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ETHICAL RESPONSIBILITY  
– A CASE STUDY OF TELENOR IN BANGLADESH

by  
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"This thesis was written as a part of the masterprogram at NHH. Neither the institution, the advisor, nor the sensors are - through the approval of this thesis - responsible for neither the theories and methods used, nor results and conclusions drawn in this work."

## **Summary**

“This thesis will aim at giving an ethical reflection on *ethical responsibility* through a case study on Telenor in Bangladesh. Telenor is the majority shareholder in the Bangladeshi phone company Grameenphone. The case will focus on the misbehaviours of several of Grameenphone’s phone pole suppliers in Bangladesh presented in Tom Heinemann’s documentary “*A Tower of Promises*” (2008). The documentary was shown on both NRK and NRK2 in May 2008. It reveals bad working conditions, lack of safety measures, use of child labour and environmental destruction at the suppliers’ factories. The case will be analyzed by applying ethical theories and perspectives in order to determine Telenor’s ethical responsibility. In the analysis Telenor’s *knowledge* and *freedom* in this case, “Codes of Conduct” and ethical decision making will be especially emphasized. General implications on the ethical responsibility of multinational corporations operating in developing countries will be drawn based upon the findings in the case analysis.”

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## 1.0 Introduction

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Globalisation is an immense force on today's society, which gives specific challenges, in relation to ethics and responsibility. Especially since multinational corporations have increased their activities in developing countries. Their activities involve both direct investment and world-wide supply chains. Multinational corporations (MNCs) are defined as *“Companies that operate and control production in more than one country.”* Such corporations are substantial actors in the market place. The biggest MNCs have revenues that exceed some poor countries' GDP. Further the 350 largest MNCs are conducting 40% of the world trade (Kolstad, 2009). There are several reasons why these corporations should strive to have ethical organisations. As a result of their extensive business practices, MNCs have an opportunity to help develop ethical business norms in their field of practice. The size also creates room for lack of accountability by management (Cappelen, 2009). In turn this can create a negative business culture, where no one really feels responsible for any ethical misbehaviour conducted by the organization.

When operating in developing countries, MNCs can encounter situations where the ethical choice is not clear cut. De George (1993) presents the dilemma of an American textile company which is criticised for exploiting Mexican workers in Mexico, by paying them by local standards. When raising their worker's wages, the company is faced with complaints from other local, Mexican firms. They claim the American company is trying to attract the best workers, and encourage all workers in the industry to require higher wages. This would affect their competitors economically, and might drive them out of business. In this scenario, the MNC would be faced with charges of unethical behaviour no matter what solution it settles for. So what should they do? Should they continue to pay local wages in order to ensure jobs and a level playing field? Should they simply pay their workers American wages, so no exploitation charges would be made? After all they are not responsible for their competitors' behaviour. Or are they? Perhaps they should simply close down the factory, and cause unemployment in the area?

Scenarios like the one described above might lead to two different behaviours for MNCs. The first one is that top management will think that ethical decision making does not really matter. There seem to be no way to act purely ethical. If they perceive that unethical conduct is unavoidable, they might not take on any ethical responsibility for unethical behaviour and its

consequences. With the size of the MNCs' business operations in mind, one might look upon a very unethical business world in the future. Alternatively the top management may really grasp the complexity of doing business in developing countries. They may see that by doing business in these areas, they also have an ethical responsibility for making ethical decisions. Their reason d'être is to generate profit, but also to help develop the area, not exploiting it. The only way to truly have an ethical standard is to act morally through ethical decision making. Then the MNC can defend its choices on ethical grounds. This last thought pattern is the one I hope will evolve. MNCs are key actors in making the international community focus on ethical responsibility. They should be the driving force to make moral business conduct a general standard when doing business. This is especially important in developing countries where there is substantial lack of background institutions to control business operations.

To emphasise how important ethical responsibility is in this globally connected world, I want to conduct a case study on the Norwegian multinational corporation Telenor, which is doing business in less developed countries, like Pakistan, Russia and Bangladesh. Telenor faces ethical dilemmas in their daily operations, and thus seems to be an interesting company to do a case study on. The media attention Telenor has received in relation to their operations in Bangladesh, motivated me to do further research on their activities there. Telenor's operations in Bangladesh are based upon their majority ownership of the phone company Grameenphone. There have been several cases concerning Grameenphone and Telenor, which includes misbehaviours by the phone company's suppliers. Further there has been focus on a 300 million tax fine and an internal power struggle in the company between Nobel Peace Prize winner Muhammad Yunus, through Grameen Bank, and Telenor.<sup>1</sup> However, in order to define the thesis, the focus will be on what I consider to be the most pressing matter: *The misbehaviour of the suppliers*. Their violations involve conditions like lack of safety regulations and bad working conditions, use of child labour and environmental destruction.<sup>2</sup>

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<sup>1</sup> E24.no (16.02.09) available at: <http://e24.no/selskap/TEL/article2861021.ece>

<sup>2</sup> E24.no (16.02.09) available at: <http://e24.no/selskap/TEL/article2861021.ece>

## **1.1 The discussion question**

Based on the huge impact multinational corporations have on international business I think it is important to figure out: “*How far does the ethical responsibility of multinational corporations extend?*” In order to do so I will use the case of Telenor in Bangladesh. The case study will be based on the findings of the documentary “*A Tower of Promises*” by the Danish journalist Tom Heinemann (2008). I will discuss the case particularities in relation to ethical theories and models in order to unravel: “*How far does the ethical responsibility of Telenor in Bangladesh extend?*” Such a discussion will, hopefully, generate interesting implications regarding how far the ethical responsibility of any MNC extends when operating in developing countries. Furthermore, I hope my focus will contribute to improve ethical decision making of MNCs in such markets in the future. I argue that if a MNC include ethical decision making in all their operations, then they indirectly will take more ethical responsibility.

First it will be briefly discussed why a case study approach is taken. Then the thesis’ frame of reference will be presented, giving the main theoretical ideas and models applied in my analysis. However, this part is also supposed to give the reader a refreshed theoretical background to inspire him or her to start his or her own ethical reflections. Chapter four will highlight some of the ethical relevant facts of the case. Here I also report on the measures taken by Telenor after the revelations by “*A Tower of Promises*”. However, this is mostly for informational purposes, for the reader, in order to make the case complete. The measures will not be thoroughly discussed in the analysis, since I value them not to be sufficiently relevant to answer my research question. Then the ethical theories and perspectives, together with the case specifics, will be the foundation of the thesis’ main analysis (chapter five). Finally the main conclusions will be presented, which will summarize my findings of Telenor’s ethical responsibilities with regard to the case. However, it will also try to draw some implications for all MNCs operating in developing markets. In the end some suggestions for further research will be proposed.

## **1.2 Some limitations**

This thesis is mainly build on the documentary “*A Tower of Promises*” (2008), news articles, web pages and books on ethical responsibility theories and perspectives. Unfortunately, the media’s tendency to sometimes follow its own agenda, gave me trouble when trying to figure

out what was more or less true in this case. The analysis would perhaps have been deeper, more realistic and flexible had I actually followed in the footsteps of Telenor in Bangladesh. It would also have been helpful to conduct some Bangladeshi history- and cultural studies in order to better understand the dilemmas Telenor deals with. Finally I should have conducted interviews with management at Telenor's headquarters in Norway. However, I tried to arrange such interviews, in addition to sending questionnaires by mail, but I am sorry to say that all my requests were denied. The above mentioned factors might have added important perspectives on my thesis. However, due to practical limits I had to resort to what was available to me through public channels.

Nevertheless, the strong ethical literature, the facts of the case and the discussion question form a solid framework. This makes it possible to create a comprehensive and flexible analysis and discussion of ethical responsibility. In the end, I feel this gives me a fruitful analysis, which is useful in drawing implications for MNCs operating in developing countries.

## 2.0 Methods

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Yin (2003) argued in his classical *"Case Study Research, Design and Methods"* that one uses case studies to gain an understanding of complex social phenomena. I will claim that ethical responsibility in relation to MNCs operating in developing countries will be under such a category. Such a discussion and analysis needs to be made as concrete and realistic as possible. I will therefore start by discussing pros and cons of the method of case study, and then give my reasons for choosing this method.

### 2.1 A Case Study Approach

It has been argued that case studies are only a preliminary research strategy, which comes short when one wants to describe or test propositions. However, exploratory case studies have been made, and so have descriptive case studies and explanatory case studies. For example, Allison (1971) did a case study of the 1962 Cuban Missile Crisis, and with this, proved that case studies can be a useful basis for explanations and generalizations.

There are at least five different strategies that can be used in answering research questions. These are: experiments, surveys, histories, case studies and the analysis of archival information. (Yin, 2003) Yin (2003) indicates three conditions that can help determine what kind of research strategy one wants to use. These are: *"a) the type of research question posed, b) the extent of control an investigator has over actual behavioural events, and c) the degree of focus on contemporary as opposed to historical events."* Among the most common research questions mentioned by Yin (2003) is the ones that start with the words: *"who", "what", "where", "how", and "why"*. The case study approach is especially appropriate when: *"a "how" or "why" question is being asked about a contemporary set of events, over which the investigator has little or no control."*(Yin, 2003, p.9) This is because such questions are of an explanatory nature, and contain studies of operational links over time. (Yin 2003) Also research questions that starts with *"What can be learned from..."* can be sensible to explore using a case study. Further Yin (2003) points out that the main strength of the case study approach is its diversity of references available, such as documents, articles, interviews, and observations. This variety of documentary might not be available if one decides to take an historical approach.

Yin (2003) gives this definition of case studies:

*“1. A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident.”*

*“2. The case study inquiry copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result benefits from the prior development of theoretical propositions to guide data collection and analysis.”*

He also stresses the fact that case studies can be based on both quantitative and qualitative evidence. Furthermore, case studies have an important place in evaluation research. They can help *“explain presumed causal links in real-life interventions, describe an intervention and the real-life context in which it occurred, illustrate certain topics within an evaluation, and explore those situations in which the intervention being evaluated has no clear, single set of outcomes, and it can be a meta-evaluation (a study of an evaluation study)”*. (Yin, 2003)

However, the history of case studies presented have given this type of research strategy, according to Yin (2003), a reputation of being “sloppy” investigation, with no visible use of systematic procedures. The method has also been accused of allowing biases to influence the direction of the findings and conclusions. Yin (2003) argues that this might be due to the fact that there are very little guidelines to how to do a thorough case study, except for his book. More material, and recommended procedures and approaches might help lift the status of case studies. In addition it is important to remember that such misbehaviour research also is a problem within other research strategies. Further Yin (2003) states that people tend to feel that case studies have little hold for establishing scientific generalization. Nevertheless he argues that case studies, like experiments, can be generalized to theoretical propositions, which means analytical generalization. They will therefore not give a “particularizing” analysis. (Lipset, Trow, & Coleman, 1956, pp. 419-420) Finally, Yin (2003) reports the critic that case studies take too long and contains too many documents. This is most likely based on how case studies were conducted in the past. Today, you might use less time, less heavy narratives, and simply do the whole thing with help of the library, the internet and the phone. However, this

will of course depend on the case being studied. Unlike in the past, the case studies today do not need to depend on ethnographic or participant-observer data.

## **2.2 Case Study as a Methodological Choice**

If one looks at Yin's (2003) three conditions in order to decide what kind of research method is appropriate, it seems reasonable to use case study as my approach. My research question is especially fit to be answered by a case study, because it is a "how"-question which is related to *MNCs operating in developing countries*. Such operations are highly contemporary, and are conducted within frameworks I can not control. Since MNCs operating in developing countries is of contemporary interest, most literature on the subject will be news articles, contemporary documentaries and the company's own "Codes of Conduct". I further consider this *an evaluation study*. My ethical discussion is highly related to interventions in real-life contexts where the intervention does not always give a clear picture of how to distribute the ethical responsibility to the parties involved. The strategy further allows me to evaluate ethical responsibility with a hands-on approach, but still have the opportunity to engage in ethical discussions related to specific situations. These evaluations and discussions will further give implications to general applied findings of ethical responsibility for MNCs operating in developing countries.

Although there has been criticism of this kind of research method, I believe the important factor is that the method is justifiable according to one's main discussion question. In addition I will argue that it is important to use hands-on examples in order to conceptualize ethical perspectives and theories. This way they will be useful for today's corporations.

## **2.3 Case Study Literature**

The Case Study used in my research will be based on Telenor's operations in Bangladesh. More specifically, the case that will be studied is the findings of the documentary "A Tower of Promises" by the Danish journalist Tom Heinemann (2008), and the news articles published after the documentary was sent at NRK and NRK2 in May 2008. The literature will be taken from internet articles in connection with the two Norwegian newspapers *Aftenposten* and *Dagens Næringsliv*. They are sold throughout Norway, and are, in my opinion, respected newspapers that are more likely to report the objective findings, and represent the different views fairly equally. There are also nationwide tabloid newspapers, but I will not use any of

their articles as literature for my thesis. The reason for this is to limit the literature used in a reasonable manner. I claim that I will get a precise enough picture of the case by using the internet related articles of the other two newspapers mentioned. Further I will use Telenor's own webpage, especially with regard to their "Codes of Conduct" and their comments to the documentary and the discussions it initiated. I assume that these will present Telenor's ethics, and position in this case. In addition I tried to make interviews with some of Telenor's top management, and was planning to use the interviews as hands-on literature. Unfortunately such interviews were denied. Further the case study will be done with ethical theories and perspectives at hand.

## 3.0 Frame of Reference

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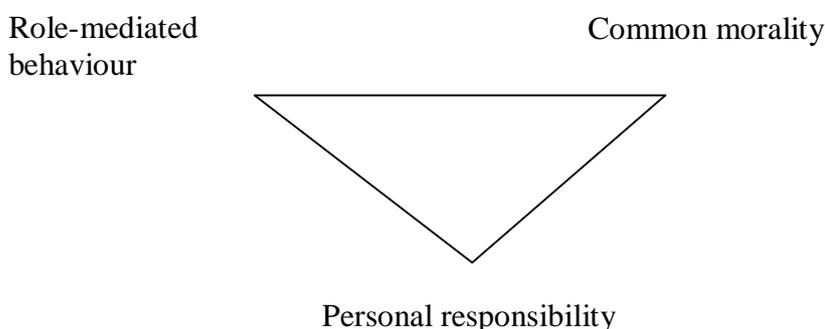
### 3.1 The Principle of Responsibility

Traditionally ethics was all about man dealing with himself and others, which means that ethics was *anthropocentric*. (Jonas 1984, 7-8) Under these circumstances, one had a short-term focus on predictability, goal-setting and accountability. In addition the range of actions was small, and it was limited how much man could control the circumstances of his actions. (Jonas 1984, 4-5) However, with development, the focus of ethics shifted; Man also became responsible for *nature*. In relation to this responsibility, *knowledge* became utterly important. Man should obtain knowledge, and use this knowledge when deciding and evaluating human action. (Jonas 1984, 7-8) The main idea of Hans Jonas' in according to man's responsibility was the following: "Act so that the effects of your actions are compatible with the permanence of genuine human life." That is the same as: "Act so that the effects of your actions are not destructive to the future possibility of such life." (Jonas 1984, 11) Man thus has a responsibility for future generations and the duration of nature. (Zsolnai, 2006)

Ims (2006) places personal responsibility in a framework together with professional responsibility, as role-mediated behaviour, and common morality, in "*The Responsibility Triangle*" as portrayed in figure 1.

**Figure 1**

"*The Responsibility Triangle*", (Ims, 2006).



The triangle describes how each person's character, which is unique, influences how that person executes and perceives his or her personal responsibility. This in turn influences the

person's opinion of their professional responsibility and common morality. Ims (2006) argues that personal responsibility is "*the ground wall within all kinds of role-mediated behaviour*". Further, each person's perceived personal responsibility is contributing to an ongoing discussion about common morality, which makes common morality dynamic rather than static. Although personal responsibility is the basis of "*The Responsibility Triangle*", the different concepts are all interrelated. The role-mediated behaviour is also reflected upon within the context of common morality by the question: "*Are my actions legitimate from the point of view of common morality?*" Further one might assume that common morality will set the framework for society's norm of role-mediated behaviour. This will make the basic frame to which a person adds its perception of personal responsibility, and thus creates his or her own interpretation of professional responsibility.

