

## Managing Ethical Issues: How ISCT Can Help to Fight Corruption and Child Work - A Comparative Study

Lothar Auchter and Martin Dziewa

University of Applied Sciences Kaiserslautern – Germany

### Key Words:

Integrated Social Contract Theory (ISCT), hyper norms, rules of procedure, authentic norms, legitimate norms, relativism, universalism

### Abstract

*In this comparative study will be shown that especially the ethical problem of bribery and child-labor in German and Indian business relations could be very complex. Especially when a contractor is not directly involved into the production process of his Indian business partner ISCT delivers a tool that makes the complexity of the ethical decision finding more transparent and reveals that ethical decision making is not always unequivocal.*

*The Integrative Social Contracts Theory (ISCT) by Donaldson and Dunfee is arguably the most promising framework capable of providing concrete ethical guidance for managers in business operations currently available. It bases on the classical concepts of social contract thinking and interconnects normative and empirical approaches of business ethics. ISCT is identified as a pluralistic business ethics methodology, since it avoids both cultural relativism and universalism: On the one hand, it takes into account different communities with their culturally specific norms and standards, and on the other hand, it suggests that there exist some transcultural, universal norms which are superior to local norms.*

### Introduction

It remains difficult, however, to identify and manage ethically correct behavior in everyday business situations. As business becomes less fixed territorially due to advancing globalization, this issue becomes even more pressing since new questions of ethical behavior arise. In response to arising questions of ethical standards, numerous universal standards have been proposed to guide the actions of business, but most of them fail to reflect the context-specific complexity of business situations. For a long time, research in the field of business ethics has been divided into two streams: Researchers with philosophical background made use of purely *normative*, nonempirical methods for their study of business ethics, whereas management scholars with training in descriptive *empirical* methods have applied their own techniques. Normative approaches to business ethics identify moral principles and methods of moral reasoning that justify judgments of what is ethically right or wrong, thus guide us what we *ought* to do. Descriptive approaches, however, focus on the “*is*” of economic affairs, including attempts to describe or model ethical decision making, as well as empirical studies of the ethical attitudes and/or behaviors of different communities and populations. Donaldson and Dunfee seek to solve this lack of integration by interconnecting the normative and empirical approaches in business ethics, presenting a normative theory which “incorporates empirical findings as part of a contractarian process of making normative judgments” (Donaldson/Dunfee (1994): p.254).

### Basic structure of ISCT

Bridging between the “*is*” and “*ought*” is done by the ISCT because it integrates two distinct kinds of contract. “The first is a normative and hypothetical contract among economic participants, a social contract similar to the classical contractarian theories in philosophy and political economy. This general contract, in turn, defines the normative ground rules of creating

the second kind of contract. The second is an existing (extant) implicit contract that can occur among members of specific communities, including firms, departments within firms, informal subgroups within departments, national economic organizations, international economic organizations, professional associations, industries, and so on. The aggregate of these extant social contracts contains much of the substance of business ethics. We believe that this way of conceiving business ethics not only helps one in understanding the normative justification for business decisions, but it also helps one in reaching such decisions" (Donaldson/Dunfee (1994): p. 254).

ISCT based on three basic concepts:

- Authentic norms which clarify culturally specific norms.
- Priority rules which determine the rules of engagement when authentic norms clash.
- Hypernorms which measure the value of authentic norms against a set of universally upheld values. Culturally invariant moral concepts – the fundamental principles of human existence – are reflected in these hypernorms. Hypernorms should include, at a minimum, the following attributes: "Core human rights, including those to personal freedom, physical security and well-being, political participation, informed consent, the ownership of property, the right to subsistence; and the obligation to respect the dignity of each human person." (Donaldson/Dunfee (1994): p. 267).

Adapted to the French card game Rommé these hypernorms are the fundamental definition of that game, the basic rules which are representing Rommé. All norms which are irreconcilable with hypernorms, are illegitimate norms violating minimum global human rights.

Hypernorms are a main part of superior normative macro-level. Concerning our example hypernorms are the rules of Rommé, while the macro-level symbolizes the theory of all potential moves within the game. The macro-level embodied by the hypernorms represents also a hypothetical social contract.

Donaldson & Dunfee assume that all economic behavior is based on implicit, real existing contracts. These contracts reflect the micro-level or the level of subsystems, in which local values presume to be right on principle. It arise a moral free space, within which communities can act in integrity to their traditions, customs and more by a specified, real existing, micro-social contract.

As mentioned above Donaldson & Dunfee determine local, culturally specific norms as authentic norms. Following our example authentic norms are the "family specific" rules playing Rommé.

The boundaries of moral free space are set by macro-level. In our example, macro-level are these rules which are developed by every family for playing Rommé, the boundaries are given by general game definition. Donaldson & Dunfee propose four principles which should form the relations between micro- and macro-level:

(1) Local economic communities can specify ethical norms for their members through micro-social contracts. (2) Micro-social contracts to specify local norms must be based on informed assent which itself must be supported by the right to leave the contract. (3) In order to develop powers of obligation, a micro-social contractual norm must be compatible with hypernorms. (4). In the case of conflicts between norms which satisfy principles 1-3, an order of priorities must be drawn up by using rules which correspond to the spirit and letter of the macro-social contract.

