

Ethical theories in international business



**ASSIGN
BUSTER**

In recent years, the globalization has been continually stimulated towards nations in the world. Two main reasons that are able to explain the expansion on global business are the degeneration of trade barriers since the end of World War II in conjunction with the sharply increasing in development of the technology in various fields such as communication, information processing, internet and transportation (Y? cel, 2009). Numerous firms, even small businesses, have been increasingly entering into the international business as foreign markets are looked as possible sources of income to the firms. Thus, there are a great number of business people who working overseas and facing the different in environmental and cultural variances. The differences certainly make a lot of problems to the cross border businesses. Many problems have presumably been created due to the different environments and especially cross-cultural environment; ethical problem is one of these problems (Y? cel, 2009). In times past, ethics had not much effect on the business. However, ethical issues have been being in vogue by the arising of dishonesty in an international business. DeGeorge argues that The change in perception and attitude can be traced back to the exponential growth in industrial pollution, the rise of consumerism and the popular reaction to increasing numbers of scandals and corruption (DeGeorge, 2000, P. 50). The purpose of this essay is to present the definition of ethics and ethical theories i. e. Deontology, Teleology and Golden Rule. Furthermore, there is a discussion regarding ethical problems that may be encountered when doing business internationally. Moreover, approaches and general guideline for firms to act ethically to the issues are displayed. Harvard Referencing Style is adopted for referencing in this essay.

What is ethics? Ethics is the standards to determine what is right or wrong, what is better or worse, what people ought to do or ought not to do which conduct individuals or groups of how to behave. Ethics engages an examination into a reasonable justification for the set of standards that pervasively accepted by members of culture (Grossman, 2001). In addition, MacKinnon defines ethics as Ethics, or moral philosophy, asks basic questions about the good life, about what is better and worse, about whether there is any objective right and wrong, and how we know it if there is (MacKinnon, 2007, P. 3). Thus, ethics in business can be defined as the framework of reasoned and appropriated justification that provides goods, profits, to the firm based on the acceptable affected on others including all stakeholders. Business ethics requires an inquiry of firms on their actions towards global (Cuizon, 2009). Ethics is also considered as glue that cements business together (DeGeorge, 2000).

As the growth of concerns about an ethical issue, several ethical theories have been developed as a guidelines or rules in order to assist all human beings and also multinational corporations to behave ethically and avoid ethical issues in the business world. Deontological theory, Teleological theory and Golden Rule are some major theories to help flee from ethical issues. These theories have different approaches to justify the behavior of human or firm whether it is ethical or unethical.

The first, deontological theory is the theory that makes an ethical judgment based on the intention of act with a neglect of outcome of that act whether the outcome is good or bad. In other words, deontological ethical decision-making process has concentrate on means rather than an outcome. Pojman <https://assignbuster.com/ethical-theories-in-international-business/>

defines deontological theory as It is not the consequences that determine the rightness or wrongness of an act but certain features in the act itself or in the rule of which the act is token or example (Pojman, 2001, P. 134-135). For example, based on the real life experience, there have been many robbery cases in Thailand that the burglars carried a weapon with them whether for violating the victims or even hunting the victims down in order to done their job easier. However, some of these cases were ended up as a death of the heedless robbers themselves because the victims who were being stolen and violated actually had a gun and shot them down instead with intention to protect their lives. This example exemplifies and expresses a difference in the term of killing by based on the deontological theory, to killing somebody is totally wrong but killing with an intention of self-defense against the assault is absolutely different.

In contrast of deontological theory, the teleological theory completely provides an opposite way of ethical decision-making process. While deontology has concerned on the means, the teleological theory has focused primarily on the net outcome rather than the means itself. The teleological ethical decision-making process can be defined as the theory that stresses on the examination of the result which caused by a behavior and determine the good or bad of that outcome based on the aggregated benefit consequences for others in culture. Pojman, also, characterizes the theory as The Greatest Happiness for the Greatest Number (Pojman, 1995, P. 727). This, teleological theory, could provide a dissimilar option to the same example of deontology. If victims make a decision based on teleological theory, victims would not need to shoot the thieves but call the police

instead. Hence, the robbers would be alive but be jailed and the victims would finally be saved by the police. The families of thieves would not lose their family member and consequently the victims would not be guilty as no one got killed. A given sample situation displays a way of teleology ethical decision-making process which concerns the net benefit of outcome, that are consequences from the act, rather than the act itself.

