



# **Ethical Challenges of Business in the New Economy**



CEMS Blocked Seminar  
September 1-7, 2013, Balatonszemes, Hungary

The seminar is based on the recently published book by CEMS Business Ethics Faculty Group (Laszlo Zsolnai (ed): *Handbook of Business Ethics*. Oxford, Peter Lang, 2012). It addresses behavioral, organizational and institutional issues related to doing business in an ethical and socially responsible way. Examples of alternative entrepreneurship will be presented too.

In today's world the ethicality of economic actions is often highly questionable and in many respects unacceptable. The ethicality of the economy should be considerably improved but there is a paradox here. If we want to develop the ethicality of our economic affairs only as a means to achieving higher efficiency, in the last result we will fail. We have a chance to improve the general quality of our economic activities only if our motivation is *genuinely ethical*; that is, only if we want to realize ethical conduct for its own sake.

The approach advanced in the course is *contextual* and *agent-centered*. In our view economic actions are jointly determined by the agents and the context in which they are functioning. Agents and context evolve together, so if we want to change the ethicality of economic actions, we should target both the ethical make-up of the agents and the rules and regularities of the context in which they play.

The moral foundation of capitalism should be reconsidered. Modern capitalism is disembedded from the social and cultural norms of society. The market fundamentalism - the belief that all kinds of values can be reduced to market values, and that the free market is the only efficient mechanism, which can provide a rational allocation of resources - should be abandoned. The future of capitalism is highly dependent on its ability to adapt to the new reality of the 21<sup>st</sup> century.

Webpage of the course:

<http://laszlo-zsolnai.net/content/ethical-challenges-business-new-economy>

## Program

### **September 2 (Monday)**

9.00 – 12.30 The Moral Economic Man  
Laszlo Zsolnai, Corvinus University of Budapest

14.00 – 17.30 Ethical Theory of the Firm  
Aloy Soppe, Erasmus University of Rotterdam

20.00 – 23.00 “Inside Job” movie by van Charles Ferguson

### **September 3 (Tuesday)**

9.00 – 12.30 The Stakeholder Corporation  
Eleanor O'Higgins, University College Dublin

14.00 – 17.30 Engaging in Progressive Entrepreneurship  
Nel Hofstra, Erasmus University of Rotterdam

### **September 4 (Wednesday)**

9.00 – 12.30 From Welfare to Well-Being and Happiness  
Knut J. Ims, Norwegian School of Economics Bergen

14.00 – 16.00 Fighting against Corruption  
Miklós Ligeti, Transparency International Hungary

17.00 – 18.30 Vine tasting in Bujdosó Vinoteka

### **September 5 (Thursday)**

9.00 – 12.30 Personal Responsibility and Ethical Action  
Knut J. Ims, Norwegian School of Economics Bergen

14.00 – 15.30 Ecologically-oriented Enterprises in Hungary  
András Ocsai, Corvinus University of Budapest

### **September 6 (Friday)**

9.00 – 10.30 International Ethics and Globalization  
Zsolt Boda, Corvinus University of Budapest

11.00 – 12.30 Corporate Transgressions  
Laszlo Zsolnai, Corvinus University of Budapest

### **September 7 (Saturday)**

10.00 – 12.00 *Written Exam*

## Course director

*Laszlo Zsolnai*, Corvinus University of Budapest, Hungary



Laszlo Zsolnai is professor and director of the Business Ethics Center at the Corvinus University of Budapest. He is chairman of the Business Ethics Faculty Group of the CEMS – The Global Alliance in Management Education. He serves as editor of the "Frontier of Business Ethics" book series at Peter Lang Publishers in Oxford. With Luk Bouckaert he founded the European SPES Forum in Leuven, Belgium.

Laszlo Zsolnai's most recent books include

*Handbook of Business Ethics. Ethics in the New Economy.* 2013. Oxford, Peter Lang Academic Publishers.

*The Palgrave Handbook of Spirituality and Business.* 2011. Houndmills, UK, New York, NY: Palgrave Macmillan.

