

Literature on  
business ethics  
primark business



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## Contents

- A

This assignment will reexamine the literature on Business Ethics within the context of a peculiar administration – PRIMARK. To heighten our apprehension of the constructs of ‘ values ‘ and ‘ morals our survey defines and evaluates moralss in a concern context ; at the same time throwing visible radiation on issues such as disposable manner and ethical sourcing.

## 1. Introduction

Primark, the cult value manner trade name owned by Associated British Foods ( ABF ) is the largest vesture retail merchant in UK by volume with a whopping 207 shops crossing across Europe. Mr. Arthur Ryan, laminitis and president has been credited of conveying low-cost manner to the high street and is besides credited for fostering Primark into an dumbfounding success narrative. Get downing from the first shop in Ireland in 1969 till the 207th shop in 2010, this trade name has experienced phenomenal growing. Primark picked up the ‘ Multi Market Retailer of the twelvemonth ‘ 2010 award at the Oracle universe retail awards ceremonial. Market Share – 18. 2 % ( [hypertext transfer protocol: //www. primark. co. uk/page. aspx?pointerid= eb44df4565934edca627dac6ec12145a](http://www.primark.co.uk/page.aspx?pointerid=eb44df4565934edca627dac6ec12145a) )

## 2. LITERATURE REVIEW

### Business Ethical motives

Barry ( 1979 ) defines Ethical motives as “ analyzing what constitutes good and bad human behavior, including related actions and values. ”

Harmonizing to Velasquez ( 2010 ) , the premier focal point of concern moralss lay on ethical motives and values with regard to company policies, determinations and model. He categorizes concern moralss by: societal issues, company issues and single issues.

From the National Business Ethics Survey ( NBES ) , Verschoor cited that companies today are progressively giving importance to ethical behaviour and societal duty. Besides, more unethical patterns are acquiring exposed instead than unethical behaviour committed. Hence, it confirms grounds of the fact that companies are taking this issue earnestly in order to non endanger their planetary trade name and image.

At this occasion, one should believe about why should companies prosecute in ethical concern patterns? Is it merely to stay by the jurisprudence, as it is the right thing to make or because it benefits them to make so? This may look as a ' moral quandary ' in several ways since it is the cardinal issue in concern moralss. ( Fisher and Lovell, 2009 )

An increasing figure of consumers make their purchase determinations based on ethical values of a company. Hence, it is important to do consumers cognizant of the ethical issues in trade and to understand what would motivate them to modify their ingestion forms. Marketing schemes can so be developed based on this apprehension.

( hypertext transfer protocol: //www. nri.  
org/publications/policyseries/PolicySeriesNo12. pdf )

## Ethical Consumerism

Ethical Consumerism is an emerging procedure that emphasizes on socially responsible trade activities. It is merely every bit much about back uping the ' good ' companies and merchandises, as it is about retreating support from the ' bad ' 1s. An ethical consumer will assist in supplying information one needs to do an informed determination about a purchase.

( [hypertext transfer protocol: //www. ethicalconsumer. org/ShoppingEthically/WhyBuyEthically. aspx](http://www.ethicalconsumer.org/ShoppingEthically/WhyBuyEthically.aspx) )

( [hypertext transfer protocol: //papers. ssrn. com/sol3/papers. cfm? abstract\\_id= 1690945](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1690945) )

Positive ethical purchase behaviour, takes into history the tendencies that comprise efforts to buy ethical merchandises. For illustration, usage of Fair-trade or Organic merchandises.

Negative ethical purchase behaviour or boycott, has been regarded as the cardinal signifier of ethical consumerism. It means avoiding merchandises that are unethical. Therefore, an informed consumer would merely take merchandises that reflect moral duty. For case, ' in 1997 MORI study for CAFOD on buying merchandises from developing states, there was peculiarly high support for a minimal in agreement criterion of labour conditions for workers in developing states ; 92 % of the sample thought that this should use to UK companies. '

( [hypertext transfer protocol: //www. nri. org/publications/policyseries/PolicySeriesNo12. pdf](http://www.nri.org/publications/policyseries/PolicySeriesNo12.pdf) )

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## **Ethical Sourcing**

Ethical sourcing merely put is the moral criterions put frontward by companies, which beginning their goods from other 3rd party sellers. These criterions have been set up to let companies to guarantee that the work they have contracted out to third party houses, have been conducted in an ethical mode. A critical analysis of the degrees of ethical criterions would take one to an apprehension that the highest degree of ethical conformity lies in ethical sourcing. This is because about all other ethical criterions are internal criterions falling within the control of an organisation and its model, whereas ethical sourcing would cover with the ( outsourced ) production outside the horizon of the organisation. In kernel, to be a provider for an organisation that has ethical sourcing guidelines, the provider must besides be an ethical organisation. However, this is an ethical criterion that is preponderantly seen in companies in developed states that contract their work to companies located in developing states.

