

# Roots of unethical international business business essay

[Business](#)



**ASSIGN  
BUSTER**

Introduction Ethics is the code of moral standards by which people judge the actions and behaviors of themselves and others. Business ethics brings those moral standards into the workplace. For simplicity and present purposes, this paper shall restrict the definition to mean generally accepted standards that guide behavior in business and other organizations (Ferrell, Fraedrich, & Ferrell, 2012). But why the concern for ethics in international business? According to Business guru Peter Drucker (Drucker, 1989), a business entity exists purely to make a profit and therefore needs a customer to exist. Furthermore, Milton Friedman (Wood & Woods, 1990) reiterates this with a stronger tone by implying that the purpose of a public company is to create as much wealth as possible for its stockholders. These valid prepositions may provoke chaotic scenarios as anyone would start a business, make a profit and well, leave the future to take care of itself. Ethics exist to remedy and if not, minimize this unfortunate possibility by dictating acceptable conduct of businesses in their environments. Therefore, this paper will briefly explore the history of business ethics, examine case scenarios of ethical dilemmas, highlight suggested philosophical approaches to ethical dilemmas and explore ways in which ethical decision making should be made in international business. International business is a process whereby a company attains its goals by the effective coordination of the procurement, allocation, and utilization of the human, financial, intellectual, and physical resources of the firm within and across national boundaries. According to Dunning (1989), this trend has increased focus on cultural and political issues. However, going by Friedman's description, Multinational corporations are just amoral institutions providing goods and services for society and this

negates both their function in a society and the essential relationship between ethical values and their business operations (Kline, 2010). Although previous misconceptions viewed business enterprises as representative of the personal values of their owners, the grant of charters to companies as legal persons distinct from the owners or shareholders has made accountability solely the Company's responsibility. Multinational corporations face a myriad of challenges beyond their immediate control that include: Trade, Modes of Entry, Foreign Direct Investment risks, Economics, Politics and Laws, Foreign Exchange, International Finance/Monetary System, Corruption, Ethics and Social Responsibility which have to be considered in ethical decision making. Business ethics Whereas other professions like medicine, law and teaching have been accorded professional status, businessmen, historically have been suspiciously regarded as 'greed-driven' instead of being 'need-driven'. Many philosophical texts have criticized business practices but this has changed since philosophy tilted towards the 'real world' where business is well grounded. The past decade has witnessed widespread cases where significant number of Multinational corporations have had their images tainted and spoiled by corruption and unethical practices. According to Sagafi-nejad et. Al (2010), some of the cases have involved whole companies dissolving, in this case Enron, where corrupt individuals significantly altered accounting records and financial reporting, to inflate profits on company balance sheets yet it was not so. This example and many other cases explored in this paper give voice to the crying calls that the multinational corporations should encourage the best standards of practice in everyone's best interest apart from ensuring their own

sustainability and expanding growth. However, this is easier said than done considering the various unique ethical challenges that each country presents to an MNC. For example, Google will have to contend with a unique cultural setting or behaviors in each country that houses its domains and therefore the language in its search engine will have to be exactly a true interpretation of the language in each specific country to avoid miscommunication. Though there are many ethical issues, the most common are corruption, employee practice, environmental impact, human rights and moral obligations.

**Business Ethical Dilemmas**  
**Corruption**  
Enron's case is a clear example of corruption that has been a permanent vice throughout history and shows no promise of fading. However, the interpretation of what exactly corruption is excites a lot of debate especially when it comes to multinational corporations dealing with different countries and set of laws. A review of the entry modes of multinational companies and host countries revealed startling corruption levels where in some cases, payment of "speed" money (Money given to relevant authorities in host countries to speed up the establishment of MNC's) was tolerated (Teixeira & Grande, 2012). A famous example involved the corruption case that involved the Lockheed Martin Corporation and Japanese Government officials in the 1970s. The president of Lockheed, Carl Kotchian, advanced a \$12.5 million 'appreciation' payment to Japanese officials in charge in order to secure a large order for Lockheed's TriStar jet from Nippon Air (Hill, 2011). On being discovered, the case was considered corruption by US investigators but Carl Kotchian argued that it was accepted and viewed as a normal business practice of gift giving in Japan. Heated debates and opinions on this case influenced the 1977 approval of the

Foreign Corrupt Practices Act in the United States, that among other things recognized the facilitating fee or speed money (Hill, 2011). The major argument was that Kotchian did not bribe but only appreciated the officials for giving Lockheed the contract which would have gone to any other competitor anyway. However, research by Teixeira & Grande (2012) established an inverse relationship between inflows of Foreign Direct Investment (FDI) and corruption in many countries. The opponents of speed money claim that in corruption ridden countries, bureaucratic systems are deliberately set to afford the relevant authorities chance to profit privately. This diminishes businesses' incentive to invest which directly impact the host country's economic growth rate.

