

# **Contemporary Consumer & Business Ethics**

**Milan 5-8 May, 2008**

**Dr Neil Connors**



**Implications and  
reactions of business to  
contemporary ethics**

**Session 3**

**Tuesday 16.00 – 19.00**

# Outline of the lecture

- What drives business?
- Boycotts
- Environmentalism
- Environmentalism and business
- Business and how they react to problems
- Conclusions
- Bibliography

# What drives business?



## Consumer Sovereignty

- What is produced?
- How is it produced?
- How is it distributed?

Determined by consumer preferences -  
expressed by individual choice in the  
market place (free market)

# What drives business?



## Adam Smith

- producers will find that their self-interest is served by producing what is socially viable
- ..individual.. neither intends to promote the public interest, nor knows how much he is promoting it.. he intends only his own gain, and he is in this...led by an invisible hand to an end which was no part of his intention.
- the interest of the producer ought to be attended to only so far as it may be necessary for promoting that of the consumer

# What drives business?

## Adam Smith



- "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our necessities but of their advantages."

# What drives business?

## Adam Smith



- It is the highest impertinence and presumption, therefore, in kings and ministers, to pretend to watch over the economy of private people, and to restrain their expense... They are themselves always, and without any exception, the greatest spendthrifts in the society. Let them look well after their own expense, and they may safely trust private people with theirs. If their own extravagance does not ruin the state, that of their subjects never will."

Smith, A. 1776 *The Wealth of Nations*

# What drives business?

- Consumers have a free choice to buy or not to buy
- consumers choices determine a business's success
- choices are conditioned by
  - available information
  - Promotional activities
- individual consumers are in a relatively weak bargaining position



**See handout 6 –  
Business and Ethics**

# **Boycotts - history**

- **coined in 1880 by Irish Home Rule leader Charles Stewart Parnell - describes campaign waged against Captain Charles Cunningham Boycott by Irish neighbours**
- **strategy quickly became standard tactic used in struggle against English landlords whose property titles were the result of conquest and sustained by legal privilege**
- **1879, Parnell and Michael Davitt founded Irish Land League in order to achieve what they called the three "Fs": fair rent, free sale, and fixity of tenure**
- **League evolved into widespread and successful peasant rebellion and the first peaceful mass uprising in Irish history**

# Boycotts - history

- **campaign against Boycott was League's most notable early victory**
- **was much-hated overseer for Lord Erne, an absentee landlord in County Mayo**
- **1880, Boycott refused to lower rents for tenants, an audacious scheme was hatched -servants no longer worked in his house, stores sold him nothing, no mail was delivered, and labourers refused to bring in the harvest**
- **Boycott imported politically friendly (Protestant) labourers from Ulster but the expense proved disastrous**
- **humiliated, he was forced to leave Ireland, the campaign's success galvanised Ireland - landlords who evicted tenants found that no other family would move into the vacated home**

# Boycotts - history

- *ahimsa...is not merely a negative state of harmlessness but it is a positive state of love even to the evil-doer. But it does not mean helping the evil-doer to continue the wrong or tolerating it by passive acquiescence. On the contrary, love, the active state of ahimsa, requires you to resist the wrong-doer by disassociating yourself from him even though it might offend him or injure him physically.*

Mahatma K Gandhi

# Boycotts

NVDA - non-violent direct action

- tends to be the last resort for a pressure group
- direct action likely to increase as more groups find their demands not being met
- more companies will become involved as targets or allies
- may be symbolic to gain public attention

# Boycotts

- specific example of how groups can get their message across
- is organised activity in which consumers avoid purchasing products or services from a company whose policies or practices are seen as unfair or unjust
- can be directly against a company's activities rather than a product itself
- may involve attempts to openly disseminate information about offensive policies
- boycotts have -ve financial ramifications for the companies being targeted

# Boycotts

- consumers can engage in several forms of consumer resistance
- pressure groups are likely to be more influential than individuals
- some groups engage in resistance by informing the public about marketing practices regarded as socially inappropriate
- groups have at their disposal a variety of different methods to put their message across

# Boycotts

## Sharp's categories of economic boycotts

- action by consumers
- action by workers and producers
- action by middlemen
- action by owners and management
- action by holders of financial resources
- action by governments