Ethical Sourcing in the society is non good regulated although there are regulations and legislative acts in topographic point. In the UK, the Combined Code on corporate administration does non hold it indispensable for companies to adhere to certain policies. Companies can acquire off with merely explicating why they have non complied with specific commissariats in their one-year study. This once more is merely a regulative mechanism that is in topographic point for public limited companies, which are listed on the stock exchange ( Preuss, 2009 ) . Both these mechanisms were set up to lenify the populace and assorted industry participants, as neither of these Acts of the Apostless have existent policing power.

Most companies ' Ethical Sourcing usher is a transcript from regulating organic structures Statute on Ethical Sourcing. The regulating organic structure in the United Kingdom is the ETI ( Ethical Trading Initiative ) ( Preuss, 2009 ) . The ETI is basically a pool of companies, trade brotherhoods and industry participants who work together for the upliftment of the workers who make assorted consumer goods. Most companies take the legislative act from the ETI and stopper in their ain inputs or countries of concern.

Harmonizing to Preuss Ethical Sourcing includes guaranting ethical criterions are followed by work contracted to outside companies from an environmental, economic and societal point of view. However one must recognize that these are determined by the single companies and are tailored to accommodate their demands and emphasis is laid on countries of concern to the company seting Forth these criterions. This leads ethical sourcing criterions to be really industry and house particular. Harmonizing to Preuss, the cardinal countries of concern, in order of importance, across industries are as follows:

### **a ) Employment Issues**

Conformity with Local Laws

Safe working environment

No Child Labor

Non- Excessive working hours

Avoiding Illegal Immigrants

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## **B ) Environmental Issues**

Committedness to Environmental Protection

Conformity to local Torahs

Minimization of Waste

Control of Emission/ Pollution

Use of Environmentally friendly Technologies

## **degree Celsius ) Economic Issues**

Confidentiality of Supplier Issues

Prompt Payment

Reciprocal Business Relationship non required

Support for Smaller and Local Suppliers

Acknowledging Hazard of Dependant Suppliers

Acknowledge Hardship where Relationship ended ( Preuss, 2009

## **3. Analysis**

The universe we live in has moved into a new phase of mass consumerism, where no affair how much we have is ne'er plenty. As a consequence, our lives have become more mercenary. This displacement has been highly good to big corporations, who have recognised and exploited the potency of the markets. This holds true for several industries particularly the retail and manner industry.

' Disposable manner ' or ' Fast manner ' is the new tendency, which has been catching on among clothing giants like H & A ; M, Forever21, New Look and Primark. It refers to the pattern of bring forth cheaper imitations of the latest manner tendencies that are mass-produced rapidly at relatively low costs. This makes manner more accessible to a larger section of the population. It may be considered a blessing by 1000000s of devouring shoppers but it besides has considerable drawbacks. First, it possess a serious menace to Fashion interior decorators whose work has been replicated. Further, the ways in which these garments and accoutrements are being produced besides have serious environmental effects. Last, ' the concern theoretical accounts that make the retail giants mundane low monetary values possible rely on subsidies from 1000000s of people around the Earth ' ( Cashing In: Clean Clothes Campaign, 2009 ) .

" Millions of workers in the manner industry have become little more than slaves, " stated Neil Kearney ( 2007 ) , General Secretary of the International Textile, Garment and Leather WorkersA? Federation ( ITGLWF ) . Poor working conditions and footings of employment, along with low rewards are common jobs that occur across garment-manufacturing mills. Workers in states like India, Bangladesh, Sri Lanka and China have a big population that lives below the poorness line, supplying highly inexpensive labor for companies worldwide. This already laden subdivision of society is farther exploited to run into the demands of big corporations globally. Workers in garment fabrication mills are frequently robbed of their basic rights. A adult female at a Walmart and Carrefour provider in Bangladesh reportedly said, " I feel so ill and tired after a twenty-four hours ' s work that I do non desire to



work the following twenty-four hours. But hungriness does non let thought of illness ; the idea of life with an empty tummy makes everything else forgotten. We work to salvage ourselves from hungriness. ” ( Clean Clothes Campaign, 2009 ) .