**Employee Practices** This is the most challenging for MNC's operating in multiple countries due to the high disproportional levels of living standards. MNC's are challenged to standardize certain aspects including the working hours, minimal wage, work hazards and safety conditions among other things but because of the complexities like economics, labor unions, politics and laws, and foreign exchange, it becomes difficult if not impossible. Most of these MNC's outsource their processes to subcontractors found in developing nations where work conditions are clearly substandard compared to those standards found at the multinational's home country. The big dilemma for the MNC's is the rationale on which to base their working and remuneration policies on. Will it be according to the standards of their home nation, the host nation or a compromise between the two? A typical case involves the Foxconn industries in China who are subcontracted by various US based technological companies including Apple Inc. to supply parts for their products. There have

been numerous allegations that it operates as a sweatshop and this has been proven by a study carried out by Students & Scholars Against Corporate Misbehavior (SACOM) which confirmed that it satisfied all requirements of a sweatshop which include; exploitation, workers being denied their human rights of association and speech, overall salary decreases, unpaid overtime and demanding production targets, inhumane treatment, and unsafe working environment where most of the workers are unaware of what hazardous chemicals they are exposed to. This resulted to at least 728 recorded cases of industrial injuries (SACOM, 2012). Apple Inc., of course and other western based companies know this but because Foxconn operates in a country where such kind of exploitation is regarded as "hard work", they deem it unnecessary to warrant a change of policies and regulations.

Environmental Impact

There is a lot of ethical differences between the host nation and the MNC's native nations as regards to environmental pollution and conservation. According to (Hill, 2011), many developed nations have well formulated regulations governing the emission of pollutants, the dumping of toxic chemicals, the use of toxic materials in the workplace, among others unlike the developing nations. It has been observed that most MNC's move production to a developing nation to avoid meeting the stringent rules back at home. In developing countries, the weakly formulated pollution laws and regulations provide a loophole for the MNC's to despoil the environment in their quest for profit maximization at lower production costs. This unethical business practice takes advantage of the tragedy of the commons phenomenon that occurs when a communally held resource e. g. the atmosphere and oceans, but claimed by none, is

overused by individuals, leading to its destruction (Singer, 2002). Adeola (2001), asserts that over the past decade, there have been about 300 documented cases of hazardous wastes dumping in Eastern Europe, 239 in Asia, 148 in Latin America, and 30 in Africa. The most notable and well-publicized case is that of 1987 where a Nigerian businessman, Sunday Nana, was enticed by two Italian firms, Ecomar and Jelly Wax, into signing an agreement to use his residential property located in Koko, Nigeria, for the concealment of 18, 000 drums of hazardous wastes for about \$100 a month (Greenpeace., 1994). The obvious consequences were high environmental pollution but this case only proves that poverty is often a driving factor. Human Rights Environmental degradation and human rights transgressions are inextricably intertwined (Adeola, 2001). By definition, human rights imply that people's means of livelihood and well-being are guaranteed. Therefore, any significant threats to environmental bases of livelihood implies a violation of fundamental human rights (UN, n. d.). Human rights abuses related to environmental degradation and exploitation include the seizing of communal lands by Governments on behalf of MNC's, displacement or careless relocation of indigenous communities, natural resource exploitation with little regard to affair of the locals, and toxic waste dumping e. g. Nigeria case. Although it is argued that foreign direct investments by MNC's stimulate economic, political, and social advancements that eventually improves the lives of people in repressive regimes, notable cases have proved otherwise. The execution of Ken Saro-Wiwa and eight other members of the Movement for the Survival of the Ogoni People (MOSOP) in public in November 1995 in Nigeria showcase how Third World government agents

systematically subjugate minority groups in order to appropriate their lands and natural resources. The big dilemma for MNC's is how they can make foreign direct investments without negatively affecting communities which depend on the resources they are plan to exploit. Moral Obligations Multinational Corporations' potential power to influence geopolitical events can never be underestimated. Hill (2011), attributes this power to their control over resources and their capability to shift production form one country to another. Occasionally but not always, this power can only be limited by laws and regulations, market discipline and the competitive process. The major argument is that they should capitalize on their dominant position to exert positive influence on the societies from which they benefit. This line of thinking is what led to the conception of the corporate social responsibility which refers to the idea that businesspeople should consider the social consequences of economic actions when making business decisions, and that there should be a presumption in favor of decisions that have both good economic and social consequences (Waddock & Graves, 1997). Nevertheless, some MNC's have abused their power for selfish gains. Hill (2011), says that how power is used makes the difference because power, in itself, is morally neutral. The media exemplify how abuse of their power can greatly impact the society for good or for worse. Rupert Murdoch, the founder and CEO of News Corporation is one of the best examples of how one could use his power to subvert justice and gain on the other hand. His friendly attitude of ' see no evil' towards the oppressive Chinese leadership in the early 1990's was a ploy for him to get permissions to set up his media empire in mainland china. In this case, his dilemma was



whether to portray the evil of the communist china through his extensive media network or remain blind to their injustices but he chose the latter so that his interests could gain. Roots of unethical International Business