But what will happen, if two persons sharing the same hypothetical contract on a macro-level (general game definition of Rommé) like in our example have different ideas (individual game rules) on a micro-level?

According to the authors priority rules are implemented at macro-level describing the procedure by which to settle dispute between conflicting norms on a micro-level. In our example this will happen by discussion and agreement to one rule set of Rommé. After reaching a method-legal consensus, authentic norms will transformed to legitimate norms of the respective culture which implies that legitimate norms are binding for all members of the norm-generating society. According to our example it means that the negotiated compromise about game rules of Rommé is played by all together.

## **Applying Theory to Practice**

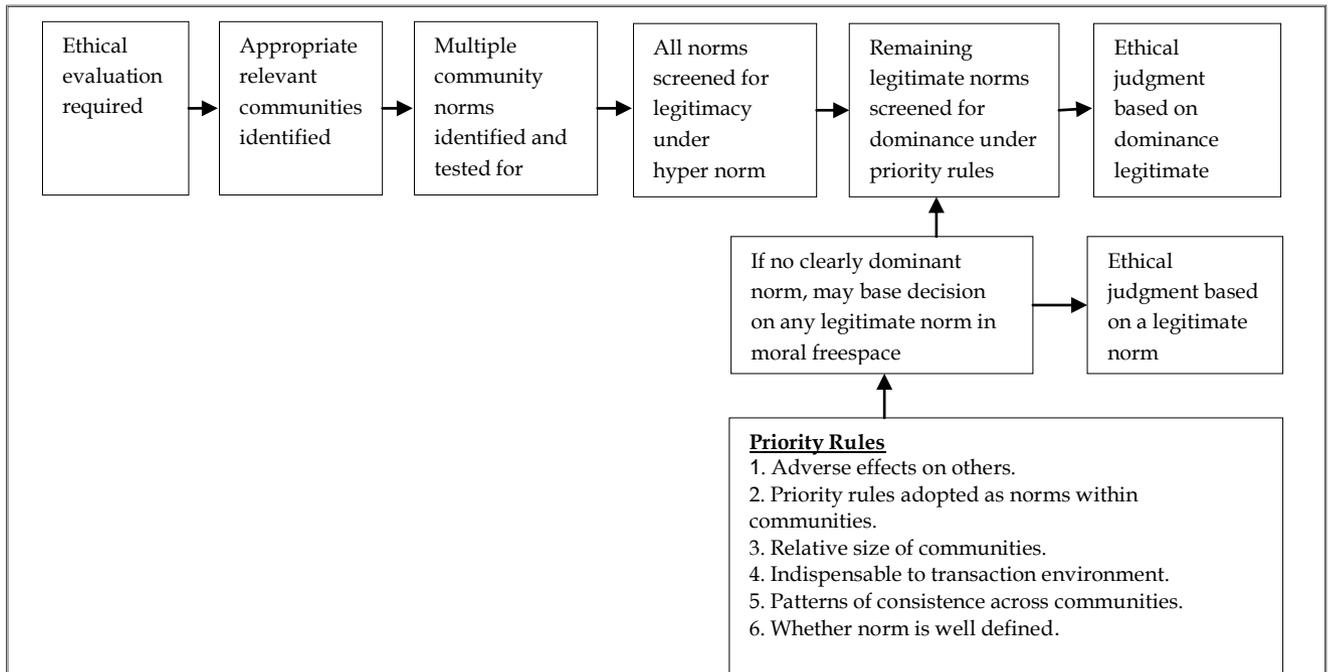
### **Case Study: Ethical dilemma**

A product manager of a German company which is specialized in the production and distribution of spare parts of historical motorcycles in Germany met Mr. Singh, an Indian businessman, who is able to produce the spare parts for the German company at much more favorable terms (the same quality cheaper by 40 percent) than European suppliers. Mr. Singh tells the German manager that he does not own any assembly plant and that the parts are produced in homework by his subcontractors.

Mr. Singh shows the German manager the production area, which is located in an apartment building. A large family is sitting around several tables and assembles the spare parts. Not only the parents and grandparents, but also three children between 6 - 13 years old are working diligently. The children perform simple tasks and supply the adults with material. The fact that the production takes place within a family guarantees a high level of quality, since the whole family feels responsible for the product. In order to be safely stored until picking up at the weekend, the assembled products are stored in a room of the public school. Mr. Singh mentions in passing that the local district commander, a relative of the family, receives a small compensation for the private use of the public building. Everything has its price and you scratch my back and I'll scratch yours!

### **The ISCT decision process**

The steps of applying ISCT to a concrete business situations will be explained in the following subsections by means of the ISCT judgment procedure (see Figure 1):



**Figure 1: The ISCT Decision Process**

Source: Dunfee/Smith/Ross (1999): p.21

## The Case Bribery

### Identifying relevant communities and authentic norms

Once an ethical problem has been identified, the next step in applying ISCT is the identification of relevant key communities for the decision-making process.

