The common good in global business

“THE COMMON GOOD IN GLOBAL BUSINESS: THE MISSING FACTOR IN ‘ETHICAL SOURCING’”?

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ABSTRACT

The cut flower industry is one of Kenya’s four most important foreign exchange earners along with tea, coffee and tourism. Earnings from this industry have however been disputed, with some reports indicating that the ordinary Kenyan benefits little from it. Instead, despite being one of the most audited industries for ethical sourcing, Kenyan cut flower business sector continues to be accused of exploitation of man and nature as well as of violation of the human rights of workers. This paper endeavours to unravel the paradoxical situation where, despite being a lucrative global business, the Kenyan cut flower industry, one of the most audited for ethical practice within the industry, it appears to add no value to the lives of the Kenyan people.

Key words

Business Ethics
Floriculture
Ethical sourcing
Common Good
Moral responsibility in CSR

1. INTRODUCTION

International business today is estimated to constitute an employment capacity oscillating between a third and a half of total employment in developing countries. In Africa it is reported to own more than 69% of big business. Gobal influx has undoubtedly facilitated some economic growth for developing countries in terms of resources and some skills, but that growth is increasingly being questioned when, the huge benefits that the global investor reaps from it are compared to the conditions in which the workers and the countries that make those profits possible are left in. The arguments for this scepticism are that, besides the investors control of huge assets, there has been much pressure from the developed world, where the markets are, requiring developing countries to adopt a free trade strategy. To attract investments, the developing countries strive not only to compete with each other, but also to provide a conducive or enabling environment for the investors. The provision of that 'conducive' environment' often means making certain exemptions to the general rule, such as relaxing the labour laws in order to attract the investors. Under such arrangements the labour process is characterised by casual or informal work and flexible working days or hours, in order to meet the needs of employers or the business cycle and wages are pegged on profit margins achieved by the business. In such a situation, the managers tend to opt for a workforce that is expendable, and as a result the opportunity cost of offering these incentives results in a shift of the social cost to the citizens and workers in sweatshops. This practice is nowhere so well exemplified as in the Export Processing Zones or EPZ (cf. KHRC Report 2004), and although the Kenya cut flower industry does not fall under this sector, the work principles in the day to day practices have been found to be largely the same.

Floriculture in global business

Floriculture in Africa can be traced to the 1970s. It was fuelled by development aid aimed at integrating African producers into the global economy. Since then the sector has grown to become one of the three most important foreign exchange earning industries along with tea and tourism. Some estimates put Kenya's cut flower production at about 69% of all the flower trade originating from the sub-Saharan region. The major destinations for the Kenyan flowers are the Netherlands, United Kingdom, Germany, France, and other European Union (EU) countries. The EU is believed to consume over 50% of the world flowers, and of these 25 per cent is exported from Kenya. In the UK alone, an ETI media briefing on 6th February 2008 indicated that on a

day like Valentine's Day one in every four flowers sold in the UK comes from Kenya. That makes Kenya the third largest exporter of cut flowers after Colombia and the Netherlands.

The accredited body to monitor floriculture activities in Kenya is the Kenya Flower Council. Besides other jobs, KFC is the legal body that audits flower growers and collects standard levy fees on behalf of the Kenya Bureau of Standards (KEBS). In 2007 KFC puts the total declared Free on Board (FOB) value of floriculture exports at Kshs 43 billion out of the total amount of Kshs 67 billion for horticulture. In the previous year the flower export volumes were estimated to be over 80,000 tons, while volumes for 2007 were 90,000 tons. (Ngotho 2005). The Ethical Trading Initiative (ETI) debriefing report of February 2008 estimated that over 55,000 Kenyan workers and their dependents rely on jobs within the industry**.** These figures however vary from report to report; with the Kenya Flower Council (KFC) putting it at 100,000 direct workers, but claims that all in all approximately 1.2 million people rely on it if one adds other people indirectly employed in transport and packaging roles.