Gene Sharp 1973 *The Politics of Non-violent Action*



# Boycotts

## Wilson's 6 guidelines for direct action

- if possible it should be relevant to the injustice so that a clear message emerges from the action
- it should have imagination and humour
- it should enlist the sympathy of people, not alienate them
- it should be non-violent
- it should be seen to be an expression of genuine injustice, and not the first but rather last resort
- wherever possible it should be within the spirit of the law

# Boycotts

- **A model for the process which results in pressure group influenced ethical purchasing behaviour**

# Boycotts

- 1. Firm's marketing system stable: firm (F1) is matching its resources with the wants of its customers; promotional pressure group (P) is concerned about issue (X)
- 2. Pressure group awareness of firm's failings: P becomes aware of F1's undesirable (as judged by the pressure group) impact on X
- 3. Pressure group response: P approaches F1, other organisations (media, governments etc) and the customer to seek an end to the impact of F1 on X

# Boycotts

- 4. Firm's marketing system becomes unstable: the firm's customers become aware of the impact of F1 on X. This threatens the exchange process because X becomes a part of the organisation's offering to the customer through negative product augmentation
- 5. Ethical purchase behaviour: some F1 customers, spontaneously or in response to a call for a boycott by P, take their custom to another firm (F2). F2, without the legitimacy shortcomings of impact on X, better matches its resources with those customers' wants

# Boycotts

## Gauging the success of a boycott

- has the offending policy been changed?
- will business be more cautious and responsible in their future activities?
- will businesses in similar areas, but that remain untargetted, also change their behaviour?

**See handout 7 –  
Boycotts**

# Boycotts

**GREENPEACE UK**

- <http://www.greenpeace.org.uk/>
- Greenpeace is an independent, campaigning organisation
- it uses non-violent, creative and confrontation action to expose global environmental problems
- It aims to force solutions which are essential to a green and peaceful future

# Boycotts

Greenpeace's goal is to ensure the ability of the earth to nurture life in all its diversity. Therefore Greenpeace seeks to:

- protect biodiversity in all its forms
- prevent pollution and abuse of the earth's ocean, land, air and fresh water
- end all nuclear threats
- promote peace, global disarmament and non-violence