A community is defined as “a self-defined, self-circumscribed group of people who interact in the context of shared tasks, values, or goals and who are capable of establishing norms of ethical behavior for themselves” (Donaldson /Dunfee (1999): p. 39). However, the core element of the definition of an ISCT community consists of the capacity of an identifiable group of people to develop authentic norms.<sup>i</sup> The definition of a community allows a great, open-ended, variety of economic communities. Consequently, defining the boundaries of a community is one of the challenging issues in applying ISCT.<sup>ii</sup>

Since the act of bribery occurs in India, and two Indians, or more precisely Mr. Singh and the district commander, are directly involved in this procedure, the issue is relevant within the broader Indian community. The German manager is not directly involved in the bribe activity, however, he wants to sell the spare parts to German customers. Again, the German manager and the German customers of motorcycle parts fail to meet the definition of a self-defined group in relation to the main ethical problem of this Indian case. Rather, they are part of a broader community. Thus, the society of Germans qualifies as a broader community with a stake in the issue.

Since the identified relevant communities are broader communities including whole societies, relevant norms may be derived from surveys on the attitudes and the cultural acceptance of Indians and Germans towards corruption. The behaviors of community members may be derived from statistical indicators on levels of corruption. Therefore, selected and current data serve as source for the identification of authentic norms.

The actual CPI (2011) for Germany is 8,0 which places the country on rank 14 of the whole list. Comparing the results of both countries, it can be assumed that the minority of Germans support corruption and bribes, whereas the indicators for India assume the contrary.

	year										
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>India</b>	3,1	3,3	3,4	3,4	3,5	3,3	2,9	2,8	2,8	2,7	2,7
<b>Germany</b>	8,0	7,9	8,0	7,9	7,8	8,0	8,2	8,2	7,7	7,3	7,4

**Table 1: Corruption Perception Index (CPI) of India and Germany**

Source: own illustration, based on data from Transparency International.

Furthermore, Transparency International conducted a survey in 2010/11 on the public views on corruption in South Asia, including India. The majority of Indian respondents (54%) reported having paid a bribe to a public service provider in the last twelve months.<sup>iii</sup> The India Corruption Study 2010 showed that 95% of the households who were asked for bribes ended up paying them.<sup>iv</sup>

At this point it is useful to differentiate between grand and petty or low scale corruption. Grand corruption typically involves senior officials, major decisions or contracts, and the exchange of large sums of money. Petty or low corruption involves low-level officials, the provision of routine services and goods, and small sums of money.<sup>v</sup> Dunfee and his coauthors<sup>vi</sup> also distinguish between small payments and “coarse” bribery, arguing that “[they] use the term “coarse” to distinguish clearly harmful bribery from common practices involving social gifts and entertainment and cases where payments may constitute an authentic and accepted method of compensation” (Hess/Dunfee (2000): p. 3) and that coarse bribery includes breaching a duty pertaining to a significant community interest.<sup>vii</sup>

The bribe activity presented in the Indian case above definitively counts among petty corruption, since the payment of Mr. Singh is small and a low-level official is involved. For instance, small bribes or tips are commonly called “baksheesh” in India.<sup>viii</sup> In this sense, the behaviors and attitudes of community members towards petty bribery including small payments would endorse the acceptance of (petty) bribes. Especially when there are obvious justifications,<sup>ix</sup> like the low wages of low-level public officials in India or that petty bribes do not confer substantial advantages for the party making the payment, an accepting attitude towards petty bribery is likely.

Based on this evidence, and the right of exit and voice of the community members, it is assumed that the acceptance of petty bribery is an authentic norm in India, whereas in the German society an authentic norm of not supporting (low-level) bribery prevails.

### Legitimacy of the authentic norms

The next step is to determine the legitimacy of the identified authentic norms, which means that the authentic norms are tested under hypernorm test. The requirement here is that norms do not conflict with hypernorms.

It seems unlikely that the German authentic norm of not supporting bribery violates a hypernorm. It follows, that this authentic norm also is legitimate. In regard of the Indian authentic norm, the question arises whether a hypernorm disallowing petty bribery exists. Donaldson and Dunfee have identified another hypernorm that could be violated by

bribery: The right to political participation.<sup>x</sup> However, they recognize by themselves that it is “difficult to argue that small, uniformly structured bribes [...] seriously undermine the people’s right to political participation” (Donaldson/Dunfee (1999): p. 227; Dunfee/Donaldson (2006): pp. 71f). A second hypernorm which could be relevant in the case of bribery. It is what they call the hypernorm of “necessary social efficiency.”<sup>xi</sup> An action or policy is efficient “when it contributes toward the provision of necessary social goods sufficient to sustain the least well-off members of society at a level of reasonable possibility concerning liberty, health, food, housing, education, and just treatment” (Donaldson/Dunfee (1999): p. 119). Therefore, this hypernorm “requires that economic agents utilize resources efficiently concerning goods in which their society has a stake” (Dunfee/Donaldson (2006): p. 72) and, amongst others, is addressed to smaller payments to government officials.<sup>xii</sup> Bribery in general *usually* violates this hypernorm,<sup>xiii</sup> however in the specific case described above, the small payment seems not to do so. In this respect, it is very questionable whether the petty payment of Mr. Singh to the district commander constitutes an inefficient act. It may be assumed that the goods stored in the school building are not disturbing the primary task of the building, which is creating space for education. From a different point of view, one could even argue that using empty rooms for storage might contribute to more effective use of the school building.