These large numbers of employees in the cut flower industry coupled with the apparently huge earnings for Kenya show the industry to be capable of improving the economy and the lives of Kenyan people**.** However, this perception has been disputed by other reports. A Kenya Human Rights Commission (KHRC) survey of 2004 carried through various flower farms and the EPZ sector found that despite the huge profits, the Kenyan people, including Kenyan flower farmers gain little foreign exchange from cut flower business. There are several explanations for this discrepancy. Firstly, just like coffee, tea and tourism industries, the floriculture sector remains largely a foreigners' affair. Specifically, of the approximately 500 flower farms in the country a total of 76 per cent is concentrated in foreign-owned flowers farms around Lake Naivasha in the Rift Valley. The largest are Homegrown, Sulmac, Sher, Oserian and Finlay flower companies. In addition, approximately 60 per cent of the total exports are supplied by two dozen large scale flower operations which export directly to Europe while the few locally owned holdings have to depend on the larger farms in order to gain access to the more competitive and restrictive auctions in Germany and the Netherlands. (Smith, et al. 2004).

Other observations show that while flowers from local growers are sold in Amsterdam as Kenya flowers, the Dutch companies growing their flowers in Kenya tend to sell theirs as flowers from Holland because in that way they receive preferential treatment at the auction. This includes exemption from the EU-imposed export rules. (Ngotho 2005). A special report carried in Kenya's *Sunday Standard* of April 17, 2005 (and which has not been refuted), highlighted

various discrepancies between the apparent huge earnings from the flower industry for Kenya and the reality on the ground in terms of gains for the Kenyan people. For example, while flowers sold in Kenya's name are inspected stem by stem at the Jomo Kenyatta International Airport at the cost of 12 Euro cents a stem, those grown in Kenya but marketed by overseas-accredited companies are only inspected in bulk. This means that the Kenyan grower earns less than his foreign counterpart who owns a flower farm in Kenya. Another reason why Kenya may be gaining little foreign exchange from cut flower exports is the export system. Most foreign flower growers use direct chartered freights and their flowers are inspected in bulk. Secondly, most of the earnings gained at the auctions are banked in the investor's country thereby depriving Kenya much needed revenue in taxes.

More alarming however are the work conditions of the employees in the flower farms. For many years now the cut flower industry in Kenya has received a lot of negative media exposes for poor labour practices. Generally, people who seek work in this industry are poor, and that makes them vulnerable to exploitation. Research carried out in some flower farms, by ETI members between 2002 and 2004, revealed widespread discrimination against women workers, workers kept on rolling temporary contracts, poor health and safety, low wages, long working hours and low levels of union representation. Three years later, a media feature by Isaiah Esipisu (2007) reveals that the workers conditions continue to be far from desirable.

The investors on their part see all these issues from a different angle. They complain, for example, that the costs of production are higher in Kenya than they are in the developed countries. In addition they point at the prices of inputs and chemicals which they say are very high and also complain about Kenya's poor infrastructure, which they accuse of hampering the transport and freight of fresh flowers, making it difficult to get the product to the destination on time thus incurring loses. The solution to some of these issues is complicated and perhaps not relevant for this paper. The aim of this paper is to examine the apparent paradox between ethical audits in the flower farms, said to be very advanced in Kenya, and the many bad exposes of ethical violations in the same farms. The questions underlying the inquiry are: do the codes used for the audits adequately cover the requirements for 'social responsibility'? Secondly, in view of shortcomings of codes what alternatives exist for companies to source their product with humane and real social responsibility?

2. THE CONCEPT OF ETHICAL SOURCING IN GLOBAL BUSINESS

The phenomenon of globalisation is remarkable in that it has enabled corporations to have a broad range of choices for the production of their products through the choice of 'favourable conditions' such as climate and cheap labour. Unfortunately those preferable conditions often mean a low level of regulation and social provision for the employees and the environment, paving the way to possible exploitation of both man and natural resources.

Exploitation of resources has often been highlighted by human rights groups with the aim of pressurizing companies to become more ethically responsible. The result has been a proliferation of good practice mechanisms such as codes of ethics, good practice statements, vision and mission statements and corporate social responsibility (CSR) initiatives with varying degrees of success, which can be found in nearly every company and organization today. To ensure implementation of those initiatives many markets in the North require 'labelling' as a sign that the product has been ethically sourced. (Holtshaussen 2007). This is done through the Flower Label Program (FLPs). However, while those efforts may have addressed certain aspects of ethical practice, it appears that in Kenya, they have not managed to provide significant social responsibility, corporate or otherwise.