*The Collaborative Enterprise: Creating Values for a Sustainable World.* 2010. Oxford, UK: Peter Lang Academic Publishers.

*Responsible Decision Making.* 2008. New Brunswick, NJ, London, UK Transaction Publishers.

*Europe-Asia Dialogue on Business Spirituality.* 2008. Antwerp, Belgium, Apeldoorn, Garant.

## Faculty

Zsolt Boda, Corvinus University of Budapest, Hungary



Zsolt Boda was born in 1969 in Budapest, Hungary. He holds an MA in economics and a Ph.D. in political science. He is senior research fellow at the Institute for Political Science, Hungarian Academy of Sciences, and associate professor at the Business Ethics Center, Corvinus University of Budapest. He has co-edited and written books in Hungarian on corporate ethics, political theory, environmental politics and policy. He has published several papers in academic journals, and books on international ethics involving the fair trade problematic, trade and environmental issues, and the politics of global environmentalism.

His publications in English include:

Fekete, László – Boda, Zsolt: “Knowledge, sustainability and corporate strategies in the European energy sector” *International Journal of Environmental Studies*, Vol. 69, No. 2, 2012, 360-377.

Boda, Zsolt: “The Fair Trade Movement”, in L. Bouckaert – L. Zsolnai (eds.) *The Palgrave Handbook of Spirituality and Business* (London: Palgrave MacMillan, 2011), 396-403.

Boda, Zsolt - Eleanor O’Higgins - Kuno Schedler: “Cooperating with civil and political actors” in L. Zsolnai (ed.): *The Future International Manager* (Palgrave MacMillan, 2009) 130-152.

Boda, Zsolt: “Can Governance Structures and Civil-Corporate Partnerships Manage the Global Commons?” in Henri-Claude de Bettignies – Francois Lépineux (eds.) *Globalization and the Common Good* (Oxford, Peter Lang, 2009), 291-314.

*Nel Hofstra*, Erasmus University Rotterdam, The Netherlands



Nel Hofstra was born in 1954 in Leeuwarden, the Netherlands. She has a doctorate in economics and marketing and business sociology from the Erasmus University Rotterdam. She is lecturer in the Department of Business Economics, Faculty of Economic Sciences at Erasmus University Rotterdam. She teaches Entrepreneurial Marketing, Sustainable Entrepreneurship and Business & Society. She is a member of the Business Ethics Faculty Group of CEMS and doing research in eco-innovations and entrepreneurship, focusing on the concept of the role of Nature. She wrote several publications in this field.

*Knut Ims*, Norwegian School of Economics, Bergen, Norway



Knut Johannessen Ims is Professor in Business Ethics at the Norwegian School of Economics (NHH), Bergen Norway. He received his Ph.D. from the School of Economics and Legal Sci-

ences, Gothenburg University, Sweden. He has taught different courses in ethics at bachelor and MBA levels, and Ph.D. courses in Information and Management.

Knut Ims' recent publications include:

Ims, K. J. (2011), Deep Ecology, in L. Bouckaert and L. Zsolnai (Eds.) *The Palgrave Handbook of Spirituality and Business*. London: Palgrave Macmillan.

Ims, K. J. and Pedersen, L. J. (2011), From the Art of Reading to the Art of Leading' in H. Opdebeeck & L. Zsolnai (Eds.), *Spiritual Humanism and Economic Wisdom. Essays in Honor of Luk Bouckaert's 70<sup>th</sup> Anniversary*, Antwerpen-Apeldoorn: Garant.

Ims, K. J. and Jakobsen, O. (2011), Deep authenticity – an essential phenomenon in the web of life, in A. Tencati and F. Perrini, (Eds), *Business Ethics and Corporate Sustainability* MA: Edward Elgar.

Ims, K. J. and Zsolnai, L. (2010), 'Self-realization in Business: Ibsen's Peer Gynt', in R. Ghesquiere & K. J. Ims (Eds.), *Heroes and Anti-heroes. European Literature and the Ethics of Leadership. European Spes Cahiers N. 5*. Antwerpen-Apeldoorn: Garant.