Applying these findings on the specific case of Mr. Singh and the district commander, it seems that there is no violation of hypernorms in this case of petty bribery. It follows that both identified authentic norms are assumed to be legitimate. However, these norms are conflicting and therefore the issue requires resolution under the priority rules.

### **Resolving conflicts between legitimate norms**

As explained above two competing but legitimate norms emerge: On the one hand the Indian norm allowing petty bribes, and on the other hand the German anti-bribery norm, which consequently would disallow doing business. In the following steps it will be analyzed on which of these norms the ethical judgment should be based.

**Priority Rule 1:** Transactions solely *within* a single community and adverse effects on others

The bribe between Mr. Singh and the district commander takes place *solely* within the broader Indian community and does not have any significant adverse effects on others, namely the Indian norm allowing petty bribes. The issue involves a horizontal relationship between two communities, since both the Indian as well as the German, are broader nation-state communities. However, the first rule of thumb deals with “*transactions solely within a single community*”, hence it does not appear that this rule applies in this case.

**Priority Rule 2:** Priority rules adopted as norms within communities

Germany is among the countries who acceded (in contrast to India) to the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions by the OECD, which is aimed at reducing corruption in international business transactions. However, this convention prohibits only the direct participation or involvement in bribery, but the German manager described in the case above is neither directly involved within the act of the bribe payment, nor is Mr. Singh his intermediary. It seems that such priority rules do not exist, and thus the second rule of thumb does not appear to apply in this case.

**Priority Rule 3:** Relative size of communities

In direct comparison to the sizes of the identified relevant communities, namely the German and Indian communities, the Indian pro-petty-bribery norm seems to be more extensive, since India’s society is more than ten times larger than the German society.<sup>xiv</sup> Even

though there exists a horizontal relationship between the two communities, this priority rule supports the Indian norm allowing petty bribes.

**Priority Rule 4:** Essentialness to transaction environment

It appears that a small payment of Mr. Singh up to a certain degree, does not substantially harm the economic environment of that transaction. Furthermore, it seems unlikely that a German manager doing business with an Indian corrupt businessman would be harmful to the German economic system. Consequently, in the case of Mr. Singh and the German manager, it is difficult to make an unambiguous statement regarding this rule.

**Priority Rule 5:** Patterns of consistency across communities

Complex situations may involve numerous communities, especially when a norm is identified in diverse cultures. In the case described above, other communities having similar norms can be identified. Petty bribery or giving small gifts is also common in other cultures, for instance Guanxi in China, Blat in Russia or Baksheesh in the Middle East and South Asia. On the other hand, most countries have norms or rules against corruption, for example the OECD members with the *Convention on Combating Bribery of Foreign Public Officials in International Business Transactions*, the United States with the *Foreign Corrupt Practices Act*, or the United Nations *Declaration against Corruption and Bribery in International Transactions*.<sup>xv</sup> It appears that a limited number of communities and cultures have norms accepting petty bribery and numerous communities have norms against corruption and bribery in general, however, as mentioned elsewhere, in most cases these communities do not distinguish between coarse and petty bribery and they focus on the act of bribery, but do not consider the act of doing business with businessmen who are corrupt. Therefore it is difficult to clearly determine whether the anti-bribery norm would prevail.

**Priority Rule 6:** Well defined and less precise norms

Based on the evidence offered above, it appears that the Indian community's norm is more precise than the German community's norm: The Indian norm allowing petty bribes within the Indian community is more precise than the more general German norm of not supporting bribery. In this context, the former norm would likely be given priority.

practice	Principles for evaluating behavior						conclusion
	1	2	3	4	5	6	
petty bribery	-	-	E	E/U	E/U	E	<b>no clear dominance</b>

E: Ethical      U: Unethical      E/U: Ambiguous whether ethical or unethical

Table 2: Applying the Rules of Thumb to petty bribery

Source: own illustration.

**Result of Priority Rules application**

Taking the six rules in totality and applying them in combination, it is difficult to identify a clear dominant norm (see Table 2), although a weak tendency towards the acceptance of petty bribes in India appears to emerge. However, since the preference is mixed and weak in general, the rules of thumb do not appear to give a clear signal concerning which of the conflicting

norms should dominate and therefore, the German manager may act consistently his own norms. From an economic perspective, the manager probably would tend to do business with Mr. Singh, since the German manager himself is not directly involved in the act of bribery and there are some logical justifications carrying moral weight for accepting Mr. Singh's and the district commander's behavior.

However, even if one comes to the conclusion that doing business with Mr. Singh is morally not acceptable under ISCT, the issue may be easily resolved: The German manager could simply provide financial support to Mr. Singh, for instance by paying higher prices for the spare parts, in order to allow him renting a room for storing the spares. Especially in rural areas this could be a feasible option.