Ims (2006) further states that being personally responsible is not *a fixed state*, but rather *a process*. The person will use cognitive competencies, feelings and personal experiences in order to find solutions, which creates a personal responsibility for the outcome and product of behaviour for that person. "*Processes and sub-processes are preconditions for responsible outcomes or products.*" (Ims, 2006)

### **3.2 Moral responsibility**

Moral responsibility is about deciding if a person is responsible for having done something wrong or injured someone, and thus should be punished for or repent their wrongdoings. (Velasquez, 2002) According to Velasquez (2002) people are not always found to be *morally responsible* for their wrongdoings or the actions which led to injure someone. He states the following: "*A person is morally responsible only for those acts and their foreseen injurious effects (a) which the person knowingly and freely performed or brought about and which it was morally wrong for the person to perform or bring about, or (b) which the person knowingly and freely failed to perform or prevent and which it was morally wrong for the person to fail to perform or prevent.*" (Velasquez, 2002) Further Hans Jonas stated that the conditions for moral responsibility is: "*The first and most general condition of responsibility is causal power, that is, that acting makes an impact on the world; the second, that such acting is under the agent's control; and the third, that he can foresee its consequences to some extent*". (Jonas 1984, 90) He further argues that the moral responsibility is always *subjective*, in the relation that: "*the well-being, the interest, the fate of others has, by*

*circumstance or by agreement, come to my care, which means that my control over it involves at the same time my obligation to it*". (Jonas 1984, 92 and 93) Based on the two sets of conditions, one might conclude that a person is morally responsible if that person is acting in free will, and has knowledge about the act and its consequences.

There are only two factors that, according to Velasquez (2002), free a person from moral responsibility, and that is the excusing conditions: *Ignorance* and *inability*. If a person was ignorant or unaware of his or her actions, or the consequences of those actions, that person did not do the wrong things, or injured someone, while acting freely and knowledgeable. (Velasquez, 2002) However, it is important to remember that ignorance and inability do not always excuse a person from being morally responsible. A person can not knowingly keep himself in ignorance in hope of escaping moral responsibility. The same rule applies if a person knowingly does not try to be informed about crucial conditions and consequences, if they know these will be of importance. (Velasquez, 2002) Further Velasquez (2002) argue that a person might be ignorant of *the relevant facts* or *the relevant moral standards*. In order to be morally responsible for something, that person needs to have freedom. If a person is not aware of the relevant facts, then this often excludes moral responsibility, because that person will not be able to control the wrong acts. They do not choose freely to engage in wrong acts and their consequences. However, this does not apply if the person knowingly stays ignorant of the relevant facts. Velasquez (2002) argues that the same reasoning applies if a person is ignorant of moral standards. The moral responsibility is removed from the person, since he or she can not be responsible for not fulfilling any obligation that he or she did not know existed. If the person freely chooses not to be informed of the moral standards, the moral responsibility is not removed. Velasquez (2002) defines inability in this way: "*Inability can be the result of either internal or external circumstances that render a person unable to do something or unable to keep from doing something.*" This implies that a person can not be held morally responsible for an action and its consequences, if the person did not have the skill, opportunity, knowledge and resources to control what was happening or not happening. (Velasquez, 2002)

There are also factors that will reduce a person's moral responsibility for wrong acts and their consequences. Velasquez (2002) call these factors for *mitigating factors*, and considers them to be (a) circumstances that affects a person's knowledge, so that he or she is not certain of the actions and their consequences, (b) circumstances that affects a person's freedom, so that

it is very difficult, but not impossible to avoid the actions, and (c) circumstances that affects a person's active involvement in the execution of the wrongful actions. (This does not apply as a mitigating factor if the person is obliged to report on or to try to prevent someone else from doing something wrong.) These factors should, according to Velasquez (2002), be considered together with the *seriousness of the wrong* (Velasquez, 2002), in order to determine whether or not a person's moral responsibility can be reduced, and eventually how much. Logically the more serious the action and its consequences, the less the circumstances will mitigate a person's moral responsibility. There have been critical opinions to whether or not the mitigating factors, mentioned above, will actually mitigate moral responsibility or not. However, Velasquez (2002) emphasises that each individual should make up their own opinion on this matter.

### **3.2.1 Moral responsibility and corporations**

Often several parties are involved in the execution of a corporate act. (Velasquez, 2002) Therefore one has traditionally placed the moral responsibility on the participants that had the knowledge and the freedom to produce the corporate act. (Velasquez, 2002) It does not matter if the person, with the knowledge and the freedom, used external circumstances (ex. a gun) or relied on other people's actions, in order to execute the wrongful act. However, critics have pointed out that corporate acts often can be described as a group act. Therefore the corporate group as a whole should be responsible for the wrongdoings. Not the individual people participating in that group. The traditionalists argue that even though it might be described as a group act, it does not change the fact that individual people had to produce the corporate act. (Velasquez, 2002) When individuals, (knowingly and freely), combine their actions together with other knowingly and free people, in order to create a corporate act, then these people will be morally responsible for that act. (In this relation, *knowingly* and *freely* is directed to *having knowledge* about the act and its consequences, and *freely choosing* to engage in promoting this act.) Velasquez (2002) points out that employees that works within a large corporation, does not often "knowingly and freely" combine their actions in order to carry out a corporate act. They are working within the frames of the rules, regulations and norms of the organisation, and are not always morally responsible for the corporate acts they help execute. The excusing conditions (ignorance and inability) also apply to employees of corporations. Uncertainty, pressure and minimal involvement can give mitigated moral responsibility to employees that to some extent had knowledge of a wrongful corporate act, and to some extent

freely helped execute it. However, as previously argued, these mitigating factors need to be weighted in relation to the seriousness of the wrongful act. (Velasquez, 2002)

From the above theory one can create "The Responsibility Chain", (see figure 2). This responsibility chain addresses the agents who are morally responsible for an action, to what degree, and in what way, by differencing on how close an agent is to the unethical action.

**Figure 2**  
"The Responsibility Chain", (Ims, 2006)



The idea presented in this chain is that all agents, related to an unethical behaviour or action, do carry some degree of responsibility. The responsibility varies according to the information or knowledge the different agents possessed and on how much freedom they had, when making their decisions in a particular situation (based on what they know). Ims (2009) argue that if agent 1 is a manager with relatively high freedom, when deciding whether or not to be involved with a project, he would have a high degree of responsibility. However, this degree of responsibility might change as the project proceeds. As the project becomes more complex, the degree of freedom might change for agent 1. In addition agent 1's amount of current information, about the project, might also change as he delegates the task of running the project on a daily basis to f. ex. agent 2, who further delegates tasks to agent 3 and so on. In the end the most responsible act of agent 1 might be to take the decision to exit the project. (Ims, 2009)

**3.2.2 Ethics of care and ethics of rights**

Corporations should generally be sensitive and emphatic towards all the elements, living and non-living, in the environment in which they operate. (Zsolnai, 2006) Thus they should be considering those beings that are affected when they make decisions and act. In such a case the corporations would follow *mature morality*, a combination of *ethics of care* and *ethics of rights*. (Gilligan, 1982) Ethics of care is a theory that emphasises the need to use morality to solve problems without anyone getting hurt. Ethics of rights value separation of other and the self. (Gilligan, 1982) The mature morality emphasises that "both perspectives converge in

*the realization that just as inequality adversely affects both parties in an unequal relationship, so too violence is destructive for everyone involved.*” (Gilligan 1982, 174) However, modern businesses today have a tendency to have a *self-centred orientation*, and this leads to environmental destruction and human violations. They then consider nature and humans as means to an end, in order to reach their goals. (Laszlo Zsolnai, 2006)

### **3.3 Ethical Decision Making**

Goodpaster (1983) argues that when making ethical decisions, based on moral responsibility, one needs to look upon *rationality* and *respect*. He states that rationality has the following attributes: “(i) *lack of impulsiveness*; (ii) *care in mapping out alternatives and consequences*”; (iii) *clarity about goals and purposes*; (iv) *attention to details of implementation.*” When it comes to respect, Goodpaster stresses that one should consider the consequences of one’s decisions and policies on others, and not see them as means in order to reach one owns goals. If the ethical decision maker has this consideration, he will be respectful of the life of others, and take the needs and interests of others’ seriously. Other people are then not only resources in order for one to meet one’s goals, but rather constraining conditions. By considering respect, the decision makers will therefore move from being self-centred to becoming part of a shared environment. (Goodpaster and Matthews 1982, 134)

The “Rationality and Respect” model (Goodpaster, 1983) is based on a consequentiality system, with elements which are agent-relative. The agent-relative elements allow the decision maker to make decisions that give consequences that are more positive than negative. The good consequences for the stakeholders justify the negative consequences that also follow, in order to reach the agent’s goals. However, the model also includes agent-relative constraints, which eliminates some decision options for the decision maker. (Zsolnai, 2006) However, marginal contributions, uncertain consequences, and distant effects, can make it hard or sometimes impossible to make a consequentiality evaluation, so-called *decision traps*. (Zsolnai, 2006) A decision that might only give marginal negative consequences for one stakeholder, but summarized gives more negative consequences than positive consequences to all stakeholders, is an example of such decision traps. Further, if consequences of an act or decision are rather uncertain, then the decision makers tend to omit those consequences from their consequential evaluation. This in turn will make the consequential evaluation as a whole incomplete. The same bias in a consequential evaluation can come from consequences that are

far away in time and space. These are often discounted at a positive and somewhat high rate, which leads to over discounting of these consequences. (Zsolnai, 2006)

The consequentiality model can be criticised from a deontological point of view. Within deontological ethics, the decision maker can not make a decision or act if it will be harmful to even one stakeholder. This means that even though the decision or act would lead to overall good consequences, he or she has deontological reasons for not conducting it. (Zsolnai, 2006) Therefore deontological reasons are able to limit what we can do to others and how we can treat them. (Nagel, 1986) Zsolnai (1997) combines the deontological consideration to Goodpaster's rationality and respect model, in his model of ethical decision making. The model is called "*The 3 R Model*", and is presented in figure 3.

### **Figure 3**

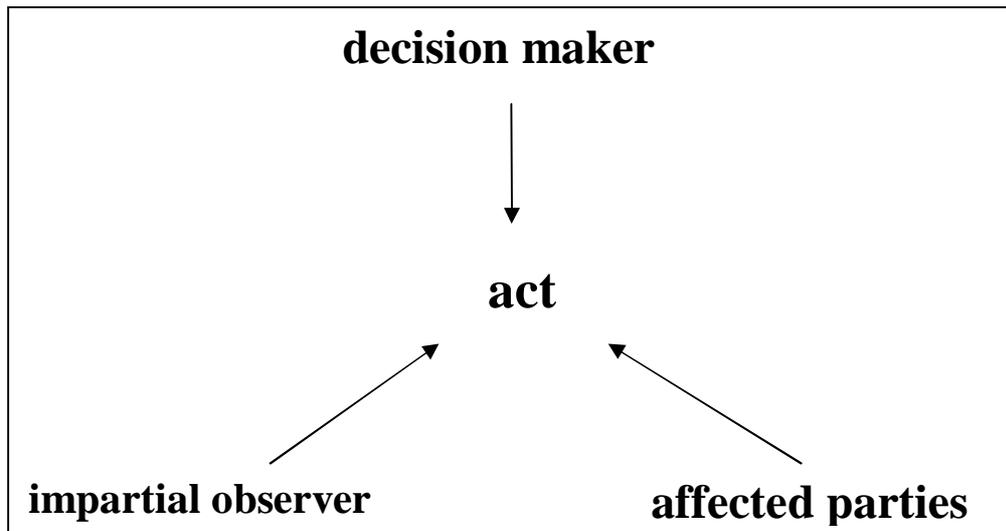
*"The 3 R Model"*, (Zsolnai, 1997).

## **Ethical Decision Making = Reverence & Rationality & Respect**

The three components characterizing ethical decision making can be looked upon as the virtues of an ethical decision maker. That person should have reverence for ethical norms, rationality in goal achievement and respect for others. Thus an ethical decision maker is a person who is able to make a decision based on several perspectives and in balance with more than one value dimension. "The 3 R Model" (Zsolnai, 2006) proposes three important value dimensions. These are the deontological value, the goal-achievement value and the stakeholder value. These values are to be used when one gives a multiple perspective evaluation of an act. Figure 4 gives an overview of where the different values are assessed, and how these participants relate to the act.

**Figure 4**

“Multiple Perspectives in Evaluation of an Act”, (Zsolnai, 2006).



The impartial observer’s perspective will represent the deontological value, the agent will emphasize the goal-achievement value, and the stakeholder value will be presented by the perspective of the affected parties. This moral accounting system tries to use consequential reasoning, and combine that reasoning with important valuation and moral assessment. (Zsolnai, 2006)

### **3.3.1 Risky decisions**

Risky decisions made by big companies, but also governmental sector, often lead to endangerment of environment and human life. (Zsolnai, 2006) Modern, large-scale technologies can produce major catastrophes. Although the probability of them doing so is small, it exists. If such a catastrophe should happen, then one might look at irreversible environmental destruction and loss of millions of human lives. Daniel Kahneman and Amos Tversky have developed *the prospect theory*. The theory evaluates the main regularities, when a person makes a decision under risk. (Kahneman and Tversky, 1979) Zsolnai (2006) argues that decision makers tend to put more emphasis on potential gains and losses present, than those in the future. This is caused by the mechanism *discounting*. The present value of an object today is determined by the discount rate and the distance in space and time. (Zsolnai, 2006) If there is a prospective gain, the decision makers tend to be *risk averse*. They would rather have a smaller gain today, than a bigger, more uncertain gain, in the future. However, when it comes to losses, the decision makers are more risk seeking. They would favor a bigger, unsure, loss in the future, than a smaller one today. It therefore seems like decision

makers generally are more sensitive to losses, than gains. (Zsolnai, 2006) If a decision maker is heavily depending on discounting in space and time, then this person is most likely not concerned with long-range ecological and human problems. Nor is he concerned with the impact of their decisions on the environment and human society. *The prospect theory* and *the general discount theory* are combined and summarized by Zsolnai (2006) in the table presented below.

**Table 1**

***“Self-centred Choices of Modern Organizations”***, (Zsolnai, 2006).

	sure, here and now	unsure, far and later
gains	Favored	Disfavored
losses	Disfavored	favored

The table illustrates the reasoning that lies behind the self-centered choices of modern organizations as discussed above. When making self-centered choices, modern organizations seem to have a *“non-participating consciousness”*. Gregory Bateson (1981) described this consciousness as a state of mind where the subject differs between *“in here”* and *“out there”*. The subjects then find that there is a distance between themselves and what they conceptualize as being *“out there”*. (Zsolnai, 2006) Self-centered organizations, that have a strong *“non-participating consciousness”*, might thus make decisions that lead to environmental destruction and human right violations. (Zsolnai, 2006)

### **3.3.2 Procedural model for ethical decision making**

In a more concrete manner, Zsolnai (2006) has made a *procedural model* for how to follow through an ethical decision making. The procedure is as follows:

*“I) Framing of the decision situation by: (i) identifying the applicable ethical norms; (ii) mapping out the affected parties; (iii) defining goals and generating alternatives. Then: II) Multiple evaluation of the available alternatives regarding: (i) the ethical norms; (ii) the goals to be achieved; (iii) the affected parties. In the end: III) Finding the least worst alternative in the multidimensional space of deontological, goal-achievement, and stakeholder values.”* (Zsolnai 2006, 116)

Self-centered choices of modern organizations can thus be avoided by using ethical decision making. (Zsolnai, 2006) However, in order to make decisions that will sustain a healthy environment, and secure future generations of human beings, the decision maker needs to care about human and “non-human” “beings”.