Ims, K. J. and Jakobsen, O. (2010), 'Competition or Cooperation? A Required Shift in the Metaphysics of Economics', in A. Tencati and L. Zsolnai (Eds.), *The Collaborative Enterprise: Creating Values for A Sustainable World*. Oxford and Bern: Peter Lang Academic Publisher.

*Miklós Ligeti*, Transparency International Hungary



Miklós Ligeti is lawyer, graduated in 2002 at the Law Faculty of Eötvös Lóránd University of Sciences. While studying law, he worked as trainee with the committee on environmental

protection of the Hungarian Parliament, contributing to environmental protection projects of municipalities (1999-2000). From 2000 to 2002 he was paralegal first with CMS Cameron McKenna, later with Freshfields Bruckhaus Deringer law firms. After graduation he joined National Institute of Criminology, where as assistant researcher he focused on the issue of criminal law protection of the environment. Absolving bar exams, he changed for the Ministry of Justice and Law Enforcement in 2007. Acting as personal secretary to the under state secretary for crime policy, later as head of Statistical and Analysis Unit he was mainly in charge of criminal codification and crime statistics. From 2010 to 2012 he served as head of Statistics and Coordination Unit in the Ministry of the Interior, being responsible for the codification of laws on policing and national security as well as for measuring crime.

*Eleanor O'Higgins, University College Dublin, Ireland*



Eleanor O'Higgins (BA, MSc, MBA, PhD) is on the faculty of the School of Business at UCD and is a Visiting Fellow at the London School of Economics and Political Science. She specialises in teaching, research and publications on business ethics, corporate governance, corporate social responsibility and strategic and public management.

She is a member of the Business Ethics and of the Public Management & Governance inter-faculty groups of the Community of European Management Schools (CEMS). She has held a range of leadership positions in the US Academy of Management, including chairing the Ethics Committee. She is on the editorial boards of several international management, ethics and corporate governance journals. She serves or has served on the board of directors of a number of organisations, including the Press Council of Ireland, Industrial Development Authority Ireland and Transparency International Ireland. Previously, she worked as staff development manager at RTE, the Irish national broadcasting services, and prior to that, as a clinical psychologist in the Irish health services and as a research psychologist at Harvard University Medical School.



Selected publications:

O'Higgins, E. 2013. Bridging the gulf – Trust and banking. *Banking Ireland*, Vol 119, (Spring Issue): 22-24.

O'Higgins, E. 2012. Executive remuneration – The myth of pay-for-performance. *Accountancy Ireland*, 44(4), August: 26-28. (Selected for Award as best article in *Accountancy Ireland* for 2012)

Lam, C.S. & O'Higgins, E.R.E. 2012. Enhancing employee outcomes: The interrelated influences of managers' emotional intelligence and leadership style. *Leadership & Organization Development Journal*, 33(2): 149-174.

O'Higgins, E.R.E. 2010. Corporations, civil society and stakeholders: An organizational conceptualisation. *Journal of Business Ethics*, 95(2): 157-176.

Bonner, S. & O'Higgins, E.R.E. 2010. Music piracy – ethical perspectives. *Management Decision*. (Selected for inclusion in Emerald Reading List Assist; Emerald's peer-reviewed reading list service)

Andras Ocsai, Corvinus University of Budapest, Hungary



Andras Ocsai worked for several companies and also in the public sector after graduation at the Corvinus University of Budapest in 2002. Then, he found his way back to his alma mater and started his PhD studies in 2012. His supervisor is László Zsolnai. The title of his PhD project is 'Value-oriented business and ecological transformation'. He has also been a Project Manager of the Innovation Centre at the Corvinus University of Budapest since 2010.

Aloy Soppe, Erasmus University Rotterdam, The Netherlands



Aloy Soppe is associate professor of financial ethics at the Erasmus University in Rotterdam. He has a *Masters Degree in General Economics* from the *University of Groningen (RUG)*. He was a stock analyst for the Amsterdam Stock Exchange at the ABN/AMRO bank, and later worked as director of *Soppe Currency Consultants* and advisor for the implementation of option strategies in managing currency risk. Since 1987, he has worked at the *Department of Finance and Investments* at Erasmus University in Rotterdam. In 1993, he moved into sustainability research and started teaching Financial Ethics. In 2001, he joined the Erasmus University Law Faculty to teach Financial Ethics at the department of Fiscal Law in the discipline Financial Law. He completed his PhD study entitled: *Finance as an instrument to a sustainable company* and publishes in national and international journals.

