# Faculty of Engineering and Mathematical Sciences

Project Management & Engineering Practice (GENG 5505)

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# Project Management & Engineering Practice (GENG5505)

Managing Cross Cultural Business Ethics

(Week 11B) - Lecture 19th, 16 May 2024

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# Managing Cross Cultural Business Ethics

➢Globalization involves companies running projects in a variety of countries;

➢Many legal, political, social, economic, ethical, cultural, religious, etc. differences exist between countries;

➢As a result, it can be very difficult compromise decisions such as project objectives, inputs, outputs, etc. while maintaining one's integrity and principles.

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➢Many structural differences between the Australian system and the system of other countries exist;

➢The main difference is the scarcity on the international level of background institutions—which include laws and accepted practices, moral norms, and social demands — to control/guide international business and ethical projects implementations;

➢This may result in many great abuses (i.e. child labour, unfair wages, unacceptable working conditions, etc.).

So,

➢Assuming ethics is important in international business, whose ethics should business follow?

# Managing Cross Cultural Business Ethics

When norms of the home country and norms of the host country are in conflict, there are four options available to a multinational corporation (Beauchamp et al., 2008):

1. Follow the norms of the home country because that is the patriotic thing to do;

2. Follow the norms of the host country to show proper respect for the host country's culture (i.e. When in Rome, behave as Romans do!)

3. Follow whichever norm is most profitable;

4. Follow whichever norm is morally best. (The four options are not mutually exclusive).

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To reduce the likelihood of many abuses occurring, a number of norms should then be implemented.  These should include (DeGeorge, 2010):

1. Implementing "the moral minimum," is the norm to do no intentional direct harm. This moral minimum applies to all actions of all people, corporations and countries";

2. If the project is morally justified, it should benefit the host country.  However, the good of the country is not the same as the good of corrupt leaders or of an oppressive elite of the country. The good of the country must include the good of the ordinary people of the country;

3. The third norm is to respect the human rights of the workers, consumers, and all others in the host country;

4.  Promote the development of just background institutions internally within the country as well as on the international level;

5.  Respect the laws of a host country, as well its culture and local values, providing these do not violate human rights or impose immoral laws;

These norms are examples of rules that can be generated and defended by the actions/decisions by an ethical project manager in a foreign country.

➢Ethical standards adopted can be a reflection of the  standards achieved by negotiating and compromising fairly;

➢Negotiation is considered morally justifiable and is often the proper procedure to follow;

➢A transaction/practice is just if all stakeholders potentially affected by it, freely agree to it as just;

➢ A just compromise does not involve compromising one's principles. The ethical requirement is to keep negotiation fair and just, however all the concerned and affected parties define justice.

# Universal Moral Values for Corporate Codes of Ethics <sub>Schwartz, 2005</sub>

According to Schwartz, universal moral values are generated by considering three sources:

(1) Corporate codes of ethics; (2) Global codes of ethics; and (3) The business ethics literature;

Based on the convergence of the three sources of standards, 6 universal moral values for corporate codes of ethics have been proposed:

1. *Trustworthiness* (i.e. Integrity, honesty, loyalty, transparency, etc.);

2. *Respect* (i.e. Respect for human rights);

*3. Responsibility* (i.e. accountability, self-restraints,  etc.)

*4. Fairness* (i.e. equity, impartiality, etc.);

5. Caring (i.e. no harm); and

6. Citizenship (i.e. TBL, life cycle thinking, obeying the law, etc.)

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The Ten Principles  in the areas of human rights, labour, the environment and anti-corruption

The UN Global Compact asks companies to embrace, support and enact a set of core values in the areas of: 1) human rights, 2)labour standards, 3)the environment and 4)anti-corruption. These principles have reached  universal consensus.

## 1. Human Rights

*Principle 1*: Businesses should support and respect the protection of internationally proclaimed human rights; and

*Principle 2*: Make sure that they are not complicit in human rights abuses.

2. Labour

*Principle 3*:  Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

*Principle 4*:  The elimination of all forms of forced and compulsory labour;

*Principle 5*:  The effective abolition of child labour; and

*Principle 6*:  The elimination of discrimination in respect of employment and occupation.

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3. Environment

*Principle 7*:  Businesses should support a precautionary approach to environmental challenges;

*Principle 8*:  Undertake initiatives to promote greater environmental responsibility; and

*Principle 9*:  Encourage the development and diffusion of environmentally friendly technologies.

4. Anti-Corruption

*Principle 10*: Businesses should work against corruption in all its forms, including extortion and bribery.

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# Cross-Cultural Judgments

•A cross-cultural judgment concerns with practices, institutions, general systems, or theories other than those of one's culture, society, or system;

•These judgments are the product of a country's own point of view or concept of justice;

•Different systems can be just, and justice does not require that all countries adopt the U.S. (or any other) view of justice, changing their political, social, and economic systems to match or suit those of the any other country;

In conclusion, the best starting point in the further development of standards for managing cross-cultural business ethics, is self-regulation by business within the guidelines and standards that already exist.

# Reading week 11b

-Schwartz M. S., 2005, Universal Moral Values for Corporate Codes of Ethics, Journal of Business Ethics (2005) 59: 27–44;

-The United Nations, "The Ten Principles", htttp://www.unglobalcompact.org/Aboutthe GC/TheTenPrinciples/index.html