing method, the author was introduced with different point of view from business managers-the target interviewees of the research. The findings of the research highlight the importance of business ethics and other factors that influences the managers' decision making process

business ethics, morality

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1 Introduction

“A company’s ethical behaviour is the mirror image of its culture, a shared set of values and guiding principles deeply ingrained throughout the organization and the ethical behaviour and culture become part of the definition of corporate identity.” (D’Amato, Henderson & Florence 2009)

Business ethics is essential in building a company’s image which heavily affects the business itself and the society surround it. While many businesses have synonymised it with just abiding the laws, others are striving to operate ethically and establish codes of conducts for employees to follow. Acting ethically doesn’t ensure a profitable outcome whereas unethical business act doesn’t mean the business will be punished. However, in the 21st century, companies are being governed more carefully and ethical business acts are expected from the public. In the long run, acting ethically also earns the company more advantages than businesses that operate unethically.

Business ethics studies what is right and wrong (Velasquez 2006); it is the combined understanding of the moral standard, philosophy, politics and law (Velentzas & Broni 2010). It provides a guideline for corporation to operate ethically and a moral standard to govern corporate behaviour.

1.1 Background of the study

In 2015, Kansai Gaidai University offered a course named “International Business Ethics” lectured by professor John Shultz. The name of the course aroused a sense of curiosity, since by that time, many people had accepted the idea that “there is no ethics in business” or don’t really pay attention to the matter.

Business Ethics is a major term that includes CSR, Bribery, Corruption, Fraud, Whistle Blowing, Insider Trading, Socially Responsible Investing, etc. (Shultz 2015). It’s a broad topic that outsiders of business related profession rarely pay attention to. Although being an uncommon topic, the successfulness of a business, environmental standard where the business operates and the surrounding society can be heavily affected by it.

It has long been thought that, a business should focus on its one and only goal: to make profits. This is also one of the biggest arguments people use when discussing on the matter of whether business should operate in an ethical way. It is true that business managers should focus on their prime motive: satisfying their investors and shareholders. However, while op-

erating, there will be times when managers and employees face situations in which they have to make decisions which will reflect the corporate ethic culture and personal ethics.

In recent years we have seen many cases of unethical business acts committed by large and powerful corporations, from environmental endangerment, bribery scandals, slavery, child labour to unqualified products, employee mistreatments, etc. The variety of ethical misconduct raised questions: How badly do people want to pursue profits? At what cost will they abandon their sense of morality? Is it possible that a business can produce and raise its revenue through operating ethically?

1.2 Objectives

Regarding how and why more enterprises are choosing the unethical path in order to create more profits, this thesis is written to explain what business ethics is and how it affects the business. Since an unethical act doesn't mean it's illegal, whether to operate ethically or not is within the manager's power to decide. However, minding about ethics while operating a business is not a distraction for managers from making profits as many claim.

In recent years with the development of technology, information is delivered more quickly and more conveniently while sponsored marketing messages also travel faster. Users of a technical device such as smartphones, tablets, and computers are often overwhelmed with information, some of which may not necessarily correct. Consumers have the right to know the truth about the products that they are using; at the same time, product placement (e.g. a blog post or an article that mentions the product), makes true information harder to access. Therefore, not only should business managers understand what business ethics is, customers should also be aware of unethical businesses to protect their own rights.

1.3 Limitations

The research methodology of this thesis was to interview people with experience in management, whose decision can affect a business. While the enquiries were sent to a number of Start-up CEOs, companies' representative, Directors, only a few of them responded. The answers from the participants were collected in the email form due to the time differences in different participants' living location. And as the interview were carried out in the email form, the author was unable to lead the participant directly to the question everytime they misunderstood the question. Out of the seven participants, six of them weren't English native speaker. The interviews were taken entirely in English with a complicated topic, therefore there are matters that were hard for the interviewees to express in English.

The topic of the thesis can be considered abstract. As a non native speaker, the author though tried, could not express to the maximum extend about the idea, argument and intuitive thinking about the matter.

1.4 Structure of the thesis

The thesis consists of six chapters. The first chapter poses the thesis topic and explain the reason that motivated the author in choosing it. The second chapter defines and explains business ethics. It mentions factors that create difficulties in making ethical decision. The chapter closes by showing the consequences from unethical business practices. The third chapter is about CosmEthics and its work in revealing illegal substances that are being used in cosmetics around Europe. Chapter 4 explains the objectives of the research and how it was carried out. In the fifth chapter, the findings from the research was discussed and conclusion is made in the last chapter.

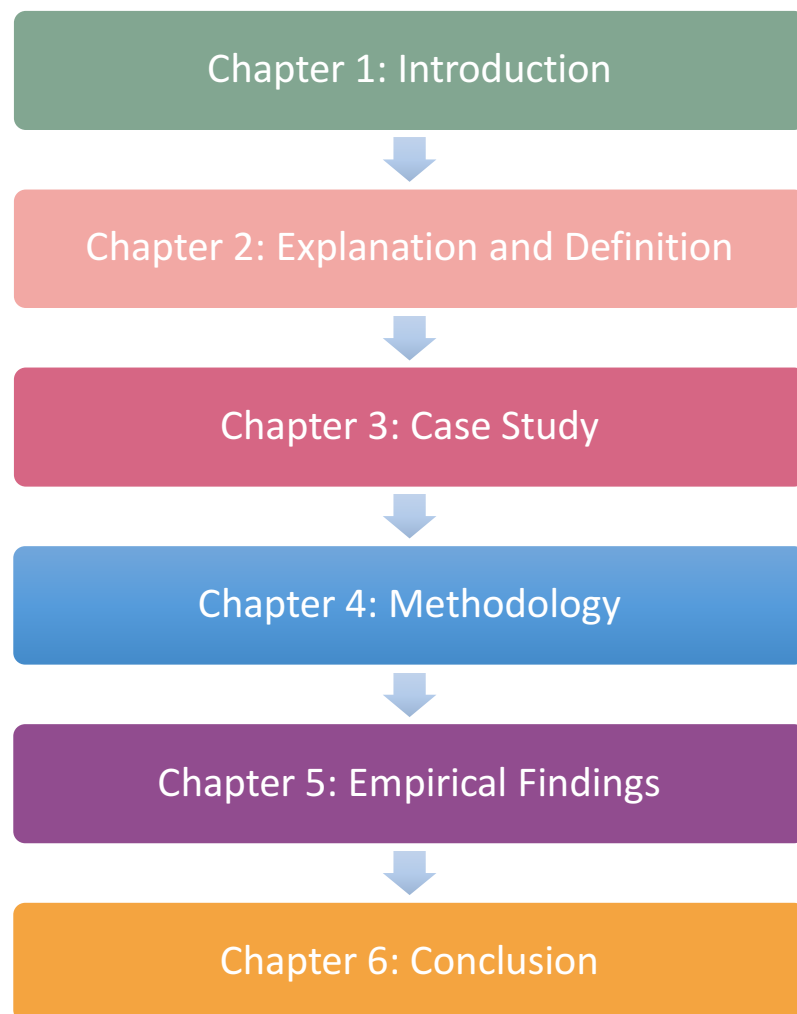


Figure 1 Structure of the thesis

2 Theoretical starting point

In this chapter, the definition of morality, ethics and business ethics will be discussed as understanding business ethics is crucial for business managers. While trying to achieve the ultimate goal of increasing income, business ethics can benefit the business as well as bring philanthropists the satisfaction of helping the community.

Manuel Velasquez (2006) mentioned, “The best way to begin a discussion of business ethics is by looking at how real companies have incorporated ethics into their operations”. The case of Ford is a good example for opening to discuss about business ethics. Ford Motor Company is a very famous American Automaker. As mentioned on Forbes’ website, everything started when Henry Ford made the first four-wheel vehicle in 1890. After 120 years, in 2010 Ford was ranked at 8th place in the Fortune’s 500 list of all American companies with the revenue of \$118.3 billion. Ford has the reputation of quality and we can easily hear the brand’s name whether directly or indirectly advertised in most sport events and competitions. This thesis doesn’t focus the business moral aspect of Ford nowadays, but a part of Ford’s history: The Ford Pinto.

Ford Pinto is a car model manufactured by Ford from 1971 to 1976 with more than 2.2 million sold (Wojdyla 2011). What is special about the Pinto car was its design. In 1968, Ford’s then-president Lee Iacocca didn’t want to let his company’s business be threatened by the Japanese car-manufacturing industry. He pursued the Pinto program, in which qualification is relatively aggressive: “no more than 2000 pounds (907 kg), not a penny over 2000 and a delivery deadline of just 25 months” (Wojdyla 2011). Under the pressure, Ford found a problem with the fuel tank during the development stage. In low-speed rear-end crash testing, the fuel tank showed several flaws (Wojdyla 2011), reported leaking less than a minute after the accident. It doesn’t take an engineer to understand the risk of inflammation and explosion from the fuel tank and this clearly puts the customer into high risk when experiencing an accident. Two options were brought out for Ford to fix this deadly mistake in the design. Technically, for Ford to repair the design flaws, the cost would be approximately \$113 million. However, they calculated that lawsuit from consumers would only cost \$49 million. According to Dowie (1977), Lee Iacocca used to say: “safety doesn’t sell”, they decided to go with the lower-cost solution, meaning risking thousands of their customers’ life to great danger. Before any legal action was ever been brought out, more than 20 people had been either injured or killed from accidents caused by the fuel tank inflammation (Bazerman & Tenbrunsel 2011).

Ford’s strategy was to put the expenses on the table, calculate which of the options would cost more, then decided that human injuries and lives were not worth the \$64 million they could save. Business-wise, this might have been saved the company a considerable amount of

money. Nevertheless, human lives should never be calculated, compared and charged in any monetary form.