Aloy Soppe's publications include

Soppe, A.B.M. (2013), Ethics and the Theory of the Firm. In L. Zsolnai (Ed.), *Handbook of Business Ethics*. Oxford: Peter Lang Academic Publishers. pp. 55-83.

Soppe, A.B.M., Zijl, N. van & Bos, A. de. (2012), Board Transparency, CEO Monitoring and Firms' Financial Performance. In J.J. Choi & H. Sami (Eds.), *International Finance Review*, Vol 13, pp. 103-129. (Emerald Group Publishing Limited. Outstanding Author Contribution Award Winner at the Literati Network Awards for Excellence 2013.)

Soppe, A.B.M., Schauten, M.B.J., Soppe, J. & Kaymak, U. , (2011). Corporate Social Responsibility Reputation (CSRR): Do Companies Comply with their Raised CSR Expectations. *Corporate Reputation Review*, 14(4), 300-323.

Soppe, A.B.M. (2011). Corporate Governance, Ethics and Sustainable Development. In A. Brink (Ed.), *Corporate Governance and Business Ethics Studies in Economic Ethics and Philosophy*, (Volume 39, Part 3) (pp. 245-258-chapter 11). Heidelberg: Springer Verlag.

Soppe, A.B.M., and B. Santen, (2009). NED Characteristics, Board Structure and Management Turnover in the Netherlands in Times of Financial Distress: A Theoretical and Empirical Survey, *Corporate Ownership & Control*, 7(1 (Fall 2009)), pp. 285-301.

Soppe, A.B.M., 2008, Sustainable finance and the stakeholder equity model, in C. Cowton and M. Haase, *Trends in Business and Economic Ethics*, Springer Verlag, Berlin, pp. 199-228.

Soppe, A., 2004, Sustainable Corporate Finance, *Journal of Business Ethics* 53, Kluwer Academic Publishers, pp. 213-224.

## Modules

### *The Moral Economic Man*

Laszlo Zsolnai, Corvinus University of Budapest

The Homo Oeconomicus model states that agents are rational, self-interest-maximizing beings. Overwhelming empirical evidence suggests that people do not just care about their own material payoffs but also consider the interests of others. They are willing to sacrifice their own material well-being to help those who are kind to them and to punish those who are unkind to them. They take into account the well-being of strangers whose interests are at stake. They are also interested in their reputations and care about their self-conceptions. Economic behavior is co-determined by utility calculations and moral considerations. Two major factors can explain the ethicality of economic behavior, namely the moral character of the agents and the relative cost of ethical behavior. Economic agents are essentially moral beings, but it depends on the context that which face of the Moral Economic Man becomes effective.

#### Readings:

Laszlo Zsolnai: “The Moral Economic Man” in Laszlo Zsolnai (ed): *Handbook of Business Ethics*. 2012. Oxford, Peter Lang Publishers.

Cosma Rohilla Shalizi: „Homo reciprocans. Political Economy and Cultural Evolution” *Santa Fe Institute Bulletin*, Volume 14, No. 2 (Fall 1999), pp. 16—20.

### *Ethical Theory of the Firm*

Aloy Soppe, Erasmus University of Rotterdam

The shareholder paradigm is no longer a suitable concept in the modern stage of market capitalism. The traditional theory of the firm is too restrictive to incorporate ethical values into the financial framework. In the property rights model, it is the shareholder that holds the residual risk and therefore receives the residual profit. The company is considered as a set of direct investments projects that converts inputs into outputs. From this materialistic viewpoint, a

company is not a system of cooperating persons but a contracting institute that produces cash flow. From this perspective no social responsibility is involved. This neoclassical approach is justified by selecting the shareholders as the optimal stakeholders in order to reduce the agency cost. This line of argument denies any explicit relationship between social cohesion and operational efficiency.