Unfortunately, the impact on these factory workers is non every bit dispersed. It is the adult females and kids who suffer the most. ‘ A recent study in India suggests that a one-fourth of all garment mills are using under-age labor. Most of the production is for export to Europe ‘ ( Neil Kearney, 2007 ) .

“ The disgraceful truth is that the bulk of workers in the planetary manner industry seldom earn more than two dollars a twenty-four hours, in an industry worth over ? 36 billion a twelvemonth in the UK entirely ” ( Lets Clean Up Fashion, 2009 ) . Workers rewards are frequently much lower than the cost of populating in their several states. Laborers work for over 80 hours a hebdomad at 5pence an hr and are frequently non paid for the extra hours of work they put in. A adult female at a Tesco Supplier was documented stating, “ We do a batch of overtime. Almost every twenty-four hours there is at least one hr supernumerary. We are called on Sundays every bit good. However, our monthly pay faux pas will non demo all the overtime that we do. It will cite merely 1-2 hours as overtime in a month ” ( Clean Clothes Campaign, 2009 ) .

“ Garment workers are the anchors of an industry worth over ? 36 billion yearly in the UK entirely ” ( Lets Clean Up Fashion, 2008 ) . Workers in these garment mills end up paying a high monetary value for inexpensive

apparels. The prodigious growing of such companies is a testament to the thriving concerns that they are running. Therefore, doing their duty towards their operations even more pertinent. Many low cost giant retail merchants claim that they are taking steps to ethically beginning their stuffs and guarantee workers labour rights, nevertheless, this is non plenty. There is an pressing demand for betterments in the corporate societal duty system, on behalf of the garment retail merchants.

Primark, portion of ABF is the 2nd largest dressing retail merchant in UK in footings of volume ( Associated British Foods ; Retail Segmentation, 2010 ) . The Primark trade name has made itself synonymous with low-cost manner. Its value proposition is to supply low cost and extremely stylish vesture, which is targeted at lower income, manner witting shoppers. Keeping this in head, it is no existent enigma that Primark must maintain its production and overhead costs every bit low as possible so as to productively sell their cheaply priced goods.

To keep profitableness and to maintain their value proposition in head, Primark had to maintain the production costs low. This had been done by outsourcing work to textile mills in developing states across Asia. Primark claims that these mills are decently vetted and audited to guarantee attachment to reasonably high ethical criterions that are a portion of their provider contract. Here, a inquiry arises as to how does Primark manage to supply inexpensive vesture? It is assumed to be the consequence of dialogues with their providers, which is something most providers would be willing to compromise on, merely to include a trade name like Primark on their client list.

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The burden lies on these providers to bring forth goods at highly low costs, using the abundant handiness of inexpensive labor in developing states. However, they may choose to farm out the work or parts of it to sellers with less standardized capital equipment in footings of employee work force and criterion of work countries merely to keep optimal profitableness. These subcontractors are by and large production houses that operate from cellars or garages instead than an industrialized country. They merely supply a more profitable manner for the contractor to acquire their orders completed. Surprisingly, these subcontractors are outside the horizon of most audits and do not organize a portion of the regulated market. This allows them to run, mistreating many Torahs and scoffing most regulations prescribed by the authorities and by Primark who gives the original order for production. They guarantee that the goods are sent to the mills and no foreigners get to see their production installations where they employ kids, wage low rewards and supply unsatisfactory on the job conditions. However, at the terminal of the twenty-four hours all fat cats in the supply concatenation are able to do their bag of money and a client at the terminal of the concatenation is able to acquire a nice stylish top to have on for under five lbs! ! !

The retail gross revenues figure for the twelvemonth 2009 has shown a singular upswing for Primark as compared to other high street vesture trade names. It has emerged as one of the strongest trade names during the clip of recession and has been recognised as a major success narrative. In 2008, the large Primark unmasking was broadcasted on telecasting that caused public indignation and media discouragement. This besides led to Primark being designated as UK ' s most unethical apparels store. But the inquiry

