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Transnational Corporations and Marketing Ethics

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Abstract

In globalized world market transnational corporations are dominating world market. Transnational corporations are one of the most important actors in the global economy occupying a more powerful position than ever before. To increase profits they have increasingly turn to the developing world. Today they are some 65,000 of them with about 850,000 foreign affiliates across the globe. In the process of globalization the marketing ethics have not yet been globalized. Many transnational corporation in their relentless search for markets profits virtually severed their relationships with the societies that have nurtured them and acting as if they have no obligation to any one other than their own corporate interest. These unethical practices by TNCs may lead to far greater losses in the long run. The cost of ethical failure can be very high not just in financial penalties there can be a loss of trust and trust is important to all constituencies of business.

Key words: **Business ethics, Globalization, Multinational Corporations and Transnational Corporations**

Introduction

Global marketing has become a necessary way of life for firms that want to survive and grow in the dynamic world economy of the new millennium. New markets are opening, and old markets are evolving. The majority of the world's population lives in so called "bottom of the pyramid". They represent an increasingly growing and important market that requires innovative responses by global markets. New competitors are appearing; and old competitors are growing through alliances, acquisitions and mergers. The global village is becoming a global market place. To paraphrase, "no company is an island unto itself" (Terpstra, Sarthy and Russow; 2006). There is much academic discussion about whether globalization is a real phenomenon or only a myth. Although the term is widespread, many authors agree that the characteristic of the phenomenon have already been seen at other moments in history. Also many note that those features that make people believe we are in the process of globalization, including the increase in international trade and the greater role of multinational corporations, are not as deeply established as they may appear.

Literature Review

Marketing ethics has developed in the context of business ethics (Baumhart; 1961). The moral issues in marketing are particularly important as marketing expected to satisfy customer requirement profitable (Tzalikis and Fritzsche; 1989). Kant's (1788) views on ethics are utilitarian and deontological based on reason, intention and duty. According to him companies should exist to satisfy the needs of the society and firms have a duty, a moral obligation to deliver benefits to the society. Companies expectations of increased sales, market share and profitability motivated by objectives other than self-interest (Yeo; 1988). Such an approach can bring higher pay-offs for a firm because consumers will perceive its operations as ethical. If companies appear to be ethical following ethical codes and norms regulating their self-interest they will be rewarded by the consumer (Carrigan, Merinova and Szmigin; 2006). Ethics are utilitarian based on the consequences of action indicating that business ethics should maximize the total amount of pleasure in the world and minimise the total amount of pain thus augmenting the scope of beneficiaries(Mill; 1998). Mill's understanding of ethics is intrinsically associated with the common "good" rather than a company's self-interest. In marketing term ethical relativism can justify different ethical standards applied to various countries and evolve overtime. Such an interpretation of morality does allow for various interpretations of ethical norms that reflect a diversity of cultures and practices. Moreover this creates a need for marketing adaptation within a particular market overtime as the societal culture, knowledge, and technology change across markets at a given point of time.

Ethics is generally referred to as the set of moral principles or values that guide behaviour (Sherwin; 1983). However, what constitutes ethical and unethical behaviour can differ depending on the set of moral principles used as the basis for judgement. The increasing concern for corporate ethics within the business community raises several interesting questions (Creyer and Ross; 1997). It was noted knowledge about marketing ethics has increased substantially over the last several years, in large part because of the many empirical studies that have been conducted. However, the majority of this research has analyzed the ethical judgement of marketing professional consumers' consideration of ethical issues has been neglected (Thompson; 1995). Business ethics defined as the application of moral and ethical considerations in a business setting. The ethical dilemma is that the success of business strategy is often measured by how well it has met the company's declared objectives. In practice, the company's goal are often expressed in terms of meeting certain financial targets and less frequently in terms of its relationships with those with whom the business interacts, i.e. its "publics" its internal and external stakeholders(Hurn; 2008). Business ethics involve the behavioural norms and rules that are operant within an enterprise taking the form of an ethical code covering areas such as conflict of interest, use of internal information and in general violating business law. Product safety, human resources, energy and environment and business behaviour are part of social responsibility falling within business ethics. A company's reputation for ethical behaviour, including its perceived integrity in dealing with customers, suppliers, and other parties is part of a company's brand name capital. Private markets offer potentially vital incentives for ethical behaviour by imposing costs on companies and eventually on individuals that breech accepted ethical standards(Zekos; 2004). Companies are expected to focus on producing goods and services at reasonable prices, but today companies are held responsible for a variety of issues involving fairness and quality of life.