In the “ethical finance” approach, the neoclassical paradigm is replaced by a broader economic view. In addition to the necessity of competition and profitability, it includes care for the environment, the social and physical health of the employees, and a moral responsibility for the risk run by creditors and other stakeholders. Unbridled competition encourages operational efficiency, but at the same time it is not a well-balanced allocation mechanism. Sustainable behavior often requires increasing governance costs and therefore higher agency costs. On the other hand, in a safer and more stable environment, contracting costs may fall and create additional wealth for society overall.

Readings:

Soppe, A.B.M. “Ethics and the Theory of the Firm” In L. Zsolnai (Ed.), *Handbook of Business Ethics*. 2013. Oxford: Peter Lang Academic Publishers. pp. 55-83.

Claude Hillinger: *The Crisis and Beyond: Thinking Outside the Box*. Economics Discussion Paper No. 2010-1 January 4, 2010

<http://www.economics-ejournal.org/economics/discussionpapers/2010-1>

*The Stakeholder Corporation*

Eleanor O'Higgins, University College Dublin

The relationships and ethical positioning of the firm are increasingly being seen through a ‘stakeholder’ lens. The stakeholder perspective is useful in analyzing the firm’s past and present strategies and behavior, and suggesting desirable future approaches, with respect to meeting ethical challenges in a socially responsible manner.

This module will firstly examine how stakeholders are defined under the following headings:

primary, secondary, derivative stakeholders  
stakeholder salience in terms of power, legitimacy, urgency  
instrumental and normative stakeholders

Then, based on an understanding of stakeholder definitions, the module will consider how the focal firm best relates to various individuals and stakeholder groups, taking account of trust as an element, and levels and types of engagement, from antagonistic to collaborative.

A foundation of positive ethical approaches and corporate social responsibility underpins the stakeholder view taken in this module. Relevant case studies will be used to illustrate the concepts in the module.

Readings:

O'Higgins, E.R.E. 2010. Corporations, civil society and stakeholders: An organizational conceptualization. *Journal of Business Ethics*, 95(2): 157-176.

O'Higgins, E. 2013. Bridging the gulf – Trust and banking. *Banking Ireland*, Vol 119, (Spring Issue): 22-24.

### *Engaging in Progressive Entrepreneurship*

Nel Hofstra, Erasmus University of Rotterdam

New conception of progressive business serving the common good and using holistic evaluation schemes for measuring success is needed. Group exercises will be organized to employ progressive entrepreneurial strategies.

Readings:

Antonio Tencati, Francesco Perrini, Nel Hofstra, and Laszlo Zsolnai: "Engaging in Progressive Entrepreneurship" Laszlo Zsolnai and Antonio Tencati (eds): *The Future International Manager*. 2011. Palgrave-MacMillan.

Nel Hofstra: „Sustainable entrepreneurship in dialogue” *Progress in Industrial Ecology – An International Journal*, Vol. 4, No. 6, 2007

Nel Hofstra: „Entrepreneurship Inspired by Nature” Laszlo Zsolnai (ed): *The Spiritual Dimension of Business Ethics and Sustainability Management*. 2013 Springer (forthcoming)

*From Welfare to Well-Being and Happiness*

Knut J. Ims, Norwegian School of Economics Bergen

A tragic fallacy in the Western world is the belief that higher income leads to greater happiness. Empirical evidence shows that it's not money that makes us happy, but people. The more-the-better strategy is a destructive track. Happiness is activity-based and strongly related to self-realization and orientation towards others.

The GDP-based welfare approach is a materialistic, economic description of human wellness. There is a need to complement this approach with “well-being” as a holistic, multidimensional concept. Happiness research and positive psychology may contribute to the development of more fruitful measurements. Deep Ecology assumes a world-view that looks at organisms as knots in a field of intrinsic relations. Its fundamental theorem is the self-realization of all beings – not only of humans. Self-realization for humans cannot be obtained unless they take into consideration the self-realization of other sentient beings.