A business manager has responsibility with the shareholders and the investors to find strategies to earn more and to spend less on unnecessary expenses. Through Ford's story, it is true that Ford did save the company (at that moment) a large amount of money repairing and changing the design of the Pinto. Added to that, at the time when Pinto was manufactured, the car industry in America was being threatened by the Japanese car industry. If right after being released from the factory, Ford's cars were taken back for design faults, it would definitely bring bad reputation to Ford. This could have led to a worsening in number of cars sold as well as let foreign cars win the American market. On the other hand, Ford knowingly sold the cars with design flaws to the market, understanding it would risk many lives. Moreover, they foresaw the accidents, calculated how many people would get affected by it, but still decided to follow the profits rather than to save lives. In today's world, this could be charged with Second Degree Murder.

The Pinto scandal happened in the 70s, which brought Ford's name to very bad publicity. However taking Ford's today success into consideration, the scandal doesn't seem to create Ford too much difficulty. This is what should be taken into account when considering about business ethics. Following business ethics doesn't secure one's success and vice versa, unethical business acts aren't all going to be punished. According to Velasquez (2006), in the long run with various competitors, a business that is well known for its ethical behaviours will receive significantly more advantages comparing to businesses that are considered unethical. Not all cases are as clear as the Pinto scandal. In real-life situations it is very hard to define what is ethical act and what is the right course of action. For people who face situation where a decision could be made, the conflict between self interest and ethical acts makes it sometime impossible to make the right call.

2.1 Morality and ethics

Children grown up getting taught by their parents about what is right and what is wrong. They then started to learn that lying is bad and telling the truth is good. These are the first moral standards they are aware of. One person's moral standard is made up by lessons they got from their parents, teaching from their religions, from friends, classmate, colleagues, media, etc. How do we judge what is the right and wrong thing to do? Justice has been explained by Socrates, is the compromise between things that human want to do and things that human don't want others to do to him. The law was made in the same basis and in most cultures, it is utterly wrong to kill other people, to steal, to rape, etc. What is legally acceptable doesn't always mean that it is a right thing to do. Different people have different moral standard.

Let's take one example about America where the largest religion is Christianity. Most Christian in America believe that abortion is wrong since it can be seen as an act of murder. The extremist took it to the level of defunding Planned Parenthood, slut-shaming women who have abortion and most recently, a man in Colorado committed the crime of mass-shooting at a Planned Parenthood Clinic. The shooting results in three dead of two police officers and one civilian (Gambino 2015). Which was quite an irony since he committed the exact crime he accuses others of doing. The shooting incident aside, abortion has been one of the biggest political and ethical arguments in the US. The supporters of abortion, the pro-choice believe that it's a woman's choice to decide what to do with her body. Given the fact that in many states where Planned Parenthood and clinics that offer abortion service has been banned, more women had to resort to self-aborting techniques, which intensively damage their health. According to Baptiste (2015) in El Salvador where abortion is illegal, 59 percent of the death of females aged from 15 to 19 is caused by suicide. In the point of view for the pro-choice supporter, Planned Parenthood provide necessary service and make legitimate income from it. However the pro-life supporters view Planned Parenthood as being unethical and go against their ethical standard. Both sides have their own arguments, and both sides believe that the opponent's argument is wrong. We can see that this difference in opinion is created by a contrast in religion belief. In real life situation, one's opinion of what is right and wrong can be affected by various factors and it differs from person to person.

Understanding what is morality makes the definition of ethics simpler: "Ethics is the discipline that examines one's moral standards or the moral standards of a society." (Velasquez 2006). Within the example of Ford Pinto, the managers of the company could have taken back the cars with flaw designs, however they weighed the pros and cons of the action: If they retrieve all of the cars that has been sold, would it change the company's reputation? Are people going to face trivial accident rather than serious accident? By retrieving the cars and fix the design, the amount losses could have made serious damaged the company, what are the consequences the shareholders would had to face? Will the saving from not repairing the cars result in a long term decrease in sale? The act of asking these questions is the act of doing ethics. Considering what is suitable, reasonable, and justifiable; weighing options to find the best solution that satisfy one's morality is how we apply ethics in our lives.

2.2 Business ethics

Within a business environment, business ethics examine, govern the decision, action and behaviour of a business operation. It studies the corporation's actions to judge if an act is morally right or wrong. It prohibits immoral actions. Many may argue that while personal ethics exist, a corporation, a business doesn't have ethics since it's not a human being; a business' responsibility is to abide the laws and earn the profitability. Others find this to be wrong.

Business ethics is different than personal ethics since in most business, there is more than one person involved. Whether a small business or a large enterprise, it is a group of people joining hand and force to run the company and create revenue. A business' success or failure can affect the shareholders, stockholders and even the society where the business operates. Ethical standard formulates the company's culture, it influences the employees' working spirit, shows a good image to the public, develop trusts from the customers, has advantage from potential customers and/or potential business partners. When one argues that ethics shouldn't be the primary focus for any business managers, it's certainly wrong. Trust is what leads other companies to choose one business to be its partner, that keeps a customer loyal to a brand, that attract potential customer to try out a product. And undoubtedly, people would be more willing to trust a company that is known for their ethical culture.

Ethical business will sure have more advantage over their competitors. Companies who violate the ethical standard might face the judgement of law, and/or criticism of the public. Legally, an act is not a criminal act until proven guilty; many businesses abide the law, however their actions wouldn't be called ethical. This includes lying (to an extend) about product's ability, animal testing (depends on the country of operating) and so on.

Violation of business ethics exists in many forms: "Bribery, sexual harassment, patent of copyright infringement, lying and deceit about product performance and safety, deliberate use of harmful substances, intentional environmental pollution, discrimination, dangerous working condition, violations of promises". (Carroll & Gannon 1997)

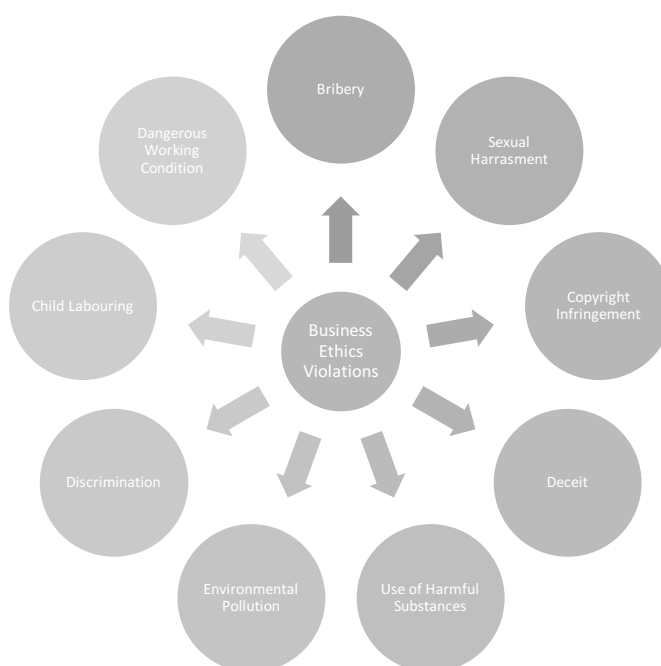


Figure 2 Business Ethics Violations

When a business violates the law, it also violates the business ethics standard. The most common legal cases against big corporations often are bribery, environmental contamination, discrimination and harmful/dangerous working environment. Illegal conducts would be fined and many companies had to pay million for their crime. The problem with fines is that the fines the companies have to pay are very small comparing to its revenue. Resulting in many companies have been fined multiple times continue to practice their business in the same way they got charged for. Computershare is an Australian stock company, in 2015 it was fined with the amount of €322,500 due to several breaches of legislation (Burke-Kenedy 2015). The firm breached the law knowing their action would risk their client's assets. However, at the end of the year, according to Computershare's annual report, their revenue hasn't experienced a sharp change. The total revenue by June 2013 was 2,019 million USD, by June 2014 it was 2,015 million and in 2015 (Computershare 2015), after being fined, their revenue was 1,971,3 million. Though decreased, the fluctuation isn't significantly.

Unethical business acts don't mean it is illegal. McDonald's in America has been known for their infamous stinginess towards its employees. The staff who works long hours in the famous food chain merchandise get paid so poorly they can barely afford to live and support their family (Shin 2013). It is understandable that ever once in a while, McDonald's employees going on strike become news headlines, however McDonald's act maintains absolutely legal.

Business ethics can be divided into several major parts:

2.2.1 Ethics of Human Resource

Discrimination in working place exists in the basis of racial, gender, age, religion, etc. (Velentzas & Broni 2010). Employees of a business are entitled to be treated equally. Discrimination toward an employee would result in bad publicity, lost in sale, driving talents away and even lawsuits. Employees when being well treated will be more loyal to the business, feel encouraged and eventually become more productive and efficient. Companies that are known to treat their employees are also more attractive towards talents.

2.2.2 Ethics of Sales

The nature of the product being sold can be sensitive. For example, the tobacco industry has portrayed badly for causing potential health problems to its users, not to mention the addictiveness of the product. Tobacco has been proven to have connection to cancer in various forms. However, many argue that, while smoking is addictive, the tobacco industry creates great number of jobs both in developing and developed countries. Tobacco companies are

also one of the most generous donors for universities and research laboratories. Doing sales and other partnership with business that is known for being unethical also makes a business become unethical.

2.2.3 Ethics of Marketing

The nature of marketing is to manipulate our values and behaviour (Velentzas & Broni 2010). Businesses use marketing as a tool to attract potential customers, maintain the relationship with the current customers and to compete with rivals. Within marketing process, the use and power of the product often get exaggerated. Sometime, misleading information was given to the customers (see Kellogg's case in chapter 2.9.2). Tobacco industry has been criticized for targeting younger audience in lower income countries even after a global treaty has been signed (Brodwin 2013). Pharmaceutical companies have been accused of using more than half of their revenue to invest in marketing rather than to develop new medicine formulation (Swanson 2015).

2.2.4 Ethics of Production

Business that makes profits from manufacturing process has to make sure their products are ethically produced. This means the result of the production process has to be proved not harmful, doesn't consist of toxic substances. Many animal rights activist also raised the point that products made for human usage should not be tested on animal. The use of child labouring and sweatshops is also prohibited. Companies are strictly being observed by the government and NGOs to reduce and handling their industrial waste to preserve the natural environment.