Ethical sourcing is described as a process whereby a company at one part of the supply chain takes responsibility for the ethical, social and environmental performance at other stages of the chain, especially for that of primary producers. (Blowfield 2003, 1). In this chain the success of ethical sourcing in changing supplier practices lies mostly on the perspective of the particular corporation, and the understanding and implementation of ethical sourcing is largely dependent on the particular industry. It may turn out that each company has its own understanding of it. This process has grown in popularity since the 1990s.

From an empirical study carried out in the UK (Holtshaussen 2007) it was found that from 34 persons interviewed within the food and agricultural industry, no strict definition of 'ethical sourcing' was discernible. Asked what they meant by 'ethical', for example, respondents could speak of fair trade but not about 'ethical sourcing' as such. This was left to the interpretation of each person and to different respondents it meant different things. In some cases companies were found to adopt a holistic interpretation of the concept where it could mean anything from the manner of producing and packaging a product, to workers' pay conditions and their rights to certain social benefits, which must 'all be ethically sourced'. A few focussed on social benefits

for their workers, the protection of children, equal opportunity and occupational health, safety, and so on. (Holstshausen 2007, 2).

It is unarguable that codes of ethics have made some contribution towards ethical sourcing. Companies also like codes because they give an impression of taking ethics seriously, and also, since they are presumed to be voluntary, companies tend to believe that they can implement them any way they decide they are most effective. (Samet 2003). This may be the core to the problem in 'ethical sourcing' because whereas it is alright to say that codes have significantly influenced the practice of ethics in business, there remains the delicate side to their use. For a code to be comprehensively effective largely depends on how it was designed, who designed it, what interests it was designed primarily to serve, how it was supposed to be implemented, how often, and who would audit the company for good practice. This means that varying degrees of implementation for 'ethical sourcing' are possible, with equal possibility for suppliers to be omitted from the improvement process.

Given these facts, it becomes clear that the presence of codes is not sufficient guarantee for greater social and environmental justice in global business. This assumption is corroborated by Dolan and Opondo (2005) in the case of the cut flower industry in Kenya. Their research shows that despite being one of the most codified industries, ethical violations are still rife**.** A further investigation revealed that the codes in use had originally been designed to reflect best practice for the Dutch flower industry where conditions are very different from those of Kenya. Naturally, such codes tend to prioritize interests most resonance for stakeholders in Northern regions regardless of whether the issues there are significant in the host country.

Wood (1995) points to another problem with codes; this is that generally, corporations in the North assume that because developing countries 'appear' to operate at lower ethical standards (often due to lack of education and means) it is not ethically wrong to operate with values and norms that would otherwise be questionable in their own countries. As a result, with only superficial changes in supplier practices products are issued with FLP tags.

- **The Notion of 'ethical sourcing' in the Agency organizational model of business**

The two most commonly used models of business organization are the agency/shareholder/ stockholder model and the stakeholder model. According to the former, since the stockholders are the owners of the firm, all corporate profits belong to them by right. Company managers as agents of the stockholders have therefore, a moral obligation to manage the firm solely in their

interest. That interest is to maximize shareholder wealth (Boatright 2001). This is the rationale behind Friedman's (1970) famous statement: "*The social responsibility of business is to increase its profits*".

Inherent in this statement, as Coxon (2007) aptly notes, are various arguments. Of these the most predominant, and pertinent for the concerns of this paper, is that the sole responsibility of the managers of a company is to fulfil the goals of the shareholders, which are profits. Implicit in that expectation is the assumption that it is not the role or concern of business companies to care for society's welfare or their interests. That role belongs to the government. Finally, within this model is the conviction that business adequately satisfies social responsibility so long as it functions within the law. Consequently, if companies take care of the economic and legal issues they will have more than satisfied the demands of society.