Approach to ethics which is based on a principle to balance and proportionality between the intentions behind actions, their means and their ends (Garrett; 1966). Laczniak (1983) suggests that all marketing practices should be evaluated according to certain questions describe below. These following questions should be used as parameter for evaluation.

- Does the practice violate a law?
- Does the practice go against the moral duty to honesty and exactitude?
- To gratitude?
- To justice?
- To not place the health and safety of others in danger?
- Is the intention of the practice bad?
- Could the practice generate harmful or negative consequences?
- Did the company consciously reject a practice which would have engendered the same advantages while at the same time generating fewer harmful on negative consequences?

Marketing in LDC is often characterized by an imbalance of power because the foreign corporation controls access to information about the product, its use, likely effects of misuse and the availability of safer alternatives. Consumers in LDC may be vulnerable to exploitation insofar as they lack to a greater or lesser degree, the basic skills and knowledge that typify consumers in western markets. Also the consumers environment in many LDCs lacks agencies and organizations to monitor company action such as the EPA, FDA, Better Business Bureaus and Consumers Union in the U.S.(Amine; 1996). No institution including the corporation has a general license to inflict harm even in places where local laws do not specifically outlaw such behavior (Shue; 1981).

Ethics and the Law

Does law shape ethics or merely enforce the existing ethical norms? The legal system functions as an incentive mechanism to promote ethical behaviour in society shaping incentives through its rules, regulations, and punishments. The legal system should articulate and enforce society's rising expectations for ethical behaviour on the part of business, and those who ignore this reality place their careers and their companies in jeopardy. As the economy develops and technology changes, the context in which these values must be interpreted changes and so, the legal system must be flexible enough to respond quickly to these changes while remaining strong enough to protect these fundamental values. In countries where the market system is not deeply rooted, laws not enforced, and state intervention is invasive, bribes and payoffs may help companies overcome bottlenecks, enhance the market system and raise overall welfare. The ethical "game" of business today is played by different rules and wide shifts of moral consensus have occurred (Donaldson, 1996). Every era seems to have its own moral consensus. Morals-based laws reflect the moral value system of the country proscribing the law. Moral values are the substance of ethics. Although moral values are normally specific to one nation or culture, economic forces in general function under a market-based competitive scheme that is applicable to all nations. Codes of conduct may themselves be understood as an evolutionary step along the way to legally binding standards that carry the support of a responsible majority while ensuring censure and accountability of wrongdoing companies. Furthermore, globalization, a fundamental process of change that is transforming the world economy, widening and intensifying international linkages in trade and finance. It is being driven by a near-universal push toward trade and capital market liberalization, increasing internationalization of corporate production and distribution strategies, and technological change that is fast eroding barriers to the international tradability of goods and services and the mobility of capital, which means a convergence of moral values and in general ethical behavior (Zekos; 2004).

Purpose of the Paper

The need for addressing the issues of international marketing ethics arises from the increased internationalization of multinational companies (MNC) and the process of globalization of business (Hoffman *et al*, 1986; DeGeorge; 1986). Mainstream research on marketing ethics has been mostly focused on developed economies while emerging markets have received rather limited attention (Donaldson, 1985; Roger *et al*; 1995). As in business-to-consumer markets consumer support is of crucial importance for the success of marketing activities and companies' profitability ethical conduct towards consumers in diverse national markets is the most critical area of business ethics(Crane and Matten; 2004). In free market economies the power of MNCs to set and influence prices and to manipulate consumer response is designed "by the mystique of the market and consumer sovereignty" (Galbraith; 1974). Corporations create artificial needs for unwanted products one can argue that this is even more so in developing economies where consumer rights are not protected or guaranteed by social and legal structures thus increasing consumer vulnerability and the probability of MNCs to manipulate consumers by producing artificial demand for products they do not need(Amine; 1996). In the quest for foreign business, there are ethical minefields. An investor will encounter different styles of practices, different standard of business behaviour and different culture and it lead to ethical questions in business. While seeking business opportunities by transnational corporation in other countries are they maintaining marketing ethics globally and those countries where less restrictive laws apply and unethical behavior is tolerated. This paper tried to explore the ethics and business practices by transnational corporation in different countries particularly in developing and under developed countries as compared to their home countries. The paper's aim is to discuss the ethics and business practices by TNC in global market and examine the marketing ethics and the interest of the global consumers.

