

# Ethical issues in global business assignment

[Business](#)



Ethical Issues in Global Business Navigating the boundaries between right and wrong can prove tricky for companies that operate in several nations and across cultures. Ethics is essential to economic development. The field of ethics, also called moral philosophy, involves systematizing, defending, and recommending concepts of right and wrong behavior. Business ethics is the study and evaluation of decision making by businesses according to moral concepts and judgments.

Ethical questions range from practical, narrowly defined issues, such as a company's obligation to be honest with its customers, to broader social and helicopter questions, such as a company's responsibility to preserve the environment and protect employee rights. Many ethical conflicts develop from conflicts between the differing interests of company owners and their workers, customers, and surrounding community. Enron Corporation's fishy accounting practices, the siphoning of profits at Delphic Communications Corp. allegations of tax fraud and lavish personal spending of company money at Taco International and World Inc. S bid to hide billions of dollars worth of expenses are just a few examples of unethical activities. Scandals and bankruptcies in the Lignite States at companies like Enron and World Inc. Have focused attention on the abuse of the power entrusted to executives by shareholders, employees and customers and they underscore the need for reforms to bolster business ethics. The free enterprise system is based on transparency and integrity. Transparency is being open to public scrutiny, even for a private company.

Integrity is about keeping promises, telling the truth and acting fairly and responsibly. Enron is the Story Of the largest bankruptcy in U. S. History that  
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has cost hosannas of employees their jobs and their retirement. Enron, through a variety of accounting tricks relating to partnerships, inflated their profits and lowered their debt. They misled their employees, investors and the general public about the company's financial condition. Once those off-the-book partnerships were exposed, the bottom dropped out, with Enron's stock plummeting from almost \$80 to less than \$1 a share.

Enron executives reaped millions through these partnerships and by selling off stock before the demise, while Enron employees lost much of their retirement and investors lost millions.[email protected]Rig Arthur Anderson a firm that once stood for trust and accountability ended 90 years as an auditor of publicly traded companies under a cloud of scandal and shame. Its felony conviction for obstructing a federal investigation into Enron Corp.. , its now notorious client, cost Andersen the heart of its practice. It will continue with a tiny fraction of the 85, 000 employees it spread across the globe just months ago.

In the sass, the firm embarked on a path that valued hefty fees ahead of bluntly honest bookkeeping, eroding Andersen's good name. Andersen shunted aside accountants who failed to adapt to the firm's new direction. In their place, Andersen promoted a slicker breed who could turn modestly profitable auditing assignments into consulting gold mines. In the years before World Inc. Announced the \$3. 9 billion in improper accounting that led to its bankruptcy this summer, the telecommunications giant was plagued by loose business practices, inadequate financial disclosure, and widespread internal chicanery and corruption.

Salespeople and managers boosted their commissions by manipulating the company's billing systems. Orders for services or equipment were booked even if they were not provided, so that departments could meet revenue targets. Outside contractors billed for hours they could not have worked, and some equipment was purchased without anyone checking to see whether it was already in inventory. The documents also show that a small group of World executives, knowing that their business was eroding rapidly, discussed various accounting maneuvers that would help prop up the company's bottom line.

A majority of top corporate ethics officers predict at least a half dozen more major business ethics scandals will be revealed during the next 12 months, and some of these executives expect more than 20 such cases, The Conference Board reported in a recent survey. A majority of these corporate ethics officers say that even ethics training wouldn't have prevented the collapse of Enron. About 54% of those surveyed say that even if Enron's senior management had received extensive ethics training, it would have made little or no difference in preventing what happened.

Surveyed ethics officers blame Enron management for the company's ethical lapses and collapse, with Arthur Andersen named as a close second. Cited next is Enron's outside law firm, investment analysts and government regulators. These findings show that an absence of ethical leadership and a culture of anything goes as long as it makes a buck will prevail over even the best training, code of conduct or hotlist," said Steve Priest of Ethical Leadership Group, who conducted the survey. " This emphasizes the critical importance of building integrity into the essence of the corporation.

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Corruption is not inherent to any one society. Its reach is global. According to the United Nations World Development report in 1997, fifteen percent of all companies in industrialized nations have to pay bribes to win or retain business. In Asia, the figure is 40 percent and in the countries of the former Soviet Union, 60 percent of all companies must pay bribes to do business. The most recent winter Olympics was conducted under a haze of corruption. The controversy surrounding these games was of the highest magnitude.

