

Notes on ethics and international human resource management

[Literature](#), [Russian Literature](#)



IHRM Session 18 Ethics & IHRM Ethics Ethics may be defined as an individual's or society's beliefs regarding what is right and wrong, or good and bad. Ethics is about how our decisions affect other people. It is also about the rights and duties of people, the moral rules that people apply in decision making and the nature of relationships in a society. Managerial Ethics Managerial Ethics refer to the standards of behavior of individual managers in their work. Four Levels of Ethical Questions in Business

Societal - At the societal level, we ask questions about basic institutions, practices and behaviors in a society. For example, is racial discrimination right? Is capitalism the just system to allocate resources in a society? Stakeholder - At the level of the stakeholders of a business, such as customers, shareholders, suppliers, etc. , the ethical issues concern, disclosing correct information to customers, insider trading, relationship and trust with suppliers, etc. Internal Policy - Ethical issues relating to internal policy concern nature of employment policies, fairness of job contracts, work rules, motivation, layoffs, etc. Personal - At the personal level ethics refers to individual behavior in an organization and covers issues of honesty, professional integrity, etc. Tools of Ethics Values - are beliefs that are Relatively few in numbers Serve as a guide for culturally appropriate behavior Enduring or difficult to change Not tied to specific objects or situations Widely accepted by members of a society Values are the answers to the " why" questions. Rights - Claims that entitle a person to take a particular action

Duties - obligations to take specific steps or obey the law Moral rules - Rules for behavior that often become internalized as moral values Relationships - People are related directly or indirectly in a society, which makes ethical behavior necessary Common Morality Common morality refers to the body of moral rules governing ordinary ethical problems. Some basic principles of common morality Promise keeping Non-malevolence Mutual Aid Respect for Persons Respect for Property Approaches to Ethics In the international context, there are three approaches to Ethics

Ethical Relativism - The belief that there are no universal or international rights and wrongs. So, an MNC may adopt the practices that are accepted as right in each country, regardless of whether such practices are accepted as right in the home country Ethical Absolutism - The belief that an MNC should only follow what is accepted as ethical in its home country, regardless of which country it operates in. Ethical Universalism - The belief that there are certain fundamental principles of right and wrong that are universal in nature and accepted by every culture.

MNCs while operating in different countries must adhere to these universally accepted principles of right and wrong. Ethics & IHRM The existence of universal principles of right and wrong is to an extent proved by the adoption by many countries of the world of certain universal codes of conduct. For examples: The UN Declaration of Human Rights Guidelines for MNEs adopted by OECD countries Caux Round Table Principles of Business The Caux Principles The Caux Round Table believes that the world business community should play an important role in improving economic and social conditions.

As a statement of aspirations, this document aims to express a world standard against which business behavior can be measured. We seek to begin a process that identifies shared values, reconciles differing values, and thereby develops a shared perspective on business behavior acceptable to and honored by all. The Caux Principles are based on two basic ethical ideals: The Japanese Principle of Kyosei - which means living and working together for a common good Human Dignity - Respecting the sacredness and value of each person as an end in itself. The Caux Principles

Principle 1. The Responsibilities Of Businesses: Beyond Shareholders toward Stakeholders The value of a business to society is the wealth and employment it creates and the marketable products and services it provides to consumers at a reasonable price commensurate with quality. To create such value, a business must maintain its own economic health and viability, but survival is not a sufficient goal. Businesses have a role to play in improving the lives of all their customers, employees, and shareholders by sharing with them the wealth they have created.

Suppliers and competitors as well should expect businesses to honor their obligations in a spirit of honesty and fairness. As responsible citizens of the local, national, regional and global communities in which they operate, businesses share a part in shaping the future of those communities. Principle 2. The Economic and Social Impact of Business: Toward Innovation, Justice and World Community Businesses established in foreign countries to develop, produce or sell should also contribute to the social advancement of

those countries by creating productive employment and helping to raise the purchasing power of their citizens.

Businesses also should contribute to human rights, education, welfare, and vitalization of the countries in which they operate. Businesses should contribute to economic and social development not only in the countries in which they operate, but also in the world community at large, through effective and prudent use of resources, free and fair competition, and emphasis upon innovation in technology, production methods, marketing and communications. Principle 3. Business Behavior: Beyond the Letter of Law
Toward a Spirit of Trust

While accepting the legitimacy of trade secrets, businesses should recognize that sincerity, candor, truthfulness, the keeping of promises, and transparency contribute not only to their own credibility and stability but also to the smoothness and efficiency of business transactions, particularly on the international level. Principle 4. Respect for Rules To avoid trade frictions and to promote freer trade, equal conditions for competition, and fair and equitable treatment for all participants, businesses should respect international and domestic rules.

In addition, they should recognize that some behavior, although legal, may still have adverse consequences. Principle 5. Support for Multilateral Trade
Businesses should support the multilateral trade systems of the GATT/World Trade Organization and similar international agreements. They should cooperate in efforts to promote the progressive and judicious liberalization of

trade and to relax those domestic measures that unreasonably hinder global commerce, while giving due respect to national policy objectives. Principle 6.

Respect for the Environment A business should protect and, where possible, improve the environment, promote sustainable development, and prevent the wasteful use of natural resources. Principle 7. Avoidance of Illicit

Operations A business should not participate in or condone bribery, moneylaundering, or other corrupt practices: indeed, it should seek cooperation with others to eliminate them. It should not trade in arms or other materials used for terrorist activities, drug traffic or other organized crime. Laws Against Bribery

The USA has passed the Foreign Corrupt Practices Act, which prohibits any US company from paying bribes in foreign countries The UN Declaration Against Corruption and Bribery in international transactions makes it mandatory for the signatories to this declaration to pass laws prohibiting bribery UN Global Compact Principles PRINCIPLE ONE Businesses should support and respect the protection of internationally proclaimed human rights PRINCIPLE TWO Businesses should make sure they are not complicit in human rights abuses

PRINCIPLE THREE Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining PRINCIPLE FOUR Businesses should uphold the elimination of all forms of forced and compulsory labour PRINCIPLE FIVE Businesses should uphold the effective abolition of child labour PRINCIPLE SIX Businesses should uphold the

elimination of discrimination in respect of employment and occupation.

PRINCIPLE SEVEN Businesses should support a precautionary approach to environmental challenges

PRINCIPLE EIGHT Businesses should undertake initiatives to promote greater environmental responsibility
PRINCIPLE NINE Businesses should encourage the development and diffusion of environmentally friendly technologies. Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery. HR function & Ethics Studies show that HR department is involved to a great extent in drafting and implementing ethical initiatives within organizations

With expertise in organizational culture, behavioral studies, change management and people related initiatives, HR is in a position to play a key role in initiating ethical conduct within organizations though everyone should be responsible for ethical conduct and behavior Ethics & MNCs For MNCs operating in widely different cultural, racial and social environments, having a self-regulatory code of ethics is even more important. The HR departments do play a key role in monitoring the ethical conduct of its PCNs, TCNs and HCNs