Globalization and Transnational Corporations

Global interdependence is a compelling dimension of the global business environment, creating demands on international managers to take a positive stance on issues of ethical behavior, social responsibility, economic development in host countries, and environmental protection around the world. However, there were still several large multinational companies indulging in ethically questionable practices. If TNC behaves unethically, it soon comes to the notice of the public and the company's image is tainted. Transnational are often worse off for having behaved unethically in the interest of short term gains, as the bad publicity generated by unethically practices leads to greater losses in the long run. In the challenge of modern society, manager or worker often encounters a situation than challenges one's ethical benefits and standards. Managing across border increasingly includes difficult ethical dilemmas. It is less clear where to draw the line between ethical behavior and the corporation's other concerns, or between the conflicting expectations of ethical behavior among different countries. Transnational corporations (TNC) are one of the most important actors in the global economy, occupying a more powerful position than ever before. In their persistent battle to increase profits, they have increasingly turned to the developing world, a world that holds many actions for them. Fifty years ago only a few hundred transnational corporations existed. Today they are some 65,000 of them with about 850,000 foreign affiliates across the globe sometimes called multinational organizations. They operate "across national boundaries in a context of nation states" and are engaged in almost every economic activity, most notably in agriculture food stuff, fishing, forestry, pharmaceuticals, mining, manufacturing, energy, tourism, transport, financial and other services. Mostly based in western economies, TNCs now occupy a powerful position in the global economy, accounting for around two-thirds of international trade. While most are comparatively small, some are huge. In 1999, 51 of the world's 100 largest economies were corporations, 49 were government (Madeley; 2003). These transnational corporations have become most powerful economic and political entities in the world today. For example, the combined revenues of just General Motors and Ford the two largest automobile corporations in the world exceed the combined Gross Domestic Product (GDP) for all of sub-Saharan Africa. The combined sales of Mitsubishi, Mitsui, ITOCHU, Sumitomo, Marubeni, and Nissho Iwai, Japan's top six Sogo Sosha or trading companies, are nearly equivalent to the combined GDP of all of South America. Overall, fifty-one of the largest one-hundred economies of the world are corporations. The revenue of the top 500 corporations in the US equal about 60% of the country's GDP. Transnational corporations hold 90% of all technology and product patent worldwide and are involved in 70% of world trade. While global in reach, these corporations' home bases are concentrated in the northern industrialized countries. More than half come from just five nations: France, Germany, The Netherlands, Japan and the United States. But despite their growing numbers power is concentrated at the top i.e. the 300 largest corporations account for one-quarter of the world's productive assets. The United Nations has described these corporations as "the productive core of the globalizing world economy". Their 250,000 foreign affiliates accounts for most of the world's industrial capacity technological knowledge, international financial transactions and ultimately the power of control. In terms of energy, they mine, refine and distribute most of the world's oil, gasoline, diesel and jet fuel as well as build most of the world's minerals from the ground. They manufacture and sell most of the world's automobiles, airplanes, communication satellites, computers, home electronics, chemical, medicines and biotechnology products. They harvest much of the world's wood and make most of its paper. They grow many of the world's major agricultural crops, while processing and distributing much of its food. Transnational corporations are more concerned about their own project than with the welfare of a host country. Corporate efficiency is good for profits but it can drive small scale companies in developing countries out of business. TNC have been powerful enough to lead industrialization in some countries, but there is evidence that such TNC led industrialization in several Asian countries has been achieved at a severe cost to agriculture and rural development. It is significance that the presence of TNCs in poor countries has widespread internal inequalities. Almost all the studies that have done on the effects of FDI have concluded that it has led to an uneven income distribution in developing countries. TNCs produce goods and services for those who have purchasing power; they cannot meet the basic needs of people who do not have the money to express their needs in the market place. The corporations apply their knowledge to make comparatively luxury goods and services. The nature of their products and knowledge may create biases against the poor, very few of whom are its direct customers, employees or source of supply.