### **The case child employment**

The ethical problem of working children arises since children are recognized as deserving special care and protection because of their vulnerability. This is caused by the fact that children virtually always have no control over the conditions in which they live or work, they are easy to manipulate, less aware of their rights, and less able to access help and protect themselves.

The children in the case described above are all "economically active", since they actively participate in the production of economic goods, namely in the production of spare parts for motorcycles which are intended for the market. Although it is non-ambiguous that the Indian children do not participate in "worst" nor hazardous forms of work, since they carry out simple tasks like packaging and supplying the adults with basic material, according to ILO the children's activities are considered as child labour, since the Indian children are aged below 14. The task of the German manager is to decide whether it is morally acceptable to do business with the Indian businessman, although neither the German manager nor Mr. Singh are directly involved in hiring children, but Mr. Singh's suppliers are.

### **Identifying relevant communities and authentic norms**

Germany, in contrast, is one of the pioneers in the fight against child labour. It was one of the first countries to ratify the *UN Convention on the Rights of the Child*, the *ILO Convention No. 138* and the *ILO Convention No. 182*. The German legislation prohibits the employment of children below the age of 15, however children above the age of 13 may be employed under strictly specified conditions. Furthermore, there is an obligation for children to attend to school in Germany, making it more difficult for children to participate in illegal employment. However, Indian children aged 6 to 14 have the right (but not the obligation) to attend to school due to the *Right of Children to Free and Compulsory Education (RTE) Act 2009*.

Consequently, it may be presumed that the Indian community holds an authentic norm allowing children below the age of 14 to be economically active, as long the work is not harmful, whereas in the broader German community a tendency towards an authentic norm prohibiting the employment of children below the age of 14 is apparent.

### **Legitimacy of the authentic norm**

In considering the existence of a hypernorm different sources has been investigated: The United Nations (UN), the International Labour Organization (ILO), the Organisation for Economic Co-operation and Development (OECD), the European Union (EU), major religions

and the Caux Round Table. These sources cover a large portion of Donaldson and Dunfee's suggested types of evidence regarding the identification of hypernorms. A detailed consideration of the findings would go too far. Table 3 summarizes the results of the analysis.

		prohibition of employment of children aged below 14	protection against hazardous and exploitative conditions	right to minimal education
<b>United Nations</b>	Universal Declaration of Human Rights	-	✓	✓
	UN Convention on the Rights of the Child	-	✓	✓
<b>ILO</b>	ILO Convention No. 138	✓	✓	✓
	ILO Convention No. 182	-	✓	✓
<b>OECD</b>	OECD Guidelines for Multinational Enterprises	-	✓	-
<b>European Union</b>	Charter of Fundamental Rights of the EU	✓	✓	✓
<b>major religions</b>	Christianity, Islam, Judaism, Buddhism	-	✓	✓
<b>Caux Round Table</b>	Stakeholder Management Guidelines	-	✓	✓
<b>hypernorm status</b>		-	✓	✓

**Table 3: Child employment: Hypernorm recognition**

Source: own illustration.

Adopting these hypernorms to the Indian case, it can be said, that the German authentic norm does not violate any hypernorm and thus is legitimate. The Indian norm allowing children younger than 14 to be economically active is more problematic. The fact that the children described in the case are aged 6 to 13 does not represent a problem as long the children participate in light work. Since the activities performed by these children are neither harmful nor dangerous, the hypernorm of protecting children against exploitative and hazardous working conditions is also not violated. However, due to the lack of information it is not possible to assess whether the practice of children helping their family to box motorcycle spare parts violates the hypernorm against employment depriving children of their education. Thus, two distinct cases have to be considered. The decisive point here is whether the children work full-time or only after school hours in their free time. The former case would constitute a clear violation of the hypernorm concerning education, meaning the practice is not legitimate and therefore unethical. According to ISCT, under such conditions the German manager should not do business with the Indian businessman. On the other hand the practice would be legitimate when the Indian children attend schooling and achieve basic education, thus help their family only in their free-time after school hours. In this setting, the practice would not violate any hypernorm. However, according to the ISCT decision-process, the issue would require resolution under the rules of thumb, since the German and Indian norms would be in conflict.

### Resolving conflicts between legitimate norms

Supposing that both norms are considered legitimate, applying the six rules of thumb will lead to a similar result as in the case of petty bribery. An abbreviated application of the priority rules is presented at this place.

The practice of child employment takes place in the Indian community, however the German community has a stake in the transaction. Thus, the first rule of thumb does not apply in this case. It is ambiguous which norm is favored by the second priority rule. It seems that there are no specific community rules prohibiting making business with someone (in this case the Indian businessman) being supplied by a family engaging their own children in light work. To reiterate, neither the German manager nor the Indian businessman are directly involved in employing children. However, there are (especially German) community-members calling for boycotts of products made with the help of child labour,<sup>xvi</sup> but it is not clear whether these boycotts include light work performed by children participating in school education. Furthermore, boycotting such products could lead to significant adverse effects: If children are not allowed to help their poor families, in the worst case they could die of poverty and hunger. Priority rule number three supports the Indian community because of its larger size. It remains dubious whether doing business with a businessman who is supplied by families producing spare parts with the help of children is substantially harming an economic environment. Thus, dominance in terms of the fourth rule of thumb remains ambiguous. The same applies to priority rule number five, since the practice of working children is also common in other regions of the world<sup>xvii</sup> and there are other countries holding norms against employing children.<sup>xviii</sup> Priority rule six supports the Indian norm, since the norm of allowing the employment of children below 14 under non-hazardous and non-harmful working conditions is more precise than the German norm prohibiting the employment of children younger than 14 in general. The result of applying the ISCT priority rules is illustrated and summarized in table 4.