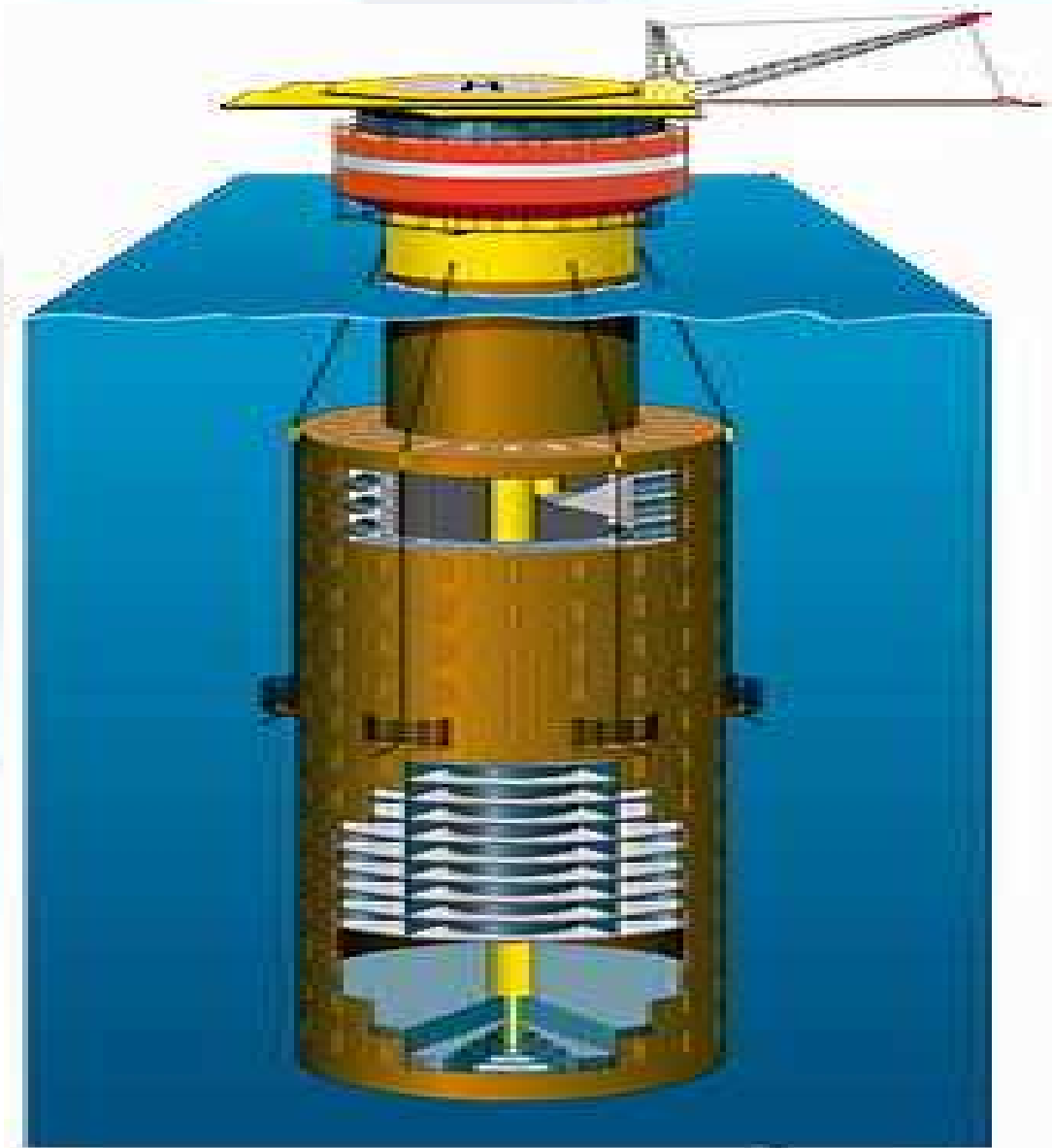


# Boycotts

## The Brent Spar:

- “The Brent Spar Sets the Industry Precedent The 20th of June, 1995 was a great day for Greenpeace and the environment.
- ...this was the day when the occupation by Greenpeace of the disused Brent Spar oil platform, a massive public protest and boycott, forced Royal Dutch Shell to reverse its decision to dump the installation in the north-east Atlantic.
- However this was only a provisional victory . The Brent Spar is one of 400 oil and gas installations to be de-commissioned from the North Sea.”

# Boycotts



**1991 - 1993:**

Shell examines the options for disposal and decides to sink the Brent Spar at the North Feni ridge

**December 1994:**

Sinking plans approved by the UK Government.

**April-May 1995:**

Greenpeace protestors occupy Brent Spar and call for boycott of shell petrol stations.



Source: Greenpeace

**June 1995:**

Shell begins tow to North Atlantic. Some petrol stations damaged in Germany.

Shell reviews options and tows Spar to Norway to await decision.

**January 1998:**

Shell announce that the Brent Spar will be dismantled in Norway and recycled as the foundation for a new ferry terminal.



Source: Shell

**August 1999:**

Decommissioning is complete and first stages of new ferry terminal are laid down in Mekjarvik, Norway.



Source: Shell

Google Search: boycott - Microsoft Internet Explorer

File Edit View Favorites Tools Help


Back Forward Stop Home Search Favorites Media Print Mail Internet Options

Address <http://www.google.com/search?sourceid=navclient&ie=UTF-8&rls=GGLD,GGLD:2004-46,GGLD:en&q=boycott+> Go Links

Google boycott Search Web 328 blocked AutoFill Options boycott

**Web** Results 1 - 10 of about 2,690,000 for **boycott** [definition]. (0.07 seconds)

News results for **boycott** - View today's top stories

-  Migrant legislation draws call for Ariz. **boycott** - Arizona Republic - 8 hours ago
- Clubs may **boycott** Tanzanian premier league - Xinhua - 9 hours ago
- Canada begins annual seal cull amid call to **boycott** its seafood - Independent - 14 hours ago

**boycott**.riaa.com - Take a Stand Against the Recording Industry ...  
Boycott-RIAA, the center for the fight against the tyrant that is the Recording Industry Association of America (RIAA).  
[www.boycott-riaa.com/](http://www.boycott-riaa.com/) - 24k - [Cached](#) - [Similar pages](#)

