

Ethical issues in business: accounting and environmentalism



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Part A:

This section is to outline the importance of social accounting and social reporting and to define this with an in depth explanation; in terms of within a business society. The use of the company Apple as a case study and further references, will allow a detailed analysis of these terms, to give a deeper understanding to the reader.

Social accounting and reporting is a huge factor in measuring companies' performances, however there is no single agreed definition. Therefore we could ask what actually is social accounting and reporting, if there is no official identity to the terms. Social accounting and reporting is a way of evaluating a business's performance only on numerical figures. It takes into account other Stakeholder groups rather than just Shareholders, as it highlights the importance of a business responsibility to differing issues. Issues include; environmental, local and national involvement (charity).

This statement can be supported by many sources including; D. Crowther (2000) as he defines social accounting in this sense as *" an approach to reporting a firm's activities which stresses the need for the identification of socially relevant behaviour, the determination of those to whom the company is accountable for its social performance and the development of appropriate measures and reporting techniques."* [1]Another definition to identify the term " social accounting" comes from O, Dwyer (2006). However he defines the term from the perspective of an accountant stating *" social accounting scholars are a group of individuals with ' commitment to*

stakeholder accountability and democracy". [2] However this is not always be case, as social accounts may be biased for different reasons.

Accountant's desire for work fees could lead them to saying things which aren't completely true, which can cause huge legitimacy problems. Secondly social accounting can also be recognised as a contributing factor of many social conflicts and disputes. This links to Apple as looking at the report "Apples un-kept promises"; we can see that legitimacy problem have arisen, from the claims made in their progress report. Apple claims: " *We don't tolerate underage labour. Our code requires our suppliers to provide special treatment to juvenile workers.*" [3] However the China labour watch disclosed in their report ' Apples un-kept promises'; that within 2 factories they found many underage workers and employment right were minimal or even non-existent.

However social accounting may seem a positive driver for pleasing numerous Stakeholders, nevertheless it still has its disadvantages as a performance measure. Stuart Cooper (2004) " Social and environmental accounting is flawed as it does not address the problem of the capitalist system". This suggests that as long as money is the main objective in companies, they will never be legitimate with its social accounting objectives. Apple are a company which seem to adopt a capitalist culture, due to evidence discovering the length of working hours and the wage workers receive. " *Working hours are too long, with 7-day weeks, shifts exceeding 12 hours and 80 hours of overtime a month not uncommon. It appears that " falsified attendance records" help disguise the real figures*". [4] Further from this the pay rate is at only '\$1. 20 per hour'.

Looking at Grey, Owen, Adams theory of social responsibility stances we can see that Apple clearly adopts an expedients approach, as they only proposed changes in 2012 (the progress report), to rebuild their tattered reputation.

The report “ un-kept promises” published by the China Labour Watch, showed how all promises mentioned in the progress report, to better employment rights and increase interests with different Stakeholder groups, were shattered, as independent enquiries were made to show that workers were receiving less than adequate treatment, for example no action was made to better environmental issues.

To conclude social accounting is an important measure for all businesses. However its importance differs in different ways, as some businesses only accepts social responsibility as long as it benefits them. However some companies genuinely put the importance of social responsibility, before profits and reputation, these companies usually take a deep ecologist view to responsibility and include companies such as Greenpeace. Overall social responsibility is mainly adopted for self-benefits, and this is where the term “ Green wash” has emerged.

Part B:

This part of the essay outlines what is meant by the term ‘ ethical issues’, giving an understanding of the two theories ethical relativism and ethical absolutism. The report is also to highlight the importance of ethics within companies, and give justification for its importance. Furthermore the use of Apple articles and further references will allow an assessment to be made, and assumptions on Apples performance to these matters will be

highlighted. The use of different viewpoints from varying Stakeholders will <https://assignbuster.com/ethical-issues-in-business-accounting-and-environmentalism/>

make the reports analysis more solid, as this will allow advantages and disadvantages to be seen in differing scenarios, rather than just seeing the benefits/negatives of main Shareholders.