Reports indicate that in an attempt to assure that Salt Lake City receive the winter games; the organizers paid the IOC (International Olympic Committee) members \$1 million to bring the spectacle for the American city. Organizers used bribery to influence the panel in the election process. They did this by roving the IOC with expensive gifts, money and scholarships for members children. As a result 10 IOC members were forced to resign or were expelled from active duty. However, bribery and scandal did not end with the voting committee of the IOC, it also trickled down to its sporting federations.

The skating controversy that involved Canadians David Paltrier and Jaime Sale overshadowed the achievements of many of amateur athletes. " Skate gate" is a prime example of the modern day Olympics; it displays the corruption of leading officials, and the economic glorification of winning. The spotlight was on a French judge by the name of Marie Rein El Snugness, she was the last link in a long chain of institutional corruption. The association between a El Gonne and the head of the French skating federation Tidier Shillelagh is one of great corruption.

The intent of Shillelagh was to swap votes with the Russians in an effort to assure the French skating team to obtain gold in the pairs dance competition. The idea of vote swapping is not new. The skating world has seen the amateur sport be ripped apart by dishonesty. In Angina, a Canadian judge taped an appeal made by a Ukrainian judge asking for his vote for a Ukrainian pairs skating team. In the following year at a 1999 world skating championships a television camera caught two judges making foot signals displaying the marks they were giving.

All federations are involved in vote swapping not only the Russians. Some judges are strong others are weak and just follow what their federation tells them. Eventually in an attempt to shield most of the controversy the IOC granted a duplicate gold medal to the Canadian pair. The trading house Marine Corp., located in Japan has paid 400 million yen in penalty taxes for concealing about 1 billion yen in income over a three-year period, sources said. Of the hidden funds, hundreds of millions of yen went in kickbacks to Nigeria.

Kickbacks were paid after Marine won a contract to sell printing machines to Nigeria. The money came from funds concealed in the three years to March 2001. Corruption is so rife in Nigeria that the government has made an international pledge to crack down on the practice. (Assai Shimming 10 Sep 2002) " Argentina's economic meltdown and a spate of U. S. Accounting scandals are warning signs of the global impact of corruption and lapsing business ethics," Transparency International said in its annual survey.

Transparency International is a non-governmental organization dedicated to increasing government accountability and battling corruption. Its funding comes from Western governments, philanthropic foundations and corporations. A 102-nation survey by the private group, which has monitored corruption among politicians and business since 1993, reported only pinpricks of progress against a scourge it blames for trapping many nations in poverty and worsening the plunder of resources. One must realize that corruption remains appalling" said the group's chairman, former World Bank official Peter Gene. Russia and some countries in Eastern Europe are making strides in combating kickbacks, bribes and similar practices, the report said. But it said corruption is perceived to have soared in Argentina during its slide into near economic collapse, part of a broader threat to democracy in Latin America. " In the past year, we have seen setbacks to the credibility of democratic rule," Gene said. In parts of South America, the graft and misrule of political elites have drained confidence in the democratic structures that emerged after the end of military rule. " The group harshly criticized former Argentine presidents Carlos Men and Fernando De la Aura for apparently allowing the state to be " captured by a network of leaders who misuses it in the service of their business and political interests. " eating the surveys list of least corrupt nations were Finland, Denmark, New Zealand, Iceland and Singapore unchanged from last year.

The United States was 16th, Germany was 18th and France 25th. Despite efforts by President Vladimir Putin to introduce tax reforms and fight money laundering, Russia " has a long way to go" and tied for 71st with five

other countries, the survey said. Slovenia, the Westernmost republic Of the Old Yugoslav federation, was pop-ranked among former communist economies in line to join the European Union. It ranked 27th ahead of EX. members Italy and Greece. Hong Kong, South Korea and Dominican Republic also made progress in combating corruption, the survey said.

Corruption was seen as especially rampant in Indonesia, Kenya, Angola, Madagascar, Paraguay, Nigeria and Bangladesh. In many countries, applicants for drivers' licenses, building permits and other routine documents have learned to expect a " surcharge" from civil servants. At a higher level, larger sums are paid for public contracts, marketing rights or o sidestep inspections and red tape. However, the consequences of corruption are more pervasive and profound than these bribes suggest.

Corruption causes reduced investment or even disinvestment, with many long-term effects, including social popularization, lack of respect for human rights, undemocratic practices and diversion of funds intended for development and essential services. The diversion of scarce resources by corrupt parties affects a government's ability to provide basic services to its citizens and to encourage sustainable economic, social and political development. Moreover, it can jeopardize the lath and safety of citizens through, for example, poorly designed infrastructure projects and scarce or outdated medical supplies.