**Boycott** Microsoft  
... and why **Boycott** Microsoft has been left in such a neglected state, ... A great many reasons could be stated for allowing **Boycott** Microsoft to fall into ...  
[www.vcnet.com/bms/](http://www.vcnet.com/bms/) - 8k - 22 Mar 2005 - [Cached](#) - [Similar pages](#)

GPTBoycott.Com - Fighting The Get-Paid-To... Scams!  
Identifies "Get-Paid-To" websites that don't live up to their promises.  
[www.gptboycott.com/](http://www.gptboycott.com/) - 20k - 22 Mar 2005 - [Cached](#) - [Similar pages](#)

Fight Spam on the Internet!  
Help Stamp Out Spam! Anti-junk mailfilters, IP blocking, blacklists, other **boycott** tools to keep the net useful for everyone.  
[spam.abuse.net/](http://spam.abuse.net/) - 29k - [Cached](#) - [Similar pages](#)

**boycott** bush  
**Boycott** Bush - Allowing individuals to influence the global politics of climate change by targetting the companies that bankroll Bush.  
[www.boycottbush.net/](http://www.boycottbush.net/) - 26k - [Cached](#) - [Similar pages](#)

**Boycott** Information from Co-op America  
... a **boycott** can help you get the attention of your community and the ... Co-op America's **Boycott** Organizers Guide is a helpful tool to help you kick start ...  
[www.boycotts.org/](http://www.boycotts.org/) - 5k - [Cached](#) - [Similar pages](#)

Sponsored Links

- Boycott**  
Compare prices from hundreds of retailers. Find, compare and buy!  
[www.shopping.com](http://www.shopping.com)
- [A Website for Justice](#)  
Come and Voice your Outrage  
**Boycott** and Protest Message Board  
<http://www.boycott-now.org/>
- [Natural and Alternative](#)  
Try Sea Pearls, Natural Sea Sponge Tampons  
[www.seapearls.co.uk](http://www.seapearls.co.uk)
- [Boycott Family History](#)  
The No 1 UK genealogy website  
Millions of records - Free access  
[www.genesreunited.co.uk](http://www.genesreunited.co.uk)
- Boycott**  
**Boycott** info.  
Visit our fast and free resource.  
[getbestinfo.com](http://getbestinfo.com)

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# Environmentalism

“A belief that moral standing inheres in the non-human world, and, that,.....the fate of other species is not to be arranged to suit the comfort and convenience of species Homo Sapiens“

P.R. Hay 1998 *Ecological Values and Western Political Traditions* Politics Vol. 8 No.2 (1988)

# Environmentalism

Group activities, individual initiatives or attitudes which embrace a range of diverse causes which share a common concern for protecting the ecosystem from further degradation and safeguarding it for future generations

An Inconvenient Truth -

<http://www.youtube.com/watch?v=wnjx6KETmi4>

# Environmentalism

## The Green Consumer

“...behaviour that reflects concern about the effects of manufacturing and consumption on the natural environment

Wagner S 1997 *Understanding Green Consumer Behaviour*

# Environmentalism

- 1960's sees the start of the movement in Europe
- 1970's /80's - Scientific research starts to support concerns
- movement gains momentum, especially in Germany (Green Party)
- by the mid 1980's there is growing concern for personal health and safety, and 'green' issues move into mainstream politics in the UK
- *'green consumerism represented a significant shift from the rampant individualism of ... the Reagan-Thatcher years, assuming the role of primary opposition to the New Right'*