International Business Ethics and Global Marketing

Globalization has multiplied the ethical problems facing organizations, yet business ethics have not yet been globalized. Attitude towards ethics are rooted in culture and business practices. The term international business ethics refers to the business conduct or morals of TNCs in their relationships with individuals and entities. Such behavior is based largely on the cultural value system and the generally accepted ways of doing business in each country or society (Dersky, 2006). Ethics are defined as the process of distinguishing of the right and good from the wrong and bad and they imply a moral duty to pursue the good and the right. Business ethics are concerned with the good and right and the bad or wrong behavior in the business context. International business ethics apply to the varying business ethical issues in diverse country culture. Social responsibility is conceptually allied to business ethics and business should act more responsibly beyond the pure profit or economic motive (Godiwalla, Damanpour and Madison; 2006). Business ethics is concerned for good behavior and obligation to consider not only own personal well being but also that of other human beings. Business ethics involves the capacity to reflect on values in the corporate decision-making process, to determine how these values and decision affect various stakeholder groups, and to establish how managers can use these observations in day-to-day company management.

Marketing is typically perceived as something that is “due” to customer; something that customers have to “watch out for”. The fundamental of marketing principle and the ethics has said marketer tries to satisfy the consumers. In rapid globalization of world market in nineties it is highlighted dramatic instances of firms’ unethical, irresponsible, and illegal activities. This behavior is not good for the firms; their constituents, who include customers and stockholders; or the public at large. In today’s scenario the global marketing situation is so worse that it difficult to pickup a newspaper or a magazine without finding some issue in marketing being subject to criticism for lack of ethical sensitivity. In the recent past some typical issues have included, among others, truth in advertising (the old favourite), planned obsolescence product decisions (Product intentionally failing after predetermined amount of time), data privacy, selling practices, price gouging and marketing to minors (alcohol and tobacco). It is somewhat surprising that ethical issues keep arising despite both teleological (customer satisfaction) and deontological (code of ethics) methods adopted by marketing professionals to prevent unethical behaviour (Hartman and Chatterjee; 2007). American Marketing Association code of ethics in marketing insist that marketer must accept responsibility for the consequences of their activities and make every effort to ensure that their decisions, recommendations and actions functions to identify, serve and satisfy all relevant publics; customers, organizations and society (see detail of American Marketing Association(AMA) code of ethics).

AMA Code of Ethics Honesty and Fairness

Marketers shall uphold and advance the integrity, honor and dignity of the marketing profession by:

1. Being honest in serving consumers, clients, employees, suppliers, distributions and the public.
2. Not knowingly participating in conflict of interest without prior notice to all parties involved
3. Establishing equitable fee schedules including the payment or receipt of usual customary and/or legal compensation for marketing exchanges.

Rights and Duties of Parties in the Marketing Exchange Process

Participants in the marketing exchange process should be able to expect that

1. Products and services offered are safe and fit for their intended uses
2. Communications about offered products and services are not deceptive
3. All parties intend to discharge their obligations, financial and otherwise; in good faith
4. Appropriate internal methods exist for equitable adjustment and/or redress of grievances concerning purchases.

In the area of product development and management:

- disclosure of all substantial risks associated with product or service usage
- identification of any product component substitution that might materially change the product or impact on the buyer’s purchase decision
- Identification of extra cost-added features.

