Ethics and international management assignment

Art & Culture

Abstract To keep up with the ever-changing and fast-paced competitive market, firms undertake international ventures in order to increase competitive advantage. Thus, multinational managers are used to carry out the company's business objectives overseas. Therefore, a multinational manager will have different tasks and handle different situations that a local manager would not have to tackle. For multinational managers, the main factors that determine their management objectives and procedures are culture and social institutions. Culture is important as every country has a distinctly different beliefs, values and attitudes.

Social Institutions play an equally important role in influencing behaviour as it performs the role of moderator in the business environment. Ethical behaviour, thus, has become an integral issue in international management today. As seen in the behaviour of Nike in Southeast Asia, they came under negative criticism by several international regulatory bodies for being oppurtunistic. Thus, ethical behaviour is an important issue, which is greatly influenced by culture and social institutions, which multinational managers consider always at present times. Introduction

In today's ever-changing and fast-paced business environment, companies have started focusing their organizational efforts and resources overseas in order to gain competitive advantage over rival firms. These firms are aptly called Multinational Corporations or MNCs. Examples of which are MNCs such as Dell Computer, IBM and BP Amoco PLC to name but a few (Hodgetts and Luthans, 2003). To illustrate the tremendous growth of MNCs, a recent study showed that of the 100 " largest economies" in the world, 53 are MNCs, whilst remaining 47 are nation states (Carroll, 2004).

As the focus of the company shifts to the global environment, managers would have to play a vital and immensely important role in the facilitation of its core values and business objectives overseas (Kedia and Mukherji, 1999). However, it must be stated that multinational managers face a much complex scenario than that of domestic managers. First of, Bates (1973) states that multinational managers have to take into consideration the wide range of political, economic, social and technological factors that influences the host country’s business environment.

Furthermore, the complex scenario of the manager is further magnified by the difficulty of forecasting future developments of the various influential factors and the distance of the operations from the host country to the main headquarters which may entail discrepancies in the decision making process (Bates, 1973). As more companies join the foray of doing business abroad, the issue of ethics is constantly brought up. Behaving ethically is an important characteristic that MNCs are now adopting and implementing due to the increased awareness of the society worldwide (Carroll, 2004).

The aim of this essay is to discuss the role of multinational managers and to analyse the implications of social institutions and local culture towards the social and ethical behaviour of MNCs. Main Analysis Factors that influence ethical behaviour A) Impacts of Culture First of, culture is defined as “ the collection of values, beliefs, behaviours customs, and attitude that distinguish one society from another” (Griffin and Putsay, 2005). Due to the existence of different cultures, multinational managers must be aware of the individual behaviour of the host country.

The differences of the general behaviour between the host country employees and the multinational managers results from societal and socio-cultural variables of culture religion and language (Deresky, 2006). Deresky (2006) further adds that the differences in the economic, legal and political factors that comprise the national variable of the host country which are different. With this, an individual's cultural values and attitudes are differ from one each other. In analysing culture, Dutch expert Geert Hofstede proposed that there are four dimensions of culture which dictate the behaviour of people in different countries.

These dimensions are power distance, uncertainty avoidance, individualism and masculinity (Hofstede, 2001). For instance, power distance characteristic is the extent to which power is distributed unequally, therefore, countries like South Korea and India observe strict obedience to superiors and would blindly obey orders as the country has a high power distance rating (Hodgetts and Luthans, 2003). Another important aspect of culture is values. Values is defined as the principles and standards accepted by the members of a society (Griffin and Putsay, 2005).

Thus, multinational managers may have difficulty understanding deep moral beliefs of the local people of the host country. Difference in culture and values often imply cases of conflicting ideologies especially in regards to ethical behaviour. Multinational managers face ethical conflicts when coordinating corporate activities overseas (Payne, 1998). Payne (1998) specifically illustrates that conflicts arise when the MNC's rules and policies may be inappropriate if the policies override the morally justified local values.

Furthermore, Baliga and Jaegar (1984) believe that when cultural conflicts and differences become large then there will be uncertainties in decision making and a significant negative effect on the performance of a business. An example from Payne's article (1998) illustrates that a middle sized company from India was recently purchased by a large MNC. The company long adopted a culturally accepted Indian practice that at least one child of an employee is guaranteed a place in the workforce future.

This practice illustrates deep moral concern for the employees' families, however, due to the buyout; the local managers are now forced to carry out anti-nepotism policies against hiring individuals solely on family relations and connections. Both the new policies are based on fairness and equality whilst traditional Indian practice is linked to strong Indian family values. Thus both are easily justifiable for both sides and the manager would have to decide what side he would take in this scenario. This example illustrates the complexity of Ethics in relation to a manager's view point. A.) Managerial Implications of Culture Cultural differences affect the organizational process. Thus, multinational managers must understand and adjust to unfamiliar social and commercial practices (Deresky, 2006). For example, an American manager doing business with a Japanese client will have to observe and adapt to the ambiguous and vague expressions of his Japanese counterpart, this is because being expressive is considered rude and brash (Hodgetts and Luthans, 2003). As seen in the previous example, proper adaptation requires an understanding of cultural diversity in Japanese business sector.