2.2.5 Ethics of Competition, Insider Trading

Competition in business is unavoidable, using the metaphor method of Yuichi Shionoya (1995) it could be compared to sport. The competition between businesses is a challenging game where the ultimate goal cannot be achieved by all parties. It has to follow the rules; the one with most outstanding merit will win the prize of their interest which is in most cases, is profit. Pricing fixing, price discrimination, retail price maintenance, etc. (Velasquez 2006) is a few common unethical practices.

Insider trading can be either illegal or legal depending on the time when the act happened. When the information of stock or bond is not accessible to the public, the act of tipping information for outsider to make buying decision is illegal and can be seen as unfair in competition.

2.3 The Philosophy of Business Ethics

In one of professor Shultz's lecture as well as within the book of *The Vision of the Firm*, the story of Gypes the Shepherd was mentioned. This is because in the story has one factor that could easily illustrate the sense of morality.

In short, the story was about Gypes, king Lydia's shepherd. In one stormy day, an earthquake cracked the earth open and Gypes went inside to find himself amazed with the scener. There was a statue with a golden ring on its finger, eventually Gypes took the ring and went back outside of the cave. He then realised that the ring gives him the power of invisibility. With his newfound power, he seduced the king's wife and together killed the king, usurped the throne.

Why and how Gypes changed from a common shepherd into a villain that could convict the sin of infidelity, murder and treason? The sense of invisibility here underlines one important factor: a person's common sense will be different if they don't have to shoulder responsibility for their action. Gypes could have had a life of a commoner, who abide the rules for the rest of his life. However, the ring enables him with more opportunity to experience and do things he has never been able to, without anyone knowing. Upon the story of Gypes, LaBossiere (2009) summarised the conversation between Glaucon and Socrates. Glaucon, an Athenian philosopher upon the story, concluded: "If identical ring were given to a just man and unjust man, the both men would act unjustly". This leads us to another question, what is "justice"? Glaucon the philosopher saw it "as a compromise between what human desire the most and what they don't want to encounter the most". By understanding what people don't want to encounter, the definition of "justice" was introduced so people would not trespass other's rights. Eventually, governments establish law for its people to obey and smaller organisation introduce their rules for its employees to follow. Although, the jurisdiction or punishment for neglecting the law or rules can only be applied when the crime is visible or provable. On Internet forums, it is common to come across the poll/question of "What would you do if you were invisible for a limited amount of time?". The majority of the answers include illegal/morally wrong actions. Thankfully invisible is not possible yet.

Though, non-violent crimes commit by large organizations are not easy to detect. Late 2015, Volkswagen a top selling German car manufacturer admitted to have been using a 'defeat device' in order to cheat US diesel emission test. According to *The Guardian* this affects 8 million cars in Europe and 11 million worldwide. Thanks to The Environmental Protection Agency (EPA), this unethical business act could have been covered by many well-funded marketing campaign convincing customers of the car's low emission. Diesel vehicles have been

marketed as being more environmentally friendly comparing to petrol vehicles since diesel is more efficient than petrol (Hotten 2015). However, the sales of diesel vehicles are slowing down, politicians are trying to prove that diesel, indeed, is not as environmentally friendly as petrol cars. Jos Dings from Transport and Environment group said “Our latest report demonstrated that almost 90% of diesel vehicles didn't meet emission limits when they drive on the road. We are talking millions of vehicles”. Yet, millions of these cars are releasing more Carbon dioxide than it stated it would be.

Global Warming Effects are no longer pure theory, it is happening and yet, companies, organizations, politicians, and even head of countries are turning a blind eye to it. Every once in awhile it came to knowledge that one big company is suffering from environmental scandal. These scandals only came to light when the wrongdoing can no longer be covered up. Volkswagen might not be the only one who is cheating on standardize tests. Big organization, with money, lobbying power can afford ‘unjust’ actions without being caught. Ironically in late 2013, Volkswagen was listed as number 8th on Forbes’ list of Companies with The Best CSR Reputation. How many other companies in this list are violating environmental laws without the publics’ knowing?

2.4 Why do we, as a part of society, care about business ethics?

A business can only be successful when it has a considerable number of customer who willing to purchase the business’ product with monetary form. Performing business ethics is one way how a business can give parts of its success back to the society, showing its gratitude toward the society that helped it develop.

Business ethics is highly considered within today’s society. The more our world is developed, the more we become conscious about the products we are using. Not only do we expect the best quality products from the manufacturer, we also expect them to be ethical.

As the result of many study research as well as propaganda, we care more about the environment around us. In the recent years the number of people who became vegan and vegetarians increased dramatically. This is the result after many studies shown the link between meat production and gas commission. Beef, among other meats, has the most impact on carbon commission considering the amount of water, land and grass consumed to feed the cows. (Carrington 2014). Not only do vegans and vegetarians consider going meat-less is a way of saving our planet from global warming, most of them also consider animals as friends and do not deserve to die for human’s comforts. Answer to the new trend, many businesses add more product line where they claim to be cruelty free and 100% vegetable-based.



Illustration 1 Clipper Tea, the brand with "Natural, fair & delicious"

Becoming less dependent on meat is not the only way people show their consciousness toward the environment and the harmony of the society. After the cheating device scandal, Volkswagen's sales dropped 25% in the US market and 20% in the UK (Kasperkevic 2015).

How society values business ethics does not only show in how people avoid using products from companies who commit unethical acts. The public also show appreciation toward those who help unfortunate people. A person who reads the news regularly must have come across articles about celebrities who visit hospitals to give their fans a word of motivation. Famous football player's small act of giving out his shirt to a junior fan would be shared and liked on the Internet for tens of thousands times. Singers, actors who publicly show their support toward the LGBT community also receive positive answers from their fans and even the non-fan. Celebrities aren't the only one who promote their names by doing good acts. Businesses have been known to donate their profits to support victim of natural and man-made disasters, fund NGOs, etc. In 2013, Supercell, a Finnish gaming company's employees donated nearly 3.5 million for children's hospital. Supporting those who are in need not only makes employees of these business feel good, it also gives positive effect to the company's name, which is the main reason behind these generous acts.

Business ethics is getting more attention more than ever before, in spite of that, this is not a new hype, it existed as long as we humans started to trade. A business is established in order to bring its owner profits. By running a business, the owner creates job opportunities, supplies goods to the community and trades with his suppliers. In a simple form of business ethics, we can take a look at the following example: Vietnam is a developing country. Recently

the country has opened its door for many trades outside its own region and created more international relations. However, the economical situation was not the same thirteen years ago. At that time, international corporations in Vietnam were mainly big players worldwide. The country was still full with small, personal owned business. In the small area near the suburban, small groups of kiosk would form a market place instead of fancy mall or supermarket as nowadays. Still, competition in small market place still exists. For the same product, a person could make their purchasing decision from two or more kiosks. The matter of price and place taken into account, the kiosk that is a bit off the common track with a slightly higher price would still be able to sell more when people know that the owner is doing charity works with parts of her profits at the temple every weekend. Thirteen years after, when new roads were built, new shopping centres were opened, the kiosk still remain its business and have frequent customer when most of the other kiosk has been closed due to unable to compete with supermarkets. It's just a small example, however it shows that not only educated people who come from a developed country with high social status that care about business ethics. When it comes to morality and common sense, most people will be able to recognise it and ethical business practice would make a difference.

In Japanese, the word "Kyosei" is defined as "coexistence". The original biological meaning later on changed, being seen by Ryuzaburo Kaku (1997), Canon Inc.'s Chairman as "Living and working for the common good", which carries its sense of business ethics. According to Garbus (2013), since 1987 Canon has been using Kyosei as their Code of Ethics and philosophy for the company's development around the time; Canon's approach toward business ethics seemed to be a step ahead comparing to other organisations. Kyosei, not only explain how employers and employees should be working for the common goal, it's also about the harmony, the shared goal between the business and the surrounding environment; between the business and its supplier, customer, competitors and government.

A business, beyond its pure goal of creating profits and providing its stakeholders' benefits, should be responsible for the environment and the society. Given the fact that, people with high social status are more likely to be concerned about a business' ethic aspect (Fisher & Lovell 2006), doesn't mean people with lower society status don't give it a single thought. And not only does the business should act morally for the sake of attention and appreciation from the public, it also creates self satisfaction for those who were doing the goods - the employees, making the working environment more enjoyable and motivating. Why, we as human, feel satisfy when helping others, rage when seeing immoral acts, care for other people while having no direct connection?

Aristotle the Geek philosopher once said “Man is by nature a social animal”. A baby communicates with its caretaker by crying, we developed language, body language by the age of four. We are the only animal that through evolution developed altruism. Animals do show their actions of helping each other, however it is more likely to be seen as an act of helping the same kin. Altruism, empathy, only exists within most of us humans. Through evolution when humans have to work together to survive, it is within our genes to feel the need of helping others, either for further purpose or just for the satisfaction of knowing what we’ve done makes one’s life better. As the result of the forming of the society, we draw new circles of connections around us, selecting close family and friends for inner circle, acquaintance for middle circle and strangers for the large circle. Our priority of course lies within our inner circle. Once we reached to a level where life is easy, all of our basic needs are fulfilled, we start to care about the middle circle and large circle more. No one is the same and each of us have different level of empathy toward people. But it is within our nature to look out for the same kin. It is our instinct to support organisations that value morality in business instead of business that purely answer to the profitability call. By supporting ethical business organisations, a person would get the feeling that they are, in deed making good deed and indirectly or directly creating a better world.