In the area of promotions:

- avoidance of false and misleading advertising
- rejection of high-pressure manipulations, or misleading sales tactics
- avoidance of sales promotions that use deception or manipulation

In the area of distribution:

- not manipulating the availability of a product for the purpose of exploitations
- not using coercion in the marketing channel
- not exerting undue influence over the reseller’s choice to handle a product

In the area of pricing:

- not engaging the price fixing
- not practicing predatory pricing
- disclosing the full price associated with any purchase

In the area of marketing research:

- prohibiting selling or fundraising under the guise of conducting research
- maintaining research integrity of avoiding misrepresentation and omission of pertinent research data

- treating outside clients and suppliers fairly

Source: American Marketing Association’s Code of Ethics, *www.marketingpower.com*

Large, expensive automobiles please their owners but increase the pollution in the air, the congestion of traffic and the difficulty of parking and therefore reduce the owners’ long term satisfaction. The food industry is oriented towards producing new products which have high taste appeal and nutrition has tended to the secondary consideration. Many young people are raised a diet largely to potato chips, hot dogs and sweets which satisfy their tastes but harm their long term health. The packaging industry has produced many new convenience features for the American consumers such as non-reusable containers, but the same consumer ultimately pays for their convenience in the form of solid waste pollution. Cigarette and alcohol are classic products which obviously satisfy consumers but which ultimately hurt them if consumed in any excessive amount. Business has not worried about this so long as consumers have continued to buy their products. But while consumer buys as consumers, they increasingly express their discontent. The transnational corporations who are operating so many countries are these companies really acting in the best long run interest of consumers and society. The fast food hamburger industry offers tasty but unhealthy food. The hamburgers have high fat content and the restaurants promote fries and pies, two products high in starch and fat. The products are wrapped in convenient packaging, which leads to much waste. In satisfying consumer wants, these restaurants may be hurting consumer health and causing environmental problems. Marketer should build social and ethical consideration into their marketing practices. Companies must balance and juggle the often conflicting criteria of company profits, consumers' want satisfaction, and public interest. Increasing globalization of market the companies are forgetting the social marketing concept which expect that companies should preserve and enhance the consumers' and the society well being and take the following initiatives.

Analysis of TNC and their Global Marketing Practices

Ethical and socially responsible conduct of a multinational corporation is an important concern today. Ethical conduct usually beyond the legal conducts an important requirement for MNCs in most countries. Expectations of both ethical conduct and socially responsible conduct may vary in cultures of different countries (Godiwalla, Damanpour and Madison; 2006). The globalization process increasingly brings countries closer on essential issues and that tends to make core values for many ethical issues similar such as honesty, fairness, integrity, protecting, ecology, meeting and raising industry norms. From transnational corporation it is expected globally that they should maintain some moral character (see characteristics of well perceived companies) while doing business in different countries.

Characteristics of Well Perceived Companies

- Make products that are safe
- Does not pollute air or water
- Obeys the law in all aspect of business
- Has a commitment to safe workplace policies
- No misleading / deceptive advertising / marketing
- Packaging / containers are "environmentally friendly"
- Recycling program within company
- Responds quickly to customer problems
- Waste reduction program within the company
- Continually tries to improve quality

Source: Walker, Frank D. (1999), Corporate Character and Ethics – A Competitive Difference?, *Business and Society Review*, 104:4, PP.439-458.

Companies should produce safe goods and services for the customers worldwide but the imperial evidence shows the transnational companies are violating these norms. Considering following instances it clearly shows how the marketing ethics is violated in the name of earning profit. Firms increases its sales of cigarettes in countries such as Indonesia because of growing restrictions and liability issues placed on them in markets such as the United States. Pharmaceutical firms rarely focused R&D dollars on developing drugs to fight diseases such as malaria, a disease that kills millions of children around the world, as such disease are not prevalent in the firms principal markets in Europe and the United States. Toy and clothing manufacturers are sourcing their products from suppliers who do not respect labour rights. An independent agency is asking to audit and certify the manufacturing practices of toy firms such as Mattel. In the United States there are many well-documented cases of unethical behavior in the part of individuals and corporations that led to the Sarbanes-Oxley Act of 2002, as well as the antifraud actions being pursued by the European Commission, the OECD and the International Federation of Accounts. The Environmental Investigation Agency has noted that Indonesia is losing an area of forest the size of Switzerland every year. The Indonesian government estimates that illegal logging cost $ 3 billion a year in lost revenues in addition to environmental damage and China is a major market for Indonesian timber, but the country does not assume responsibility for the illegal logging and cutting down of forests in Indonesia. Now here should international marketing managers focus just on making a profit, let governments regulate their behavior and practice compliance with the letter of law? This is an extension of the classic free-market Friedman position that the job of business is to make a profit. However there are several reasons why international business should concern with ethics. All firms need to worry about their legitimacy. Corporations are granted permission by society to operate with legal limited liability, to raise capital etc and if they do not behave responsibly their existence might be threatened (Terpstra, Sarthy and Russow; 2006). Transnational corporations have more power compared to other non transnational corporation, total consumers and perhaps total governmental authorities in terms of business domination and financial strength. They also have accumulated more knowledge about products, markets, consumer behavior and social consequences of their actions. Therefore transnational must be careful to use this power ethically. TNCs may find that have to balance conflicting total values and corporate values. They must judge, them, when to adapt to total standards and when to hold on to their moral standards which may be western, but they consider to universal.