### **3.4 Ethical conduct of Multinationals in Developing Countries**

Multinational companies (MNCs), from developed countries, face several dilemmas when investing in developing countries. (De George, 1993) No matter what decision they make, some of these dilemmas will give room for charges of unethical behavior from some part or another. However, not all of these charges are truly ethical demands. (De George, 1993) Therefore, a company that wants to make its decisions on ethical grounds should engage in moral reasoning and speak in ethical terms. This will give the company the ability to make ethical decisions, and be able to defend them. In addition this is also the only way multinationals will be perceived as being ethical. (De George, 1993) De George argues that industrialized countries’ societies give multinationals several opportunities to learn what is ethically right. Therefore the problem is often not to find out what is right, but rather doing what is right. (De George, 1993)

Legislation and social structures, in developing countries, ensure ethical business behavior in terms of working conditions, labor rights and environmental protection. Laws, regulations and institutions also try to prevent businesses from exploiting or harming others, ensure human rights for all, and helping those that are unable to compete. Such laws, regulations and institutions are often undeveloped in developing countries. In addition such countries often have poor infrastructure, poor industrial development, and are generally economically poor. Conditions like these are the main reason for many dilemmas faced by multinationals in developing countries. (De George, 1993) It is therefore a need for background institutions on an international- and a national level.

#### **3.4.1 De George’s seven guidelines for MNCs**

De George (1993) has developed seven guidelines for multinationals operating in developing countries. They illustrate considerations that multinationals, which want to operate ethically and with integrity, should address. The seven guidelines are appropriate for use on

multinationals from different nations, although he has created them based on American multinationals.

The seven guidelines are as follows:

1. *Multinationals should do no intentional direct harm.*
2. *Multinationals should produce more good than harm for the host country.*
3. *Multinationals should contribute by their activity to the host country's development.*
4. *Multinationals should respect the human rights of their employees.*
5. *To the extent that local culture does not violate ethical norms, multinationals should respect the local culture and work with and not against it.*
6. *Multinationals should pay their fair share of taxes.*
7. *Multinationals should cooperate with the local government in developing and enforcing just background institutions.*

(De George, 1993)

The first rule is based on a general understanding that intentionally harming others would be immoral. Decision makers are required to look beyond their own self-interest when operating in less developed countries. They need to remember that the power of balance is not justly divided, and thus they should consider potential harm to the other party. The other party might not only be the MNCs' business partners, but also the citizens of the country and the natural elements. This is especially important in countries where one finds the government not to serve the interest of the public, but rather government officials or a rich and influential elite. Environmental considerations are especially important when government has not put forward any regulations to protect natural elements from pollution, like the air, water or earth. (De George, 1993)

With the second guideline De George (1993) implies that the MNCs' operations in the developing countries should do the general public of the host country some good. It is meant to prevent that the MNCs are exploiting the host country's resources under the justice of a utilitarian view. Such exploitation is possible because developing countries often have businesses with lack of bargaining power, and few institutions that can protect the workers and the countries' resources. The MNCs' operations should therefore benefit the host country as well as the MNCs. This also applies when the summarized benefit is the same or less than

if one only focused on the overall benefits that are possible to get from the operations in question. (De George, 1993)

The third norm requires the MNCs to contribute to the less developed countries' development. In this relation, development is related to industrial development. One way to promote industrial development in a country is to pass on relevant knowledge, know-how and technique to local workers or government. MNCs might also help developing the countries' infrastructure, like improving transport, communication and housing. However, De George (1993) emphasizes that the MNCs help should consider the host country's own goals, aims and priorities. They also need to focus on the industrial development for the whole country, as well as individual development of skill among their workers. This means that MNCs can only justify their operations in a developing country through helping the host country to be self-sufficient through their natural resources, knowledge and skilled workers. (Self-sufficient here refers to *the doctrine of comparative advantage*, which means that the country should produce what it has a comparative advantage in, and thus use that to trade with other countries in order to get what they do not produce themselves.) (De George, 1993)

The importance of human rights is emphasized with the fourth guideline. Even though this is a generally ethical rule for all businesses, it is especially important for multinationals that operate in countries where such rights are not protected by law. In addition, exploiting workers are especially tempting in less developed countries. There the general public is poor, there is a lot of unemployment, and the unspoken practice might be to do so. However, MNCs should rather help encourage background institutions to protect human rights. This applies especially to the protection of decent wages, working conditions and implementing general respect for the worker's personal traits and free speech. (De George, 1993)

The fifth norm is addressing the relationship between the local culture and multinationals. De George (1993) argues that MNCs should respect the local culture and laws, and not try to exchange them for their own customs and believes. They therefore should include locals in their business decisions that will affect local communities. However, this does not mean that they should accept and follow unethical norms in the host country's societies. They should rather evaluate the local customs and adapt to those that are ethically justifiable and that do no harm. Since ethical behavior and prosperous business can be combined, this should not necessarily hurt business. (De George, 1993) However, even though MNCs should not follow

unethical norms in the host country, they do not have any obligation to change the local custom outside their business walls. (De George, 1993)

De George (1993) focuses on taxes in his sixth guideline. Tax fraud from international price manipulation, transfer payments, and other schemes where the MNCs end up paying fewer taxes should be avoided. The MNCs need to act ethically in their tax paying manner, despite the fact that there is no international institution to monitor this. (De George, 1993) The last guideline calls for the MNCs to help local governments to develop needed background institutions. These institutions should help the developing country to ensure fair competition, enforcement of human rights and protection of natural resources. They would also help preventing any company from gaining a competitive advantage from unethical behavior. De George (1993) argues that any firm with integrity would be happy to engage in a competition where all the participants are competing on their merits. (De George, 1993)

It is also important to remember that developing countries are becoming better at dealing with multinationals from other countries. (De George, 1993)

### **3.5 Codes of Conduct**

Codes of ethics can be defined as follows: *“A profession’s code of ethics is perhaps its most visible and explicit enunciation of its professional norms. A code embodies the collective conscience of a profession and is testimony to the group’s recognition of its moral dimension.”* (Frankel 1989:110) Brinkmann and Ims (2003) have focused on the ethicalness of such codes in general. They argue that in order to evaluate the ethicalness of a code, one needs to ask questions to find out whether or not the codes are superficial or radical, and if they appeal to people and their conscience. One can also evaluate *“whether they express more or less universal moral standards such as “trustworthiness, respect, responsibility, fairness, caring and citizenship”*. (Schwartz, 2001) Thus one then evaluates the codes and the code ethicalness from *“a consistent moral philosophy position”*. (Brinkmann and Ims, 2003) *Discourse ethicists* emphasize the importance of an open communication climate when establishing the codes, in order for the codes to be ethical. (Brinkmann and Ims, 2003) Habermas supports this criterion for code ethicalness, and argues that: *“The primary issue and evaluation criterion of ethicalness is whether all parties affected can articulate their needs in an undistorted communication context. Through an ideal discourse the participants*

*form and discover their interests and the norms that they will rationally accept as binding.* (Habermas 1975:107) Therefore, in discourse ethics, codes are ethical if they promote *communicative actions* rather than *strategic interaction*. Communicative actions are based on the belief that participants may pursue their own goals, with the assumption that they can harmonize their plans of action on a commonly agreed upon situation. Strategic interaction is a situation where the participants are egocentric and only focused on success. Thus they view the other participants as competitors with only bad intentions. Such interactions often become a game, where someone wins and someone loses. (Habermas 1981:286)

In a *virtue ethics perspective* one would put more emphasis on the goodness and character of the people that are going to implement and follow the codes. The people are then the basis for evaluating the codes' ethicalness. This is important because rules, or codes, are given to people assuming that they are all alike. In reality however, some people follow the rules with opportunism in mind, while others follow them with integrity. (Brinkmann and Ims, 2003) Rules are therefore only followed if they apply to the person's own self-interest. (Brinkmann and Ims, 2003) The rules can be followed unethically or wrongly in new situations. It is therefore not enough to only follow the rules, but one also needs to do one's best. The Aristotelian virtue ethics' definition of a good man states that: "...a good man is good beyond an ordinary level of expectation. He has *arête*, virtue and excellence." (Brinkmann and Ims, 2003) Further Aristotle emphasized that rules should be followed with good judgment. In order to do that, the participants need to know the details of a situation. Brinkmann and Ims (2003) summarize virtue ethics applied to codes, on the basis of human nature, like this: "...good or virtuous people do not (necessarily) need a code, while bad people tend to instrumentalize and twist code rules rather than follow them loyally." (Brinkmann and Ims, 2003)

Further, the *moral climate* that is presented by the code of ethics, the industry, the profession or the company, is also important when judging the effect of code functions. (*Code functions* are more thoroughly explained in the appendix.) (Brinkmann and Ims, 2003) Wimbush and Shepard (1994) defined a moral climate as "*stable, psychologically meaningful, shared perceptions employees hold concerning ethical procedures and policies existing in their organizations*". Brinkmann and Ims (2003) further states that: "*Moral climate*' is suggested as a vague and wide "*umbrella term*" for a company's, an industry's or a profession's *normative socialization environment*." (Brinkmann and Ims, 2003) This socialization

environment consists of role norms, which are learned by all members. However: “*Climate shapes people, but people also shape climate.*” (Brinkmann and Ims, 2003) Therefore the moral climate is developed by its members and their practices. (Brinkmann and Ims, 2003) The relationship between the moral climate and the code acceptance is summarized in table 2 below.

**Table 2**

**“Moral climate and code acceptance”**, (Brinkmann and Ims, 2003)

	<b>Code scepticism dominates</b>	<b>Code acceptance dominates</b>
optimistic evaluation of a profession’s moral climate	there is no need for a code	a code won’t hurt
pessimistic evaluation of a profession’s moral climate	a code won’t help	a code is needed

Codes should always be looked upon as something that can be changed or replaced, (a Mertonian perspective). In addition codes are just one means to ethical behavior within an industry, profession or company. One should therefore also search for, and evaluate, other ethical tools to create positive functions. (Brinkmann and Ims, 2003) In a study done from the mid-1990s, one found that codes often were welcomed among professionals. They expected them to contribute to clarity and fair competition. However, the professionals were not so convinced about the efficiency of the codes, their implementation and follow-up. (Brinkmann and Ims, 2003)

## 4.0 CASE: Telenor in Bangladesh

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### 4.1 Grameenphone

In 1996 the Ministry of Posts and Telecommunications granted Grameenphone with a cellular license in Bangladesh. Then in 1997, the company started to offer its services.<sup>3</sup>

Grameenphone was established by Grameen Telecom Corporation, Telenor, Marubeni Corporation and Gonofone.<sup>4</sup> In October 2004 Marubeni Corporation's shares were bought by the other shareholders<sup>5</sup>. Then in December the same year, Telenor bought the shares of the American company Gonofone. The ownership of Grameenphone today is therefore held by Grameen Telecom Corporation (38%) and Telenor (62%).<sup>6</sup> Thus Telenor is the main shareholder. Grameen Telecom Corporation is a non-profit sister concern of Grameen Bank. Grameen Bank is led by Professor Muhammad Yunus, and together they won the Nobel Peace Prize in 2006.<sup>7</sup> In December 2007, a suggestion to register Grameenphone at the Dhaka Stock Exchange was issued to the Bangladeshi Telecommunication Regulatory Commission.<sup>8</sup> The next year (2008) Grameenphone reported sales of 4,6 billion NOK, and their operating profit was 1,2 billion NOK.<sup>9</sup>

Grameenphone was created with the intention to increase living standards among the poor in the Bangladeshi countryside. This is first and foremost done by increasing communication possibilities in the rural areas<sup>10</sup>, and through the project "Village Phone".<sup>11</sup> Increased communication possibilities will give increased business possibilities, which could lead to economic development. "Village Phone" is a cooperative project between Grameen Bank and Grameenphone, which gives women in poor villages loans to buy a phone, and thus become "living phone booths". So far this project has been creating small businesses in over 10 000 villages in the Bangladeshi countryside.<sup>12</sup> In 2001 Telenor announced that this project gives millions of people the opportunity to use a phone for the first time, since house phones are

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<sup>3</sup> Grameenphone (01.04.09) available at: <http://www.grameenphone.com/index.php?id=64>

<sup>4</sup> Dagensit.no (16.02.09) available at: <http://www.dagensit.no/arkiv/article1346595.ece>

<sup>5</sup> DN.no (16.02.09) available at: [http://www.dn.no/forsiden/IT\\_Telekom/article403234.ece](http://www.dn.no/forsiden/IT_Telekom/article403234.ece)

<sup>6</sup> Grameenphone (01.04.09) available at: <http://www.grameenphone.com/index.php?id=64>

<sup>7</sup> Grameen-info.org (01.04.09) available at: <http://www.grameen-info.org/>

<sup>8</sup> Dagensit.no (16.02.09) available at: <http://www.dagensit.no/finans/article1280750.ece>

<sup>9</sup> E24.no (16.02.09) available at: <http://e24.no/selskap/TEL/article2861021.ece>

<sup>10</sup> DN.no (16.02.09) available at: [http://www.dn.no/forsiden/IT\\_Telekom/article403234.ece](http://www.dn.no/forsiden/IT_Telekom/article403234.ece)

<sup>11</sup> Dagensit.no (16.02.09) available at: <http://www.dagensit.no/arkiv/article1338515.ece>

<sup>12</sup> Dagensit.no (16.02.09) available at: <http://www.dagensit.no/arkiv/article1338515.ece>

rare.<sup>13</sup> Grameenphone has also contributed to increased access to the internet in small communities throughout Bangladesh.<sup>14</sup> However, although Telenor supports projects that aim at promoting further economic development in Bangladesh, there is also money to be earned on Grameenphone's operations. Telenor has therefore received both critique and praise for its engagement in Bangladesh.