Last theory, the golden rule, is to act to other people in the way that you want to be acted by them. In other perception, golden rule can be defined as to bring others mind into our mind and not to treat others in the way that you do not want to be treated. Y? cel argues about the meaning of golden rule as doing unto others as you would have them do unto you (Y? cel, 2009, P. 99). This theory is seemingly a general standards or norms in the deep of human being's mind towards various cultures and religions which can be used simply as a guideline to make an ethical decision in day to day life. For instance, based on the real experience, an engineer who has been working for the special company's project had an idea to largely reduce the cost of manufacturing of the firm. However, his colleague stole his idea and sold it to management level by himself without even a given credit to the originator of the idea. To think based on the golden rule, there is a simple question - Would the stealer steal others idea and pretend that the idea was originated by himself if he falls in the same situation with a person whose idea was stolen? The answer is surely no because he would actually not want his idea to be stolen by others, suddenly, he would not do it.

As explanation over the ethics and several ethical theories are presented and exemplified, it indicates that even an ordinary people could face the

ethical problems in day to day life. In similarly but even much higher magnitude and severity, the across border businesses are encountered with the ethical issues that are particularly caused by the differences in law, politic, environment and culture between home country and host country. Cultural variances over the various groups in international business turn the business ethics to be more complicated (Y? cel, 2009). Many practices that are considered as ethical practices in some countries are declined or even illegal in other countries (Briscoe, 2009). Small and large scale of Bribery, Human rights, Child labor and Employment discrimination are examples of ethical problems in multinational enterprises (Deresky, 2008).

One of ethical problems that cross border businesses have been being faced is employment discrimination. It can be defined as treating people including employee with inequality in hiring, promotion, retirement, work selection by based on various factors e. g. gender, age, race, religion and even marital status. Tomei also argues that This difference in treatment puts him or her at a disadvantage or limits his or her access to benefits and opportunities available to other members of society (Tomei, 2003, P. 402). In Singapore, for example of the gender discrimination, working men are paid with higher salary than women employee just to protect the successfully in economics of male (MacKinnon, 2007). Another example based on working life experience, the big computer hard drive manufacturer in the world which has over 10 subsidiaries and subcontractors all over the globe was impacted by the recent world s economic crisis. The crisis caused the world s sales in technology sector including computer hard drive dropped rapidly. At that time, the company was directly forced by the loss of income to reduce its

operating cost in order to sustain the firm and survive in the business. The firm's strategy to reduce the operating cost was finalized and appeared to be the salary deduction of all employees and layoff thousands of employees throughout the organization. A plant in Malaysia, which has been established to serve the repairing and rebuilding function on claimed hard drive from customers, was certainly affected as well as other plants in cross borders. While slashing in salary caused less impact to Malaysian employees, the much more painful was created to workers by discharge a number of employees; most of them were female operators who worked in the manufacturing processes and had age around 35 years old upward. The reason to dismiss these women based on their age regardless their individual working performances was stated by the American Vice President of Asia-Pacific Regional Operations as elders have less concentration and less working efficiency to work in detailed and micro job in assembly and disassembly of hard drive's components. This selective layoff based on age is considered as unethical behavior even the women, who were dismissed, were paid for compensation. These women could definitely not live their life by only based on a moderate paid of compensation. Consequently, they would have to find a new job. However, they would be faced by other discrimination in employment since companies in Malaysia tend to not hire employees 40 years of age or above. Women with an age of 40 and older have less chance to obtain a new employment (Dylyani, 2009). This loophole is caused by the differences in law. While USA has Age Discrimination in Employment Act (ADEA) as a shield of this ethical problem, Malaysia has no protector (Dylyani, 2009). The way to resolve these 2 employment discriminations, hiring and termination, would be based on the teleological

frameworks. VP of the hard drive firm would at least consider individual working performance of employees as a main factor to decide who would be dismissed individually and certainly not to dismiss by basing on only their age. In addition, the consequences of layoff ought to be considered because there has been a high probability that elder operators who were expelled would be difficult to acquire a new employment. Furthermore, discrimination in hiring would be resolved by adopting the same practices as ADEA as the country's law to close the gap of difference in legal, give back the equal and fairness among all age of employees and conduct firms to behave ethically regarding the problem.

It has now become clear that ethics is necessary in international business and ethical issues are unavoidable for the firms who step into across borders. Managers in multinational enterprises are required to make a decision on ethical dilemmas based on the ethical decision making processes and frameworks. Nevertheless, in order to handle with ethical issues effectively by based on the firm's benefit as well as fairness among society, problem in employing the ethical theories to particular ethical issue is definitely emerged i. e. which ethical framework should be applied to certain ethical dilemma to get the best end result? There is possibly no clear answer for the managers regarding this question. Maybe the applicable guideline for managers is to asking by following questions: Does firm act legally under home and host country's laws? Does action conflict with the human rights of all affected by it? Does action conflict with host culture? And does action cause any harm or violation to the public? To behave ethically is the

challenge for the international firms but even more challenge is to apply the ethical guidelines and theories appropriately to the ethical dilemmas.