Nestles, Swiss multinational company was criticized for using genetically modified (GM) ingredients in its food products, and was accused of dumping products rejected in Europe in developing Asian countries where the laws on GM products were either absent or less stringent. Genetically modified foods are lab-created grains, vegetables, fruits and other primary foods. Their use has been somewhat controversial. Some people are concerned about the consequences to their health of the use of these products. Therefore providing unsafe products standards and ill-informed consumers by Nestle is absolutely wrong. In another case Nestle launched bottled water, called "Pure Life" in some Asian countries like Pakistan and India (in 1998 and 2001 respectively) priced it so high that it was unaffordable for the lower income groups. It turned water into a luxury by pricing it around $ 0.4 (in Pakistan) for a one litre bottle. Most developing countries lacked basic drinking water facilities as very high water price was charged by Nestle limiting a number of people to buy it. Nestle's action produces the worse for the greatest number of South Asian because people could not afford for water which is basic human needs and is sporadic and contaminated in South Asian Countries.

Nestle, one of the biggest purchasers of cocoa from Ivory Coast, a country in West Africa. UNICEF studies and International Labour Organization (2002) revealed that the workers on this plantation lived and worked in poor conditions. They were paid minimal wages and exploited by the land-owners. Most of the workers had been trafficked by bought and sold, making them practically slave labour. Nestle purchased cocoa from these farms despite its awareness of the conditions of the labourers, thus making it a party to their exploitation. Child labour was also employed on the plantation. UNICEF and the International Institute of Tropical Agriculture (IITA) studies (2002) revealed that over 200,000 children were shipped to Ivory Coast and other cocoa producing countries in Western Africa from neighboring countries like Mali and Burkina Faso, to work on plantation especially during the harvesting of cocoa or coffee beans. Thomson (2003) asserts that a company has ethical duties to owners, employees, customers, suppliers, the communities where it operates and the public at large. The norm of doing no harm requires Nestle's management to look beyond its own interests (i.e. cheap cocoa, and high market-share). Unethical marketing of infant formula and GM foods in developing countries are example of doing harm knowingly and willingly and of benefiting from the lack of legal restraints to the detriment of the eventual consumers. International business ethics refers to the conduct of MNCs in their relationships to all individuals and entities with whom they come into contact. If business follow Kant's rule, it will provide a quality and safe product to its entire market. Nestle decision to sell unsafe GM foods even it knows that the product is unsafe is unethical. In addition, Nestle's marketing strategy in developing countries was to distribute free samples to nursing mothers, thus getting the baby used to the formula very early in order to get a hold on its competitive market. Unethically, Nestle promoted the use of infant milk formula as a substitute for mother's milk. This unethical manner causes widespread infant malnutrition and susceptibility to infection, which could even load to infant death. For consumer safety, Nestle did not respect the laws and regulations of the countries in which they operate with regard to consumer protection. In China there is a regulation of GM food, which required that all products which were contained GM ingredients be labeled explicitly. Despite consist of GM ingredients, Nestle products were not labeled. Indeed, it could not unilaterally continue with its double standard practice and ignore the concerns and demands of the general public in Asia.