Money is the motive for Telenor's operations in Bangladesh, states Blindheim. Telenor claims that their main concern is to give poor Bangladeshi people the opportunity to receive more of the world's benefits, but he believes it isn't so.<sup>15</sup> Professor in economy Abu Ahmed at Dhaka University thinks that the Bangladeshi public tend to believe the same: Telenor's main reason for owning the majority of Grameenphone's shares is the potential profit the company will generate in the future.<sup>16</sup> Such claims have also been put forward by Lier, former Consultant director in Telenor Business Services. He argues that Telenor adapts too well to local standards internationally. Further he also accuses them of taking "short cuts", because they are mostly concerned with the profitability of their projects.<sup>17</sup>

However, there has also been praise and encouragement for Telenor's engagement in Bangladesh. DNBNor analyst Maaø claims to Dagensit.no (11.12.06) that Telenor's engagement in Bangladesh shows how multinational companies can help developing countries through capitalism. Telenor has had a major value creation in the international consumer market. The fact that Telenor is making money on Grameenphone's success is not in itself wrong, according to Maaø. Telenor do invest billions internationally, and such profit might help finance other projects in other developing markets, like in Pakistan. In addition Grameen Bank do finance a lot of their micro-finance projects from Grameenphone's profit. In addition the phone company is one of the largest contributors of tax income to the Bangladeshi state. He further argues that Telenor therefore has been wrongly accused of almost exploiting the country (in this relation Bangladesh). If Telenor is only expected to invest and not gain, this will not necessarily encourage the company to enter other developing countries.<sup>18</sup> Enskilda analyst Kjerkreit also argues that for Bangladesh it is important that Telenor, through Grameenphone, started to build telecom infrastructure in a country which

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<sup>13</sup> Dagensit.no (16.02.09) available at: <http://www.dagensit.no/arkiv/article1338515.ece>

<sup>14</sup> DN.no (16.02.09) available at: <http://www.dn.no/forsiden/naringsliv/article949663.ece>

<sup>15</sup> Dagensit.no (20.02.09) available at: <http://www.dagensit.no/bransje/article1405363.ece>

<sup>16</sup> Dagensit.no (16.02.09) available at: <http://www.dagensit.no/bransje/article1487592.ece>

<sup>17</sup> Dagensit.no (16.02.09) available at: [http://www.dagensit.no/article1402214.ece?jgo=c1\\_re\\_&WT.svl=article\\_readmore](http://www.dagensit.no/article1402214.ece?jgo=c1_re_&WT.svl=article_readmore)

<sup>18</sup> Dagensit.no (16.02.09) available at: <http://www.dagensit.no/arkiv/article1338515.ece>

hardly had any. Especially important is it that they started as early as they did.<sup>19</sup> Telenor has also received praise from Yunus for giving poor people in the Bangladeshi countryside access to telecommunication throughout the ten years that Grameenphone has been operating.<sup>20</sup> In general, if Grameenphone gets listed at the Bangladeshi Stock Exchange, Ahmed assumes that this will help reduce some of the negative public opinion for Telenor in Bangladesh.<sup>21</sup> A listing will make it easier to include other owners, which might lead to a healthier and smoother run of the company.<sup>22</sup>

However, it is not only Telenor's incentives for operating in Bangladesh that has been subject to attention. On May 15<sup>th</sup> 2008 a documentary by the Danish journalist Tom Heinemann called "*A Tower of Promises*" was shown at NRK2. According to NRK information officer, Dambråten, the documentary was later shown at May 16<sup>th</sup> (2008) on NRK2, and on May 18<sup>th</sup> (2008) on NRK. This documentary showed that Grameenphone's suppliers of phone poles did not follow Telenor's own regulative for safety and working conditions, nor the Bangladeshi law's. In addition use of child labour and dumping of waste waters, which led to environmental destruction, were also revealed.<sup>23</sup> These violations raised a claim for Telenor to report exact number of deaths in relation to Grameenphone. All in all Telenor reported 11 deaths from May 2007 to May 2008.<sup>24</sup> (The deaths reported on their webpage Telenor.no are systemized in table III in the appendix.) In addition there have been several other cases brought to public attention. Grameenphone was fined 300 million NOK for tax deceit<sup>25</sup>, and since 2007 Muhammad Yunus, head of Grameen Bank, and Telenor have been fighting for the power of Grameenphone.<sup>26</sup> Today Telenor do control the company. However, Yunus claims that Telenor is obliged, according to a letter of intent from 1996, to sell some of its shares in Grameenphone, and thus not longer be the main shareholder.<sup>27</sup> This power struggle has received substantial public attention, especially since Muhammad Yunus used his Nobel Peace Prize speech to give critics to Telenor for not giving up their control of

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<sup>19</sup> Dagensit.no (20.02.09) available at: <http://www.dagensit.no/bransje/article1408110.ece>

<sup>20</sup> DN.no (16.02.09) available at: <http://www.dn.no/forsiden/naringsliv/article949525.ece>

<sup>21</sup> Dagensit.no (16.02.09) available at: <http://www.dagensit.no/bransje/article1487592.ece>

<sup>22</sup> Dagensit.no (16.02.09) available at: <http://www.dagensit.no/arkiv/article1367281.ece>

<sup>23</sup> E24.no (16.02.09) available at: <http://e24.no/selskap/TEL/article2861021.ece>

<sup>24</sup> Dagensit.no (16.02.09) available at: <http://www.dagensit.no/bransje/article1483586.ece>

<sup>25</sup> E24.no (16.02.09) available at: <http://e24.no/selskap/TEL/article2861021.ece>

<sup>26</sup> E24.no (16.02.09) available at: <http://e24.no/selskap/TEL/article2861021.ece>

<sup>27</sup> Dagensit.no (16.02.09) available at: <http://www.dagensit.no/arkiv/article1338515.ece>

Grameenphone.<sup>28</sup> The thesis will comprise the case to only focus on the revelations in the documentary “A Tower of Promises”.

## **4.2 The findings at Grameenphone’s suppliers**

Violation of safety measures, child labour and environmental destruction at Grameenphone’s suppliers of phone poles were revealed to the public by the documentary “*A Tower of Promises*” by the Danish journalist Tom Heinemann. (“A Tower of Promises, 2008)

Grameenphone has five suppliers of phone poles in Dhaka. Four of these were mentioned in the documentary. One of these four is Confidence Steel, which Grameenphone has had a contract with for over ten years. The other manufacturer which was often mentioned in the documentary was Power Trade. (“A Tower of promises”, 2008)

There have never before been reported safety violations, child labour and environmental destruction to Telenor from Grameenphone, reports Kvalheim, Telenor’s director of communication. However, he does not know how often Grameenphone has been inspecting their suppliers, nor exactly what they have been inspecting.<sup>29</sup> The documentary shows that the inspections were announced in advance, and that the safety gear was collected back in, as soon as the inspectors left the manufacturing site. (“A Tower of Promises”, 2008)

### **4.2.1 Violation of safety measures, health regulations and regular working conditions**

The safety issues addressed were that the workers had no safety equipment. They did heavy lifting of iron pipes and welding without any kind of protection.<sup>30</sup> Further it was confirmed that some of the workers were performing work on phone poles as high as 75 meters off the ground with no safety net or other safety measures in place.<sup>31</sup>

The Norwegian Veritas has been in Bangladesh and inspected the conditions at Grameenphone’s suppliers. They reported that workers were walking in acid up to their ankles, and spill from chemicals were spilled on personnel and the floor. A 22 year old worker lost his life after falling into extremely hot water at one of the factories. Nevertheless none of the suppliers had any worker-damages reported. The fact that no real reporting system

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<sup>28</sup> E24.no (18.02.09) available at: <http://e24.no/makro-og-politikk/article2638323.ece>

<sup>29</sup> Dagensit.no (16.02.09) available at: <http://www.dagensit.no/bransje/article1402825.ece>

<sup>30</sup> Dagensit.no (16.02.09) available at: <http://www.dagensit.no/mobil/article1483482.ece>

<sup>31</sup> Dagensit.no (16.02.09) available at: <http://www.dagensit.no/article1401857.ece>

was in place, could be the explanation of this.<sup>32</sup> Further they found that some of the suppliers had no toilets for their employees, and those who had, did not keep a good hygiene on them. Neither did they provide a place for the workers to eat or take their brakes. One of the firms had even put 35-40 people into one bedroom, without a window or kitchen.<sup>33</sup>

During Verita's investigation of Grameenphone's suppliers, they also discovered that one of the suppliers only gave sick pay to some workers. Management decided which of the employees who would receive this. At some of the suppliers, there was also found lack of working contracts and no full register over all employees. Several of them also required their workers to work overtime, without giving any compensation for this.<sup>34</sup>

In October 2008, representatives of the Telenor Board and Top Management visited Concrete and Steel Technologies in Dhaka, during a tour of Telenor's Asian markets. (This is one of Grameenphone's phone pole suppliers.) The visitors found improvement compared to earlier in the year, and emphasised the importance of continuing improving working conditions and regular, unannounced inspections.<sup>35</sup>

#### **4.2.2 Child labour**

Gazi Engineering, a supplier of phone poles, has been documented to use child labour. In the documentary, the company is said to be one of Grameenphone's suppliers. However, after the documentary was published at NRK, Telenor stated that Grameenphone's own research found that this is not the case. Gazi Engineering was reported to be a supplier to one of Grameenphone's suppliers. Over 30 of the workers are found to be children, and are said to work for 1\$ per 11 hours work day.<sup>36</sup> These children claim that they deliver their parts to Grameenphone. ("A Tower of Promises", 2008)

The non-for-profit organisation Save the Children will halt their cooperation with Telenor as long as they deal with this situation. The cooperation has been going on since 2002. Telenor contributes with 1 million NOK to the organisation's work for children protection in relation to use of mobile phones and the internet. The general secretary of Save the Children,

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<sup>32</sup> E24.no (20.02.09) available at: <http://e24.no/boers-og-finans/article2439756.ece>

<sup>33</sup> E24.no (20.02.09) available at: <http://e24.no/boers-og-finans/article2439756.ece>

<sup>34</sup> E24.no (20.02.09) available at: <http://e24.no/boers-og-finans/article2439756.ece>

<sup>35</sup> (Telenor.com (05.03.09) available at: <http://www.telenor.com/en/news-and-media/in-focus/bangladesh/telenor-board-visited-tower-vendor-in-bangladesh.jsp>)

<sup>36</sup> Dagensit.no (16.02.09) available at: <http://www.dagensit.no/article1401857.ece>

Marianne Borgen, emphasises that Save the Children can not cooperate with any organisation which is related to child labour.<sup>37</sup> At the same time they urge Telenor to follow up the health and working situation of the children in question, and investigate whether other suppliers, or suppliers to their suppliers, use child labour.<sup>38</sup> Borgen argues that Telenor do have a social responsibility in this matter. They can not solve the problem by ending their contracts with the suppliers that use child labour. Rather they should make sure that the children in question is getting out of dangerous working conditions, get a chance to go to school, get medical treatment and other follow up.<sup>39</sup> Save the Children is willing to assist Telenor with improving the conditions for these children. The organisation has been operating in Bangladesh, since 1989.<sup>40</sup> Norfund wants to ensure that the same measures for labour regulations and HMS are followed by Telenor internationally, as well as in Norway. Nevertheless the CEO of Norfund, Kjell Roland, warns about scaring investors of only negative aspects of investing in developing countries. Norfund has invested in several micro-credit institutions. Such institutions are for poor loan takers, and they do not always live up to international standards. It is rare to never come across child labour in small, family driven companies, when engaging in such projects.<sup>41</sup>

#### **4.2.3 Environmental destruction**

Waste water is spilled into the rice fields near factories, by some of the steel manufacturers.<sup>42</sup> The neighbours claim that 3000 litres of waste water containing acids is spilled every day. This causes the rice crops to fail, and thus ruins the livelihood of the farmers surrounding the factories. The spill of waste water also harms the general, near environment. This can lead to bigger environmental problems, like water poisoning, which for example affects the upbringing of children.<sup>43</sup>

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<sup>37</sup> Dagensit.no (18.02.09) available at: <http://www.dagensit.no/bransje/article1406430.ece>

<sup>38</sup> Dagensit.no (18.02.09) available at: <http://www.dagensit.no/bransje/article1403806.ece> and <http://www.dagensit.no/bransje/article1406430.ece>

<sup>39</sup> Dagensit.no (18.02.09) available at: <http://www.dagensit.no/bransje/article1403068.ece>

<sup>40</sup> Dagensit.no (18.02.09) available at: <http://www.dagensit.no/bransje/article1407099.ece>

<sup>41</sup> (DN.no (16.02.09) available at: <http://www.dn.no/forsiden/borsMarked/article1494246.ece>)

<sup>42</sup> Dagensit.no (16.02.09) available at: <http://www.dagensit.no/article1401857.ece>

<sup>43</sup> Dagensit.no (18.02.09) available at: <http://www.dagensit.no/bransje/article1403068.ece>

### 4.3 The ethical aspect of the findings at Grameenphone's suppliers

In 2003 Telenor established their Codes of Conduct, and they state that: *"The Codes of Conduct constitute the basis upon which all our policies and procedures are built."*<sup>44</sup> Further Telenor CEO, Jan Fredrik Baksaa, wrote in his comment to Norway's business daily on 4<sup>th</sup> of June 2008, that: *"Ethics and corporate responsibility are an important part of Telenor's set of core values. We have clearly defined rules and guidelines covering human rights, health, working environment, safety and the external environment."*<sup>45</sup> However, the findings at Grameenphone's suppliers in Bangladesh have put a question mark on how well Telenor's Codes of Conduct is implemented in the organisation.

The findings of bad working conditions, lack of safety measures, environmental destruction, and use of child labour at Grameenphone's suppliers are clear violations of Telenor's Codes of Conduct. Their Codes of Conduct states the following: *"We place great importance on ensuring the compliance with employees' basic human rights as outlined in the International Labour Organisation's core conventions."* *"Telenor shall be a pioneer in the field of health, safety and environment so as to promote high levels of satisfaction and good health."* *"Telenor shall have good internal controls."* *"Internal controls shall ensure that the business processes are at all times efficient and carry an acceptable level of risk, that physical and intangible assets are safeguarded and utilised, that financial information is correct and timely, and that laws, regulations and guidelines are followed."*<sup>46</sup> The violation of Telenor's Codes of Conduct was reported by the Norwegian Veritas after their inspection of the working conditions at five of Grameenphone's suppliers.<sup>47</sup> Further, Stein Morten Lier, former Consultancy Director in Telenor, supports this observation. He points out that the revelations show a serious violation of ethical guidelines.<sup>48</sup>

The ethical misbehaviour found in Bangladesh would not have shocked Telenor if the company had followed Ethical Trading Initiative Norway's (IEH) advices, according to General Manager at IEH, Kristin Holter. Telenor could also have used tools from IEH in order to improve matters. Ethical Trading Initiative Norway is a centre of expertise, which gives their members advices and tools in order to make them able to follow ethical norms at all

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<sup>44</sup> Telenor.no (05.03.09) available at: <http://www.telenor.com/en/about-us/corporate-governance/codes-of-conduct/>

<sup>45</sup> Telenor.com (05.03.09) available at: <http://www.telenor.com/en/news-and-media/in-focus/bangladesh/gap-theory-practice.jsp>

<sup>46</sup> Telenor.no (05.03.09) available at: <http://www.telenor.com/en/about-us/corporate-governance/codes-of-conduct/>

<sup>47</sup> E24.no (20.02.09) available at: <http://e24.no/boers-og-finans/article2439756.ece>

<sup>48</sup> Dagensit.no (16.02.09) available at: [http://www.dagensit.no/article1402214.ece?jgo=c1\\_re\\_&WT.svl=article\\_readmore](http://www.dagensit.no/article1402214.ece?jgo=c1_re_&WT.svl=article_readmore)

times. Telenor has been a member since 2005.<sup>49</sup> IEH has several times, since 2006, reminded Telenor that they have not followed up implementation of ethical guidelines internally and with their suppliers. E24 (15.05.08) reports a list of some of the things that Telenor has not done as of January 2008 (translated from Norwegian to English):

- Ø *Telenor has not mapped out the suppliers in the supply chain.*
- Ø *Telenor has not mapped out the subcontractors of the suppliers.*
- Ø *Telenor has not mapped out which production processes and raw materials that is included in the supply chain.*
- Ø *Telenor has not evaluated the risk of violate the worker- and environment conditions' requirements in the supply chain.*
- Ø *Telenor has not conducted risk analysis of each of the suppliers through self-reporting forms. “*

(E24.no (20.02.09) available at: <http://e24.no/selskap/TEL/article2425417.ece>)

Telenor has many engaged employees in the ethical field, but the company lacks top management involvement. This is crucial in order for ethical trade to progress.<sup>50</sup> Executive Vice President, responsible for Communications in Telenor, Hilde Tonne, takes the critique from Ethical Trading Initiative. She admits that the company should have used IEH more, and that Telenor has not been very good at following up on subcontractors.<sup>51</sup> Baksaas also admits that Telenor should have been aware of the lack of safety measures, child labour and environmental destruction through their own inspections.<sup>52</sup>

The discoveries has not only put a question mark to Telenor's ethical reputation, but also started a discussion on the ethical responsibility in this case. Nobel Peace Prize winner Yunus claims, (in September 2008), that the responsibility is fully Telenor's, since Telenor is the majority owner of the company. However, earlier (May 2008), Yunus admitted that some of the responsibility to a certain extent lies with Grameen Bank as well.<sup>53</sup> However, in both statements he stresses that he feels he can do nothing as a minority owner. Baksaas is of

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<sup>49</sup> E24.no (20.02.09) available at: <http://e24.no/selskap/TEL/article2425417.ece>

<sup>50</sup> E24.no (20.02.09) available at: <http://e24.no/selskap/TEL/article2425417.ece>

<sup>51</sup> Dagensit.no (18.02.09) available at: <http://www.dagensit.no/bransje/article1403806.ece>

<sup>52</sup> [Telenor.com](http://www.telenor.com/en/news-and-media/in-focus/bangladesh/gap-theory-practice.jsp) (05.03.09) available at: <http://www.telenor.com/en/news-and-media/in-focus/bangladesh/gap-theory-practice.jsp>