Gabriel & Lang (1995) *The Unmanageable Consumer*



# Environmentalism

## Questions on green consumer behaviour

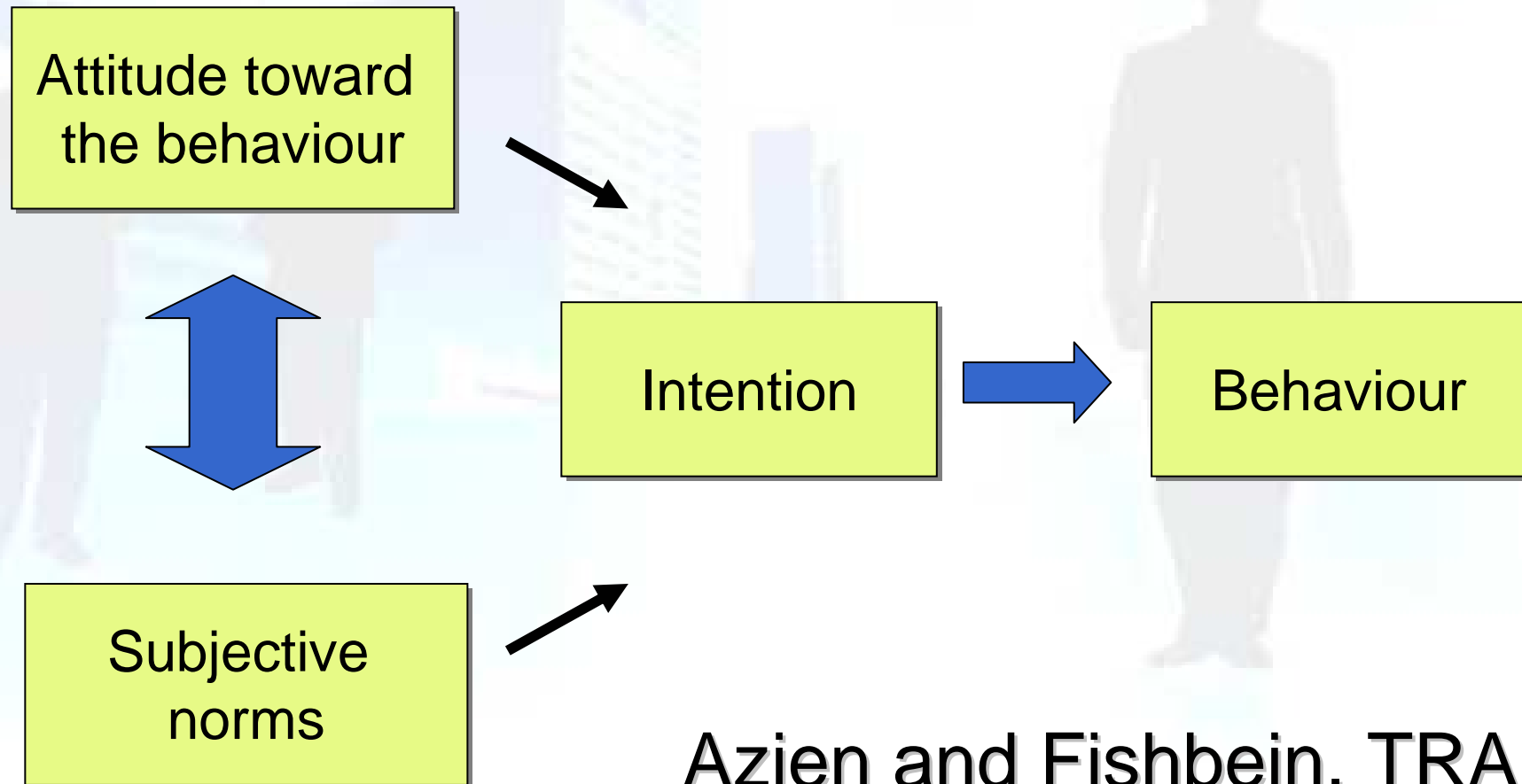
- what drives it
- does it carry an ethical or religious dimension
- what understanding of environmental issues do GC's have
- do GC's have a distinctive socio-demographic profile
- what influence is exerted by peer groups
- is it an expression of a specific lifestyle
- what impact does the media and pressure groups have
- how much is shaped by the current cultural climate
- is this a counter culture appealing to a minority

**See handout 8 –  
Environmentalism**

# Environmentalism

- Ajzen and Fishbein – TRA/TPB
- Sparks and Shepherd, 1992, Self-Identity and the Theory of Planned Behavior: *Assessing the Role of Identification with "Green Consumerism,"*

# Environmentalism



Azjen and Fishbein, TRA,  
1967

# Environmentalism

“Take a bite out of a hamburger, we are told, and we take a bite out of the world’s rain forests. Buy the wrong car and we may end up not only with a large fuel bill but also with fewer trees and, quite possibly, less intelligent children. Spray a handful of hair gel or a mist of furniture polish from certain aerosols, and you help destroy the planet’s atmosphere - increasing everybody’s chances of contracting skin cancer“

*The Green Consumer Guide: J Elkington*

# Environmentalism

But what does it mean for us the humble (although evidently, rather powerful) shopper? It means that shopping is no longer a simple transaction between desire and bank balance. It's an exercise in moral point scoring, where your opponent is your own conscience.

