

# Business ethics and cross cultural management commerce essay



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Ethics, or more accurately, the lack of ethics, on the part of business and government leaders has lately received significant attention in the mass media and has been a topic of discussion among the public, as well as the different organizations in the world (Peppas 2002). Business ethics has gained the attention of many scholars and executives in both private and public sectors because of many unethical practices that are being reported. This includes the cases of large multinational organizations including Enron (Rashid & Ibrahim 2007). This is the reason why many studies about cultural differences and business ethics have been implemented in the past years. This literature review is conducted in order to analyze and evaluate the arguments regarding the different aspects that are related with business ethics and differences in cultures.

## **Implications of Business Ethics**

The concept about ethics is considered as a complex matter because it is predicated on an interchange of views regarding the belief systems of individual among the citizens of any culture (Svensson & Wood 2003).

The study of business ethics and its connection for the stakeholders of organizations have experienced fast growth in the past few decades. The literature about business ethics is divided on its views regarding the motivation and the cause for organizations to have their ethical dimension. The study of Harrison (2001) showed that there are two main schools of thoughts – first are those who suggest that firms are operating in order to generate profit, therefore, business ethics is considered as another means of attracting the customers, while the second are those who supported some corporate conscience as well as inherent motivation for the implementation

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of business ethics. On the other hand, Paul (2001) considered business ethics are very subjective in nature because it is a function of time and culture - therefore, the business ethics have changed, together with the cultural values and norms motivated the business ethics in the national and regional boundaries. The study of Hofstede (1983) is considered as one of the most important studies which show the differences of countries or nations in terms of cultures and values. The study showed that there are 4 vital indicators which include individualism, power distance, uncertainty avoidance and masculinity which shows great differences in the culture among different nations.

The study of Vinten (1991) divided the issues of business ethics in different degree, which include international business, domestic business and professional ethics. Each level constitute for different level of some unethical activities perform by organizations and businesses.

Even though, there are many studies which show importance of ethics, and even though it is being followed by different organizations, there are still many reasons and disapproval of adoption of ethics in the world of business. This is connected to the study of Stenberg (1994) which focuses on the case of rejected relativism. It stated that ethics is seen as excessively theoretical, at the same time, contradict the primary reason of any business and it is also lacking of direction in terms of harmony across the different cultures.

## **Business Ethics and Cultural Differences**

One of the challenges that business ethics is facing is the impact of globalization. As a result, it is common nowadays, for business managers

and employees to work with and for people from different nations and races which represents many different cultural values. It is important to consider that culture affects virtually all of the aspects of the business relationship. This is because one aspect, that of business ethics, can cause huge conflict and gross misunderstanding between individuals who do not share the same backgrounds (Sims 2006). With this, the attitudes of individual towards the business ethics may be different greatly even within one culture that trying to come to an agreement across cultures can become nearly impossible. Thus, it may be that an agreement on ethics across cultures is not even recommended (Donaldson & Dunfee 1999). Furthermore, in culturally homogenous groups, there is a greater possibility that values of individual members of the team will match. However, because the because of the growing number of cross-cultural organizations, it is important to focus on this subject.

Business ethics can be seen as a function of culture because the evolution of culture in the environment of the business will surely affect the acceptable and unacceptable actions inside and outside the organization. Different studies across cultures have been performed in the literature of ethics on the international level such as: Jakubowski et al., 2002; Fisher et al., 2001; Seitz, 2001; and Singhapakdi et al., 1999; and the national level which include Peppas & Peppas, 2000; and Fernandez-Fernandez et al., 1999 (Svensson & Wood 2003). The study of Singhapakdi & Rawwas (1999) shows that the business ethics are considered as essential in the international business, because the culture of individual affect their ethical decisions. It presented that there are some vital differences between the countries, thus it is