Along with the growing reluctance of international investors and donors to allocate funds to countries lacking adequate rule Of law, transparency and accountability in government administration, corruption has the greatest



impact on the most vulnerable part of a country's population, the poor.

Throughout the world there is a growing tide of awareness recognizing that combating corruption is integral to achieving a more effective, fair and efficient government. According to the World Bank, widespread corruption can cause the growth rate of a country to be one-half to one percentage points lower than that of a similar country with less corruption.

And equally significant, widespread corruption slows investment. In the age of globalization, there are plenty of reliable places for investors to maximize their profits. A corrupt country misses out on the long-term investments that are most beneficial to developing societies, robbing them of opportunities to improve their social systems and the lives of ordinary citizens. Global business has a responsibility in helping to end this cycle. When multi-nationals choose to operate within the system of a corrupt country, they cannot simply get-along-to-go-along.

The bribe-takers will hold the cards as long as the potential to make an easy, illegal profit exists. Corrupt public administrators undermine the basic system of checks and balances that operate in a free society. When a bureaucracy, political party or judicial system becomes infected, the results can shake the foundations of even the most advanced nations. For example, in Italy, in the years after World War Two, payoffs to political parties started at 5 percent of the price of government contracts.

The bribery percentage eventually tripled and quadrupled. As the amount of bribe money grew, it shifted into the personal bank accounts of politicians, judges and middlemen. By the early 1980's, the Italian situation finally

exploded into a nationwide scandal called main polite. People demanded change and greater accountability. Political parties that had existed for decades collapsed almost overnight and some of the corrupt politicians were brought to justice. In recent years, this kind of scenario has played out in many other countries.

In places as diverse as Pakistan, Venezuela, Turkey, Indonesia and Brazil, voters have shown they will not tolerate politicians tainted by corruption. We must capitalize on this sentiment. It is time for the international community to deliver concrete support to countries that are ready to tackle the issue. There seems to be general agreement that it is difficult to build a comprehensive theory of corruption since causes and effects are closely related to specific circumstances unique to each country in which it appears.

Nonetheless, several causative factors have been suggested: long-term causes such as culture and traditions, especially administrative traditions; short term causes such as the dislocation associated with a transition from one political and economic system to another; and solutions that range from bureaucratic reforms to waiting for economic development to solve the problem without special efforts. Ethical issues in business have become more complicated because of the global and diversified nature of many large corporations and because of the complexity of government regulations that define the limits of criminal behavior.

For example, multinational corporations operate in countries where bribery, sexual harassment, racial discrimination, and lack of concern for the environment are neither illegal nor unethical or unusual. Managers must

balance the ideal against the need to produce a reasonable profit for the company's shareholders with honesty in business practices, safety in the workplace, and larger environmental and social issues. The company must decide whether to adhere to constant ethical principles or to adjust to the local rules to maximize profits.

As the costs of corporate and white-collar crime can be high, both for society and individual businesses, many business and trade associations have established ethical codes for companies, managers, and employees. The bribery scandal that shook the Salt Lake games showed the international committee that an institution that stands for freedom, peace and equality could be just as corrupt as the local neighborhood gang. Although we charge the individual for the act of corruption, the problem lies within the organization.

These examples clearly illustrate the motivation behind corruption, money and greed. When politics and scandal interrelate the individual becomes the pawn in a corrupt machine. From the perspective of U. S. Entrepreneurs, bribery presents a double-edged sword. While bribes are expected in many countries, the United States' 1977 Foreign Corrupt Practices Act prohibits payments made to foreign government officials with the aim of gaining or maintaining business. Corruption is hardly a problem that is exclusive to the third world.

The fact that much third world corruption has important first world participation is also now a commonplace. Work is how we spend our lives, and the lessons we learn there, good or bad play a part in the development of our moral perspective and the manner in which we formulate and

adjudicate ethical choices. The philosopher Edmund Burke said, " liberty cannot long exist among a people generally corrupt. " Widespread corruption introduces a deadly dose of moral pollution into society.

It distorts values that can be as harmful as the material damage itself.

People must not give in to the belief that power is based solely on deception or violence, and that the only way to achieve success and wealth is through crime and corruption. Corruption is part of human nature. No society is free of corruption. So any society that remains blase about its ability to contain and withstand corruption is vulnerable. Combating corruption, therefore, egging with better systems. Monopolies must be reduced or carefully regulated.