The Buddhist Kingdom of Bhutan demonstrates a comprehensive approach to human well-being by employing the measure of Gross National Happiness. In contrast, Norway is a rich country that faces the problems of a welfare disease called “affluenza”.

Readings:

Knut Ims: “From Welfare to Well-Being and Happiness”, in L. Zsolnai (Ed.), *Handbook of Business Ethics. Ethics in the New Economy*, 2013. Oxford and Bern: Peter Lang Academic Publisher.

Barry Schwartz: “What to Do About Choice” in B. Schwartz: *The Paradox of Choice. Why More is Less*. 2004. Harper Perennial, NY.

## *Fighting against Corruption*

Miklós Ligeti, Transparency International Hungary

Transparency International Hungary (TI-H), a credible and reliable civil society organization, has gained a reputation as perhaps the most influential and instrumental player of all non-governmental organizations in the anti-corruption arena in Hungary. As part of the global TI coalition, we combat corruption in a more and more demanding socio-political environment. During the last ten years anti-corruption and transparency issues have always had a distinguished position on the public agenda in Hungary. There is an overarching consensus among the government, civil society, media and the business sector that effective measures to reduce corruption have to be taken. However, commitment of stakeholders seems to be a mere rhetoric that turns into reluctance as soon as it comes to real life action. This is why government endeavors almost never result in tangible changes. As a consequence, neither the political and social environment, nor the businesses have become less exposed to corruption.

Moreover, the erosion of democratic institutions, that has started well before the current administration assumed power reached an unprecedented level, that calls separation of powers and the system of checks and balances, each a pivotal value in a democratic society into question. The supermajority of the government in parliament not just deteriorates democracy but makes the abuse of entrusted power more systemic. In a political and economic environment like this corruption has become the norm instead of being the exception. Unfortunately this is not just a pessimistic vision but an evidence based research finding. Opinion polls of TI show that 61% of Hungarians feel corruption has increased in the country in the past 2 years, while 70% (by far the largest share in the EU) of them would not report a case of corruption out of fear or a feeling that their efforts would be in-vain. Another 82 % of the Hungarians think that the public decision-making is unduly influenced by some business groups so as to make their private interest overturn public good. The core assumption is that Hungary is facing over-centralization, extreme power-concentration of the government and forms of state capture, a situation where objectives of influential groups easily outclass public interest.

Emerging threats of corruption as hinted at above necessitate a special approach from civil society. One might come to the conclusion that there is no point in engaging with the government authorities that are the vassals of powerful pressure groups. That is why TI-H left the government anti-corruption task force in Spring 2013 to give voice to harsh reflections. However, TI-H thinks that its efforts to promote transparency and accountability will not prevail without sitting down to the same table with state officials in some particular cases. In the current situation our new strategy puts special emphasis, apart from the space left for boardroom advocacy, on engaging the general public in our activities, which entail, inter alia, public awareness raising, advocacy, education, providing legal aid to victims and witnesses of corruption and whistleblowers, research and monitoring can effectively contribute to reduce corruption risks and prevent abuse of power conferred upon public decision makers.

Reading:

“The politics of corruption - Squeezing the sleazy” *The Economist* Dec 15th 2012



## *Personal Responsibility and Ethical Action*

Knut J. Ims, Norwegian School of Economics Bergen

There is a close connection between responsibility and ethicality. The purpose of the module is to give insight into the role of personal responsibility for promoting ethical action in business organizations. Assuming an action-oriented perspective on human actors, the importance of deep emotions like empathy and justice is emphasized. Personal responsibility is contrasted to role-mediated behavior and common morality. The perspective can be broadened by introducing the concept of shared responsibility. Personal responsible action almost always includes conflicting loyalties in organizations. Using Hirschman's distinctions between "exit, voice and loyalty", the real world cases of: Inge Wallage's decision to leave her job in Statoil ("exit"), and Per Yngve Monsen's whistleblowing in Siemens ("voice"), will be discussed. The cases provide insight into alternative strategies for personally responsible action in organizational life.