here arises, that even after consumers being cognizant of the unethical patterns the vesture concatenation has cemented its place at the top. ( <http://londonfashionnetwork.com/c/19/248/primark-vs-our-ethics> ) . This is what a consumer had to state after the expose- “ I really much uncertainty it will halt me from shopping in Primark though. My budget is smaller than my scruples ” - Sugarplumfairly 26th May 2008, 22: 51 ( [hypertext transfer protocol: //www. thestudentroom. co. uk/showthread. php? t= 589698](http://www.thestudentroom.co.uk/showthread.php?t=589698)HYPERLINK “ [hypertext transfer protocol: //www. thestudentroom. co. uk/showthread. php? t= 589698.](http://www.thestudentroom.co.uk/showthread.php?t=589698) ” . ) “ I merely do n’t care truly ” -by Narrr 25th February, 2010. ( <http://makewealthhistory.org/2009/01/12/how-long-can-primark-get-away-with-it/> ) The narrative of lifting net incomes continued, as seen in The Guardian ( 2009 ) . The study stated that Primark was amongst the fewer retail merchants who were thriving in the times of recession posting 10 % addition in net incomes.

Primark, despite having all the bad imperativeness in the months prior to the launch of its flagship shop in Oxford Street, London, was the scene of a stampede at its gap. Basically, one can clearly ground that a normal consumer does non truly care. This is cemented in black and white in their Annual study, which shows gross revenues figure to be a astonishing ? 1. 1bn, an addition of approximately 18 % from the old twelvemonth.

( [hypertext transfer protocol: //www. guardian. co. uk/business/2009/apr/21/primark-announces-profit-rise](http://www.guardian.co.uk/business/2009/apr/21/primark-announces-profit-rise)HYPERLINK “ [hypertext transfer protocol: //www. guardian. co. uk/business/2009/apr/21/primark-announces-profit-rise.](http://www.guardian.co.uk/business/2009/apr/21/primark-announces-profit-rise) ” . )

This perceptual experience denotes that some people think using them is in the hapless adult male ' s involvement - " It ever makes me laugh when people go on approximately unethical ; what ' s more unethical giving them a occupation and a manner of life or bring forthin all our material here and allowing them hunger? " Second, I ca n't afford ? 30 for a top when I can travel to Primark and acquire one for ? 3. " - Thud, 25th May 2008

( [hypertext transfer protocol: //www. thestudentroom. co. uk/showthread. php? t= 589698](http://www.thestudentroom.co.uk/showthread.php?t=589698) ) . The upward tendency continued, with Primark executing stunningly in 2010 with an addition of 35 % in operating costs. Gross saless figures at the popular manner concatenation increased by 18 % to ? 2. 7bn. Further, an addition in runing net incomes to ? 341mn helped by 13 new shops including its first of all time in Belgium. Traveling by the popularity, the direction will go on opening new shops all over Europe, where they expect considerable growing. ( The Guardian, 2010 ) . It has besides agreed to purchase 10 shops from their rival Bhs that are scheduled to open from the following fiscal twelvemonth that will add 300, 000 sq. pess selling infinite, which points out that they are sing enlargement programs.

( [hypertext transfer protocol: //business. timesonline. co. uk/tol/business/industry\\_sectors/retailing/article7035964. ece](http://business.timesonline.co.uk/tol/business/industry_sectors/retailing/article7035964.ece) )

Following BBC ' s Panorama docudrama, Primark conducted a private probe, which led them to end contracts with three Indian providers. A spokesman from Primark stated, " We take this oversight in criterions really earnestly so. Under no fortunes would Primark of all time wittingly permit such activities, whether straight through its providers or through 3rd party sub-contractors. " ( BBC, 2008 ) .

As a direct response to the crisis, Primark created a comprehensive web site called [www.ethicalprimark.com](http://www.ethicalprimark.com). This web site contained information and picture which strengthened their positive attitude towards values and policies sing ethical trading. It was targeted at consumers which aimed at extinguishing any uncertainties sing Primark ' s sourcing.

Primark shortly created a new standardized choice procedure for its providers, along with a rigorous ' Supplier Code of Conduct ' . They besides went on to explicate a rigorous scrutinizing plan to avoid such a crisis. Their codification of behavior was translated into 26 different linguistic communications so that workers in mills understand their rights. In add-on, Primark to a great extent invested in new package from BSI direction systems that was designed to assist Primark pull off its supply concatenation more efficaciously.

In 2009, Primark established a specialised Ethical Trade Program. It consisted of a Director of Ethical Trade, along with ethical trade staff who was stationed in sourcing states. Primark ' s Ethical Trade Strategy aimed at implementing ethical trade policies and guaranting providers met the needed criterions. Through workshops, preparation and audits this committed squad intended to protect the rights of workers within the supply ironss.