Ethical issues are mainly defined through two different theories; either relativism or absolutism. Ethical absolutism is a theory where something is only right or wrong, it does not consider any other situations or scenarios. On the other hand Ethical relativism this theory were nothing is categorically right or wrong, as it is mainly relies on the circumstances of an individual, culture, beliefs or emotions. Therefore there is more tolerance on positive or negative actions that may be seen as immoral due to the moral absolutism theory.

Looking at Apples Progress Report for 2012 outlines, how Apple have managed ethical matters to suite many Stakeholders involved within the company, demonstrating strong cooperate responsibility. Many statements are made within report; differing amongst Stakeholder groups, however the quote “ *We require that our suppliers provide safe working conditions, treat workers with dignity and respect, and use environmentally responsible manufacturing processes wherever Apple products are made.*” [5] This statement evidently indicates the importance of the employee, pressure groups and environmentalists to the Apple brand; this analytically shows good responsibility to these stakeholders welfare. However contrasting this other sources have indicated that Apple has not complied with many of the statements they have made, regarding their ethical responsibility. A report called the ‘ Other Side of Apple’ by the Friends of nature, the IPE and green Beagle (2011) found that “ *it was discovered that Lian Jian Technology had* <https://assignbuster.com/ethical-issues-in-business-accounting-and-environmentalism/>

environmental violations, as they “ did not carry out the appropriate measures which resulted in hazardous waste material run off. They also had not filled out the hazardous waste transfer manifest documentation.”

[6]From this we can evidently assume that Apple have minimal interest in changing practices to make them more environmentally friendly, they'd rather pay heavy fines. As changing practices would be costly and may affect the annual profits of Apples displeasing the Shareholders. This indicates that social responsibility is only implemented for the interest of Apple. Similarly according to a report from the China Labour watch show cased many ethical issues involving employees throughout all three factories, issues such as; an immense number of underage workers were discovered and of which did not receive any exceptional protection/treatment in comparison to workers of age. They were made to work within the same conditions and hours of employees of legal age. Additionally all workers were made to sign documents to falsify the hours that they do, therefore breaking employment regulations.

However overseas employment is greatly important to many less economically developed countries, Apple provides an income for their employees, as well as giving them opportunities to learn new skills, and increasing their life satisfaction. A Case Study involving Man Power to recruit a workforce force from the Monga-hit region of Rangpur, supports this as “ *the government assigned a quota to send 18000 poor people from the Monga-hit region comprising greater Rangpur to overseas countries with job.*” [7]As well as offering “ *loans to poor youths of the Monga-hit region consisting of greater Rangpur for overseas employment.*” [8]This shows the

importance of companies being overseas, as governments of these less developed countries heavily encourage inward investment, as it benefits them in many ways; as the government gain more taxation to improve public services, as well as less dependency on them for income. Shareholders will also benefit as wages are much lower overseas, therefore increased profits could be made, increasing dividends.

To conclude Apples performance towards its promises to alter social issues, have been extremely poor. As evidence through investigations by the Chinese Labour Watch and a report from the Friends of nature, IPE and Green Beagle all have identified many issues involving numerous Stakeholders, including: employees, environment and its suppliers, where all parties were suffering from the production of Apple products. However on the other hand these factories do play an important role economically to the countries. As they provide employment to very low-skilled people, and most likely pay better wages than competitors. As well, governments promote inward investment into countries like these, as they financially aid the country through additional taxes, as well as a reduction in the unemployed, therefore less dependence on the government for survival. This view is supported by the Case Study on Manpower. Overall for Apple to be socially responsible they do need to address ethical issues that have been mentioned, as eventually them only providing the advantage and employment to a country won't be enough. In the future more damage could be made environmentally, costing the government large amounts of money.

Part C:

This part is to outline why companies might possibly report on environmental responsibility, it is argued many only report on these issues for business case reasons. Furthermore an analysis on what is meant by the term business case will be made, through the use of differing definitions from a range of sources. Applying apple to principles to help understand why companies report on environmental issues and what impact business case reasons has on a company, this will give a greater understanding of the importance of business case, as it will give more personalised answers as Apple may have a differing situation/position to other companies. Also using an existing company to show proposed changes, will lead to a sustainable planet. Finally there will be an explanation on what is understood by the term “Greenwash”, using multiple references and also demonstrating how it distresses particular Stakeholders.