Thereafter, managers would learn to be culture sensitive. However, differences in culture and the inability of managers to not cope with the situation would warrant certain negative outcomes and implications. Ethnocentrism, describes the attitude of individuals wherein they assume that their way of doing things is always the best, may occur (Deresky, 2006). Additionally, the multinational manager may expect local employees to automatically follow the behaviour of that set by the international employer. This practice is called Parochialism (Deresky, 2006). B) Social Institutions

Social Institutions as described by Ingram and Clay (2000) are structures that are present in society that organize interaction between individuals and parties. The social institutions include economic, religious, political, and legal systems (Turner, 1997 cited in Parbooteeah and Cullen, 2003). Ingram and Clay (2000) further suggest that these institutions each provide certain constraint factors that have social implications for international firms. For instance, these provide enforcement (e. g. legislation and government), socialization (educational systems), and incentives (economy).

Social Institutions work both ways, they can encourage and reward positive aspects of an MNC hiring legally aged workers in developing countries, as well as provide sanctions for firms violating trade legislations of the host country (Schwartz, 1999). In the manager’s perspective, local government legislation proves to be a major influence in the behaviour of MNCs especially in an ethical context. For instance, the creation of labour unions which aims to reduce the overall power of the employers, thus, creating a regulatory framework that protects employees from oppurtunistic behaviour of employers (Parbooteeah and Cullen, 2003).

Additionally, Vedder and Gallaway (1982) state that these labour unions strive to secure benefits which provide security to employees. Therefore, a multinational manager would need to take into consider existing government legislation and in this case, this would affect his hiring duties and his behaviour towards local employees and other local members of the firm. Another important element under social institutions is the social stratification system. This refers to the unequal distribution of social benefits through time (Parbooteeah and Cullen, 2003).

Under the social stratification system, social inequality is present in most, if not in all societies. Parbooteeah and Cullen (2003) state that a culture of inequality often produces " taken for granted" attitudes and values which is often reflected throughout society and in the workplace. Therefore, if these attitudes and values are present within the society, only a few high positioned and influential individuals would have the opportunity to gain reputable and generally high income occupations.

Furthermore, Kohn (1990) (stated in Parbooteeah and Cullen, 2003) mentions that participation in these " enriched" jobs create intellectual flexibility and more self-direction. However, inequality in the social strata entails numerous disadvantages. Firstly, neglected employees would seek satisfaction outside as they have fewer advancement opportunities (Kanter 1977, cited in Parbooteeah and Cullen 2003). Secondly, Kanter (1977) states that a high level of inequality would can result in a demoralized workforce suspicious of their employers. This would lead to alienation and an unmotivated attitude.

B. 1.) Managerial Implications of Social Institutions Firstly, it is highly important that an international manager observe and identify which specific structures dominate the social makeup of the host country. Thus if the workplace is not decentralized and inequality is apparent, managers would have to play the role of a motivator and to promote equality through hosting meetings and feedback sessions. Secondly, managers must take into consideration the needs of the company's local employees. These needs would differ within different countries.

Therefore, labor unions are one of the most effective ways for which home country managers may monitor the general welfare of its' workers. Case Discussion Nike's ethical controversy During the late 90's to the early year of the new millennium, the company has drawn heat from human rights activists for its poor work environment and conditions in the less developed countries, particularly in Asia (Kahle, Boush and Phelps, 2000). Human rights activists continued to put pressure on the company, which led to a tarnished brand reputation and consequently a fall in financial performance (Zadek, 2004).

According to Zadek (2004), the main issue was they provided performance incentives and pressure suppliers to reach a target quota in production. Therefore, it unconsciously urged suppliers to " cut corners" and violate several production methods and ethical protocols. After Nike identified the various errors, it then reengineered its core responsibilities and offered lean manufacturing reduced number of workers and more stable supply chains which have approval by law governing bodies (Zadek, 2004). In the case above, Nike wasn't able to control and monitor its international operations.

This reiterates the complexity of managing across borders. Secondly, overseas operations of MNC’s, especially in developing countries over Asia, often engage in business according to the moral and ethical standards of these respective countries (Deresky, 2006). This practice is called ethical relativism. It must be stated however that due to increasing trade between countries and the continuous upsurge of the globalization trend it is imminent that the whole world is becoming “ smaller” due to advancements of technology and internalization (Griffin and Putsay, 2005).

Thus, unethical behavior in the future is seen to lessen over time. A firm behaving ethically can have positive implications for firms. These firms would be able to generate a positive brand image amongst consumers and thus leading to an improvement in the firm’s financial performance. The most well-known example is the successful campaign of Anita Roddick’s The Body Shop during the 80’s. The firm adopted eco-friendly measures and socially caring image, led the way for firms to adopt ethical and social components in its core corporate responsibilities (Calcraft, 2004).

Conclusion In summation, multinational managers play a much more complex role than local managers in their respective business environments. The complexity of the occupation is primarily based on the environmental factors of the host country. Culture and social institutions, both can prove advantageous and disadvantageous for MNCs. These are two vital components that any firm both local and international must recognize, understand and respect. On a manager’s perspective, ethical behaviour results in a mismatch between the organizations goals and individuals personal values.

Behaving ethically thus entail certain implications. As seen in the case of Nike in the late 90’s, misbehaving ethically can cause negative public perception which may then have harmful implications on any firm’s performance. Thus, the MNC and more specifically, the multinational manager must take into consideration the importance of managing ethical behaviour in overseas. Recommendation It is recommended that MNCs integrate ethical and social components in their core corporate responsibilities.

With this, the different staffing levels would become attuned to the firm’s new responsibilities, this would then entail a generally more conscious and considerate behaviour towards the environment. MNCs should hold seminars and workshops for new multinational managers in order to instil the capacity to deal with cultural issues and possible conflict of ideas in the targeted host country. Multinational managers must also be aware of the culture and values of the locals. Furthermore, he or she must be able to generate a friendly and diversified environment tailored with