This approach of management has been criticised on various grounds. Firstly, it is argued that by getting overly concerned to protect the rightful interests of the shareholders, it ends up by out-rightly rejecting moral responsibilities for any other constituencies. For example, it fails to recognize that in and thorough their work, human beings pursue a variety of human goods, such as fulfilment and growth. (Alford et al. 2001). Secondly, the model overlooks the fact that the law, especially in the developing countries, may not, for any number of reasons, be able to adequately guarantee that the rights and interests of all legitimate current and future generations of local stakeholders will be satisfactorily respected. In such a situation, the question is: can global business honestly still claim to be sourcing their product 'ethically'? Enderle (2006), Alford and Naughton (2001), and Newton (2003) argue that no business can claim to source its products ethically if, in doing so, it overlooks or ignores responsibility for the basic human goods of its immediate stakeholders. A business using a code that does not explicitly address basic human goods cannot avoid, by that very fact, becoming exploitative and abusive of the legitimate interests of numerous stakeholders.

The Notion of ethical sourcing in the stakeholder organizational model

The stakeholder model claims that firms are operated or ought to be operated for the benefit of all those who have a 'stake' in the enterprise. These include the owners, employees, customers, suppliers, and the local community. The relation of each stakeholder to the firm may be different, but each of these constituencies is integral to the operation of a firm. For that reason, all these constituencies must be taken into account by managers in a hierarchical manner. The theory goes

on to define how companies should behave, whom they serve and the principles that guide their operations (Alford et al. 2001). The difficulty of this model in comparison to the shareholder model is that it is less easy to characterize. In addition, its proponents do not agree on what criteria one must meet to qualify as stakeholder, or what sorts of claims stakeholders should make on the firm. What the model does, however, is to raise groups with stakes in the firm's activities to the status of quasi-shareholders.

This model borrows from the rights theory, and particularly the Universal Declaration of Human Rights (1948), which provides that all men and women everywhere in the world have the right to life, liberty and security of person, freedom from slavery and servitude and to proper legal process. Thus, any employee, shareholder, creditor, consumer and similarly interested groups are regarded as rights bearers whose diverse claims must be respected by the organization's management. Because the Universal Declaration of Human Rights casts its net so wide, it is not easy to pin down firms on violations of their duties using the model. In essence however the stakeholder model contends that firms have obligations to parties beyond shareholders.

In recent years this model has gained strength in international development circles in forging coalitions between business, government and the civil society. (Dolan et al. 2005). The expectations are that such alliances should be the answer and promise to the realization of the development goals of poverty alleviation and environmental improvement so long awaited for. Proponents of the alliance envisage a multi-stakeholder process (MSPs) which, through dialogue, can bring to the forefront problems such as those concerning ethical sourcing in developing countries. The aim is to foster greater accountability in the business practices of global corporations. Specifically a multi-stakeholder framework to code implementation was presumed to be the panacea for ethical malpractices in local and international business.

When Kenyan cut flower producers started to embrace codes, they borrowed codes already in use overseas until such a time as they could design their own. It was with this spirit that the Horticultural Ethical Business Initiative (HEBI), a Kenya flowers stakeholder group, was formed to guide and monitor social accountability in the cut flower industry, by identifying the points of consensus and conflict as articulated by stakeholders within it. The HEBI framework was based on that of the Ethical Trading Initiative (ETI), an international organization based in the United Kingdom that monitors ethical trading worldwide. HEBI's base code was launched in 2002 becoming the basic ethical code in Kenya's floriculture. The issues involved in it are however determined by the KFC, as one of the stakeholders, whose membership comprises major cut

flower growers, some NGOS, some departments of foreign governments such as DfiD and the Royal Netherlands Embassy (RNE), and representatives of two local government ministries. No workers are represented in this body.

MSP base codes such as the ETI and HEBI base codes have been in use for some years now, yet problems persist. A number of factors seem to limit the extent to which MSPs can address the needs of workers and of the communities surrounding the places where they operate. The first factor is the question of local ownership; recent studies seem to indicate that MSPs codes are most effective where there is flexible application and local ownership over the process of code implementation and verification. (Dolan and Opondo 2005). As we have seen elsewhere, local ownership of the cut flower industry in the South is mostly foreign. Consequently, while some MSPs codes may have emerged in the South, more often than not they tend to replicate codes from the North with both the standards and the process of implementation derived from those models and hence with a Northern agenda. This is largely the case with HEBI and EUREPGAP[1] base codes which give the standard criteria for ethical sourcing in the horticultural sector. One could therefore, safely say that the effectiveness of the MSPs has as yet to be verified.