practice	Principles for evaluating behavior						conclusion
	1	2	3	4	5	6	
child employment	-	E/U	E	E/U	E/U	E	<b>no clear dominance</b>

**Table 4: Applying the Rules of Thumb to child employment**

Source: own illustration.

In total, the application of ISCT has shown that child employment in one setting (children younger than 14 working full-time, depriving them of schooling) is unethical, but acceptable in another (the children attend to school and work in their free time). However, in the case that one considers that doing business with the Indian businessman is morally not acceptable because his suppliers are involved in light child work, it would not be appropriate to terminate the business relationship. Not doing business with Mr. Singh, respectively with the Indian family would not solve the problem. This would not help the children to receive education and it would be unfavorable for the family. The German manager could follow the example of Levi Strauss:<sup>xix</sup> The Company arranged that their suppliers both paid the children's regular wages while they attended to school and offered each child a job when becoming fourteen years old. Levi Strauss on the other hand paid the school fees and school materials. In this way, no hyper norm was violated and long term benefits were provided to the host country.

Another aspect can be demonstrated with the help of child employment: ISCT acknowledges that attitudes and behaviors may change over time, possibly causing an evolution of norms. In the case of child employment in India, it is possible that in the future the accepting attitude on this issue will change, meaning that the actual authentic norm would no longer be authentic anymore. For instance, the Indian Government wants to amend the actual Child Labour (Prohibition and Regulation) Act, and ban all forms of child employment for children aged less than 14 years of age.<sup>xxi</sup> This means that even light work of children who attend schooling would be illicit, however, as showed above there is no hyper norm prohibiting this kind of child employment. It is therefore conceivable that the Indian authentic norm towards light child work may change over time.

### **Summary and Conclusion**

The application of ISCT has shown that bribery and child employment are complex issues and that the acceptance of these practices is perceived differently in Germany and India. Furthermore, the application has shown that under ISCT, business practices that are considered unethical in one setting may be perceived ethical in another. However, it has to be considered that practitioners applying ISCT on the issues described above may come to a different conclusion. Especially in situations requiring immediate ex ante decisions, the limited possibility to acquire information may influence the quality of the judgment. The application has also identified some shortcomings of the framework: Little guidance is given on the identification of relevant communities and the processes of identifying authentic norms and hyper norms are complex. Most of the criticism of scholars, however, has been focused on the justification and value of hyper norms.

All things considered, ISCT is a very promising concept of business ethics. The basic idea of integrating empirical evidence and normative theory is unique and the concrete framework for practical applicability is groundbreaking. The concept also constitutes an important foundation for further refinements.

### **Direction for future research**

The concept also constitutes an important foundation for further refinements. The potential of ISCT may be enhanced by further research focusing on the evaluation and refinement of the process of community and hyper norm identification, the justification and nature of hyper norms, the identification of candidate hyper norms, the analysis of whether hyper norms evolve, or the refinement of the process of identifying authentic norms.

---

## Footnote

- <sup>i</sup> cf. Donaldson/Dunfee (1999): p. 100.
- <sup>ii</sup> cf. Dunfee/Smith/Ross (1999): p. 30.
- <sup>iii</sup> cf. Hardoon/Heinrich (2011): p. 10.
- <sup>iv</sup> cf. CMS Transparency (2011): p. 26.
- <sup>v</sup> cf. Asian Development Bank (2010): p. 32.
- <sup>vi</sup> e.g. Donaldson/Dunfee (1999); Dunfee/Donaldson (2006); Dunfee/Smith/Ross (1999); Hess/Dunfee (2000).
- <sup>vii</sup> cf. Hess/Dunfee (2000): p. 3.
- <sup>viii</sup> cf. Harding (2003): p. 43.
- <sup>ix</sup> cf. Hooker (2008): p. 7; Dunfee/Smith/Ross (1999): pp. 23ff; Dunfee/Donaldson (2006): p. 69; Donaldson/Dunfee (1999): p. 223.
- <sup>x</sup> cf. Donaldson (1989); Donaldson/Dunfee (1994; 1999); Dunfee/Donaldson (2006).
- <sup>xi</sup> cf. Donaldson/Dunfee (1999): pp. 117ff.
- <sup>xii</sup> cf. Schwartz (2009): p. 825.
- <sup>xiii</sup> cf. Dunfee/Donaldson (2006): p. 74
- <sup>xiv</sup> cf. <http://censusindia.gov.in/2011-prov-results/indiaatglance.html> [17.06.2012]; [http://www.statistik-portal.de/Statistik-Portal/de\\_zs01\\_bund.asp](http://www.statistik-portal.de/Statistik-Portal/de_zs01_bund.asp) [17.06.2012].
- <sup>xv</sup> see also Hess/Dunfee (2000): pp. 10ff.
- <sup>xvi</sup> e.g. <http://www.epochtimes.de/verbraucher-sollen-produkte-aus-kinderhand-boykottieren-587209.html> [24.06.2012].
- <sup>xvii</sup> the ILO estimates that in 2008 there were 306 million children economically active around the world, most of them in the Asian-Pacific region, followed by Africa (c.f. Diallo et al. (2010): pp. 3ff).
- <sup>xviii</sup> e.g. European Countries: Article 32 of Charter of Fundamental Rights of the EU; United States: Executive Order of Prohibition of Acquisition of Products Produced by Forced or Indentured Child Labour.
- <sup>xix</sup> cf. Donaldson (1996): p. 12; Donaldson/Dunfee (1999): pp. 231f.
- <sup>xx</sup> cf. Donaldson/Dunfee (1999): p. 148.
- <sup>xxi</sup> cf. <http://www.thehindu.com/news/states/karnataka/article2826411.ece> [26.06.2012].