Companies that do things to reflect environmental responsibility but however only do them to in fact increase profitability, sales and even reduce waste to only reduce unit price of products, are only doing these things for business case reasons. Whereas if companies actually take a moral responsibility to environmental practices i. e. reduce their carbon emissions, they are doing this for ethical reasons instead of business case reasons. Therefore business case reasons highlight that companies only demonstrate an environmental policy to maintain a good reputation, however the practices they change/implement is done only to benefit themselves. However according to a report “beyond the business case” by Thomas Dyllick and Kai Hockerts they state “*A single-minded focus on economic sustainability can succeed in*

the short run; however, in the long run sustainability requires all three dimensions to be satisfied simultaneously." [9] This statement suggests those businesses that only concentrate on business case issues, intending to make changes to gain economic advantages; this will not benefit them in the long run. As mentioned they need to focus on all three dimensions which include ; economic, ecological and social aspects.

Therefore, for a business to be a success they need to take into account environmental and social issues. This statement links to Apple as evidence suggests that Apple heavily focuses on economic issues, however neglecting ecological and social issues, which affects a vast majority of Stakeholders, and the reputation of the business. A report called the ' Other Side of Apple' by the Friends of nature, the IPE and green Beagle (2011) identified many environmental issues within the company which affected many internal Stakeholders. For example in the Lain Jian factory they used an alcohol based solution to clean screens and other parts within the construction of their products. However Apple changed its process " *In August, 2008, however, W (Suzhou) suddenly began requiring its employees to replace the alcohol-based cleaner with n-hexane. When interviewed, workers at the factory stated that n-hexane evaporated much more quickly than the alcohol-based cleaner, thereby increasing their efficiency rate .*" [10] But controversially Apple didn't recognise the dangers of this solution, by not reporting the change to the authorities this violated China's •Law on the Prevention and Control of Occupational Diseases. Not only this, it affected the health of many employees in the company, as it is a poison it left many sick, as the chemical can cause unresponsiveness of limbs. " Many of the

employees at Lian Jian Technology have been falling sick”, “ According to hospital tests and the doctors ‘ diagnosis, these employees ‘ upper and lower peripheral nerves had been damaged”[11]

This clearly shows major environmental and social issues in Apple, and how the importance of increased efficiency was more important, than ensuring the safety of its employees. A lot of employees from this incident decided to leave the company, as it was unsafe for them to work there. They received little compensation, and many of employees had to leave as they were given no other option, leaving them unemployed again and vulnerable as their skill set is minimal. Therefore Apples business case, really need altering as this undoubtedly demonstrates the importance of having all three dimensions (economical, ecological and social) as mentioned in the report “ beyond the business case”.

Greenwashing is a tool which a lot of major companies use to make them appear that they take responsibility for environmental issues, but in real terms they don't; they only publish what they do to enhance their business reputation and brand image, which could possibly increase profitability and sales. It's only done for self-interests. This is supported by a view from greenwashingindex.com as they state “ *It's greenwashing when a company or organization spends more time and money claiming to be “ green” through advertising and marketing than actually implementing business practices that minimize environmental impact. It's whitewashing, but with a green brush.*” [12]

Overall from the evidence gathered about business case reasons, which are now known as actions that only benefit the company i. e. increased profits? Are a big tool used in companies, however this continuous approach to only look at economic advantages does not benefit companies in the long-run. As from the report ' Other Side of Apple' by the Friends of nature, the IPE and green Beagle, showed how they only focused on economic benefits through replacing a cleaning solution, which increased efficiency, however it led to huge pay-outs and loss of many employees, meaning large costs and a tattered reputation. This highlights that the view of needing to concentrate on all 3 dimensions, by Thomas Dyllick and Kai Hockerts is grossly important. This leads to the view of Greenwashing, many companies use this tool to appear environmentally involved, but only for self-interests, such as increased brand image and reputation, as well as the possibility of more sales. To conclude companies to succeed in the future need to really take on board the importance of environmental and social issues for them to be a success. As these responsibilities are becoming more important to consumers, and other Stakeholders in this day and age.

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