Going by the experience in the Kenyan cut flower industry there is the impression that despite their noble aim, the MSPs do not guarantee the interests of some major stakeholders. Hughes (2001) explains this discrepancy by the fact that the presence of codes does not, by itself guarantee greater social or environmental justice. This view is attested by Dolan and Opondo (2005) because in their evaluation of the Kenya cut flower industry, using the HEBI code, they found a major setback for effective application of the code to be that, whereas it ignored important local considerations, it instead represented interests of the UK and Dutch companies. They dubbed this mishap a ‘cultural imperialism trap’. (In Holtshaussen 2007, 5).

Two other factors can be said to explain why MSPs have not provided genuine ethical sourcing results. The first one has to do with the nature of regulation. As we saw earlier, part of the package in global business is relaxation of laws to attract investors, and to ensure that they do not relocate. The second and most basic reason why despite the use of the MSP codes, the cut flower industry does not make much economic impact in the lives of the workers, is that they generally address the minimum requirements and remain mute on issues that could make a significant impact on the societies of the countries in which the businesses operate.

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[1] Euro-retailer Produce Working Group on Good Agricultural Practice

The North has economic advantage over the South which can be termed exploitative. That advantage enables them to lay certain conditions on the host country, and when a country demands of them to meet certain regulations, if those regulation are not favourable to them they relocate. Understandably, this is something which governments in the South do not like too much, among other things, because that creates massive unemployment. As a result, the 'cultural imperialism trap' wins, through what some people have called 'arm-twisting'. So long as companies operating in the cut flower, and other similar businesses, continue to limit their concerns to just regulation as stipulated in their base codes and the general law, basic human goods will be violated. These are genuine 'ethical sourcing' problems which flower auctions in the European markets either do notknow about, or prefer not to know about so long as the flowers bear (FLPs), the hallmark that they have been sourced ethically. At best, business, both foreign and local, may claim that the workers offer their services without compulsion, or that they are better off working for low wages than not working at all, but not that there is ethical sourcing.

Exploitation: The 'cultural imperialism trap' in the cut flower industry in Kenya.

Exploitation as a concept is necessarily tied to that of unfairness, and unfairness to that of injustice. Fairness is a morally important property of institutions, organizations, schemes, games and activities at all levels of human interaction. It is usually associated with ideas like justice, equality, proportionality, reciprocity, and impartiality.

Generally, to exploit something means to take an unfair advantage of it or to make the most of it irresponsibly. We can speak of exploiting of people or of a natural resource. In both cases the implication is that of making an unfair use of, or taking advantage of another party presumed to be unable to protect itself or its citizens out of dire need. Exploitation, as a concept does not apply to clearly immoral actions that are generally described using other terms, such as corruption, robbing, stealing, and murdering. Exploitation connotes specifically taking advantage of someone else's unfortunate situation; for example, taking advantage of someone's indigence, ignorance, physical weakness, or utter need where there are no alternatives. From the exploiter's point of view the aim is to secure an advantage or profit for oneself.

The *Encyclopaedia of Ethics* (1992) makes four distinctions of exploitation. One form is where an exploiter may or may not coerce or defraud the person whom he is exploiting. In this case the person being exploited may or may not voluntarily consent to the transaction. A second form,

typical in all cases of exploitation is where, in the act of exploitation, the exploited person is made worse off than he was before the exploitation. A third form is where the exploited person neither benefits nor becomes worse off than he was before. The fourth is where the exploited person may profit from the transaction but disproportionately less than the benefits that the exploiter gains. It is good to note that in all the four of the forms of exploitation the exploited is treated unfairly because an agent (the exploiter) schematically uses another person to his or her own advantage, and in so doing acts unfairly. Looking at the workers in the cut flower industry, and the country itself, it is clear that both suffer from one or other of these four forms of exploitation

Developing countries are aware of this fact. For some time now they have been pointing fingers at the industrialized North on grounds of exploitation. Their argument is invariably that the North is creating wealth at the material expense of the South in terms of natural resources and labour, but the South, and especially the labourer, is left out of stakeholder benefits. Specifically it is pointed out that it must be morally wrong for global investors to create so much wealth from the resources and hard labour of poor countries only to repatriate it in one way or another, leaving the land and the people who made those profits possible bereft of their resources, energies, and even their self-esteem. For instance, when a company repatriates 99.9 to 100 per cent of its earnings can it still claim to uphold ethical responsibility simply because it has spent some negligible percentage of its profits in wages, purchases and other services? The excuse is usually that since the investor complied with the law he observes good practice. Often, however, that is not the whole truth, as we shall soon see. Even where this may be the case, the question of ‘ethical sourcing’ remains dubious. The problem here consists in the excision of the notion of *moral responsibility* from that of *ethical sourcing*.