Jessica Brinton, *Sunday Times* 26.2.06

See also [RED](#)

# Environmentalism

The background of the slide features a light blue and white color scheme. It includes faint, semi-transparent silhouettes of several people standing in a line, and a city skyline with various skyscrapers. The overall aesthetic is clean and modern, suggesting a focus on human impact and environmental awareness.

- FoE
- Greenpeace
- The Conservation Society
- The Green Party
- books e.g. “The Green Consumer Guide“
- general media interest

# Environmentalism

## *Damage*

- Destruction of the ozone layer
- Global warming
- Acid Rain
- Toxic waste
- Water pollution
- Loss of non-renewable or slowly renewable resources

## *Source*

- CFC's, Expanded polystyrene
- Energy production & consumption (CO<sub>2</sub>)
- - as above -
- Especially nuclear waste
- Agricultural & industrial run offs
- Rapid use of hardwoods, minerals, petroleum



**See handout 9 –  
Measuring  
Environmentalism**

# Environmentalism and business

“Good environmental performance is not an optional extra. It is an essential ...no business has a secure future unless it is environmentally sound “ **Bob Reid: Chairman ICI**

“Avoiding environmental incidents remains the single greatest imperative facing industry today“

**Edgar Woolard: CEO DuPont**

“Make environmental considerations and concerns part of any decision you make, right from the beginning. Don't think of it as something extra you throw in the pot.“

**Richard Clarke: CEO Pacific Gas**

# Environmentalism and business

- companies now tend to undertake environmental audits
- this can help them gain competitive advantage and fend off any criticism
- a whole new category of green businesses has been generated by changes in consumption patterns
- products range from cosmetics to electrical goods and cars
- environmentalists act as referees of corporate behaviour

Gabriel & Lang (1995) *The Unmanageable Consumer*

# Environmentalism and business

## The environmental audit

- The systematic examination of the interaction between any business operation and its surroundings. This includes all emissions to air, land and water; legal constraints; the effects on the neighbouring community, landscape and ecology; and the public's perception of the operating company in the local area...environmental audit does not stop at compliance with legislation. Nor is it a 'green washing' public relations exercise...Rather it is a total strategic approach to the organisations activities

# Business and how they react to problems

- *Gap between expectations invested in a product/service and the perceived performance*

## Systematic approach

- **need identified** - expectations raised
- **research** - match expectations to products
- **selection** - most likely to satisfy
- **purchase** - action to satisfaction
- **post purchase experience** – satisfaction!

# Business and how they react to problems

- *Functional* – non-functioning
- *Psychological* - perceived disappointment

The more effort exerted to attain a goal, the more dissonance is aroused if the goal is less valuable than expected

# **Business and how they react to problems**

**Volume** → **difficulty to measure** ← **intensity**

## **Past Research**

- correlation between rising standards of living and CD (Thorelli 1980)
- correlation between consumer education and the expression of CD (Hunt 1977)
- higher expectations of standard of living - more frequent the experience of CD
- ‘Customer satisfaction is regarded as a primary determining factor of repeat shopping and purchasing behaviour’ (Burns and Neisner, 2006, p.49)

# Business and how they react to problems

*“...throughout the developed economies, a range of economic and competitive pressures has forced companies and service providers to re-evaluate the role of the consumer. The creation of consumer value and customer satisfaction are increasingly seen as key factors in the achievement of competitive advantage and commercial success.”*