On measuring the compatibility of Primark in footings of its Marketing and Ethics ( Lecture Notes ) on a graduated table of one to ten, we would place Primark in Group B class. Based on our reading, it has been targeted victim a figure of times for its indulgence in unethical patterns. However, it ne'er

admitted to the burden of such activities, hence we can state they are responsible and therefore, staying by the jurisprudence and non Group A. They do not hold a set of nucleus, non-financial values and rules that is regarded as one of the most of important assets of a company's being, which strikes them off Group D. Besides, they are not strongly committed to being ethical; else they would not have been targeted several times for their morally irresponsible activities. Hence, they do not fall within Group C. Primark's value proposition is provision of inexpensive vesture. To carry through the same, they need to maintain the cost of production minimal. With this in mind, the company's intent for being is to guarantee net incomes for ABF instead than being socially responsible. They do seek to better ethical criterions but not at the cost of cutting down their net incomes. Therefore, we think Primark falls under Group B.

All companies function otherwise and can sort and set in different groups based on their ethical standing. As has been shown below:

### **Kohlberg's theory of moral logical thinking ( Referencing – Lecture Notes and URL )**

Kohlberg suggested that a company progresses in their moral logical thinking ( i. e. , in their bases for ethical behavior ) through a series of phases. He believed that there were six identifiable phases.

Phase 1 – Administrations behave harmonizing to socially acceptable norms and their motivation is to stay by the jurisprudence.

Phase 2 – Characterised by a position that right behaviour agencies moving in one's self involvement.

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Phase 3 - Complying with societal norms. Characterised by an attitude, which seeks to make what will derive the blessing of others.

Phase 4 - Oriented to staying by the jurisprudence and reacting to the duties of responsibility.

Phase 5 - A echt involvement in the public assistance of society and prepared to dispute the societal norms when necessary.

Phase 6 - Belief in cosmopolitan rules. Based on regard for cosmopolitan rules and the demands of single scruples.

Mentioning back to the initial theoretical account of categorizing companies between Groups A - Calciferol, we would put Primark at degree 2 on the Kohlberg ' s theoretical account of moral logical thinking. Primark, as a company is known to move for its opportunism. This degree complements its features of Group B. This can be supported by the fact that although Primark has been pointed fingers at several times for their indulgence in unethical patterns, their responses have ever been the same and nil has practically been done about it i. e. , they have taken the necessary stairss to command unethical patterns and would seek farther fasten control over providers.

( BBC, 2008 )



## 4. Decision

**“ It can be expected to be less about moralss and more about a promise of freedom from moral anxiousness when in fact it is that anxiousness that is the substance of morality. ”**

### A

From this we understand that a company chooses to be every bit ethical as it truly wants to be. From what we gather, Primark would wish to be seen as an ethical company. After the unmasking, Primark made certain they improved their ethical criterions every bit good as their providers ' criterions. Primark paid for hearers to guarantee the ethical criterions of their providers, which is a mark of dedication to their ethical stance. As a group, we concluded that even though Primark was at the Centre of this dirt, they have been repeatedly targeted by market guessss chiefly because they are the large name at the terminal of the supply concatenation. One must admit that Primark is non wholly at mistake. It ' s supplier ' s sub-contracted work to other local sellers, without Primark ' s cognition. These sub-contracted sellers had kids working in their warehouses, which were overworked and paid sub criterion rewards. Primark ' s hearers should hold been cognizant of this. This poses the inquiry of who is responsible for leting these ethical breaches to take topographic point.

### A

After the unmasking, Primark has taken assorted stairss to portray an ethical image and keep a high degree of ethical criterions. After plundering providers who did non run into their criterions, they invested in scrutinizing

package, and established a specialised ethical strategy. A So is Primark truly at mistake or is it easier to fault a elephantine retail merchant.

The fact remains that Primark and its providers were caught once more prosecuting in the same unethical patterns, so was Primark turning a unsighted oculus or were they unaware of the state of affairs.

## A

The unmasking hit the public oculus during the recession, where people were shopping on the cheap, thereby coercing them to exchange to cheaper alternatives. A Does that do your mundane shopper an unethical consumer, or were these consumers forced to shop at Primark entirely for economic grounds? If the former is true, Primark and its providers will be able to go on merchandising without a problem. A However, if one dwells on it and the latter is true, the clip line for Panorama to hold an consequence on the heads of the society has faded off. Basically, it is upto Primark ' s scruples whether they want to take rigorous action against their hearers and providers guaranting attachment to higher ethical criterions, or will they merely portray an image of holding taken action to set to rest the allegations against them.