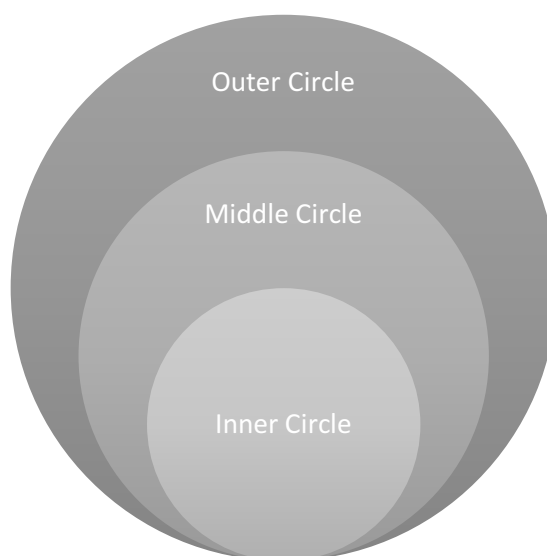


Figure 3 Relationship Circle

2.5 The contradiction within business ethics

The fact that recently more organisations are trying to improve their image by donating parts of their profits for the ones who are in need should be seen as a positive sign. However, there are debates between what is the difference between a business that does good acts because it's employers and employees feel the need of being responsible and share the profits they

earn to less unfortunate people or to protect the environment; and the business that only gives donations and charity for the sake of good publicity. One side of the argument focuses on the point that: it is hypocrites of companies to donate a sum of money without actually caring about the people who receive it, as it's only an act of creating a good name. The other side argue, whether an organisation really care about the recipients' problem or not, it doesn't matter since the recipients' still receive the necessary monetary help.

If we simply take the fact that a company donates its profit, it is true that there is hardly any difference from whether the company really mean to care about the recipients or they only want good publicity. At the end, the recipient will receive that donation and they will use it to support their needs. In simpler words, it's an action of fake it until you make it. However donations more than often, is more complicated than that.

For example, Facebook CEO Mark Zuckerberg, according to Forbes' contributor Wood (2015), gave his savings in the stock form as charity, the stock will be listed in charity category; hence the Facebook CEO will receive the tax return for its market value. A survey carried out by the OECD (2008) examine the situation of tax avoidance in the participating countries. Countries where charities are reported as having no abuse of charity are Austria, Chile, Denmark, France, Germany and Turkey. While Argentina, Belgium, Canada, Italy, Norway, Spain, US and the UK are reported to have tax avoiding crimes and money laundering involving charities. The money from donation after a round of laundering, later on end up in its original owner's pocket is a fact that many considered as conspiracy. Kids Wish Network last decade alone raises more than 110 million dollars under the name of helping dying children and their family. However out of every 1-dollar they receive, only 3 cents actually made it to the kids (Hundley & Taggart 2013). Kids Wish Network were an example of organisation that hide under the coat of ethical doing to make money.

Surely, not all companies are using donation to save money for themselves, and not all Non-profits organisations are frauds. Yet, business ethics can't simply be seen as an act of giving away the money. It is a long and hard process to make profit in an ethical way.

2.6 International business ethics

Big multinational corporations nowadays no longer only operate in their country of origin. Most corporations when having enough profits and find foreign country's work market profitable will start to expand their manufacturing/operating process. Multinational corporations are companies that have a chain of production in many countries. For example, Apple has their famous iPhone designed in California, but their phones manufactured in China where the labour is cheaper. To reduce the production fees as low as possible, companies always try to

find the best deal in developing countries. This action provides jobs and income for developing countries. Many rural parts of South East Asian countries were industrialised, funded for establishing manufacturing electronic devices. In one hand, this provides the manufacturing country a great deal of income and solve the problem of joblessness. On the other hand, multinational corporations always look for country with the cheapest and most relaxed in law. This, in turn, pressured developing countries to compete each other for lowering the price and loosen the law, which couldn't be seen as the most ethical course of action.

Another perspective from multinational corporations that operates in developing countries is that they often prefer the country with the most loosen law. The problem is developing countries, more than often, don't have the mean and can't afford waste controlling system. Industrial waste from manufacturing goods heavily pollutes their natural environment. One example is the palm oil harvesting process. Palm oil is used in many different product lines including cosmetics, food, medicine, toothpaste and much more (Goodman 2014). Palm trees are grown and harvests mainly in Indonesia and Malaysia. This provided income to Palm growing regions. Despite all that, the increasing need of palm oil led to deforestation in regions where palm oil is heavily harvested. WWF reported that natural habitat in these area lost their living area and drove to extinction, which includes elephants, tigers, rhinos and especially orang-utans. This serious environmental issue was portrait by many environmentalist and journalist, which created a global respond from consumers. Now many manufacturers are claiming that they only say yes to sustainable palm oil; plain oil, which produced in a sustainable way that is environmentally conscious.

To define if a company is morally responsible to what happened in developing countries where they out source their production lines is relatively complicated. Nike, a famous sport clothing line from the USA have their products designed in Seattle, Washington, and they out source the production to companies in developing countries for the manufacturing process. These companies in developing countries reportedly hire underage children as a part of their workshop (Boggan 2001). Mistreatment toward workers is also common, but in order to determine whose fault this is, is complicated. Since Nike only hire manufacturer to produce their goods, they are not directly, mistreated the workers. They sure have responsibility to make sure that the contracting companies are working legally, however the fact that the contractors use under age children is rather unforeseen. Taking the differences in cultures into accounts, in developed countries it is believed that children are the future and should be nurtured, taken cared of so that they can live happily and have good education. However, in developing countries where many people are still living under the rate of 1 dollar per day, it is common that parents cannot afford to take care of their own children. Also due to the culture, in developing countries, having a lot of children is not rare. Poverty plus having too much children lead the parents leave their own kids to feed themselves while they are in the

age of going to school. It is also part of the culture that it is acceptable that a child can “help” their parents by making money, by being exploited by sweatshops. When western journalist found out about this, it created a big outrage and called for justice for these kids. They blamed the multinational companies for establishing manufacturing factories that drives these kids out of school. In 1993, the Child Labour Act was introduced in the US where it bans imports from countries that use children as a part of the workforce (Powell 2014). This was done in the hope that children in third world countries will no longer be exploited and they can focus on what kids their age should do: education. The reality is not close to what they expected. These children after losing their jobs due to the Act, a large number of them ended up to live on the street and/or forced into prostitution (Powell 2014).

Multinational corporations that operate in countries with different culture will also face the question of which culture’s ethical view should they apply to their business? In Western culture, bribery, child labouring, environmental polluting is considered as unethical. When they operate in, let’s take the example above, Bangladesh, where child labouring is common, should they follow the host country’s custom, or should they apply their ethical point of view to the business and avoid child labour? Another example is Americans companies that have business in Arabs countries, it is considered not wrong in Arabs countries to bribe, although this is a felony in America. Cultural clash makes it hard for business when performing business in other countries. However, most companies would decide to adapt to the country of operating’s culture. One example is the famous KFC franchise in America, when opening in China, they also introduced meals with rice and soup-which is entirely a strategy to adapt to the Chinese cuisine culture. Cultural adaptation can make a great different between successful and failure to a business.

Opposite to KFC’s success in China, Home Depot is a famous American brand for home improvement and construction products. They decided to expand their business into Chinese market. Unknowingly, in Asian culture, especially in China, people prefer calling for a service where everything could be done rather than to “do it yourself”. The famous American brand decided to retreat to their country of origin after a few years of struggling in the new market.

Understanding how important it is for a business to adapt to another country’s culture, then to what extend should the business adapt? Is it ethically for Nike to continue with companies in developing countries, knowing that they use child labour or is it simple an adaptation for the culture? Obviously in most countries, certain actions would still be seen as unethical such as: thief, murder, money laundering, etc., however it is more complicated when it comes to matter of homosexuality, gender equality, slavery, abortion, etc. It is a hard question to answer, yet, most companies decide to choose either to turn a blind eye to unethical practices when operating in the host countries.

2.7 Technology and Innovation

Technology is developing in a very fast pace where each year we achieve many new inventions and technological evolution. Just take the example of how one normally pays for his good. The most common way everyone in the world is still using to pay for his goods is with cash. This year (2016) cash is still widely used in many countries. Japan is one of the most technological advance country in the world, it is a surprise that due to the cultural aspect, people would still prefer to use cash. If one is travelling in Japan and only have credit card as the paying option, he is going to have a hard time since most stores and restaurants in Japan don't even have the card purchasing system. However their neighbour, China has a bit of a different approach in the purchasing method, which will be mentioned later. Going a bit further to the West, Sweden is the country that is the closest to getting into a cashless economy with the central bank has its interest rate at -0.35% since July 2015 (Edwards 2015). In Finland, most stores and restaurants must have a card paying system installed. Even morning breakfast shopping with the product value less than 3 euro, one can easily be found paying with credit card. The common use of credit cards and bank transfers is the prove of its convenience. It is also easier for the government to control and calculate the tax rate from its citizens. Yet, credit cards are not the most advance payment method. Google released Android Pay, a payment method that you can use your phone to pay for common services. By uploading your card's information to your phone, you will be able to own an Android Pay wallet. At the point of sale, your phone (only available on phones with NFC) will make contact less connection and will be authenticated by the store's purchasing system and the payment will be made. Android Pay was released in October 2015 and available in America. Though new, many people have been using the Android Pay and more will be able to use this when it is released in Australia in 2016. American and European countries are not the only ones who appreciate the convenience of cashless payment. In China, Alipay, an application developed by Alibaba Group. It was launched in 2004 and now every Chinese with an Alipay application on their android phone can easily pay their online purchases. Alipay has grown significantly and now many companies offer the option for their employees to get their salaries through Alipay and one can pay their electricity bills with the same service. Its immense growth even put Chinese banks into difficulties.

The more we rely to technology, the more we are vulnerable to cyber attacks. Hackers have been known to be able to rob money from banks and personal saving accounts. The information we stores within our phones or emails can put our business or company when fallen into the wrong hand can put one's business or company in jeopardy. Apple as one of the biggest technology company also has to update their firmware every 6 months in order to pro-

tect user's information. Technology is developing in a very fast pace and most of the advanced device's users don't know how to protect themselves from information thief.

When the property being violated is information, it is harder to examine the nature of this ethical issue (Velasquez 2006). With the current technological development, we face the threats of losing our personal data, banking information and even identity thief. In the creative area, recording and movie production companies are still fighting the copyright war against piracy. Cyber bullying is one of the known phenomenon on the internet that cause negative effects on the victim. No one can deny the advantages technology support our daily lives, however in the future where technologies can greatly affect our lives, we need to develop a stricter ethical standard on it.

