CSR & Ethics in International Business

Module 5

Ethical Issues in International Business

01 **Employment Practices** Ensuring fair and just treatment of employees across diverse cultures and nations.

02 **Environmental Regulations** Navigating differences in environmental standards and practices globally.

03 **Corruption** Addressing challenges related to corrupt practices, such as bribery, that may be prevalent in certain regions.

04 **Social Responsibility of Multinational Companies** Defining the ethical responsibilities of multinational corporations toward the societies in which they operate.

Challenges in International Business Ethics:

International business ethics is marked by several open questions and dilemmas, reflecting the following elements:

- Cultural Diversity: Every culture and nation has its distinct values, history, customs, and traditions, shaping unique ethical principles.
- Lack of a Universal Code: There is no universally accepted international ethical code of conduct that all countries adhere to.
- Government Inertia: Governments lack initiative in establishing a framework for ethical cooperation, hampering efforts to enhance ethical behavior in international business.

Ethical Roots in International Business

1. Ethics and Employment Practices:

Question: When work conditions in a host nation are significantly poorer than those in a multinational's home nation, what standards should be applied?

Considerations: Should the standards align with those of the home nation, the host nation, or a compromise between the two?

2. Ethics and Environmental Pollution:

Question: Should a multinational feel at liberty to pollute in a developing nation if it doesn't violate local laws?

Considerations: Ethical challenges arise when environmental regulations in host nations are markedly inferior to those in the home nation.

4. Ethics and The Social Responsibility:

Question: Do multinationals bear a responsibility to contribute to the societies that enable their growth and success?

Considerations: The concept of social responsibility emphasizes that businesses should consider both economic and social benefits in their decisions.

3. Ethics and Corruption:

Question: Is it ethical to make payments to government officials to secure business?

Considerations: In the United States, the Foreign Corrupt Practices Act prohibits the practice of paying bribes to foreign government officials for business gain

The Roots of Unethical Behavior:

Question: Why do managers engage in unethical behavior?

Influences: Managerial behavior is shaped by personal ethics, decision-making processes, organizational culture, leadership, and sometimes, unrealistic performance expectations

Origins of Ethics in International Business

1. Personal Ethics:

Observation: Business ethics are an extension of personal ethics, representing commonly accepted principles of right and wrong that guide individual conduct.

Challenge: Managers may encounter pressure to compromise personal ethics when distanced from their usual social context, supporting culture, and psychologically distant from the parent company.

2. Decision Making Processes:

- Observation: Studies indicate that unethical behavior in business may stem from a failure to consider the ethical dimension in decision-making processes.

- Challenge: Decisions made solely based on economic logic without ethical considerations may lead to unethical behavior.

3. Organizational Culture:

Observation: Unethical behavior may persist in firms lacking an organizational culture that emphasizes business ethics.