The problem of exploitation and abuse of human rights was first highlighted in the early 1990s, when national and international trade unions and NGOs started to campaign about social and environmental conditions in the cut flower industry worldwide. A major aim of those campaigns was to raise awareness among consumers in market countries regarding the conditions in the industry in Southern countries. The result was a variety of networks of interested organizations, being created to work together to address these issues. Two conferences were held thereafter in Nairobi in 2002, one on ‘Corporate Responsibility and Workers Rights’ and the other on ‘Human Rights and Development of International Obligations for Corporations’. They were held under the auspices of the Workers Rights Alert (WRA), a coalition of non-governmental organizations

that monitors workers rights in various industries in Kenya. It was during those conferences that it became clear that there had to be gross ethics violations in Kenya's flower industry, violations that must have been going on for a long period.

Workers on flower farms generally tend to be predominantly women. Not surprisingly then that it was some representatives of Women Working Worldwide (WWW) a UK-based NGO who got interested in what was unfolding in the conference. As a follow up, WWW urged and funded a Kenyan NGO, Kenya Women Workers Organization (KEWWO) to conduct a survey of labour rights violations on flower farms in Kenya. That survey covered 120 random interviews with workers, after which it compiled its findings as part of ETI Report (2002-2004).

The issues raised by workers representing their experience in face to face meetings were:

Low pay, as low as 64 Ksh a day which is less than 1 US $	Sexual harassment, in particular by supervisors
Lack of adequate housing	Lack of contracts
Excessive overtime	Short-term contracts
Unfair dismissal	Social security payments not met
Health and safety issues, in particular with regard to pesticide spraying	Denial of severance pay Lack of freedom of association
Deductions from pay	Lack of maternity leave and day care

Two main issues found to be at the heart of the problem were:

- Abuse of a variety of labour rights
- Ethical Audits that somehow could not detect those abuses.

A typical example of the respondents' responses is the following:

> "When asked if their wage covered their basic needs, a woman in Kenya replied, 'It is not enough at all. For housing I pay Kenya Shilling (Ksh) 400[2], school fees are about Ksh 500 per month, food about Ksh 1,500[3], water about Ksh 200, clothing about Ksh 600, and sickness which varies… since the salary is about Ksh 3000 per month, then I strain (to make ends meet)".[4] (Smith et al., 2004).

What the researchers found to be most puzzling was that these problems had not come out into the light earlier. Most surprising was the fact that many farms named by the workers, either because they worked or had worked there sometime, included large holdings with direct supply

[2] Housing in a slum area is the only one which can cost this amount of money. (A's interpretation).

[3] *Ugali* with or without *Sukuma Wiki* and *Gither*i are the only foodstuffs which can cost this amount of money. Ugali is a stiff porridge made solely of maize flour and water; Sukuma Wiki is kale while Githeri is meal of boiled maize with beans.

[4] Between 1 May 2002 and 31 April 2003, the statutory minimum wage for unskilled employees in Kenya agriculture was Ksh 1,642 per month, or Ksh 68.90 a day, i.e. equivalent to 1 US $. Today this is slightly higher.

relationships with the UK and Amsterdam, with smaller farms selling to those larger farms at peak season. Some of these had excellent or 'Best Practice' reputations. For the foregoing, only two possible explanations can be found: either that the ethical/social auditing methods being employed by retailers abroad, the flower farms owners, and other industry players in Kenya were all defective, or that the concept of 'ethical sourcing' in vogue was a camouflage one. As we have seen before, it could be both.

An alternative notion of 'ethical sourcing', the Common good model.

The 'Common Good' model of business organization is any model that recognizes the true 'destination of the material goods' and prioritizes those goods and ends based on a wider more human consideration of the purpose of the firm. Although increasing shareholder wealth is one of the firm's fundamental goals of all business, the purpose of a business organization is not properly fulfilled simply by the maximization of shareholder wealth.