2.8 Conflicts of interest

It is within the definition of business ethics that a company should abide the law, nonetheless they also have the duty to protect their customers' right. In reality, customer's right and governmental order might clash. In 2013, the case of Edward Snowden whistle blowing the United State of American's government reminded us, especially American citizens, that they are being governed, and that their basic privacy is being preached (Greenwald & MacAskill 2013).

Edward Snowden, the man the majority of American media portrait as a traitor of the country, is a computer professional. He was a former NSA system analyst and during his work there, he noticed that the American government is running an international surveillance program. After successfully escaped from America, he handled the information he collected while working for the CIA to the The Guardian's journalist (Greenwald, MacAskill & Poitras, 2013). The content of the document Snowden handled created an international outrage, stating that the US is spying on other countries' citizen, leaders and even UNICEF.

Within the program called PRISM by the NSA, the American government has access to the system of Google, Facebook, Yahoo and several other technical giants. Greenwald & MacAskill (2013) reported that the NSA had the court's order to read, analyse email, contact lists, location of the phones' users. With the access to Verizon, one of the biggest American telecommunication provider in the United State, the court order allowed the NSA to get access to daily conversation of millions of people who are using Verizon. The program required Verizon to handle data of daily conversation of its customers. However, it's not ended there. The location of the phone call, duration, identity of the sides of the conversation, of both inside call and international calls will be handled to the NSA (Greenwald 2013). By this method, they collected information from suspicious target, and, other countries' leaders. Revealing this

information has officially turned Edward Snowden into public enemy number one in the US. It created a political tension when the information that at least 35 of world leaders has been tapped by the US with the agreement with the British's GCHQ (Governmental Communication Head Quarter).

Many people, while noticing the news, don't pay much attention to it. Even though this is more of a political scandal, it is a big preaches into personal privacy - one of the most important rights Americans are proud of. As in one of the segments from the show Last Week Tonight, John Oliver has an exclusive interview with Edward Snowden in Moscow; John Oliver tried to break down the matter into a simpler explanation. While the majority of Americans didn't care about the scandal, they think that other parties, which are what their government are doing, should not read the content of their conversation.

The American Government justified their surveillance as a way to protect their citizen. After the 9/11, the American Government are believed to invest more resources into preventing another similar incident to happen. They also blamed Edward Snowden for betraying the country, as his act revealed the identity of undercover agents. Knowingly that this is the act of making sure terrorist attacks will not happen again, is the American government's act of spying on their citizens justifiable? Not to mention the possibility of misconduct for people who have access to the information. The agents of NSA reportedly broke the rule and use the system to spy on their love interest; this was called the LOVEINT (Peterson 2013). What could have gone wrong when the access fallen to the hand of the wrong people when during this day and age, only with access to email we can already have pretty clear idea of one's life. We store many important information in our phone, email. If this doesn't worry people, what would they think when realising that also their bank account number, credit cards information already be stored online? One's lifetime saving can easily be changed to 0.

While the controversy among Edward Snowden is more of an international political scandal, it has strong relation to our discussion from before. It is hard to determine if the act of American Government is right and wrong but obviously no one wants his or her phone to be tapped, email to be read. In the latest movement, Apple's CEO Tim Cook released an email to its customer relating to this problem. He mentioned the FBI (Federal Bureau of Investigation) has given him order to create a backdoor for the government to access to the data of Apple's users. With the back door system, the FBI can have access to not only one or two phones but they can unlock all iPhones that are being protected by passcodes. Apple fought back and are taking the matter into court. Meanwhile, ethically, Apple is going against the government's order. At the moment when the final decision is not made, Apple can not be seen as not abiding the law. However, if the decision is in favour of the FBI, Apple will have to reluctantly hand over the back door system to the FBI. This act, while serves the governmental policy and

order, is not in their users and shareholders' best interest. When the FBI has the back door system, any iPhone can be opened; and if the system is fallen into the wrong hand, the outcome is very troublesome. If the NSA employees used their system to spy on their love interest, what can guarantee that FBI employees wouldn't do the same?

2.9 The consequences of unethical businesses

The line between ethical and unethical business acts is thin and some businesses favour profitability over morality. The result from business acts that don't uphold moral standard differs in each case.

2.9.1 Affecting the society

When a business practice unethically, the victim of the act varied. It could be the consumer of the good that shoulder the negative affects from using the product that has been manufactured poorly. It could be the contractor of a brand that receive an unfair deal. It is possible that the employee of a business has to face the distress from being treated unequally. The environment is also a victim of careless and irresponsible industrial waste management; once the environment is polluted, the natural habitat's lives are also endangered.

2.9.2 Unpunished

Either employer or employees can commit unethical business acts. It ranges from using working time for personal issues to bribery. As the matter of fact, most unethical acts go without being noticed or without being punished. Desmet & Hoogervorst (2015) studied the pattern in unethical business acts and confirmed that it depends on the business environment and competitiveness that affects whether an employee is going to be punished when making unethical decision. In highly competitive environment, an employee's ethical misconduct that result in profits for the company often goes unpunished. Since the manager is under the pressure of maintain the company's cash flow while being threaten by competitors, he will be pro-profits instead of favouring ethical standards.

In larger scale, a business when getting exposed for lying and cheating doesn't mean it will be punished for its crime. As mentioned before, the food chain McDonald's in America has been paying its employees minimum wages and publicly known for its bad treatments toward the employees. Not to mention McDonald's food has been known to be unhealthy. In an experiment, Morgan Spurlock in his documentary *Super Size Me* tried to survived 30 days on only McDonald's food. After the period, he gained 25 pounds (approximately 11.3 Kg) and his health severely damaged. Despite all that facts, McDonald's is still a growing business. In the

case with Kellogg, the famous cereal brand claimed that one of their products is proven to help the children attentiveness by nearly 20%. The truth is, they rounded up to 20% from 11% according to the American Federal Trade Commission (2009). Moreover, Kellogg's study was based on the comparison between two groups of children: those who have Kellogg for breakfast and those who have nothing for breakfast (FTC 2009). Kellogg was brought to court by the FTC (Federal Trade Commission) and they settled by agreeing that Kellogg shall not make untruthful and misleading claims about their products. This should have been obvious that no business should make such misleading marketing statement. Not to mention Kellogg wasn't charged for its dishonest marketing segment.

When hearing the news about a business that practice unethically, does it shock us anymore? Or has it ever ben surprising that a business cheats? As Carter (2015) explained, there are businesses that we, as users and as a part of the public, expect to lie to us. Sometimes, we accept lying as the part of the business, or as Carter compared it to "we'd be furious if our favourite team cheated us on the tickets, but we don't mind the same team cheats to win". As long as the company's lie doesn't get exposed, they would not have to face the consequences for it.

2.9.3 Psychologically affected

As mentioned before, different people have different moral standard. One can't expect the other to hold the same value as him. This is why many firms choose to release their own code of conduct. It is a set of rules that a company expect its employees to follow. The code of conduct differs in each company since company culture diverse. While British American Tobacco uses a serious, clear and definitive tone to guide its employees, Google's code of conduct was written in a very relaxed language. It simply started with "Don't be evil". The Codes of Conduct contain a set of rules, responsibilities, expectation of the company to its employees. It is expected that the codes of conduct would help the employees fit in to the company's culture and find the right and ethical solution when facing a problem. It also defines a boundary between what is acceptable and what's not within the working environment.

Unethical business acts range from misusing company's fund to bribery and fraud. The person who commit unethical business act often shows remorse and risk having mental distress and being scared of getting exposed. It also intensifies the work dissatisfaction, which cause negative working results.

2.9.4 Bad publicity

Exposed unethical behaviour could lead to bad publicity and considerably affect the business image. It creates the loss of trust and a decrease on sales. In recent years with the technology development, it is easier for people to access new information. Scandals from a business could spread to another country in the matter of seconds. In developed countries, users are more familiar with the act of boycotting and seek for ethical alternative of a product.

Take the example of cosmetics industry, testing a product before selling it to the customers is necessary. People have long been using cosmetics without asking the question of how cosmetics were produced. Animal rights activist groups revealed the ugly truth behind the cosmetics industry by showing facts and images of how animals were used as test subject. This upset many viewers and changed their perception. Many suggest that animals should not be treated inhumanely for the sake of human's beauty. They asked for cosmetics that were not tested on animal as well as a ban on animal testing. Eventually, makeup brands that claim to be animal-friendly attracted more users. In the year of 2016, the UK, European Commission, New Zealand, India, Norway, Israel have already banned animal testing on animal.

According to Weisul (2011) a person could recall the name, memories, and message of a brand without the negative memories that goes with it, this is called the sleeper effect. It requires the business to have good marketing strategy and public relation in order to gain the public's favour back. At the same time, other people could always recall negative feelings when hearing a brand's name: "Unhealthy food - McDonald's", "oil spill and dead fishes - BP".

2.9.5 Legal Punishment

Illegal and unethical acts would result in legal punishment. In 2010 the BP oil spill was one of the worst oil spill, environmental disaster event that kills thousands of oceanic lives and 11 human lives. Reportedly it was due to the poor testing oilrig safety test and bad management (Feeley & Johnson 2013). BP also gets blamed for its cost cutting policy since the disastrous event could have been avoided. Considering the fact that BP has experienced several oil spill incidents, their safety standard is reprehensible. BP did face several charges including criminal charges for several employees that affected directly to the death of 11 people. The fine BP paid for the disastrous event accounted up to billions and was said to be the largest of its kind in US history. Apart from paying penalty for the damages, businessmen also face the jail time when not following the law.

3 Case Study: CosmEthics

The author chose CosmEthics as a case study due to the nature of the business: CosmEthics is working against the use of harmful substances in cosmetics. While the majority of EU con-

sumers believe that the law is protecting them from harmful chemicals in cosmetics, the truth proven to be opposite.

3.1 Introduction

CosmEthics was founded in October 2013 by CEO and founder Katariina Rantanen. The company owns the smart phone application with the same name: CosmEthics. CosmEthics is a free application available on two platforms: iOS and Android. The application was developed so that when the user scans a product's barcode, she or he will be informed if the product contains toxic ingredients or ingredients he/she want to avoid. CosmEthics Application is available in EU region and China. It has six languages: English, Finnish, Chinese, Swedish, German and French.