Thirty years ago, most developing countries had in place mechanism aimed at maintaining a relatively constant price for food commodities. Tariffs on imports protected total farmers from fluctuations in global food prices. Government-run grain purchasing boards paid above-market prices for farm goods when prices were low, and required farmers to sell below-market when prices were high. The idea was to give farmers some certainty over price and to keep food affordable for consumers. The most of the developing countries who produced enough food to feed themselves are now 70 percent are net food importer is happening because over the last three decades, the system was completely abandoned in country after country. It was replaced by a multinational dominated, globally integrated food system, in which the World Bank and other institutions coerced countries into opening their markets to cheap food imports from rich countries and reorienting their agricultural systems to grow food for rich consumers abroad. Proponents said the new system was a "free market" approach, but in reality it traded one set of government interventions for another a new set of rules that gave enhanced power to a handful of global grain trading companies like Cargill and Archer Daniel Midland, as well as to seed and fertilizer corporations.

Coca-Cola whose products are available in more than 200 countries around the world, eight more than the number of nations that belong to the United Nations is aggressively marketing to children by featuring Harry Potter imagery on packages and in advertising for its carbonated and non carbonated drinks. The purpose of using Potter promotion "Live the Magic" was to entice Kids to drink more soft drinks. Over consumption of Coca-Cola and their sugar-laden soft drinks contributes to obesity and diabetes reduced nutrient intake and tooth decay. Consumption of soft drinks has soared over the past two decades contributing to the doubling in the percentage of obese teenagers and that obesity epidemic in fueling a diabetes epidemic (George Washington University Medical Centre). Globally, the World Health Organization (WHO) reports soaring growth in three non-communicable diseases-heart disease, strokes and diabetes. Unhealthy diets lie at the root of this surge in non-communicable diseases. Worldwide at least 2-6 million people die each year as a result of being overweight or obese. Throughout the world, about 22 million people under the age of five are already overweight. In China, Russia and India alone, the WHO estimates to losses in national income from these diseases alone will cost roughly $1.1 trillion over next decade.

Wendy's International Inc. $2.5 billion company with more than 6,600 restaurants in 21 countries and territories the third largest burger chain in the world after McDonald's and Burger King announced in 2006 that it would almost entirely eliminate trans fat from its fried foods. However, according to the Centre for Science in the Public Interest (CSPI), testing done by Consumers Union in November 2006 found 2.5 grains of trans fat in a large order of fries. CSPI's new tests in 2007 conducted more than a year after Wendy's announcement found even more. Wendy's performance did not live up to its promise. Mattel Inc. the world's largest toy corporation with $ 6 billion revenues recalled nearly two million of its toy products in 2007 because they contained dangerous levels of lead. In the worst cases, lead paint in Mattel toys was found to be 180 times than acceptable limit. Sucking on or ingesting toys with high lead content can be extremely poisonous for children, causing learning and behaviour problems and even death in some cases. In addition to its lead toy woes, Mattel recalled an additional 18 million toys because they featured easily swallowed magnets that could damage children digestive tracks.

Today everybody understand that pollution from cars causes global warming so Toyota's low emission 48 miles–per–gallon (mpg) Prius hybrid-means less global warming pollution. Unfortunately, the overall truth about Toyota is well inconvenient. The carbon foot print of Toyota's overall car fleet remains dinosaur esque, and their lobbyists are working to kill national legislation that would force them to stop selling their gas guzzlers by 2020. Toyota is actively lobbying congress to defeat the proposed measure to increase fuel-efficiency standards to 35 mpg by 2020. The standard would cut more than 200 million metric tons of global warming pollution in 2020 alone.

Enormous power corrupts enormously (Lord Acton) and this applies to Swiss Pharma Company Roche. Roche makes a range of HIV-related drugs. One of them is enfuvirted, sold under the brand-name Fuzeon. Fuzeon is the first of a new class of AIDS drugs working through a novel mechanism. It is primarily used as a “salvage” therapy – a treatment for people for whom other therapies no longer work. Fuzeon brought in $266 million to Roche in 2007 but Roche charges $ 25,000 a year for Fuzeon. It does not offer a discount price for developing countries. Like most industrialized countries, Korea maintains a form of price control the national health insurance programme sets prices for medicines. The Ministry Health, Welfare and Family Affairs listed Fuzeon at $ 18,000 a year. Instead of providing Fuzeon, for a profit, at Korea’s listed level, Roche refuses to make the drug available in Korea. Roche insist that Fuzeon is uniquely expensive to manufacture, and so that it cannot reduce prices. According to Korean activist they told them we are not in business to save lives, but to make money. Saving lives is not our business.