In business activity, behind what most people would consider to be the conditions necessary for corporate success, there is an analogous hierarchy of organizational goods, from foundational goods to those of excellence. In other words, adequate revenue, adequate profits, efficient use of resources are necessary ends—real goods necessary for organizational survival. At the same time if an organization is dedicated solely to profitability, then even if it happens to pay good wages and to produce socially useful products, that organization is morally deficient, because it only 'happens to' produce socially useful products as opposed to 'deliberately' pursuing the production of socially useful products. In the case of the cut flower industry findings, even this minimum was lacking. To pursue the common good, means to promote all the goods of the organization in a way that orders them toward integral human development. This is one of the basic foundations for true Corporate Social Responsibility (CSR).

3. SOCIAL RESPONSIBILITY: THE FORGOTTEN FACTOR

Corporate social responsibility reflects the fundamental premises of stakeholder theory, which emphasizes the need for beneficial exchanges between the firm and *all* participating stakeholders (Donaldson and Preston, 1995). It posits that organizations have a role in society wider than that of satisfying consumer demand. That need can be described as: actions that satisfy the obligation of the company, those which further social good in the community beyond the interests of the firm, and those which are required by law. (Cf. McWilliams et al. 2001). Such a description however only underlines what the organization *should* do rather than what it does. There is need,

therefore, to go beyond theory, beyond the mandatory vision and mission statements, to address the real needs of society or corporate community engagement (CCE) driven not only by law, but also by morality, societal values, respect for human rights and the environmental context within which an organisation works, as an essential part of the understanding of 'ethical practice'. This approach, which ISO 26000 proposes to launch soon will, if well accepted, result in what other authors have called either the 'Common good model' or the Balanced Concept of the Firm. (Alford et al 2001; Enderle 2006; Franceschi 2004).

It would appear then that the first step in being socially responsible consists in the observance of the basic human rights among ones' own company's immediate stakeholders. People may have wants and that fall outside what a company can provide. That, however, from a *moral responsibility* point of view, is not sufficient excuse for a business which can afford it, to deny its employees a living wage proportionate to their qualifications and skills, stable employment, adequate rest, protective clothing, maternity leave, and so on. The fulfilment of such requirements is not simply 'helping' people; rather it is carrying out one's *moral obligations* to one's stakeholders. For that reason, the use of codes is not sufficient for the provision of 'ethical sourcing', nor can it be properly called *social responsibility*. To become social responsibility, it requires the backing of the much wider and overarching doctrine of *justice* based on the 'common good'.

4.0 CONCLUSION. MANAGEMENT WITH A HUMAN FACE

One of the reason why the plethora of CSR based codes have not managed to deliver the promise of better lives for the poor is precisely a confusion in the use, and understanding, of 'responsibility', both corporate and private. (Enderle 2006, 111). The term 'responsibility' according to Enderle, derives from the idea of *re-sponding* or giving valid answers to questions asked by others. In this sense the notion of responsibility is similar to that of accountability. It reflects the relational structure of human existence that includes a polarity in which, on one hand, there is an inner pole or *self-commitment* originating from *freedom*, and on the opposite pole, this self commitment has its point of departure and of *destination*, in an external relationship.

Responsibility stems from the freedom of the human person as a decision maker. It implies that there is an authority to which one is responsible for a very *concrete matter and* in a very *concrete manner* within a hierarchy which involves:

- The person who is responsible or the *agent* of responsibility

- The content of responsibility or the *matter* for which one is responsible
- The *subject* towards whom one is responsible, such as other humans, a society, environment.
- An *authority* towards which one is responsible (the law for example)

Following this reasoning, it would be reductive to try to limit the scope of one's ethical responsibility to merely fulfilling roles and rules. Rather, the solution is to distinguish different levels of responsible obligations, from the minimal requirements, such as rules/codes, which must be met 'under all' circumstances, to the aspirations of ethical ideal which propose ethical excellence with regard to the pursuit of human goods. In this division one may fall short of 'being excellent', yet claim to act legally, but when one violates minimal ethical standards, even if they are not legally spelt out, one cannot really be 'good' or socially responsible at all.