Rantanen founded CosmEthics with the ambition to protect cosmetics users from harmful substances their cosmetics might contain. Cosmetic products contain various ingredients and many of them are considered to have harmful effects on human health. Nonetheless safeness information of cosmetics products is often disclosed to its consumers. According to the Environmental Working Group, the average women apply an average of 168 chemicals everyday. While some of them are complete harmless, the others were not necessary been reviewed before putting on retailer store shelves (Westervelt 2015). The average cosmetics user wouldn't be able to tell harmful ingredients from the product's ingredient list, in some cases, the ingredient list is well hidden after a peel off label, making it harder to inspect. While developing the application, CosmEthics team detected EU Banned Ingredients was used in cosmetics that are being sold on Finnish retail's shelves. They were banned due to the lack of safety data. Not only do small brands but also bigger brands such as Maybelline and Nioxin use the banned substances in their products (CosmEthics 2016).

Apart from the ability to detect harmful chemical substances in makeup products, the application also allows its users to subscribe to other alerts. The two most significant alerts are vegan and plastic. As vegan life is becoming more popular for people who wish for a sustainable living style, the application can help by pointing out which cosmetics product has animal based ingredients. The Plastic alert was made to help avoiding cosmetics products that contain the micro plastic substances. These micro plastic are harmful for the environment since it's too small for the water filtering process, fishes end up eating them (Imam 2015). These two alerts would help cosmetics consumers to choose products that are made sustainably.

CosmEthics as a Finnish start-ups received great attention from the media including David Mac Dougall, Forbes' contributor calling the app "The Hottest Lifestyle Startup Trends for

2015” (Dougall 2015). It has also been mentioned on Helsingin Sanomat, Yle, goodnewsfinland, etc. on its functionality to avoid harmful ingredients in cosmetics.

CosmEthics is operating from investor funding and planning on a monetise of the application. Due to the sensitivity around the matter, it is worth mentioning that non of CosmEthics investors are from cosmetics industry.

3.2 SWOT

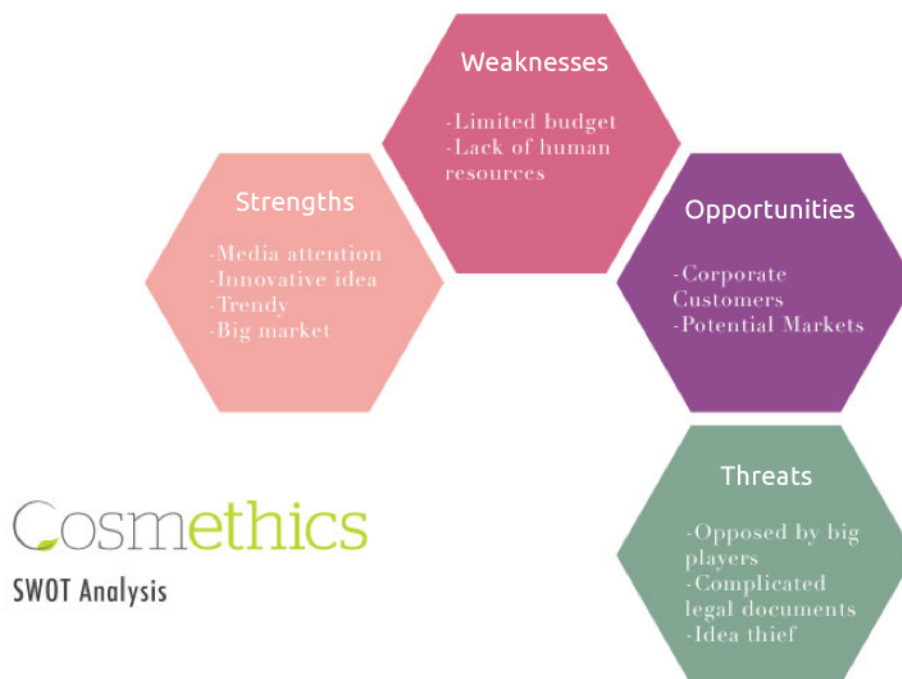


Table 1 CosmEthics SWOT analysis

Strengths

CosmEthics operates in Finland where the technologies related to health is in high demand and even accounted for 96 percent of the output for Health sector (Heikinheimo 2016). It receives great media attention due to the sensitivity of the topic: the safeness of beauty products. The application itself is innovative, trendy and can have positive effects on the users. New tool and feature could easily be implemented according to the users' demand. The market for CosmEthics is big and at the moment they don't have many competitors.

Weaknesses

As a start-up, CosmEthics has limited budget, thus, it lacks of human resources to handle the workload. CosmEthics stores the data of every makeup product its users submit. The process

of editing submitted image, inserting the ingredient list and approve submission take a long time. In peaked period, for a product to get approved, the process could take up to one month.

Opportunities

Retails stores has been shown to pay attention to CosmEthics as they want to ensure products on their shelves are legal. More people are following the sustainable lifestyle, the non EU market has shown their interest in CosmEthics, including Canada, New Zealand, Norway. CosmEthics also receive many request to develop the application version for Window Phones.

Threats

In the IT sector, the idea and how an application function can easily be copied. CosmEthics also work against the biggest players in the beauty industry, many of them with a deep pocket and great influences to the public. The legal documents for banned chemical substances, combination are complicated.

3.3 CosmEthics' Approach

The application is currently available in two markets: Europe and China. Europe in general and Nordic countries in particular pay great attention on sustainable development and personal healthcare. In late 2015, CosmEthics entered the Chinese market. In Asian countries, pale skin is considered beautiful. Skin whitening, thus, is a profitable, multi billion-dollar industry. Cosmetics manufacturer promise its users of a lighter-shade desirable skin tone. Regardless of how persuasive cosmetics manufacturers are, many skin whitening cream include hydroquinone and mercury- chemicals that are dangerous for human health. Hydroquinone can cause intense skin irritation and uneven bleached skin, while increased skin pigmentation, foetal abnormality if used during pregnancy, severe itchy rashes and even psychological damages if used in high does are the results from using mercury - The British Skin Foundation pointed out. These substances are only banned in the EU, in Asian market, products containing hydroquinone and mercury are being sold without the customers' awareness of the dangerous side effects. Since China has the largest population in the area where the use of these harmful substances is not yet banned, CosmEthics wanted to provide a new view and raise awareness on how some cosmetics can cause negative health effects.

On January 2016, CosmEthics team released a list of cosmetics products that contain Polyaminopropyl Biguanide (PHMB) (CosmEthics 2016). According to Tukes (2016), PHMB has been categorised as a CMR (Carcinogenic, mutagenic or toxic to reproduction) and products con-

taining PHMB is not permitted for sale in the EU since early 2015. Big names such as Biotherm, Bulldog, Clinique, Estee Lauder, Garnier, L'Oreal, Lancome, Maybelline, Nivea, Vichy, Wella and much more, surprisingly sell products with PHMB - a banned ingredient in EU market (CosmEthics 2016). CosmEthics receives cosmetic products' data submitted by its users. This means CosmEthics users, with the majority reside in Finland have purchased products with PHMB. Manufacturers do update their composition in order to abide the law, however when the CosmEthics' publication on PHMB went online in January 2016, cosmetics with PHMB can still be purchased at Finnish retails. PHMB is not the only banned ingredients that still being used by manufacturer.

On March 2016, the team discovered that many Finnish retails are selling cosmetics containing more banned ingredients including isobutylparaben, isopropylparaben (CosmEthics 2016) including 486 products on the database and 18 products were found by the team that being sold on retail's shelves.

3.4 Summary

CosmEthics has been able to detect makeup products that contain illegal ingredients, proving that there are harmful substances being consumed. By informing the public, CosmEthics hopes they would also raise awareness toward retailers to avoid selling products that are illegal. Though facing many difficulties, the company wants to maintain its primary purpose: protecting the cosmetics consumers.

4 Methodology

4.1 Research Design

Focusing on the B2B side of business ethics, the objective of the research was to understand how business ethics effects business manager's decision making process. To receive the most recent data and the least altered information, the author chose the primary research methods. The target interviewee for the research are managers or directors whose decision can greatly affect a business.

Qualitative and quantitative research approach were both considered. By using the semi structured interview method, the interviews are able to introduce new idea, express their personal perception. Understanding that culture influences one's point of view on ethics, quantitative research wouldn't be able to highlight this factor in the overall research result. Added to that, the target interviewees are managers, directors of a business, collecting large quantity of answers from high profile personals are more challenging. Qualitative research

method was chosen for its advantages: the choice of words, the expression of the interviewee can be observed, the author is able to interpret the data, analyse the differences in the answers.

According to Dana Lynn Driscroll, by having a research timeline, the progress of the research will be kept on track.