### Readings:

Knut J. Ims and Lars Jacob Pedersen: "Personal Responsibility and Ethical Action", In L. Zsolnai (Ed.), *Handbook of Business Ethics. Ethics in the New Economy*, 2013. Oxford and Bern: Peter Lang Academic Publisher.

Knut Ims: 'Take it Personally' in L. Zsolnai & K.J. Ims (eds.) *Business within Limits. Deep Ecology and Buddhist Ethics*. 2006. Oxford and Bern: Peter Lang Academic Publisher.

## *Ecologically-oriented Enterprises in Hungary*

Andras Ocsai, Corvinus University of Budapest

Business Ethics Center at the Corvinus University of Budapest conducted an in-depth empirical research in 2011 about the value-background and coping strategies of ecologically-oriented enterprises in Hungary. It is a common belief that companies that have an ecological orientation are at a disadvantage on competitive markets because ethical and environmentally-

friendly behavior can generate costs and lessen competitive advantages. Hence, a pro-ecology stance is at odds with competitiveness.

However theoretical arguments and empirical results could be presented which suggest that ecologically-oriented enterprises can survive and even prosper in competitive environments. Research findings highlighted two preconditions which make the survival and prosperity of ecologically-oriented businesses possible. The first is that ecologically-oriented businesses are intrinsically motivated to follow their environmental and ethical goals. The second is that these businesses define success multi-dimensionally. Their definition of success includes consideration of whether their stakeholders are flourishing and whether the environment is being conserved and restored.

Reading:

Zsuzsanna Györi and András Ócsai: “Ecologically-oriented enterprises in Hungary” *World Review of Entrepreneurship, Management, and Sustainable Development* 2013 (forthcoming)

### *International Ethics and Globalization*

Zsolt Boda, Corvinus University of Budapest

Globalization represents a challenge to business ethics as well. The international system is lacking central law-enforcing institutions and at the same time fierce competition puts heavy pressure on companies to reduce costs by any means. Under these conditions, as some argue, the validity of moral principles is weakening. Multinational firms are also confronted to the problem of how to reconcile in their activity two, equally legitimate claims: that of universalism and cultural relativism; *i.e.*, applying universal moral principles and respecting local moral norms. Finally, strong arguments support the claim that economic globalization does not promote sustainable development. Some form of localization of the economy is certainly needed. The challenge is to find a way towards more global governance with less and more responsible economic globalization.

## Readings:

Zsolt Boda: "Globalization and International Ethics", in: Laszlo Zsolnai (ed.): *Ethics in the New Economy. Handbook of Business Ethics* (Oxford, Peter Lang, 2012), 233-258.

Tommy Jensen and Johan Sandström: "Stakeholder Theory and Globalization: The Challenges of Power and Responsibility" *Organization Studies*, 2011 32:4, 473-488.

## *Corporate Transgressions*

Laszlo Zsolnai, Corvinus University of Budapest

Corporate transgression is a well-known phenomenon in today's business world. Some corporations are involved in organizational practices, or in the creation of products, which are in violation of laws or moral rules, and this ultimately takes a toll on the public. The social cognitive theory of moral agency provides a conceptual framework for analyzing how managers adopt socially injurious corporate practices. There are a number of disengagement mechanisms employed in cases of corporate transgressions. They include moral justification, euphemistic labeling, advantageous comparison, displacement of responsibility, diffusion of responsibility, disregarding or distorting the consequences, dehumanization and attribution of blame.

Business ethics provides strategies to counteract organizational use of moral disengagement strategies. One approach is to monitor and publicize corporate practices that have detrimental human effects. Another approach is to increase the transparency of the discourse through which corporate policies and practices are born. Instituting clear lines of accountability curtails moral disengagement. Exposing sanitizing language that masks reprehensible practices is still another corrective. The affected parties need to be personalized and their concerns publicized and addressed.

## Reading:

Albert Bandura, Gian-Vittorio Caprara and Laszlo Zsolnai: "Corporate Transgressions" in Laszlo Zsolnai (ed): *Ethics in the Economy*. 2002. Oxford. Peter Lang Publishers.