## References

- Asian Development Bank (2010): *Anticorruption and Integrity*. 2nd edition, Asian Development Bank: Metro Manila. Available at: [http://www.researchnest.com/all\\_reports/13087338001anticorruption-integrity-policy-strategy.pdf](http://www.researchnest.com/all_reports/13087338001anticorruption-integrity-policy-strategy.pdf) [10.06.2012].
- CMS Transparency (2011): *India Corruption Study 2010: Is The Scenario Changing?* Published by CMS Transparency: New Delhi.
- Donaldson, T. (1989): *The Ethics of International Business*. Oxford University Press: New York.
- Donaldson, T. (1996): *Values in tension: Ethics away from home*. Harvard Business Review, Sept.-Oct., Reprint No. 96502, Harvard Business School Publication Corp.
- Donaldson, T. / Dunfee, T. (1994): *Toward a unified conception of business ethics: Integrative Social Contracts Theory*. The Academy of Management Review, vol. 19, No. 2 (Apr. 1994): pp. 252-284.
- Donaldson, T. / Dunfee, T. (1995): *Integrative Social Contracts Theory: A Communication Conception of Economic Ethics*. In: *Economics and Philosophy* 11 (1): pp. 85-112.
- Donaldson, T. / Dunfee, T. (1999): *Ties that Bind: A Social Contracts Approach to Business Ethics*. Harvard Business School Press: Boston.
- Donaldson, T. / Dunfee, T. (2000): *Précis for Ties that Bind*. Available at: <https://lgst.wharton.upenn.edu/files/?whdmsaction=public:main.file&fileID=1562> [13.05.2012].
- Douglas, M. (2000): *Integrative Social Contracts Theory: Hype over Hypernorms*. Journal of Business Ethics 26: pp. 101-110.
- Dunfee, T. (1999): *Corporate Governance in a Market with Morality*. In: *Law and Contemporary Problems*, vol. 62 (3): pp. 129-157.

- Dunfee, T. (2006): A Critical Perspective of Integrative Social Contracts Theory: Recurring Criticisms and Next Generation Research Topics. In: *Journal of Business Ethics* 68: pp. 303-328.
- Dunfee, T. / Donaldson, T. (2006): *Untangling the Corruption Knot: Global Bribery Viewed through the Lens of Integrative Social Contract Theory*. In: *The Blackwell Guide to Business Ethics*; edited by Norman E. Bowie; 2<sup>nd</sup> edition. Blackwell Publishing Ltd.
- Dunfee, T. / Smith, C. / Ross, W. (1999): Social Contracts and Marketing Ethics. In: *Journal of Marketing* vol. 63 (3): pp. 14-32.
- Dunfee, T. / Warren, D. (2001): Is Guanxi Ethical? A Normative Analysis of Doing Business in China. In: *Journal of Business Ethics* 32: pp. 191-204.
- Harding, P. (2003): *Goa: Where the beach meets the bazaar*. Lonely Planet Publications; 3<sup>rd</sup> edition.
- Hardoon, D. / Heinrich, F. (2011): *Daily Lives and Corruption: Public Opinion in South Asia*. Transparency International: Berlin.
- Hess, D. / Dunfee, T. (2000): *Fighting Corruption: A Principled Approach: The C<sup>2</sup> Principles (Combating Corruption)*. Available at: <http://knowledge.emory.edu/papers/947.pdf> [20.05.2012].
- Hooker, J. (2003): *A Cross-Cultural View of Corruption*. Available at: <http://ba.gsa.cmu.edu/jnh/corruption08s.pdf> [13.06.2012].
- ILO (2006): *Indus Child Labour Survey: An Analysis of Results*. International Labour Organization: New Delhi.
- ILO (2007): *Child Labour Facts and Figures: An Analysis of Census 2001*. International Labour Office: Geneva.
- ILO (2012): *Convergences: decent work and social justice in religious traditions: A handbook*. International Labour Office: Geneva.
- ILO / IPEC (2007): *Towards an internationally accepted statistical definition of child labour: children's activities and their definitions*. Available at: <http://www.ilo.org/ipecinfor/product/download.do?type=document&id=7871> [10.06.2012].
- KPMG (2011): *Survey on Bribery and Corruption: Impact on Economy and Business Environment*. Available at: [http://www.kpmg.com/IN/en/IssuesAndInsights/ArticlesPublications/Documents/KPMG\\_Bribery\\_Survey\\_Report\\_new.pdf](http://www.kpmg.com/IN/en/IssuesAndInsights/ArticlesPublications/Documents/KPMG_Bribery_Survey_Report_new.pdf) [13.06.2012].
- OECD (2003): *Combating Child Labour: A Review of Policies*. OECD Publications: Paris.
- OECD (2011): *OECD Guidelines for Multinational Enterprises*. 2011 Edition. OECD Publishing.
- Schwartz, M. (2009): "Corporate Efforts to Tackle Corruption: An Impossible Task?" The Contribution of Thomas Dunfee. In: *Journal of Business Ethics* 88: pp. 823-832.
- The World Bank (2011): *Perspectives on Poverty in India: Stylized Facts from Survey Data*. The International Bank for Reconstruction and Development: Washington.