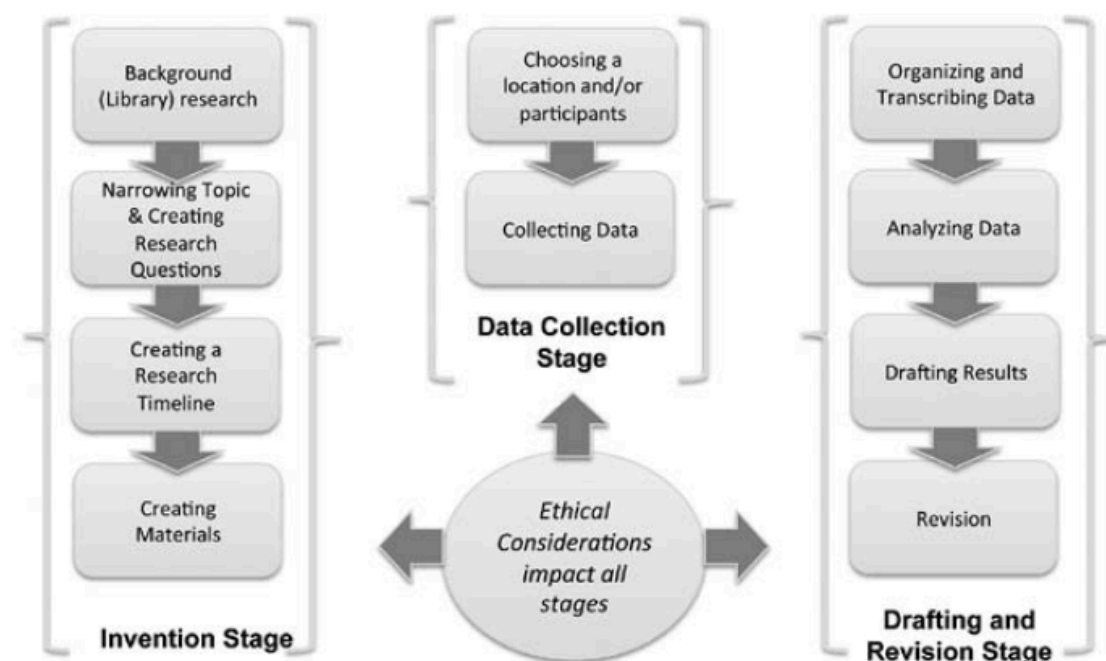


Figure 4 Research Process (Driscroll 2011)

4.2 Research Method & Analysis

After defining what is the purpose of the research, research questions were made and completed under the instruction of the thesis supervisor. At the planning process, face to face interview were chosen as the method of collecting answers. However due to the fact that most business managers have limited time, as well as the author realised about the great time differences (Finland-Korea: 6 hours; Finland-Vietnam: 4 hours; Finland-United Kingdom: 2 hours), the method had to changed to email-based interview.

The first of the seven questions requires basic information of the interviewees, such as name and position. The second question were made in order to study how does the definition of business ethics differ from one person to another, from European culture (Finland, Scotland) to Asian culture (Korea, Vietnam). In the remaining questions, the participants were given scenarios where they need to practice business ethics and make decisions. Based on their decision, the author can evaluate and have a broad view on how business ethics can affects on

business operation. The author received responds from seven interviewees. The majority of the interviewees are business manager and directors.

Table 2 Personal information of the respondents

Respondent's name	Business's name	Position	Respondent's country of origin
Katariina Rantanen	CosmEthics Oy	CEO	Finland
Mr. A *	X *	Director	United Kingdom
Nguyen Huong Tra	Nicole's Fashion co. Ltd.	Managing Director	Vietnam
Teppo Hudson **	CosmEthics Oy	Lead Developer	Finland
Le Anh Tuan	British American Tobacco Vietnam	Head of Strategic Business Development	Vietnam
An Sung Gu	POSCO Vietnam Holdings	Vice President	Korea
John Hoang	Vitis Joint Stock Company	CEO	Vietnam

*The respondent required his information to be confidential

**Currently, Teppo Hudson-one of the participant-is working for CosmEthics as the Lead Developer; however, he has managerial experience from participating as an Advisory Board Member of Monkey Experience and as Product Manager at Forum Virium Helsinki in the past.

According to the The Open University, in qualitative research, the result of the research relies on the researcher's interpretation of the answers. Presented with mass information, the researcher needs to reduce and filter it. Engel, R & Schutt (2014) provided a guideline for analysing qualitative data, including the fact that the analyst (in this case is the author) needs to understand her bias, conception, the questions that she used in the research. It is important that Interpretation of the data can come from other sources, not limited to the analyst alone. The process of analysing qualitative data can be seen in step by step: Collect data, combine and categorised data, draw connection lines between group of data, investigate and find explanation for the connection and report the findings (Engel, R & Schutt 2014).

4.3 Reliability and Validity

Golafshani (2003) pointed out that “quality concept in qualitative study has the purpose of ‘generating understanding’”. After having the question approved by the thesis supervisor, the author sent the interview questions to various business managers. The author received answers from seven participants whose opinion can greatly affect a business’ operating method. From a series of questions on the definition of business ethics and to give solution to ethical situations, the author generated understanding directly by studying the answers of the participants. In qualitative research method, it is important to mind small details such as the choice of words, the length of the answers, etc. It is also crucial to examine the trustworthiness of the research (Golafshani 2003). The author upon receiving answers from the participant, conducted a research on the name, company and the position of the participants to make sure that the information was correct. The answers were studied carefully for multiple times in order to avoid assumption and to discover possible different approach and understanding.

The validity of the research can be explained as how the research result answered the questions given when establishing the research. The findings satisfy the initial question the author raised: how business ethics effects business manager’s decision making process. From the answers of the interviewees, the author was able to draw conclusions on the trends that dictate and affect business manager’s decision. Though the majority of the interviewees and the author is not English native speakers, we were able to communicate as everyone have good understanding in English.

During the research question planning process, the author wanted to focus on two main points: to understand the interviewees’ point of view on business ethics and how they will react toward different situation when they need to examine their ethical standard. By answering the question, interviewees would reveal their own ethical point of view and how they priorities ethics while running a business. Qualitative research method proved to be the most suitable way to study interviewee’s point of view on certain matter since they are able to express and explain why and how they make the decision. The author can also see the hesitation of the interviewee when having to face with complicated circumstances.

5 Empirical Findings

5.1 Business size and different approach

Among seven participants, two of them are from well known multinational companies. During the data collection process, the author realised the clear differences and the pattern within the two participants' answers and drawn a conclusion toward how business size matters in perceiving and acting ethically.

One of the two companies mentioned above is POSCO - a multinational steel making company with its headquarter resided in South Korea. POSCO ranked as the fourth-largest steel maker internationally. The participant holds the position of Vice President in the Vietnamese branch. The other company was British American Tobacco, one of the world's largest five biggest tobacco companies. The participant is the Head of Strategic Business Development in the Vietnamese branch. The two companies are both leaders of its industry. The size and the financial power of these two companies are significantly different comparing to the other participants' businesses.

In order to develop into a multinational company, the business must had perfected their experience of operating oversea, business strategy and how to maintain their ethical manner. According to An Sung Gu-POSCO Vietnam Holding's Vice President, POSCO has 150 representatives globally and as the consequence, they face many ethical issues. In a business with high number of employees, it is essential to formulate a code of conduct as the working guideline for each of its staff. For globalised corporation, the code of conduct is even more important since it is the framework to which the employees are expected to behave within; it minimise the negative outcome created by personal morality and cultural conflicts.

Big businesses receive more attention comparing to small ones. Wrong doings done by a big business, no matter mild or serious will attract public attention and receive criticism. Big companies are more careful when it comes to the law since the penalty is often higher than small business, plus they need to maintain the reputation while competing with other players. The decision making process for large sized companies are also more complicated and involved many parties with different opinion. Meanwhile for a small sized company, the decision is mainly made by the CEO; although other member's opinion might be taken into consideration. The fundamental contrast in how the organisation operate according to its size result in its different ethical practices.

The research shown that in small businesses, the manager often applies his or her idea of ethical standard into the business operation and management. While in larger companies, the managers reduce his personal ethical standard and strictly follow the organisation's code of conduct. These codes are used internationally for its branches oversea and make up a large percentage in creating the corporate culture.

5.2 Cultural factor

The interviews were carried out and answers were taken from businesses that operate in Europe and in Asia. The most visible trend is business managers from Finland have strong regard of the law; environmental issues and sustainable development are well considered. While company managers from Vietnam did show their legal abiding orientation and responsibility to the society, nonetheless their attitude toward protecting the environment and sustainable development is somewhat less serious. It is common knowledge that Finland is one of the most socially responsible country and its name has been heard repeatedly as one of the most eco friendly country in the world. The Finnish perspective toward society and the environment is no doubt one major factor that drawn the clear line of differences.

Entrepreneurships is not an easy path and definitely is not for everyone. In order to have a business up and running, having the idea is not enough. A strong determination, risk-taking personality and a strong team is necessary. Not all start-ups survive through the first period of establishing the business and grab its market; involving in a start-up business is risky. One of the interview participant mentioned, doing something that creates harmful effects to other business as long as it doesn't violate the law is acceptable. This point of view often be seen in very competitive market where business needs to strive to survive. In most Asian countries to start a business, one must rely mostly on himself and his relatives, acquaintance. Government (except for South Korean government who has been known to be generous with start-ups) is the last place one would seek for help in investment. In Chinese market and Vietnamese market, failing a business often means being buried with a lot of loans and is one of the common suicidal cause. Under competitive environments, for most start-up and small business, trying to survive the market is the main priority. They pay rather less intention to fully obey the law and would try to bend it in ways that benefits them. It's also common that start-ups in developing country wouldn't take on sustainable development, protecting the environment as their priority. In Finland, start-up businesses could ask for governmental grants; the most common source for governmental funding is Tekes. According to Marjo Ilmari, the director of start-up program at TEKES (Finnish Funding Agency for Technology and Innovation), in the last five years, Tekes has given out approximately 130 million euros yearly. Weinglass (2015), the journalist from Geektime also questioned, what will happen in the case the company fails, to which the answer is the start-up don't have to pay back the loan in total (Ilmari 2015). Not only does Tekes financially support Finnish businesses, they also set up events where small businesses and start-ups can meet up with investors. Ilmari (2015) also mentioned that there were cases where Finnish team considered if they would establish their technology company in Finland or Silicon Valley, in the end, they ended up staying in Finland. The reason behind is that, with the social welfare system, they are provided with public healthcare and their family is provided with necessary help when needed. Obviously failing a

business wouldn't be a positive sign. However, even when a business fail in Finland, the entrepreneur doesn't have to face other risks comparing to start-ups or small businesses in developing countries. When one is mentally relaxed about his living hood, he is given more opportunity and chances to care about the society and the environment.

5.3 Managers on business ethics

According to Baumhart (1961), though managers recognise the ethical struggle when operating a business, they have different approach to what is ethical. As mentioned before, ethics is a study of what is morally right and wrong and every person has his or her own version of it. Tilman Bauer (2016), the author of the forthcoming book *Business: A Force for Peace* compared ethics to a ladder. One would try to climb up high in the ethical ladder, while other is satisfied staying else where in the middle.