**Bohdanowicz, 1994.**

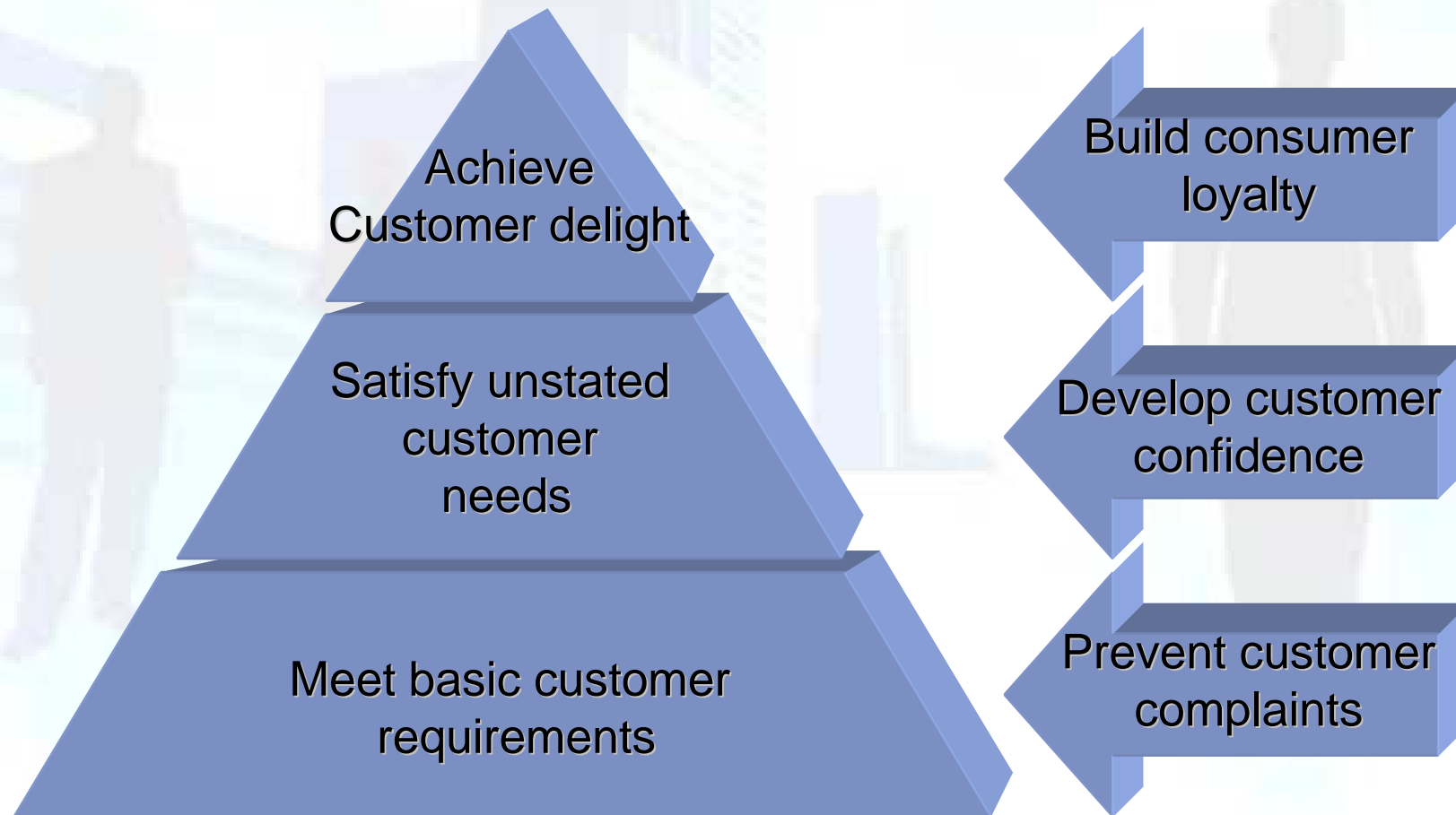


# Business and how they react to problems

- *“To retain customer loyalty, to stay in business, companies can no longer afford to protect themselves from customers who have experienced problems. The history of the corporate world is littered with companies who choose to ignore their customer feedback and relegated the role of customer relations to that of the corporate buffer zone“*

**John, R., (1994) *The Consumer Revolution***

# *Customer Satisfaction Model 2007*



# Conclusions

- Business is driven by self interest
- Consumers play an important role in this process and sometimes there is conflict (boycott)
- Environmental concerns are on the increase
- Business needs to address the environmental concerns of consumers to continue to appeal to them

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**...any questions?**

**Please address the  
question on  
handout 11 for  
Thursday morning**