## Internet

- Anti-Corruption Resource Centre: Petty corruption and shadow economies: <http://www.u4.no/publications/petty-corruption-and-shadow-economies/> [17.06.2012].
- Caux Round Table: About Caux Round Table: <http://www.cauxroundtable.org/index.cfm?&menuid=2> [22.06.2012].
- Caux Round Table: Principles for Busienss: <http://www.cauxroundtable.org/index.cfm?&menuid=8> [22.06.2012].
- Directorate General of Commercial Intelligence and Statistics: Foreign Trade Performance of India: [http://www.dgciskol.nic.in/annualreport/book\\_3e.pdf](http://www.dgciskol.nic.in/annualreport/book_3e.pdf) [20.05.2012].
- Friends of Salaam Baalak Trust: Children in India: The Statistics: <http://www.friendsofsb.org/statistics> [17.06.2012].
- ILO: List of Ratifications of International Labour Convention No. 138: <http://webfusion.ilo.org/public/db/standards/normes/appl/appl-byConv.cfm?hdoff=1&conv=C138&Lang=EN> [20.06.2012].
- ILO: List of Ratifications of International Labour Convention No. 182: <http://webfusion.ilo.org/public/db/standards/normes/appl/appl->

- byConv.cfm?hdroff=1&conv=C182&Lang=EN [20.06.2012].
- European Parliament: The Charter of Fundamental Rights of the European Union:  
[http://www.europarl.europa.eu/charter/default\\_en.htm](http://www.europarl.europa.eu/charter/default_en.htm) [20.06.2012].
- India Tribune: Over 60 million child laborers in India:  
[http://www.indiatribune.com/index.php?option=com\\_content&view=article&id=2884:over-60-million-child-laborers-in-india&catid=125:general-news&Itemid=400](http://www.indiatribune.com/index.php?option=com_content&view=article&id=2884:over-60-million-child-laborers-in-india&catid=125:general-news&Itemid=400) [17.06.2012].
- M Venkatarangaiya Foundation: Campaigns: <http://www.mvfindia.in/camp.htm> [17.06.2012].
- Ministry of Home Affairs India: Provisional Population totals: India Census 2011:  
<http://censusindia.gov.in/2011-prov-results/indiaatglance.html> [17.06.2012].
- Oikonomia: Introducing Child Labour in India:  
<http://www.oikonomia.it/pages/ott2000/introducingchildlabourinindi.htm> [17.06.2012].
- The Guardian: Corruption in India: 'All your life you pay for things that should be free':  
<http://www.guardian.co.uk/world/2011/aug/19/corruption-india-anna-hazare> [13.06.2012].
- The Hindu: Child labour to go in non-hazardous units too:  
<http://www.thehindu.com/news/states/karnataka/article2826411.ece> [26.06.2012].
- The World Bank Group: Corruption and Economic Development:  
<http://www1.worldbank.org/publicsector/anticorrupt/corruptn/cor02.htm> [05.06.2012].
- Transparency International: How do you define corruption?:  
[http://www.transparency.org/whoweare/organisation/faqs\\_on\\_corruption#defineCorruption](http://www.transparency.org/whoweare/organisation/faqs_on_corruption#defineCorruption)  
[05.06.2012].
- UNICEF: India: [http://www.unicef.org/infobycountry/india\\_background.html](http://www.unicef.org/infobycountry/india_background.html) [17.06.2012].
- United Nations: Convention on the Rights of the Child:  
[http://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg\\_no=IV-11&chapter=4&lang=en](http://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=IV-11&chapter=4&lang=en)  
[20.06.2012].
- United Nations: The Foundation of International Human Rights Law:  
[http://www.un.org/en/documents/udhr/hr\\_law.shtml](http://www.un.org/en/documents/udhr/hr_law.shtml) [22.06.2012].
- World Socialist Web Site: Exploitation of child labourers in India:  
<http://www.wsws.org/articles/2006/jun2006/indi-j08.shtml> [17.06.2012].