As mentioned in the previous sub chapter, the manager from big corporation strictly follows the codes of conduct and consider anything that do not fall into the codes unethical. This can easily be understood as for British American Tobacco (BAT), the code of conduct is very well and strictly written; not to mention a person of his position should be the role model for other employees to follow. POSCO corporation pays great attention toward ethical guides for its employees, aside from the Code of Ethics, a Practical Guideline is available, making it easier for employees to understand.

For smaller business, code of conduct is not familiar. Start-up companies often have around 10 employees. Within the working environment, the employees and the employers has closer relation; one's moral standard can easily be observed. Medium sized business doesn't necessary own its code of conduct either. As the result, their understanding on business ethics varied. The majority of the participants agreed on the legal aspect is essential in business ethics. Nevertheless, when it comes down to legal, one minor idea was: to compete, to harm another business as long as it doesn't violate the law is acceptable. Other factors for an ethical business is not perceived in the same way. Social norms and environmental sustainability appeared to have big influences.

5.4 Opportunity and Morality

The fourth question of the interview presented a situation where the participant has to decide whether or not to accept a partnership opportunity, considering one business' ethical behaviour. Even though the author never mentioned in the question if the business in questions' ethical behaviour is negative or positive, almost all of the answers regard it as bad be-

haviour. Though many agree on the fact that this is the difficult decision to make, the majority wouldn't want to enter a deal with a business that is known for its rather unethical acts.

The most common reason for managers to be wary with such business is reputation. In various studies, it was mentioned, a business that participate in a collaboration with an unethical business can be seen as being unethical. To protect the reputation, managers would eventually avoid partnership with unjust companies. Despite the fact that afraid of losing the reputation is understandable, ethically it is not a proper reason to make the decision. The opportunity of getting a partnership could significantly improve the business scenario, which will result in profitability, longer runway, etc. Added to that, if reputation is the main reason not to cooperate, instead of the manager's own moral conflict, then the action of turning down the offer doesn't hold the same meaning. Practicing morality is essentially according to one's value, there is no point of applying others' value into his own decision just to maintain the good name.

Managers also agreed on the fact they wouldn't be able to trust a business that was known for being improper. Agreeing on such partnership is seen as equal to putting the company, its customers and its other partners at risk. Theoretically, if one business has done something that is considered unjustifiable before, there is no reason they would not commit it again. Another point mentioned was, engaging in a partnership where the moral standard of the two partners are by far, different, would cause demotivating working environment; which will eventually result in work quality and dissatisfaction. In an B2C world, a company can use marketing campaigns in order to improve their image toward its customers since their point of view is easier to manipulate. On the other hand, in B2B scene, companies are aware of the legal risks, the image of improper partner can hardly be erased.

However, looking at another perspective on the matter, Tilman Bauer (2016) view it as not 100 percent negative. Understanding that one business might engage in unjust acts, the partnership itself is not bound to create negative effects but, to rectify the problem. A large number of researches on oil, gas supplement are funded my automaker companies. Even though questionable, tobacco industry also known for their investment in cancer researches. If the manager and his employees can profit from collaboration and create positive impact to the society, then why not?

5.5 Can ethics and profitability coexist?

The opinion on whether business ethics will reward with profitability is often divided. Some argues that acting ethically is redundant and is not profit-friendly, other believe there must

be a connection between the two and there are people who have a neutral approach to the idea.

The reason why many businesses commit unethical acts can be reason by, they gain benefit from it. We don't get surprised reading news about businesses that bend or break the law. As a matter of fact, businesses prefer to cooperate with organisations that has been known for working properly, consumers would want to support and purchase products and services from socially responsible companies. However, it doesn't mean that they refuse to purchase and collaborate with unjust companies. By trying to bend the law, the business process would go smoother and the amount of profit is larger.

POSCO's CEO Kwon Ohjoon stated "Ethics should always take priority over benefits when the two are in conflict". Even when one is running a business, it doesn't mean benefit is the sole objective and inspiration of the operation. From the answers of the participants, no one completely denies that ethical business behaviour will result in profits. However, some don't regard it as beneficial for the business either. The fact that managers decide his or her business to be ethical doesn't mean that they do it just to wish for higher revenue; it's because they want to run the business ethically, and as it's the right thing to do. This is an interesting point of view and might only be seen in small sized companies. In large corporation, the intensity in the market is higher as competition is more complicated and harsh. Added to that, no matter what one manager believes, his decision will be pressured by other managers and the board members. The right thing to do might not be the profitable thing to do, when the manager makes the wrong decision, he might even risk his own position within the company. In smaller businesses, and in the case of the participants, due to the small amount of team members, the employer can choose the employee who has the same point of view as him or her. In the case that all of them have high moral value, the decision of avoiding unethical acts even though it might be profitable could be reasoned with the whole company.

The remaining of the participants agree that ethical business behaviour does ensure advantages. They believe that in the long run, the good acts will result in positive reputation, better working environment and better partnerships. Keeping the reputation also mean satisfying the current customers and encourage further investment and commercial exchange. This point of view, in one hand is a positive sign. As manager acknowledge the differences ethics make, they will likely to be more ethical oriented. In the other hand, if the managers' reason of being ethical is only because of the reward, when the business face serious financial crisis, their course of action will be unpredictable.

5.6 Attitude toward ethics adaptation

When asked the question of the managers' willingness to adapt to another country's culture while operating overseas, the answers weren't a clear yes or no. Both of the participants from the big corporations stated that they will strictly follow the corporation's codes. Either following the code of conduct, or when facing a problem, they will receive guidance from the headquarter as it is non-negotiable. Working as a big company in many different countries meaning the multi-national company already experienced in dealing with ethical problems that raised from cultural differences. To ensure that all of its branch companies have the same view and vision, the codes of conduct play an important role. Not only does a company's code of conduct would be consulted but also they are enforced to follow the FCPA as An Sung Gu, the Korean Vice President at POSCO Vietnam Holdings mentioned.

Another trend from the answer that worth noticing is, the remaining managers of smaller companies from developing countries are more inclined to adapt to the host country's culture. The managers from Finland and United Kingdom do show their willingness to adapt to different culture, at the same time they also want to compromise with their personal belief and value. This could be due to the fact that managers from developing countries is conscious of their country's international position within the perception of the other country; especially if the host country is a more developed one. For managers from western culture, it might be easier for them to adapt to another western country's culture. However, in other places in the world, for example Eastern Asia, Western Asia, the Middle East, Africa the cultural gap is big and there are many practices that can be seen as unacceptable in the western society.

When the question is reversed into whether the managers want to collaborate with businesses came from overseas to their country and refuse to adapt to the culture, almost all of the answer is a direct no. For businesses to operate overseas and refuse to adapt to the host's culture can be seen as a sign of disrespectful. Not only that but failing to adapt to new culture will eventually create unsuccessful partnership, fail with legal compliance and leave a negative reputation in the host country. Adapting to different culture is a fundamental factor when trying to export one's business. It makes working with different people easier, show one's respect to the host, enable him to avoid risks and see opportunities better.

6 Conclusion

In summary, the research fulfilled its objectives of understanding how business ethics influences managers in the decision making process. The research result confirmed that Baumhart (1961) was right with his statement that managers acknowledge the influences of business ethics however fail to compromise their point of view what is definition of it. The differences, observed from the research, are made from personal's perception, business size and culture.

Business size does affect one's point of view on business ethics. The reason behind is the competitiveness of the market, the company's structure and how decision making process is governed and overviewed. For big corporation, the decision making process is stricter and one must follow the company's code of conduct to avoid internal and external conflicts. On the other hand, when making a decision that require an ethical consideration, managers of smaller business often see the matter through his own value. The research also shed the light on how business managers from different culture view ethics. Managers from Finland in particular have stronger regard toward law, regulation and especially the environment; while business from a developing country (in this case is Vietnam) do regard protecting the environment, however focus on keeping the business on running more.

Though having different opinion on whether business ethics will be result in profits or not, none of the managers completely deny the connection between profitability and being ethical. Although one view it as being ethical and profitability shouldn't be tied together, other thought it was too board a question and the reality is more complicated, the remaining agree that being ethical could lead to achieve profitability. Viewing profitability as the reward, hopefully more business in the future will switch to sustainable developing.

The research also shown that most manager aware adaptation's importance in a business' success when operating oversea. While following the host country's culture is crucial, one also want to balance between their own standard of ethics and the host country's ethics to avoid potential conflicts.

In conclusion, business ethics is essential in operating a business. It it a big factor that business managers consider before making any decision. Unethical businesses are bound to have less advantages comparing to ethical businesses when looking for collaboration, partnership and even customers. Business ethics not only create job satisfaction, motivate employees and encourage working ethically internally, also affects how one's business is viewed by others. Keeping the ethical business spirit is important, since unethical business might not be punished by law, it pollutes the business culture, form negative reaction internally and externaly. Though how one views ethics is different, business ethics is bound to impact positively to the business venture and the society surround it.

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Appendixes

Appendix 1 Research questions for business managers

1. What is your name, profession and position in your business/company?
2. Business ethics is a study of moral right and wrong in the business scenario. When you face a situation and you have to consider if it's ethical or not, you are practicing business ethics.

In one of Baumhart's study, he found out that managers were aware of ethical difficulties in business, but disagree on what should be considered ethical.

In your point of view, what is unethical and ethical business?

3. Knowing a business is acting unethically, what course of action would you take? (For example: nothing, make a research on the unethical business, boycott that business, share the information about the unethical acts to the public, etc)
4. When you are given a partnership opportunity with a business, would that business' ethical behaviour affect your decision making process? How does it affect?
5. Do you think that following the ethical codes in business will ensure your business' profitability?
If yes, how?
If no, would you still practice business ethically?
6. Child labouring can be seen as acceptable in developing countries. Bribery is considered as an essential part when making business deal in China. Different in culture creates different moral value and ethical standard.

If you work/operate your business in a different country, would you adapt to the host country's ethical standard or would you keep your moral standard?

7. If a business from overseas operate in your home country and refuse to adapt to your country's ethical value, would you want to deal business with them?