Global Business Ethics and Social Responsibility

10.1. Understanding Business Ethics and Social Responsibility

**Business Ethics** – focuses on the behaviour of businesses in its treatment of employees, society, stockholders, and consumers.
ETHICS

• Deals with what is considered good or bad, and with moral duty and obligation

• Organizations and companies may choose to express their moral principles in a code of conduct/ethics

• This is to bring awareness of their values to employees, shareholders, consumers, and society as a whole, and to provide guidelines for their members’ conduct
• Ethical frameworks help guide decisions when individuals or organizations are faced with ethical dilemmas

• An ethical dilemma arises when two or more “right” courses of action conflict; that is when a choice between two or more options must be made

• Code of ethics provides a framework to arrange in priority the values that support a choice
• **Cultural relativism** is the belief that behaviour should be governed by what will bring about the greatest good for the greatest number of people

• **Ethical imperialism** is the belief that certain behaviour is right or wrong.
The Two Extremes of Cultural Relativism and Ethical Imperialism

Cultural Relativism
• No culture’s ethics are superior
• The values and practices of the local setting determine what is right or wrong

Ethical Imperialism
• Certain absolute truths apply everywhere
• Universal values transcend cultures in determining what is right or wrong
Corporate Social Responsibility

• One measure of corporate success is the social and environmental impact of a company, its 
  corporate social responsibility

• It broadly covers corporate standards and practices regarding human rights, the environment, human resources, and community relations

• This practice helps keep their activities ethical and “transparent”
• **Ethical corporate behaviour** means that the organization meets or exceeds its economic, legal, ethical, and social responsibilities.

• When an ethical company takes leadership in social responsibilities and initiatives, it is said to engage in **social marketing** or **cause marketing**. It commits visible amounts of the organization’s human and material resources to a specific issue (or issues).

• In other words, the company acts on its ethics. Therefore, cause-related or social marketing is an outcome of ethical corporate behaviour.
10.2. Ethical Issues Affecting the Conduct of International Business

• The different categories of stakeholder issues include the following:

• **Societal** – dealing with environmental issues such as hazardous waste, water pollution, including the proposed Kyoto Protocol

• **Consumer** – dealing with product quality and consumer protectionism
  
  e.g. Johnson & Johnson pioneered tamper-proof packaging as a result of the tampering with their Tylenol product.

• **Employee** – dealing with work equity and workplace safety and rights

• **Stockholder** – dealing with the disclosure of stock status and well being

• **Corruption and dumping** – dealing with graft and greed
10.3. Taking Action, Ethically

• Multinational corporations face some of the following challenges as they operate in foreign countries:
  • Government and foreign exchange regulations and restrictions in the host country
  • The prospect that if contracts are broken, they have no legal recourse
  • Logistical challenges related to labour, resources, and distribution to and within the market
  • The need to earn a return on investment for shareholders
  • The possibility that they will face accusations of:
    • polluting the environment in their host countries
    • taking profits out of those countries without significantly investing in their economies
    • imposing their values and customs
    • using cheap labour without considering the welfare of their workers
Some of the consequences of unethical international business practices are:

- more and more investors and consumers want to be informed about a company’s hiring, safety and environmental policies
- negatively affect profitability as the company faces a damaged reputation in a world where news travels quickly
- the company may ultimately fail
• Three ethical concerns about multinational products that have been expressed by consumers include:

  » Employee wage
  » Health and safety conditions
  » The age of employees