The causes of unethical business decisions are many and most of them are related to the applications of personal ethics. However, Gellerman (1989), claims some few generalizations can be made. First, business ethics are inseparable from personal ethics, which are the generally accepted principles of right and wrong governing the conduct of individuals. As people grow up, their perception of what is right or wrong depends on the knowledge they acquire from the different people they encounter in societies. Therefore, the behavior of business managers will be a reflection of their personal ethics. Those with weak personal ethics are likely to behave in unethical manner. Interestingly, most of the MNC's post their homegrown human resources to be chief managers of their branches in other countries, oblivious to the fact of the unfamiliarity of these managers to the cultures of those places. With the pressure of performance, these managers might violate their ethics in regards to the prevailing culture because they are not morally attached to these foreign culture and the parent company is not close for supervision. Secondly, the judgment of the managers on what is wrong or right is usually lacking and therefore most, though have good business based intentions, fail to recognize the ethical aspects of these decisions. Thirdly, organizational culture plays an important role in determining which lens the managers will decide through. The term organization culture refers to the values and norms that are shared among employees of an organization (Hill, 2011). If an organization places a lot

value on individual performance and fast rise to promotion, then majority of the employees are likely to embrace a culture of aggressive competitiveness that overlooks ethical aspects of their decisions and action. Fourth, the behavioral demonstration of the leaders of a business organization will influence how other junior employees will react. In the case of Enron, Bryce (2002), shows that the now-bankrupt multinational energy company Enron was built on values that emphasized greed and deception. He tells how former Enron CEO Kenneth Lay made sure his own family benefited handsomely from Enron which other employees copied and led to the loss of their objectives in business.

### Philosophical approaches to International Business Ethics

Although Multinational Corporations are ethically obligated to address employment conditions, human rights, corruption, environmental pollution, and their use of power, there is no agreement about ethical principles that are acceptable. One's personal ethics is the determinant of what one views as ethically acceptable and in an international scenario, a culture of a society may not be sensible/valuable to a foreign worker. This brings about ethical dilemmas in which none of the available alternatives seem ethically acceptable (Hill, 2011). However, philosophy has endowed man with the approaches that can be used in examining ethical dilemmas.

### Universalism

Here the universalism side of the dimension describes societies which place emphasis on rules, laws and contracts and which apply these rules equally in all situations (Mathews, 2005). This is one of the most important approach that guides all countries globally and it has been postulated as the driving force for the establishment of corporate social responsibilities by MNC's. This theory can be compared to the Rights Theory

which recognizes that human beings have fundamental rights and privileges that transcend national boundaries and cultures. The Friedman

Doctrine Earlier mentioned, this doctrine claims that the only social responsibility of a business is to increase profits, as long as the company stays within the rules (Wood & Woods, 1990). Therefore, it is not in a company's interest to engage in any activity that may reduce its profits.

Maybe this doctrine was the one used by the Italian companies in Nigeria to avoid the significant costs related to environmental regulation, which after all, was not their main business. However, arguing on this premise defies logic as negligence of the environment will likely lead to the destruction of the same environment ultimately halting your profit making capability.

Relativism This is the belief that ethics are nothing more than the reflection of a culture, and that accordingly, a firm should adopt the ethics of the culture in which it is operating (Hill, 2011). It is widely embraced by many of the Multinational Corporates who outsource their processes to developing nations. Their argument is that, since overworking and underpay of these workers is accepted and tolerated in these countries, they don't worsen the situation but rather help by offering job opportunities. Foxconn, for example, industries provides employment to thousands of people who may otherwise had been jobless under acceptable conditions of China's labor laws.

Furthermore, the Lockheed Martin case in Japan was just in conformance to the popular culture of gifting and it was no way a bribe in Japan. The irony of this approach is the high costs incurred by these MNC's in trying to cover up the exposure of their misdeeds in their native countries or if disclosed, they face a lot of backlash from their consumers like product boycotts which

affects them. Utilitarian approach Analogous to the Relativism approach is the utilitarian approach which argues that decisions are made solely on the basis of their outcome or consequences (Saeed, 2009). Therefore, utilitarianism maximizes the greatest good for the largest number of individuals and in this case, the argument is that by providing these strenuous jobs to workers in the developed countries, whole communities including their dependents are helped, for example Foxconn. However, the drawback is that the benefits, costs and risks of an action cannot be clearly measured. Furthermore, although a number of majority will be benefited, what about the minority? Conclusion Although there are many ethical challenges that Multinational Corporations encounter in the different countries they operate. Globally, Corruption, employee aspects, human rights, environmental regulation, and moral obligations are the most common ones. Therefore, managers in a multinational corporation should endeavor to foresee and identify the possible causes of unethical practices that the company may commit in each specific country they are in. Moreover, certain things should be considered when they are making decisions. These are (1) promote hiring of people with great moral and personal values; (2) base organizational culture on ethical behavior (3); have leaders of MNC's acting in a manner that is consistent with ethical organizational culture (4); insist on a business decision making model that incorporates ethical dimension as a pre-requisite; and (5) develop moral courage.