<sup>53</sup> Dagensit.no (18.02.09) available at: <http://www.dagensit.no/article1403390.ece>

another opinion. He thinks that all parties involved carry responsibility when problems are discovered.<sup>54</sup>

Yunus and Telenor also disagree on whether or not Telenor *did* know of the misbehaviour at Grameenphone's suppliers' factories. Yunus is certain that someone in the system within Telenor did know, although perhaps not in the top management. However, Telenor denies having had any knowledge about the conditions.<sup>55</sup> Telenor's board executive, Harald Norvik, argues that no one in Telenor knew of the conditions at Grameenphone's suppliers. He places the responsibility upon the Bangladeshi subcontractors.<sup>56</sup>

Despite the unethical behaviour at Grameenphone's suppliers, Telenor still lies on top of the Dow Jones Sustainability Index. The index addresses areas as economy, ethics and environment. In addition the evaluation is based on external and internal information about the companies. Although the discoveries at Grameenphone's suppliers did affect the evaluation of Telenor negatively, a lot of the other companies were worse.<sup>57</sup>

#### **4.4 Actions taken by Telenor after the revelation**

After the documentary "*A Tower of Promises*" exposed the conditions at Grameenphone's suppliers, there has been a need for actions by Telenor. Baksaas wrote in his written comment to Norway's business daily on 4<sup>th</sup> of June 2008, that: "*This case shows that we have not been active enough in following up Grameenphone's subcontractors*". Further he also stated that: "*The work of dealing with these issues is now being given the highest priority.*"<sup>58</sup>

Telenor has so far conducted these measures:

- Ø A team from Grameenphone and Telenor was established to investigate the routines within *health, environment and safety* at Telenor's suppliers and subcontractors in Bangladesh.<sup>59</sup>

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<sup>54</sup> Dagensit.no (16.02.09) available at: <http://www.dagensit.no/bransje/article1483586.ece>

<sup>55</sup> Dagensit.no (18.02.09) available at: <http://www.dagensit.no/article1403390.ece>

<sup>56</sup> Dagensit.no (21.02.09) available at: <http://www.dagensit.no/bransje/article1406118.ece>

<sup>57</sup> E24.no (18.02.09) available at: <http://e24.no/selskap/TEL/article2666938.ece>

<sup>58</sup> [Telenor.com](http://www.telenor.com) (05.03.09) available at: <http://www.telenor.com/en/news-and-media/in-focus/bangladesh/gap-theory-practice.jsp>

<sup>59</sup> E24.no (18.02.09) available at: <http://e24.no/selskap/TEL/article2666938.ece>

- Ø All Grameenphone's suppliers have been asked to legally confirm that the conditions at their factories are following the guidelines in the contract. This led to the determination of the contract with supplier Mizan Hatim Engineering. An inspection found an underage worker at the factory, and the company did not show any motivation for change.<sup>60</sup>
- Ø The working conditions at the four remaining suppliers were thoroughly investigated.<sup>61</sup>
- Ø Grameenphone's follow-up routines and controls are reviewed and improved.<sup>62</sup>
- Ø Telenor asked the Norwegian Veritas to inspect the conditions in Bangladesh, and advice them on how to solve the safety-, labour- and environmental issues.<sup>63</sup>
- Ø The environmental damages from the factories' waste waters are investigated. When the actual size and form of the damage is known, Telenor will address the case further.<sup>64</sup>
- Ø A corporate level unit shall ensure implementation of Telenor's regulation on health, safety and environment at all of Telenor's operational company's suppliers.<sup>65</sup>
- Ø A project, which focuses on mapping out and investigating health, safety and environmental measures at Telenor's companies and subcontractors, was started. The project will look at routines, controls, and identification and implementation of necessary changes.<sup>66</sup>
- Ø Initiatives to improve awareness of health, safety and environmental issues among Telenor's managers and employees, within the whole Telenor group, were started.<sup>67</sup>

Telenor will also focus on how to help the children found working at the factories. They hope to work closely with Save the Children, and other organisations with the same expertise, in order to find out exactly what they can do.<sup>68</sup> Baksaas argues that some of the families are depending on the incomes of the children in question. Non-for-profit organisations do have

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<sup>60</sup> E24.no (20.02.09) available at: <http://e24.no/utenriks/article2434096.ece>

<sup>61</sup> E24.no (20.02.09) available at: <http://e24.no/utenriks/article2434096.ece>

<sup>62</sup> Telenor.com (05.03.09) available at: <http://www.telenor.com/en/news-and-media/in-focus/bangladesh/gap-theory-practice.jsp>

<sup>63</sup> E24.no (20.02.09) available at: <http://e24.no/utenriks/article2434096.ece>

<sup>64</sup> Telenor.com (05.03.09) available at: <http://www.telenor.com/en/news-and-media/in-focus/bangladesh/gap-theory-practice.jsp>

<sup>65</sup> Dagensit.no (21.02.09) available at: <http://www.dagensit.no/bransje/article1408026.ece>

<sup>66</sup> Dagensit.no (21.02.09) available at: <http://www.dagensit.no/bransje/article1408026.ece>

<sup>67</sup> Telenor.com (05.03.09) available at: <http://www.telenor.com/en/news-and-media/news/2008/telenor-initiates-new-measures-to-improve-working-conditions-at-suppliers-of-antenna-towers-in-bangladesh.jsp>

<sup>68</sup> Dagensit.no (18.02.09) available at: <http://www.dagensit.no/bransje/article1403068.ece>

programs that aim at helping families in such situations. He states that so far there has been a settle between the company and the children's families.<sup>69</sup>

The Norwegian government, which is the biggest shareholder in Telenor, will now require Telenor to report on the conditions at all their suppliers internationally.<sup>70</sup> They have found Telenor's willingness to improve the situation in Bangladesh to be satisfactory.<sup>71</sup>

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<sup>69</sup> E24.no (20.02.09) available at: <http://e24.no/boers-og-finans/article2439444.ece>

<sup>70</sup> Dagensit.no (18.02.09) available at: <http://www.dagensit.no/bransje/article1403806.ece>

<sup>71</sup> E24.no (20.02.09) available at: <http://e24.no/boers-og-finans/article2441479.ece>

## 5.0 Analysis:

### An ethical reflection on Telenor's responsibility in Bangladesh

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Earlier in this thesis the concept of ethical responsibility has been presented. We looked into the principle of responsibility, moral responsibility, ethical decision making, multinationals operating in developing countries, and the ethicalness of codes. By applying those theories on the case specifics of Telenor in Bangladesh, I will discuss: “*How far does the ethical responsibility of Telenor in Bangladesh extend?*” The ethical discussion will focus separately on the accusations of lack of safety and bad working conditions, the use of child labour and environmental destruction. To supplement this analysis, I will also reflect on the ethical responsibility of Grameen Bank and Yunus, as minority owners of Grameenphone. In the end the ethicalness of Telenor's Codes of Conduct and decision making will be discussed, in order to examine what kind of impact they will have on Telenor's ethical responsibility. The executive summary will be based on this combined analysis, reflection and discussion. It will aim at answering the main question of the thesis, and draw some general implications for multinationals operating in developing countries.

#### 5.1 Lack of Safety at Grameenphone's suppliers

Lack of safety measures and bad sanitary conditions were revealed at Grameenphone's suppliers of phone poles in Dhaka, Bangladesh. Some of these conditions were mentioned to even violate the Bangladeshi law. After these revelations by the documentary “*A Tower of Promises*”, Telenor reported 11 deaths, from May 2007 to May 2008, connected to Grameenphone. Of these 11, at least 5 of them have circumstances that indicate that they perhaps could have been prevented by better safety focus and measures. (An overview of all the deaths reported by Telenor is found in table III in the appendix.) As a majority shareholder of Grameenphone, what ethical responsibility lay upon Telenor in this case?

Telenor would have a moral responsibility for the bad working conditions, and thus the bodily harm that occurred from such working conditions, if they *knowingly and freely* failed to prevent them. Therefore only *ignorance and inability* could free Telenor from moral responsibility in this case, according to Velasquez (2002). The theory of Jonas (1984) implies that Telenor is responsible if they could have controlled the acts to improve the working conditions. In addition they had to know that such measures would make the factories a safer

place to work, so that the chance of fatale accidents would be significantly smaller. Thus if Telenor had the information revealed in the documentary, they would have a subjective responsibility towards the workers at these factories. (Jonas, 1984). Having the workers fates in their hands would create an obligation to ensure their well-being. Therefore Telenor's ethical responsibility in this case depends on their *knowledge, freedom and ability* to act to prevent the bad working conditions and lack of safety.

### 5.1.1 Telenor's *knowledge of the conditions*

If Telenor was *ignorant* of the lack of safety measures and the bad working conditions at Grameenphone's suppliers, then one can not held them responsible for not doing anything to improve those matters. It was stated in Dagensit.no (15.05.08) that there had never been reported any safety violations from Grameenphone to Telenor. This might imply that Telenor does not have a moral responsibility for the lack of safety measures, and thus the deaths. However, the Norwegian Veritas found that there was no real reporting system in place at Grameenphone's suppliers.<sup>72</sup> The question is then: *Who is responsible for the lack of an essential reporting system?* One could argue that Grameenphone's suppliers themselves should have had such a system in place, or worked to establish one, if they simply cared about their workers. On the other hand, Telenor could have required the suppliers to have one before entering into a business relationship with them.<sup>73</sup> Especially since Grameenphone would be an important customer. Nevertheless, the suppliers are the one with the direct responsibility, and can not be excused for that. This could be the *mitigating factor* of Telenor's responsibility in this case, which will be addressed later in this chapter.

*Confidence Steel* has been a supplier to Grameenphone for over ten years. ("A Tower of Promises, 2008) Grameenphone claims to have regularly been checking on the suppliers, to make sure that they follow the regulations required by Telenor. So, how come it took ten years to figure out that there is lack of safety and bad working conditions at the suppliers' factories? "*A Tower of Promises*" (2008) shows that the suppliers' managers confirm that representatives from Telenor and Ericsson regularly visits the factory. It seems unlikely that these inspections did not reveal the same lack of safety measures and bad working conditions as did Heinemann's visit. *So who did the inspections, what did they find, and how come nothing was reported?* This leads to the question whether Telenor send a person from its

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<sup>72</sup> E24.no (20.02.09) available at: <http://e24.no/boers-og-finans/article2439756.ece>

<sup>73</sup> Telenor.no (05.03.09) available at: <http://www.telenor.com/en/about-us/corporate-governance/codes-of-conduct/>

headquarters to inspect Grameenphone's suppliers, or if they used a local representative, working for Grameenphone.

There are several reasons why this is relevant. Bangladesh is a developing country, which is fairly poor. It is therefore not impossible that workers at Grameenphone, although paid fairly, are still quite poor, or have family members that need financial assistance. Both Grameenphone and the suppliers are located in Dhaka. It is therefore also possible that controllers working for Grameenphone know the managers, investors or owners of the factories in question, or at least know someone that knows these people. They might have bigger incentives for not making comprehensive reports from their inspections compared to inspectors from Telenor's headquarter in Norway. It might not be morally right to assume that people are dishonest before one even has met, or got to know, the people addressed. However, the circumstances in Bangladesh might not give any freedom for the local representatives at Grameenphone to report the bad working conditions.

So what could happen if the misbehaves at for example Confidence Steel had been reported? There are several scenarios one might imagine in such a case. Scenario one is that Confidence Steel does not have the resources to do anything about it, and Telenor sticks to its "Codes of Conduct", and thereby simply eliminates the contract with Confidence Steel. It seems as Grameenphone is an important customer of Confidence Steel, and thus the elimination of the business contract would cause substantial economic impact for the supplier. This might lead to bankruptcy and loss of jobs, and thus make a lot of people even poorer. However, companies are often not encouraged to just eliminate contracts with misbehaved suppliers, unless they seem too reluctant to change over a long period of time. The second scenario is therefore that the bad safety regulations are identified at Confidence Steel, and that Telenor demands that the supplier should use the resources they have to make the necessary changes. Grameenphone would in such a scenario also assist Confidence Steel to improve the working environment at the factories, so that they follow the requirements of the Bangladeshi law and Telenor's "Codes of Conduct". Such work will cost a lot of money for both Confidence Steel and Telenor. In addition it might lead to "rolling of heads", if one finds evidences of management favouring less safety measures in order to put more money into their own pockets.

If management do neglect the factory workers' safety, in order to have more money for themselves and their families, a principal-agent problem exists at the factories. The principal-agent problem suggests that the agent, in this case the managers, do not act with the company's owners best interest at heart, but rather follow their own agenda. One might suggest that the best interest for the owners is that the factories implement safety measures. This will avoid bad press and monetary compensations for injuries and deaths. Further it is also reasonable to believe that owners want to follow the Bangladeshi law and general ethical rules in order to attract and keep large customers. These are all economic reasons for implementing a safe working environment. However, it might also be that the owners are interested in keeping their workers safe simply because they value human life. From the agents' point of view they might see safety implementations as an opportunity to "save" money for themselves, especially if they consider safety regulations to be overprotective of the workers. Again, assuming that unfamiliar people will behave unethical might not be very ethical in itself; however, the country's poor economic state might give restricted freedom for the managers when deciding to engage in such conduct or not. One needs to keep in mind that they also have responsibilities towards their families.

Both scenarios will have serious consequences. Such consequences might be the reason for why an inspector turns a blind eye to the lack of safety measures and bad working conditions at the suppliers' factories. They could also knowingly stay ignorant of the truth, by not inspecting at all. "*What you do not know, will not hurt you.*" The inspectors would then not have anything to report to Grameenphone and Telenor's headquarters. It is true that inspectors from both Grameenphone and Telenor's headquarters could have incentives to not conduct thorough inspections at the suppliers. However, I have already suggested why the first group have a bigger incentive for such behaviour. Considering the practicality of inspections, one might assume that someone working for Grameenphone will be in charge of these inspections. Further it also seems reasonable that most of Grameenphone's inspectors are from Bangladesh, and Dhaka. The factors mentioned above, could thus be an explanation for the absent reporting of these conditions over such a long time. The documentary, however, showed another explanation for the lack of reports to Telenor: *The inspections were announced in advance.* We know that this resulted in some very *strategic manoeuvres* like distributing helmets, booths and t-shirts out to the workers. When the visit was over, these items were returned to management. The inspectors might therefore not get the true picture of the conditions at the factories, even if they tried to conduct a thorough inspection.

If the investigations were false or they were announced in advance, then there is a possibility that Telenor would be ignorant of the bad working conditions. However, Telenor is not easily dismissed of their moral responsibility. The reason is that they then would have an organisation that is not following their ethical guidelines. Thus they have not done a proper implementation of their “Codes of Conduct” throughout the organisation. In addition, such inspections should be reported seriously, and the responsible managers at Telenor’s headquarter should have checked the relevant conditions themselves. Velasquez (2002) states clearly in his reflections that *one party can not be excused from its moral responsibility when they knowingly stay ignorant of the relevant facts*. It therefore seems like Telenor can *not be freed of their ethical responsibility which is due to more or less will full ignorance*.

### **5.1.2 Telenor’s *freedom and ability to act***

If Telenor, together with Grameenphone, truly has done everything in their power to make Grameenphone’s suppliers improve working conditions, then they can not be held morally responsible. They would then simply be unable to do anything about the worker’s conditions, and thus are excused by the *inability factor*. (Velasquez, 2002) There is unfortunately not enough information available in order to make a proper analysis of Telenor’s ability to improve matters. My requests for interviews, in order to put more light on this fact, were unfortunately denied by Telenor’s headquarters in Norway. However, the fact that Telenor is not directly in charge at Grameenphone’s suppliers, is not alone a satisfactory condition to erase Telenor’s moral responsibility. They should be required to make a reasonable effort to avoid that people, who are working for them directly or indirectly, are suffering in any way. This despite that Bangladesh is a poor country, and faces several important challenges as a result of this.