Chevron, the world’s sixth largest oil corporation is responsible for the world’s largest environmental disaster. Between 1972 and 1992 Texaco (since acquired by Chevron) extracted 1.5 billion barrels of oil from Ecuador, at the same time leaving behind 19 billion gallons of waste and nearly 17 million gallons of crude oil. As a direct result, nearly two and a half million acres of rainforest were destroyed and several indigenous tribes either vanished completely or were uprooted from their ancestral homes and ways of life. In some villages near polluted water sources, children are three times more likely to contract cancer than those living further away from the contamination and miscarriages are common. One of the unresolved issues in Nigeria is Chevron’s foot dragging in eliminating gas flaring, which subject the densely populated urban areas surrounding the corporation’s production facilities to noise, light and environmental pollution from 30 foot gas flares that spew particulars into the air, leading to pervasive respiratory problems.

Mining is the world’s fifth largest industry and one of the most environmentally destructive activities. In recent years, TNCs have increasingly moved to the Southern hemisphere where the opportunities are larger and the mining industries are less regulated. In the wake of liberalization and privatization, governments of developing countries, which were once suspicious of mining TNCs? Since the beginning of 1990s, 70 countries, including 31 in Africa, have opened their doors to international mining companies. The mining business has removed 100 million people most of them in developing countries from their land where they lived and farmed. Mines produce huge waste dumps are often health and safely hazards is a threat to human life. The mines waste contaminates water sources both near the mine and far away and sometimes very far away from the area of mining activity. TNCs are also accused of relocating production factories to developing countries to evade strict environmental regulations (the so-called pollution havens). From the date 1980, onwards mounting public awareness of global environmental problems such as the destruction of the ozone layer, global warming and the destruction of tropical rainforests, has also led to renewed interest in this issue (Kolk, Tulder and Welters; 1999). It turned out to be a breeding ground for a large-scale mobilization against the dumping of Shell’s Brent Spar Oil Platform into the ocean and mounting distrust of oil TNCs in general.

Conclusion

Corporations need to be ethical. Corporations are a creation of society and are allowed to exist, to carry on business, to bear limited liability and to be granted legal protection in areas such as contract law, all at the sufferance of society. In return, society expects corporations to keep social interests in mind when conducting business. In a sense, business exists in cooperation with society and cannot survive for long term if it practices unilateral unethical behavior. Such unethical behavior hurts society consumers, suppliers, workers, and the general social welfare. Unethical behavior will result in a gradual erosion of society’s acceptance and patience with the corporation. It is in the long-term self interest of the corporation to practice ethical behavior. Firms have to obey the law, and legal compliance may be seen as satisfying society’s expectations of ethical behavior. If the home country norms vary widely from host country norms then MNC be likely to fail if it practiced home country norms that were at wide variance with those in the host country and in this situation customers may not buy their product. If such situations occur the MNC must consider how important ethical practice is. If a MNC has one set of ethical standards in the home country and different ethical commitments in host countries, cognitive dissonance will be created. The ethical climate of the MNC will become confused and the ethical climate which had been an asset that provided competitive advantage will be diluted. To prevent the negative consequences of cognitive dissonance, the moral climate of the MNC should include standards that are applied universally i.e. both the home country and in host country subsidiaries. All MNCs should follow the concept of “market morality”. Market morality mean a morality that the vast majority of firms would attempt to practice, because adopting those moral practices are either necessary for economic survival or give one a competitive advantage that enhances firm success. The firms are driven by market forces to adopt the ethical commitments which are necessary for economic success or provide competitive advantage. If TNCs behave unethically it will soon come to the notice of the public and the company’s image will be tainted. Transnational Corporations are often worse off for having behaved unethically in the interest of short term gains but the bad publicity generated by unethical practices leads to far greater losses in the long run. The consequences of ethical failure are even greater. The cost of ethical failure can be very high not just in financial penalties there can be a loss of trust and trust is important to all constituencies of a business, employees, share holders and customers (Moore; 1999). AMA code of ethics is almost nonexistent in many LDC and consumers are vulnerable because LDC lacks agencies and organization to monitor company action.

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