The inference here is that the minimum criteria for objective *social responsibility* in business is a sense of fairness that forbids us to hold someone responsible for something she cannot control. No one should be held responsible for things which lie beyond one's power, but this is utterly different from neglecting to do what one could do. The extent of one's responsibility should be in accordance with the extent or space of one's freedom of action. The bigger that space is, the greater is the corresponding responsibility. Similarly, the higher the level of leadership one has, the bigger the spaces of freedom and responsibility. (Enderle 2006, 112).

In a manner analogous to the human person, a company has (and develops) an identity. It pursues a purpose, nurtures a culture, has some space of freedom to make decisions, and impacts people, society, and environment, all of which are factors that characterise and warrant a company as a moral actor. Consequently, if the fundamental link between freedom and responsibility is either overlooked or rejected, the result is a difficulty of the identification of one's role in a given situation. Hence, when a person or an entity, want more freedom of operation but reject the accruing moral/social responsibilities, they end up acting exploitatively. This would be the case when a company demands more liberalization, deregulation and privatization without the corresponding willingness to the commitment to ethical responsibility, as is the case with the Kenya cut flower industry. In this case, claiming to be sourcing their products ethically is deceptive.

A further analysis of the concept of responsibility, within the context of freedom, shows that an individual or an entity need not necessarily anchor, or limit his or its responsibility, only to

accountable actors. Using his freedom, a person or an entity should make the distinction between *authorities* (such as the law) towards whom the actors are responsible and the contents of that responsibility. Being responsible to customers only determines towards whom the company is or should be responsible while leaving the various *contents* of that responsibility completely vague. It does not spell out the question of what should be contained in that responsibility. That area is left to one's freedom.

Local conditions—political or social—in developing countries should not be an excuse to prevent corporations from considering ethics in their everyday operations. A genuinely ethical company will carry its values and moral principles wherever it operates, not as philanthropy but as a moral duty. In this sense one could say that the problem of 'ethical sourcing' in the Kenya cut flower industry goes deeper than code observance. It seems to be rooted in the 'excision' of the concept *morality* from that of *ethics* in global business where the notion of ethics is identified with legality, while that of morality is relegated to the individual freedom of choice.

As a corrective to the problems highlighted in this paper, the recommendation of this inquiry is to consider that the reason why (the authority to treat people well is their human dignity, the source of all other rights. Enderle calls this approach a "Balanced concept of the firm". The company is held to be a multi-purpose organization which has economical, social and environmental purposes, all of which have their intrinsic value, and are related to each other in a circular rather than hierarchical manner. In order to be an adequately social and ethically responsible company, other kinds of values beyond profits are taken into consideration. The fabric on which these moral responsibilities are built are three principles of moral responsibility, namely, the principles of *beneficence*, *justice* (fairness) and *human dignity.*

- *The Principle of beneficence*

By this principle we eliminate dangers to life and happiness. That entails concern for people's safety, protection from harmful products or work environments, and provision of means for medical attention when they suffer illness, hunger and exhaustion. The focus here is on what can ethically be done to foster their happiness. This focus is often broken further into other logically related norms such as: *Not to do harm* or the duty *non-maleficence*. Aquinas (I-II, 94, a.1, 2.) identifies this as one of the first principles of practical or 'strong' rationality which tells us that "good is to be done and evil is to be avoided". All rational beings know this within themselves; to *prevent harm* by always attempting to keep agencies besides ourselves from doing harm; to

remedy harm, by taking proactive action to minimize human suffering as much as possible; *to do good* by providing benefit wherever possible.

- *The Principle of Justice*

Under the principle of justice we are urged to observe the requirements of fair dealing. Newton (2005) focuses on certain general tenets of justice that are basic for the existence of even a minimum of the respect and consideration of human dignity in the treatment of other people: the obligation to acknowledge our membership and dependence on human community in which we live and operate; the need to contribute to its life, obey its laws and policies; the need to be honest in all our dealings with them, and above all, the need to hold ourselves accountable to them for our actions.

- *Principle of human dignity.*

Because business is a human enterprise in which people can become increasingly better as persons, an ethical business will make efforts to ensure that at least through working for it, neither the people, nor the environment worsens. For that reason, any business or organization that genuinely seeks to act ethically will attempt to cultivate people and promote a leadership management that will protect that quest.

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