A mitigating factor can to some extent lessen the moral responsibility of an actor. Three such factors will be analysed; *direct involvement, freedom to act and the seriousness of the matter*. Telenor’s moral responsibility can be mitigated by the fact that they do not have the direct authority to do anything about the lack of safety and bad working conditions at Grameenphone’s suppliers’ factories. This means that their freedom to improve such matters is restricted, and that they are not directly involved in *not* improving the working conditions. However, Telenor do state in their “Codes of Conduct” that they want their suppliers to follow the company’s own regulations. Thus one can argue that they should have reported on such working conditions and tried to improve them. Velasquez (2002) states that an actor,

who is obliged to report on or try to prevent a wrongful act, can not have one's moral responsibility mitigated by the lack of direct involvement. Therefore one could state that Telenor's moral responsibility can only be mitigated by their restricted freedom. However, every mitigating factor needs to be judged together with the wrongful act's seriousness. Lack of safety measures and bad working conditions, which potentially has led to death of workers, should be considered as very serious. Therefore it does not seem as Telenor's moral responsibility, in this case, can be substantially reduced by mitigating factors. In addition several voices have questioned whether the mitigating factors will be able to reduce the moral responsibility of an act or not. I, personally, believe that this should be evaluated according to the different situations. In this case, it does not seem like the mitigating factors do affect Telenor's moral responsibility all that much.

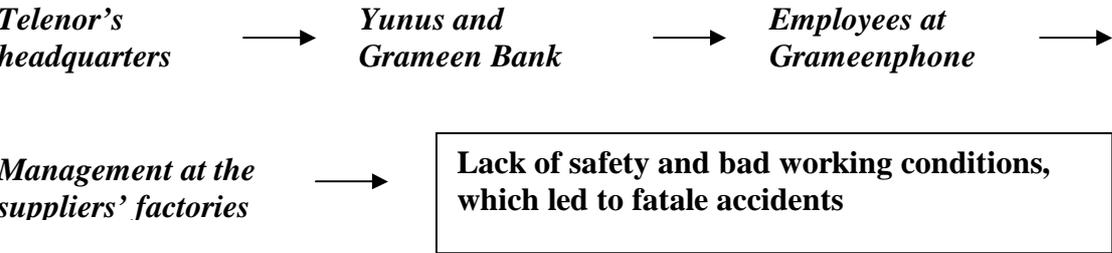
The work culture in Bangladesh is probably not like the one in Scandinavia. This is an important aspect to remember when discussing Telenor's ability to act in order to improve the bad working conditions at Grameenphone's suppliers. One could assume that the work culture might be influenced by the societal culture in Bangladesh and the resources disposed by the working population. Such resources could be capital as well as knowledge. The Bangladeshi work culture might accept bad working conditions, slow implementation of changes, and exploitation of one's professional position to help each other. This could make it difficult to make good improvements in safety questions. The real challenge is therefore to change the context of the working conditions in order to create a safer working environment. It is important that one does not pull the Bangladeshi culture and identity out of the work culture. Instead the concentration should focus on how it can develop into a culture that focuses on safety and respect for human life. To initiate such a change might be considered to be too much for one MNC through one local company. The question is not only if the task is too great, but if Telenor really do have the resources to follow it through. This is not only a question of having enough money. One also needs to have enough factual knowledge of the Bangladeshi working culture, its main influences, and how to affect it. One should think that the cooperation with Grameen Bank, might give Telenor the required knowledge. However, even if Telenor had the knowledge and the money necessary to initiate such a change, would it be enough to make a difference? Further, is it not *on the verge of Telenor's responsibilities in Bangladesh?*

We may also ask, what is the responsibility of Grameenphone's suppliers' employees in relation to creating a safer working environment? Ims (2006) argues that: *"It should not be up to each workers subjective opinion to be part of a safer environment or not. This should not be reduced to any individuals more or less developed moral responsibility. The individual is part of a context – a family, a community. The communities' responsibility is to give everybody the opportunity to take care of each other's life and dignity!"* This implies that the workers themselves should not individually be held responsible for creating a safer working environment. Rather it is the community, in which they are members, which should provide a context where it is possible for them to be safe and ensure the safety of others. However, one should remember that a community is merely nothing without its members, and thus I feel that everyone has some responsibility to initiate a change for a safer working environment. This is a result of their membership in a community which carry that ethical responsibility. Nevertheless, the initiative to the kind of change discussed above should perhaps come from leaders in the Bangladeshi working community or government, in addition to foreign investors and business partners. The workers therefore seem to be expected to help encourage the change when first initiated by higher authority.

### **5.1.3 Telenor's ethical responsibility for the conditions**

It is difficult to draw a final conclusion, based on the discussion above, whether or not Telenor is morally responsible for the lack of safety measures and bad working conditions. Nevertheless the analysis suggests that Telenor to some extent is morally responsible. Velasquez (2002) emphasises that within a corporation several parties are often involved when the corporation executes an act. The parties involved in this case are Telenor's headquarters, Yunus and Grameen Bank, employees at Grameenphone, the people responsible for the inspections at the factories in question and the management of the suppliers. The moral responsibility has traditionally been placed with the one's that have had the knowledge and freedom to produce the corporate act. Directly this would be the management at the suppliers' factories and the people responsible for the inspections at these factories. They are the ones with the best opportunity to gain knowledge of the working conditions at the factories. However, there has also been argued that a corporation is a group of actors, and therefore the whole group should take on responsibility. That would mean that all of the parties mentioned equally would share the moral responsibility in this case. To this the traditionalists adds that a group will be made up of individuals, therefore it is individuals that are behind the corporate act. However, it is important to remember that only those individuals that knowingly and

freely put their acts together, to execute the corporate act, will be morally responsible for that act and its consequences. Based on this one could determine the moral responsibility of the parties involved in this case, with the help of “*The Responsibility Chain*” (see figure 2). The more freedom and knowledge the actors have about the bad conditions, the higher degree of moral responsibility they have.



From this *responsibility chain* one can argue that Telenor’s headquarters decided to enter Bangladesh, to be part of establishing Grameenphone, and that they should take their ethical guidelines, the “Codes of Conduct”, seriously. Thus one can rationally assume that the top managers in Telenor are the ones with initially the most freedom and knowledge. However, they are located far away from the working conditions at Grameenphone’s suppliers, and thus depend mostly on information reported from others. As the project has evolved, their freedom might have seemed more limited, as more of the company’s resources have been invested. In addition, their knowledge about how the supply chain operates might also be more restricted, as they now rely more on information given to them from local employees in Dhaka. Therefore, to be moral responsible for Telenor includes to thoroughly prepare the whole organization on how to ethically operate in a developing country, and set routines to ensure that the Bangladeshi law is followed as well as their own “Codes of Conduct”.

Yunus and Grameen Bank are minority owners of Grameenphone. They are located in Dhaka, Bangladesh, and thus closer to the bad working conditions. Since the conditions were found to be unsatisfactory on *all* the suppliers’ factories, this might imply that the general working condition in Bangladesh is not satisfactory. One would think that people that operate among the poor in Bangladesh would be aware of such trends. They therefore seem to have more responsibility to make Grameenphone focus on this, when choosing suppliers in the first place. Yunus and Grameen Bank have local knowledge in this case, and the opportunity to pass on this knowledge to Telenor. If they had done this, and been heard, then the working conditions

might had been improved. The next actor in the chain is Grameenphone. The suppliers in question are this company's suppliers, and Grameenphone therefore have an even closer relation to this case. In addition it is reasonable to assume they too have the local knowledge about the regular working conditions at Bangladeshi factories. Therefore they should have made thorough investigations when acquiring suppliers in the first place, inspected their factories and helped improve the working conditions. However, their freedom to do these things might be limited. They are after all controlled by Telenor and Yunus and Grameen Bank.

Finally, closest to the bad working conditions, and with the most knowledge of them, are the managers of the suppliers' factories. They are working there everyday, organizing and overlooking the work. It is therefore not unreasonable to believe that they should have been very well informed about the safety violations and the generally bad working conditions. They should know what exact safety measures should have been in place. However, the freedom these managers have to improve should bad working conditions might be limited. They would need to have knowledge about what safety measures are required and needed. In addition they would need to have money to implement them. Due to limited information on these managers' freedom and knowledge with regard to this case, it is difficult to draw any conclusion. However, based on the Bangladeshi work culture and economic state one might assume that their knowledge and freedom were limited.

By applying "*The Responsibility Chain*" one gets a more structural assessment of the moral responsibility discussed in relation to Telenor and the lack of safety measures. It seems that one needs to put emphasis on which of the actors had the most knowledge about the bad act, and the freedom and ability to counteract it. Based on this, Telenor do seem to carry a substantial part of the moral responsibility. The reason for this argument is the amounts of freedom they seem too have had. Telenor decided to enter Bangladesh in the first place, and they have the biggest capital resources. In addition, as majority owners of Grameenphone, one would think that they would have the possibility to influence the selection of suppliers, and help them live up to Telenor's standards and the Bangladeshi law. However, one should not forget that "*The Responsibility Chain*"- analysis also put some moral responsibility on the other actors, especially Yunus and Grameen Bank. They are the ones with the best local knowledge combined with the most freedom to affect decisions.

De George (1993) stated in his seventh guideline that: “*Multinationals should respect the human rights of their employees.*” This is especially important to remember for Telenor, when operating in Bangladesh. Exploiting workers is more tempting when the labour market has an unspoken norm of exploiting workers, the general public is poor, and the population is not unfamiliar with unemployment. (De George, 1993) In addition, Telenor, as a MNC, should help encourage Bangladeshi institutions to protect the workers rights in relation to such issues as wages, free speech, respect and good working condition. In order to do so, Telenor should be leading a good example; however this case shows that they unfortunately do not do that. De George’s (1993) guidelines imply an even stronger moral responsibility for Telenor in this case.

## **5.2 Child labour at Grameenphone’s suppliers**

At Gazi Engineering, a supplier of phone poles, approximately 30 workers were found to be children. (“A Tower of Promises”, 2008) These children were between the age of 13 and 17, and worked for 1\$ per 11 hours workday.<sup>74</sup>

Let us for the sake of the argument assume that child labour might be part of the working culture in Bangladesh. Although this might seem like a horrible accusation, this could be the reality. Bangladesh is one of the world’s poorest countries, where 45 % of the population lives below the poverty line, set by international standards.<sup>75</sup> In such a community it might be necessary for children to work in order for the family to survive. One can argue that the parents sending their children to work should therefore not be morally responsible. They really do not have any freedom to choose otherwise. We may, like Socrates, think that a man always has some degree of freedom, but in the case of life and death for one self and one’s family, the freedom is limited. When the factories hire children to work, the company might view this as a win-win situation. Child labour will not harm the children, but rather give them the opportunity to keep themselves and their families alive.

Within such a working culture and society, the key question is what kind of ethical responsibility does Telenor have? Should they have the children fired, and thereby cause starvation? Should they try to send them to non-existent or poor schools? Should they work together with a non-for-profit organisation or the local government to help families which

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<sup>74</sup> Dagensit.no (16.02.09) available at: <http://www.dagensit.no/article1401857.ece>

<sup>75</sup> The Central Intelligence Agency (22.08.09) available at: <https://www.cia.gov/library/publications/the-world-factbook/geos/bg.html>

depend on their children's income? Should they try to give these children, at least children from 16-18 years, work that is legally appropriate for them? What is good help? The managers of Telenor have the knowledge to help to contribute to construct a welfare society, to do the work of government. But is this their responsibility? There are arguments that when the government fails, other institutions, like big multinational companies, should overtake some of the tasks of the government. However, is this right? What about the international community? Are others better suited for the job? The questions presented are versatile and difficult to answer. However, in my view many of them suggest measures that overload a MNC with social responsibility. However, there is no reason why Telenor shouldn't cooperate with other MNC, the international community and/or the local community, in order to help develop social services and governmental institutions in Bangladesh.

In this particular case, it is not obvious whether or not Gazi Engineering is a supplier of Grameenphone or Grameenphone's supplier. In my view this fact is important in the discussion of Telenor's ethical responsibility in this case. However, the truth is unfortunately hard to unravel, since it is at this point only word against word. In order to find out the truth, the business relationship between Gazi Engineering and Grameenphone should be more thoroughly examined.

If Gazi Engineering is a supplier to Grameenphone ("A Tower of Promises", 2008), then Telenor should have known about the use of child labour. That is, if they conducted the regular inspections according to regulations, as discussed in chapter 5.1. They would also have had freedom through Grameenphone, as a big customer of Gazi Engineering, to change the situation for the children. It therefore seems like Telenor, in such a scenario, would have both the knowledge and the freedom to influence the use of child labour, and thus can be held morally responsible for such utilization. Further De George (1993) states in his fifth guideline that MNC should evaluate the local customs and adapt to those that are ethical justifiable and that do no harm. This implies that even though child labour is common in Bangladesh, this does not mean that Telenor through Grameenphone should allow it.

If one assumes that Telenor is morally responsible for the use of child labour, Save the Children states that Telenor has a social responsibility towards these children. They can not discard of their moral responsibility in this case by simply ending the contract with the

supplier.<sup>76</sup> They should follow up on the children, make sure they go to school, and get them out of the dangerous working environment. These expectations are similar to the expectation De George (1993) expresses in his seventh guideline for MNCs. Telenor should help the Bangladeshi government to develop background institutions that help ensure the enforcement of human rights. Such institutions should also prevent any company to gain a competitive advantage from unethical behaviour. In this case, I think that one can argue that exploiting children in work relations is a violation of their human rights. Such exploitation would perhaps give Grameenphone's supplier low labour costs, which again could give them a competitive advantage. However, this competitive advantage would be based on unethical behaviour. One might argue that Telenor not necessarily would benefit directly from this competitive advantage, nor do they hire the children themselves physically. However, De George's (1993) guidelines do imply that Telenor in any case should help prevent child labour by help eliminate the ground reasons for its existence: Lack of background institutions, like schools and a welfare system.

If Gazi Engineering is a supplier to one of Grameenphone's suppliers, one might look upon a different distribution of the moral responsibility. According to "*The Responsibility Chain*" (Im, 2009), such a scenario would reduce the moral responsibility of Telenor. They would then be further away from the unethical act, with less knowledge of its existence and less freedom to prevent it from happening. Even though Gazi Engineering in this case could be considered to be part of Telenor's supply chain, they are perceived to be outside the *core* supply chain. The core supply chain refers to the direct supply chain which leads to the services or products that Grameenphone provides. Telenor would most likely not have any authority to make Gazi Engineering comply with their "Codes of Conduct" nor to require them to give the children alternative opportunities, in this case. They could require, through Grameenphone, that Grameenphone's supplier should end their contract with Gazi Engineering. That is if nothing is being done to improve the situation of the children. However, given the Bangladeshi conditions, there are reasons to believe that Gazi Engineering does not have the resources necessary to give these children the alternatives they deserve, like schooling. In addition, without knowing how big a customer Grameenphone's supplier is to Gazi Engineering, we do not know how much impact they have on this company.

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<sup>76</sup> Dagensit.no (18.02.09) available at: <http://www.dagensit.no/bransje/article1403068.ece>

The question is then: Who has the main ethical responsibility for the use of child labour in this case? One could argue that it is the managers at Gazi Engineering, who hired the children, or the owners who let them work there. Further one could argue that this responsibility lies on the shoulders of the Bangladeshi government, which clearly lack the ability to provide help to poor families and schooling for their children. However, who is morally responsible for the fact that Bangladesh, today, is a poor country, and thereby unable to provide such basic welfare services that we are so accustomed to in developed countries? These questions are beyond the scope of this thesis, but should be kept in mind when discussing the moral responsibility of Telenor in this case.