important to focus on those in order to ensure success of organizations. In connection, Vinten (1998) argues that business ethics has the possibility to become a vital factor of corporate strategy and culture, thus it must be considered in internal and external ethical audit. On the other hand, the study of Hood and Longsdon (2002) showed the similarities and differences of cultural values of managers in three countries. The result showed that one of the vital components of culture is ethics. Therefore, this factor of culture survives as a possible strong influence towards the success of the organizations in the entire marketplace. Bucar & Glas (2002) expand a conceptual framework for the evaluation of the cross-cultural differences in the ethical attitudes of business people that are based on the theory of social contract. The result of the study showed that prognostic of the degree of the ethical attitudes among the societies and they focus on the more delicate influence of many social institutions on the ethical attitudes of different groups within the society. On the other hand, according to Sen (1997), in the concept of the role of cultures in the motivating norms of the behavior of business, it is important to be familiar with the compound structures of principles of business, at the same time, focuses on the wide-ranging contact of sentiments.

### **Business Ethics – Theory and Practice Gap**

The article of Stark (1993) presented the gap between the theory and practice in business ethics. According to Stark (1993) academic researches about business ethics failed to present useful guidance towards the managerial decision-making regarding the different ethical issues.

Particularly, this applies on the added urgency that some of the most

complex ethical issues which happen in the international arena. This was supported by Dean (1998) who stated that the field of business ethics must also include a service aspect if it is to be considered as the profession of business ethics. This focuses on the qualification of business ethics as profession. Thus, the question lies on the capability of the business ethics as the leading or conducting behavior in the business world, thus, it pertains on whom the field of business ethics is focusing. In addition, the international business ethics can only be deemed a profession based on its tangible and existing advantage towards the actual or real-world risks and threats.

## **Conclusion**

Business ethics is a vital aspect in any organization and business. This is because it enables them to focus on planning and implementing rules and regulations, standards and policies that will be beneficial to everyone – by applying what is right and what is with accordance to the law. However, because of globalization, business ethics is facing different criticism and possible problem. This is because of the fact that culture affects how an individual or group perceives one thing or situation as good or bad.

Therefore, it is important to focus on the different cultural factors in order to ensure future success of business world.

## **Annotated Bibliography**

### **Morgan, E 1998, Navigating Cross-Cultural Ethics: What Global Managers Do Right To Keep From Going Wrong, Butterworth-Heinemann.**

This is a textbook which shows the personal stories of managers who are running global business. It focuses on analyzing the different dilemmas that

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global managers are facing in terms of ethical leadership in international business.

**Svensson, G & Wood, G 2003, ‘ The Dynamics of Business Ethics: a Function of Time and Culture – Case and Models’, *Management Decision*, vol. 41, no. 4, pp. 350 – 361.**

This is a journal which examines the construct of ethics as a whole and of the business ethics in specific manner. Furthermore, it also offers a theoretical discussion of the dynamics of ethics in the society and in the marketplace.

**Gannon, M & Newman, K 2002, *The Blackwell Handbook of Cross-Cultural Management*, Wiley-Blackwell.**

This textbook offer an overview of the different major research perspectives about cross-cultural management and ethics, it includes theories about ethics and cultures, together with how it can be applied in the real-world.

**Ferrell, O C, Fraedrich, J & Ferrell, L 2006, *Business Ethics: Ethical Decision Making and Cases*, Cengage Learning.**

This textbook presents complex environment where in the managers face different ethical decision making. This include how cultural differences can affect how managers and members of the company perceive changes and decisions inside the company.

**Weiss, J 2008, *Business Ethics: A Stakeholder and Issues Management Approach*, Cengage Learning.**

This textbook presented the different issues that are related with the business ethics. This includes information about the impact of differences in cultures among different nations working in the business environment.

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**Katsioloudes, M & Hadjidakis, S 2007, International Business: A Global Perspective, Butterworth-Heinemann.**

This textbook enables to present the different theories and changes going on in the business environment in international arena. This will be helpful in order to locate information which pertains on the different challenges which global managers will be facing in terms of decision-making.