The two scenarios described do give different degree of moral responsibility to Telenor. However, I feel that in a case where the utilization of children is revealed, moral responsibility should be discussed on a more personal level, and not within general business ethics. Telenor should thus not only follow the ethics of rights, but also emphasise the ethics of care. They should show compassion and care for these children, and not only help them financially as ethics of rights might suggest. This is what the non-for-profit organization Save the Children is emphasising. After the revelation of the use of child labour in Bangladesh, they terminated their relationship with the Norwegian phone company. They underline that the situation in Bangladesh is serious. As a consequence of the findings, Save the Children expects Telenor to thoroughly examine their whole portfolio and make sure that no other company in their business chain is using child labour.<sup>77</sup>

Telenor has promised to help the children in question out of the dangerous working environments, and thereby seems to accept some of the moral responsibility in this case. Baksaas stated himself to Dagensit.no (04.09.08) that one needs to tackle the problem through changing the attitudes about child labour in Bangladesh. In addition one needs to offer the children an alternative. However, who is going to pursue the work of attitudinal change? What kind of alternatives should be given, and by whom? It seems like Baksaas thinks this is the sole work of non-for-profit organizations. He argues to E24.no (22.05.08) that Telenor so far has made a monetary settlement between the company and the families. He further implies that this should be considered enough responsibility taken by Telenor in this case. Especially since non-for-profit organizations already have programmes in place to help families that

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<sup>77</sup> Dagensit.no (18.02.09) available at: <http://www.dagensit.no/bransje/article1403068.ecc>

need their children to contribute financially.<sup>78</sup> This last argument seems like an attempt by Telenor to chip a big part of their moral responsibility of their shoulders. They simply imply that other actors will be better suited to solve the societal problem of child labour in Bangladesh. Although it might be true, it is nevertheless not a good excuse for not trying to help.

Telenor's moral responsibility in this case can be somewhat mitigated if Gazi Engineering is a supplier of one of Grameenphone's suppliers. However, the ethics of care, Telenor's own "Codes of Conduct" and De George's (1993) fifth and seventh guideline imply that since Telenor is related to this case, they do have a moral responsibility to help the children involved. In addition they should help establish institutions in Bangladesh that can help other children in similar situations today and in the future. "*Multiple Perspectives in Evaluation of an Act*" (see figure 3) describes how Telenor, as an ethical decision maker, should use consequential reasoning, together with valuation and moral assessment, when dealing with the findings of child labour. The act is the use of child labour at Gazi Engineering. The decision maker, for example a manager at Gazi Engineering, will focus on goal achievement. He might therefore view this act as a means to lower labour costs, and at the same time help out poor families. This view might be agreed upon by the affected parties, the families of the children. These families depend on the children to contribute to their families' economies, a contribution that might be deathly necessary. However, the children themselves are also affected parties. They might view the act as a necessary evil to survive, while they dream of a better future. Further one might argue that this act deprives them from having a proper education and their rightful childhood. The impartial observer, like me, represents the deontological values. This observer will stress that the act is ethically wrong, despite its life saving consequences. Based on ethical principles there is some limits to how we can exploit others, and those limits are arguably stronger when it comes to the utilization of children. Telenor should thus evaluate these three perceptions and valuations of the act, in order to find the best ethical responsible counteract.

Picture that Telenor and Grameenphone have done everything they can in order to improve the situation for the children working at Gazi Engineering. Then one might argue that they can not be held morally responsible if some of the children later are found working under

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<sup>78</sup> E24.no (20.02.09) available at: <http://e24.no/boers-og-finans/article2439444.ecc>

similar conditions at other factories. (These factories can not be associated with Grameenphone in any case.) (Velasquez, 2002) The reason for this is the fact that child labour is a societal problem, which does not have an easy, clear cut solution, and is hard to manage in a poor, developing country as Bangladesh. It is therefore important to stress that it is the ethical responsibility of many actors in Bangladesh to prevent such utilization of children. These actors might be other MNC, non-for-profit organizations, Bangladeshi central- and local government, and international delegations, which have knowledge about the problem and the freedom to initiate change.

### **5.3 Environmental damage**

Bad routines concerning waste waters at some of Grameenphone's suppliers led to environmental destruction. ("A Tower of Promises, 2008) However, the information on this subject was limited. The news articles and public debate also focused very little on the environmental issue in this case. Therefore, based on the limited material and the limited attention the general public has put on this matter, I too choose to put less emphasis on this misbehaviour of Grameenphone's suppliers. However, I want to emphasise that I think this violation is as important as the other problems addressed by the documentary. The environment does provide the future for the next generation, and should be a major concern throughout the international community. Nevertheless, in this specific case, I feel that the essential discussion of Telenor's moral responsibility in Bangladesh is better discussed based on the lack of safety measures and bad working conditions.

Lack of safety measures, bad working conditions and environmental damage are all, in this case, caused by misbehaves at Grameenphone's suppliers in Bangladesh. Further they all end up endangering human lives. Therefore one could argue that they should be subject to the same discussion of moral responsibility, especially with regard to the freedom and knowledge of the actors involved. In chapter 5.1 I implied that Telenor did have a moral responsibility in the case of lack of safety measures and bad working conditions. These findings will be used as a starting point for a short discussion of Telenor's ethical responsibility in relation to the detected environmental destruction.

"*The Prospect Theory*" (Kahneman and Tversky, 1979) argues that the mechanism *discounting* might explain why the managers at Grameenphone's suppliers make decisions

that give them short term monetary gains, but that will harm the environment in which their children grow up. One could argue that by increasing production levels, and spending less money on discarding the waste waters in a legal and secure way, managers can generate more profit for the company today. However, by doing so they are contributing to environmental problems, like water poisoning, which will give huge losses in the future. This implies that the managers, according to “*The Prospect Theory*”, will emphasise the smaller financial gain they can achieve today, rather than a big uncertain loss in the future. The potential monetary loss in the future is especially uncertain in relation to environmental problems. Water poisoning, for example, might be hard to trace to a specific factory, and thus might be considered a social problem when discovered. The managers’ behaviour in this case can be described by Zsolnai (2006) as a combination of their risk aversion, when considering gains today, and their risk seeking, when it comes to losses in the future. He further argues that if this is the case, the managers do not feel any moral responsibility for the environmental damage the waste water is causing.

When applying “*The Responsibility Chain*” (Ims, 2009) it might seem like the managers at the suppliers should be morally responsible for the environmental destruction. They are the one with the knowledge about the spill of waste water and have the freedom to end it. However the managers do perhaps not have the knowledge of the true effect of waste waters. In addition, the Bangladeshi work culture and the general financial situation of the company, might limit their freedom to deal with the problem. One could argue that developing countries are mostly focused on production and economic development, and that environmental issues becomes increasingly important as the country reaches a certain level of GDP. (Professor Tatsuo Masuda, NUCB Graduate School, 2009) Thus the managers are only following the general focus and agenda of the Bangladeshi industrialization and popular culture. However, Telenor, through Grameenphone, should also have known about the spill. That is if the inspections were rightfully carried out as discussed in chapter 5.1. They also should have the knowledge, or at least the opportunity to obtain the knowledge, about the full effects of such waste waters. In addition, they have the money and competent labour resources, or the opportunity to raise such resources, to initiate good routines for discarding of the waste waters in a legal and environmental friendly way.

Based on the situation in Bangladesh, one might assume that the spill of waste waters is part of a “*non-participating consciousness*” of the industrial sector in this country. The companies

then do not care about things they find to be “*out there*”, that is to mean *not inside the factory*. The waste waters need to be removed from the “inside” of the factory, and thus is put “outside”, where the managers do not have any responsibility for it. Telenor, an international MNC, should however contribute to the development of Bangladesh. (De George, 1993) Their operations should produce more good than harm for the host country. If Telenor did know about the illegal dumping of waste waters, I argue, based on the previous discussion, that they have a relatively strong moral responsibility for the environmental damage.

#### **5.4 Yunus and Grameen Bank’s ethical responsibility**

Grameenphone is not only owned by Telenor. Grameen Bank led by the Nobel Peace Prize Winner Professor Muhammad Yunus also owns shares in this company. Although they are minority owners of Grameenphone, they should be included in the ethical discussion around the findings at Grameenphone’s suppliers. Yunus himself stated to Dagensit.no (15.05.08) that Grameen Bank do have some responsibility for the bad working conditions. However, he argues at the same time that as minority owners, with only 2 board members, they have been kept in the dark, and that their voice is not heard in the administration of Grameenphone.<sup>79</sup> Yunus also makes it clear that he and Grameen Bank are ashamed of cooperating with someone that can not provide safe and good working environments for their employees.<sup>80</sup>

A key factor in this analysis is the amount of *knowledge* each actor had about misbehaviours at Grameenphone’s suppliers. Aftenposten (20.05.08) emphasised that Yunus have a deeper local knowledge in Bangladesh than Telenor, and thus should feel some responsibility for the findings at Grameenphone’s suppliers.<sup>81</sup> The analysis based on the “*The Responsibility Chain*” in chapter 5.1, also implies that Grameen Bank and Yunus do have the local and factual knowledge, or the opportunity to obtain such knowledge, in order to be somewhat moral responsible in this case. Further they also have the freedom to pass on this knowledge to Telenor, and initiate work to change such conditions together with them. Already on the initial stages, when Grameenphone was established, one can argue that Grameen Bank and Yunus should have explained the work culture in Bangladesh to Telenor. This would perhaps lead to more focus on the right type of inspections within the frames of the Bangladeshi work

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<sup>79</sup> E24.no (18.02.09) available at: <http://e24.no/makro-og-politikk/article2638323.ece>

<sup>80</sup> Dagensit.no (18.02.09) available at: <http://www.dagensit.no/article1403390.ece>

<sup>81</sup> Aftenposten.no (20.02.09) available at: <http://www.aftenposten.no/meninger/debatt/article2434321.ece>

culture. That is if one assumes that Telenor truly want to make sure that their “Codes of Conduct” is implemented throughout their supply chain.

It is important to remember that there is very little available documentation on the communication between Grameen Bank, Yunus and Telenor in relation to Grameenphone in this case. It might be true that Telenor did not listen to the minority owners, and that Grameen Bank and Yunus did not have the freedom to initiate necessary measures and changes in order for the bad conditions to be avoided or improved. However, Trygve Hegnar criticises Yunus for trying to avoid ethical responsibility based on his number of shares in Grameenphone. When one is a Nobel Peace Prize winner, such an argument seems weak.<sup>82</sup> It is difficult to come with any conclusion on how much ethical responsibility Grameen Bank and Yunus have in this case, based on the limited information available. However, in my view Grameen Bank’s and Yunus’ ownership and local knowledge will be a mitigating factor of Telenor’s ethical responsibility.

### **5.5 Telenor’s “Codes of Conduct” and ethical decision making**

The bad working conditions, lack of safety measures, use of child labour and environmental destruction that were presented by the documentary “A Tower of Promises” (Heinemann, 2008) do imply that Telenor’s “Codes of Conduct” is not living up to its full potential. These “Codes of Conduct” are supposed to be Telenor’s ethical guidelines, and thus ensure the ethicalness throughout the company and in the company’s supply chain. So are these “Codes of Conduct” just words without a meaning? To answer this one can apply Ims’ (2006) idea that *personal responsibility is a process*. In order for the “Codes of Conduct” to give Telenor a sense of ethical responsibility, these ethical guidelines (which can be viewed as cognitive competencies) need to be processed together with the individuals’ feelings and personal experiences. That is to say that the “Codes of Conduct” will be ethical only on an individual, personal level. The traditionalists perceive that individual people are producing the corporate act. Thus one can argue that the organization’s ethicalness and ethical decision making is depending on these individuals.

“*The Responsibility Triangle*” (see figure 1) can be applied in order to further examine how Telenor can have *ethical* “Codes of Conduct” and make *ethical* decisions as a MNC. They

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<sup>82</sup> E24.no (18.02.09) available at: <http://e24.no/makro-og-politikk/article2638323.ece>

need to use their employees and the employees of companies in their supply chain. Let us first recall that Velasquez (2002) argued that when a corporate act is created as a result of individuals combining their actions knowingly and freely, the people involved are moral responsible for that act. The first step towards ethicalness is therefore that Telenor's employees hold moral standards and ethical values. Their characters will influence how they perceive their professional responsibility to the ethical guidelines. Further their characters will therefore also affect the company's ethical decision making. One might assume that perceived professional responsibility within Telenor is continuously changing with the interactions of several personalities. Professional responsibility will also be influenced by the common morality of the community in which the company operates. A community is, like the corporation, made up of individual human beings. The common morality will therefore also be influenced by the character and perceived personal responsibility of those individuals. The ethicalness of Telenor is thus based on characters, perceived personal responsibility, the professional norm and common morality within the environment in which the company exists.

Since personal responsibility is described by Ims (2009) as "*the ground wall within all kinds of role-mediated behaviour*", we will now look to "*The 3 R Model*" (Zsolnai, 1997). The employees of Telenor need to have reverence for the "Codes of Conduct", rationality in goal achievement and respect for others, both inside and outside the company walls. They therefore have to make decisions based on several perspectives. Goodpaster (1983) emphasises the importance of respect. The employees of Telenor should be respectful for the lives of others. However, when bad safety and working conditions exists, it might be an indication that somewhere in the company there is a lack of respect for other people's lives. The spilling of waste waters into the fields of nearby farmers destroys their crops, their livelihood. In addition it gives contaminating drinking water, which put the future of the children in the local community at risk. Such destruction seems to me to tell a tale of disrespect, a kind of contempt for nature, the local community and the future generations that will not have fresh water to drink. Respect is one of the main factors in order for Telenor to move from being self-centred to becoming aware of the shared environment, and thus be able to make ethical decisions. (Goodpaster and Matthews 1982, 134) It is important to remember that the employees themselves to some extent can have freedom and knowledge about their personality, and perceived responsibility in the three areas discussed in "*The Responsibility Triangle*". However, they might not have the factual knowledge and freedom to combine their

actions, knowingly and freely, in order to make ethical decisions. The reason is that they are working within the rules, regulations, routines and norms of the company. (Velasquez, 2002)

The moral climate of Telenor is learned by all its members through their socialization. This climate will shape their perceived professional responsibility to abide by the codes. Therefore it is important for Telenor to create a climate where *code acceptance* dominates (see table 2). This is especially important since workers' freedom to act together is often limited by the daily working patterns within the corporation. If the moral climate is dominated by code acceptance, then it is reasonable that this will create a better environment for ethical decision making. However, the moral climate does not only shape the people, people shape the climate as well. (Brinkmann and Ims, 2003) It is therefore important that the employees are encouraged to develop moral personal traits, personally accept Telenor's "Codes of Conduct", and focus on ethical decision making. This will in turn increase the likeliness of developing a moral climate dominated by code acceptance.

Enskilda analyst Ole Petter Kjerkreit states that: "*- Telenor has thousands of suppliers within the supply chain in the world. Baksaa can not be held responsible for all their actions.*" (My translation.)<sup>83</sup> This might be true, but I feel that one can argue that he should be responsible for implementing the "Codes of Conduct" throughout the organization and its supply chain. Based on "*The Responsibility Triangle*", I would argue that he should do this by initiate attitudinal change of perceived personal responsibility and professional responsibility within Telenor, and through this contribute to a healthy common morality where the MNC operates. In this respect he would have "Codes of Conduct" that were made ethical by the employees, and thus have workers that contributed to ethical decision making for Telenor as a whole. However it is important to remember that codes are dynamic, and thus will change due to changes in the employees' personalities or the external context. Telenor's "Codes of Conduct" should therefore not be viewed as something static, but rather as an evolving ethical guideline that changes with the organization and the business context, in order to ensure an ethical organization.

In addition to focus on the personal effect on ethical decision making, Telenor should perhaps apply Zsolnai's (2006) procedural model for an ethical decision making. Then they would

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<sup>83</sup> Dagensit.no (20.02.09) available at: <http://www.dagensit.no/bransje/article1408110.ece>

need to frame the decision situation by identifying the appropriate ethical norms for a MNC operating in Bangladesh, figure out the affected parties of their decisions, conceptualize what they want to accomplish, and find alternatives in order to reach those goals. Based on this information, they should evaluate each alternative carefully, and then choose the best way to conduct ethical business. This procedure might be viewed as long and unnecessary, but I think that it would give Telenor the evaluation, reflection and background information needed to make the most ethical decisions in a country which is very different from Norway. Zsolnai (2006) also argues that by making the decisions this way, Telenor can avoid making self-centred choices, which often do not consider any other stakeholders' view but their own.

De George (1993) emphasises that there will be special challenges for companies like Telenor when operating in developing countries. These are challenges that will not occur in developed countries, like Norway, where there are public institutions that will help ensure that the operations of the company are legal and to some degree ethical. However, when Telenor states in their "Codes of Conduct" that selected suppliers shall follow Telenor's established guidelines and routines at all times<sup>84</sup>, they have made an official commitment. With this commitment, there should follow responsibility. This implies that Telenor do have moral responsibility for the findings at Grameenphone's suppliers.

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<sup>84</sup> Telenor.no (05.03.09) available at: <http://www.telenor.com/en/about-us/corporate-governance/codes-of-conduct/>

## 6.0 Main conclusions

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“How far does the ethical responsibility of Telenor in Bangladesh really extend?” This is the question which triggered the analysis in chapter 5.0. Based on this analysis the question will not have the same answer in every situation. The reason for this is basically that Telenor’s *knowledge and freedom* varies in different situations. In my opinion these two factors decide how much ethical responsibility Telenor has in each particular situation. This in turn implies that the *knowledge and freedom* of MNCs operating in developing countries will make a huge impact on how far their ethical responsibility really extend.

### 6.1 Telenor’s ethical responsibility

The information available in this case is limited, and although a personal meeting with Telenor certainly would cast a light on some of the situations, such a meeting was unfortunately declined. Therefore the discussion has indicated more than once that it is hard to know exactly how much freedom and knowledge Telenor had according to the bad working conditions, lack of safety measures, use of child labour and environmental destruction. Nevertheless it is reasonable to argue that Telenor’s ethical responsibility is enhanced by the fact that they themselves take this responsibility indirectly in their “Codes of Conduct”.

The analysis made implies that Telenor do have a rather strong ethical responsibility for the bad working conditions, lack of safety measures and environmental destruction found at Grameenphone’s suppliers’ factories. They seem to have had enough knowledge and freedom to help prevent or improve these conditions, and thus perhaps could have avoided some of the fatale accidents. It has been argued that Grameen Bank’s and Yunus’ knowledge of the Bangladeshi working culture, and their ownership in Grameenphone, could work as a mitigating factor of Telenor’s responsibility. However, I argue that this mitigating factor is weak. Alone, Telenor should have done everything they promise in their “Codes of Conduct”. It seems to me that they had plenty of opportunity to obtain the information necessary, and enough resources to implement an ethical supply chain. As majority owners they would also have the freedom to conduct thorough internal investigations. This would ensure that their ethical guidelines were followed. In my opinion Telenor’s ethical responsibility in Bangladesh does extend to cover what is happening at Grameenphone’s suppliers.

However, this does not mean that I deprive Grameen Bank, led by Yunus, for all moral responsibility. It seems reasonable to assume that they knew the economic, social and cultural status of Bangladesh, based on their previous local business experience. I therefore argue that they too are morally responsible for the bad working conditions, lack of safety measures and environmental destruction found at Grameenphone's suppliers' factories. Their claim that they could not act, or influence Telenor, being a minority owner, does not seem convincing to me. As any owner, they should be concerned with the company's ethicalness, and should feel an obligation to freely help ensure an ethical supply chain. Therefore, in my opinion, the ethical responsibility should be equally distributed between all Grameenphone's owners.

When it comes to the use of child labour the situation is harder to analyse, because it is not clear if Gazi Engineering is a supplier to Grameenphone, or a supplier to Grameenphone's supplier. If Gazi Engineering is a supplier directly to Grameenphone, my conclusion on Telenor's ethical responsibility is the same as with the lack of safety measures and bad working conditions. However, if Gazi Engineering is a supplier of one of Grameenphone's suppliers, then the ethical responsibility of Telenor is harder to establish. Even though one might argue that Telenor should take responsibility for their whole supply chain, their responsibility must end somewhere. Based on the knowledge and freedom Telenor would have in such a case, it seems to me that they are much more constrained. Further there are both economic and social reasons for drawing the line for Telenor's ethical responsibility at this point. If Telenor should be held responsible for the suppliers of their suppliers in their entire supply chain, why should they not be responsible for the suppliers' suppliers' suppliers and so on? In such a scenario they might find it too risky to enter any developing market in the first place. This will cause the developing country to lose opportunities for economic development, employment, tax, know-how and international attention. This will hurt the country economically, and perhaps delay its industrial development which might keep the general Bangladeshi population poorer for a longer time.

Further the country itself should have fair background institutions in place in order to secure the rights of children. If children have to work in order for their families to survive, there are clearly some deep societal problems in the country. It would be unreasonable to put the responsibility to solve these problems on the sole shoulders of Telenor, even though they will make profit from doing business in Bangladesh. However, De George (1993) states that:  
*“Multinationals should cooperate with the local government in developing and enforcing just*

*background institutions.*” This implies that although Telenor might not be responsible for the use of child labour at Gazi Engineering, they should feel a moral obligation to help prevent it from happening. By helping the Bangladeshi state in the process of developing a better welfare system, they would do just that. Such a system would aim at caring for poor families, so that their children’s rights to a childhood, schooling and a safe working environment (within the legal framework) would be preserved.

It is important to emphasise that I make the above conclusions based on the information available to me. This could be different had I known *the whole truth and nothing but the truth*. Nevertheless, based on my analysis, I will argue that if Telenor’s “Codes of Conduct” truly was ethical guidelines, such revelations as the ones in “A Tower of Promises” should not have been possible. However, it seems as if these ethical guidelines are not really ethical at all, unless employees in Telenor make them so. Since the journalist Tom Heinemann found what he did, it is clear that not all employees in the supply chain have given the “Codes of Conduct” this ethicalness yet. Further, it seems as though the ethicalness of these guidelines are tightly related to the ethical decision making within Telenor. I therefore underline the importance of implementing the “Codes of Conduct” in order to make ethical decisions. Top management at Telenor should thus be morally responsible for implementing them in the whole organization.

## **6.2 General implications for MNC operating in developing countries**

In order to address my first question for discussion: “*How far does the ethical responsibility of multinational corporations really extend?*” I will now try to make some general implications from my case study of Telenor in Bangladesh.

MNCs from industrialized countries often have opportunities to obtain knowledge on how to operate ethically. The key problem is *not to find out what is right, but rather doing what is right*. (De George, 1993) Although I do not think this is as easy as it sounds, I do support the view that MNCs have a lot of opportunities to obtain the knowledge needed to operate as ethically as they have *freedom* to operate. The question is then: *Are they willing to invest the attention and time needed?*

Chapter 6.1 implies that it really does not matter if a company, MNC or not, have outlined their own “Codes of Conduct”, if these ethical guidelines are not made ethical through the involvement of the company’s employees. Therefore it seems as the main responsibility for a MNC to ensure that its “Codes of Conduct” have become ethical. This will help ensure ethical decision making. To understand how to do this, I would recommend a study of Ims’ (2006) “*The Responsibility Triangle*”. In addition, I think that it would greatly help to examine Zsolnai’s (2006) *procedural model for ethical decision making* before even entering the developed market. Developing countries are often quite different from developed countries. Then, when first entered, the MNCs might want to check if their operations do follow De George’s (1993) seven guidelines. I would also recommend conducting a brief study in ethical theories. However, all the above, rather theoretical suggestions, should definitely be combined with studies of other MNCs’ experiences when doing business in developing countries. This might include a study of what other MNCs have done and the consequences of their actions. What is the blame and praise given to them?

In addition MNCs should get in touch with local companies in the developing country, in order to learn about the local work culture, norms, common morality, and laws, and how to best operate ethically within them. Non-for-profit organizations, operating in the area, should also be contacted. They will hopefully be able to give further advice about ethical decision making within the cultural frames. Perhaps they can also help guide the MNC on how to contribute to improve societal problems like poverty, which causes child labour to become a necessity. I strongly believe it is important that MNCs do invest time and energy in thorough investigations of this sort, because they do meet a lot of challenges when doing business in developing markets. Further, most of their operations and their consequences will be influenced by, and at the same time influence, the general social, cultural and economic condition of the developing country in question.

How MNCs conduct their ethical decision making, and how they prepare for business in developing markets is important. This will affect their *knowledge* and *freedom*, and thus how far their ethical responsibility really extend. It will also help them manage their ethical responsibility in the best possible way. They would then know more about their opportunities to act, and how to act as to initiate the change wanted.

## 7.0 Further research

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The documentary "A Tower of promises" by Tom Heinemann revealed that Grameenphone's phone pole suppliers also deliver to a company related to the Swedish telecom company Ericsson. However, Ericsson took another approach to the accusations and handled things differently. For example they terminated their contracts with three of the steel manufacturers, while Telenor only terminated their contract with one.<sup>85</sup> One should therefore compare the different actions taken by the two Scandinavian telecom companies, in order to examine the question of ethical responsibility deeper. A discussion on how Ericsson's involvement in Bangladesh affects the ethical responsibility of Telenor in this case, also seems valuable.

It has been mentioned that Telenor should not try to change the Bangladeshi culture to fit their own, but rather help the culture to become a culture of ethical thinking and decision making. In order to find out how to initiate such a development, one should perhaps apply Ims' (2006) "*The Responsibility Triangle*" within the frames of the Bangladeshi culture. This would help to grasp an understanding of the Bangladeshi culture's responsibility perception on a personal, professional and community basis, and how these interact. Then one might find what part of the perceived responsibility is cultural based, purely professional based and individual based. Having such an understanding might give an indication on how to get increased focus on ethical responsibility, by knowing which of the areas is the most influential. That is the professional area, the community area or the individual area. This would be of great help to Telenor when they now are trying to improve the conditions in Bangladesh. However, such a research would also have a general value for all MNCs that try to operate ethically in developing countries. If they have a better understanding of how the perceived responsibility is influenced, then they know where to initiate increased awareness of ethical responsibility.

I have made several references to the seven guidelines presented by De George (1993) for MNCs. I feel that they should be further examined in this case, in order to make a proposition on how Telenor should have acted when first entering Bangladesh. The analysis could then be taken to a more general level, by suggesting a planning strategy for MNCs *before* entering into developing countries. If they are well prepared before entering, they might be able to prevent grave unethical conditions to develop in their supply chains. However, when it comes to social problems, like child labour, the seven guidelines and Telenor's experience is not

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<sup>85</sup> Dagensit.no (16.02.09) available at: <http://www.dagensit.no/article1401857.ece>

enough. More research is needed on how to tackle the problem of child labour, and the lack of welfare systems and public institutions that are contributing to such problems. This kind of research should be undertaken in cooperation with non-for-profit organizations like Save the Children.

I argue that the further research suggested in this chapter, will give important contributions to the discussion of ethical responsibility for MNCs operating in developing countries. They will thus help set an ethical norm for globalization.

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## Appendix

### **Ethics of care and ethics of rights**

Carol Gilligan describes in her book, “In a Different Voice: Psychological Theory and Women’s Development” (Gilligan, 1982), the morality of women as *an ethics of care*. She defines the ethics of care as following: “*the wish not to hurt others and the hope that in morality lays a way of solving conflicts so that no one will be hurt.*” She further argues that women think of hurting others as “*selfish and immoral in its reflection of unconcern, while the expression of care is seen as fulfilment of moral responsibility*” (Gilligan 1982, 65 and 73) While women are related to an ethics of care, men’s morality is *an ethics of rights*. Gilligan (1982) defines the ethics of rights as justifying separation, while an ethics of care value attachment. She further gives the following comparison between morality of rights and ethic of responsibility: “*The morality of rights is predicated on equality and centred on the understanding of fairness, while the ethic of responsibility relies on the concept of equity, the recognition of differences in need. While the ethic of rights is a manifestation of equal respect, balancing the claims of other and the self, the ethic of responsibility rests on an understanding that gives rise to compassion and care.*” (Gilligan 1982, 165) The ethics of care and the ethics of rights can be combined in a *mature morality*.

### **Code functions**

*Code functions* can be a source of legitimacy, through their *social functions*. (Brinkmann and Ims, 2003) This can be examined by applying *latent functions, dysfunctions and functional equivalents*. (Merton 1968, Gans 1972) Functions, dysfunctions, manifest functions and latent functions can be defined as follows: “*Functions are those observed consequences which make for the adaptation or adjustment of a given system; and dysfunctions, those observed consequences which lessen the adaptation or adjustment of the system. Manifest functions are those objective consequences contributing to the adjustment or adaptation of the system which are intended and recognized by the participants of the system; Latent functions, correlatively, being those which are neither intended nor recognized.*” (Merton, 1968:105) Brinkmann and Ims (2003) present Frankel’s distinction between educational, regulatory and aspirational codes together with code functions, showed in table I.

**Table I**

“Six main functions of ethical codes”, (Brinkmann and Ims, 2003).

	<b>intended &amp; positive</b>	<b>latent &amp; negative</b>
educational	increase individual moral awareness & behaviour	assume & reinforce pre-/conventionalism, cynicism, outer-directedness
regulatory	recognize moral conflicts and help with resolving them	hinder necessary/possible learning of conflict handling by dialogue
aspirational	communicate ideals for individuals and collective conscience (moral climate)	window dressing, covering up/concealing a disputable practice

Further Brinkmann and Ims (2003) looked closer at conditions that might determine if codes have positive or negative functions, or a mix of both. Different such conditions, and their effect on codes' functions, are presented in table II. Hofstede (1994) pointed out that this might be depending on culture. He argues that cultures with high power-distance, strong uncertainty avoidance and less masculine cultures will accept codes easier than other cultures. Thus the more of these characteristics a culture inherent, the more the culture accept codes. In addition, the popularity of the code and other situational factors might also indicate how well codes function.

**Table II**

“Conditions that determine *if* and *to what degree* codes’ functions are positive, negative or a mix of both”, (Brinkmann and Ims, 2003).

<b>Conditions which further positive code effects, i.e. code functions</b>	<b>Types of mediating conditions (understandable as sequence of stages)</b>	<b>Conditions which further negative code effects, i.e. code dysfunctions</b>
openness and honesty idealistic, inner-directed participatory, bottom-up simple and abstract elements stimulation of dialogue	organization climate code intentions & objectives code creation & procedure code content code implementation, use & administration	pessimism, cynicism defensive, reactive, outer-directed administrative, top-down sophisticated, detailed elements individual lip-service adjustment, blocking of dialogue and problem sharing

## Fatale accidents reported by Telenor in relation to Grameenphone

**Table III**

**Fatale accidents in relation to Grameenphone in Dhaka, Bangladesh.**

**Period: May 2007 – May 2008**

Date	Place	Death	Cause of Death
11.05.2007	One of Grameenphone's installations.	An employee at Grameenphone's supplier Concrete Steel Technologies Ltd.	Fell of a roof.
06.07.2007	Confidence Steel factory.	An employee at Grameenphone's supplier Confidence Steel.	Fell into a tub containing hot fluid.
11.10.2007	Construction area.	A young girl.	Got in touch with an electrical cable when passing the construction site.
21.11.2007	Grameenphone	An employee at Hitachi Refrigeration and Engineering Works.	Heart attack.
25.02.2008	Grameenphone	An employee at Grameenphone's supplier Rocky International.	Fell down from a scaffolding during renovation work.
24.03.2008		Two employees at Grameenphone's supplier OOH Add Firm.	Got in touch with power cable when installing a commercial board for Grameenphone.
03.05.2008		An employee at Grameenphone's supplier Mak Consortium.	Fell down from one of Grameenphone's antenna towers.
27.05.2008	Grameenphone	An employee at Grameenphone's supplier Brothers Construction Company.	Bit by a snake, while working.

**Source: Telenor.no, (01.04.09)**

Ø In addition two people have died in traffic accidents where cars owned by Grameenphone have been involved. These accidents happened on June 20<sup>th</sup> 2007 and April 25<sup>th</sup> 2008. None of the people that died worked for Grameenphone or any of their suppliers.