Influence: Values and standards shaping the organizational culture significantly impact decision-making processes within the company.
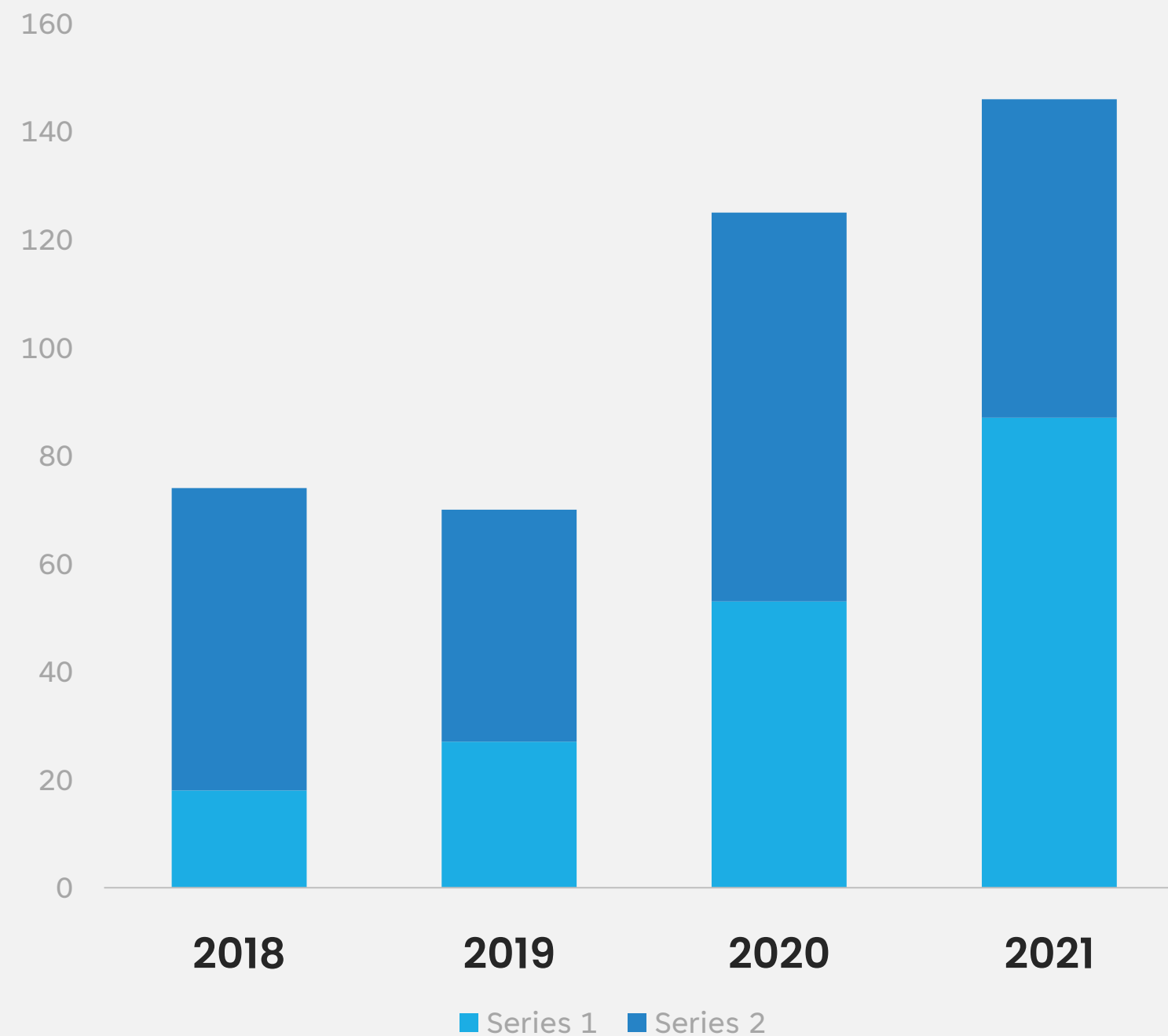
4. Leadership:

Observation: The ethical conduct of a firm's leaders plays a pivotal role in influencing the ethical behavior of other employees. Influence: Actions of leaders, rather than words, set the ethical tone within the organization

5. Unrealistic Performance Expectations:

Observation: Pressure from the parent company to meet unrealistic performance goals may drive unethical behavior.

Challenge: Unattainable performance targets may create a dilemma where unethical actions seem necessary to achieve them, leading to compromises in ethical conduct.

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Ethical Behaviour

Ethical behavior in business is a multifaceted concept influenced by various perspectives. The utilitarian view prioritizes actions that result in the greatest good for the greatest number. The individualism view centers on long-term self-interests. The moral-rights view emphasizes protecting fundamental rights, while the justice view calls for fair and impartial treatment according to legal rules. Addressing ethical dilemmas in international business involves navigating cultural relativism, where ethics are context-dependent, and cultural universalism, where certain behaviors are deemed universally unacceptable.

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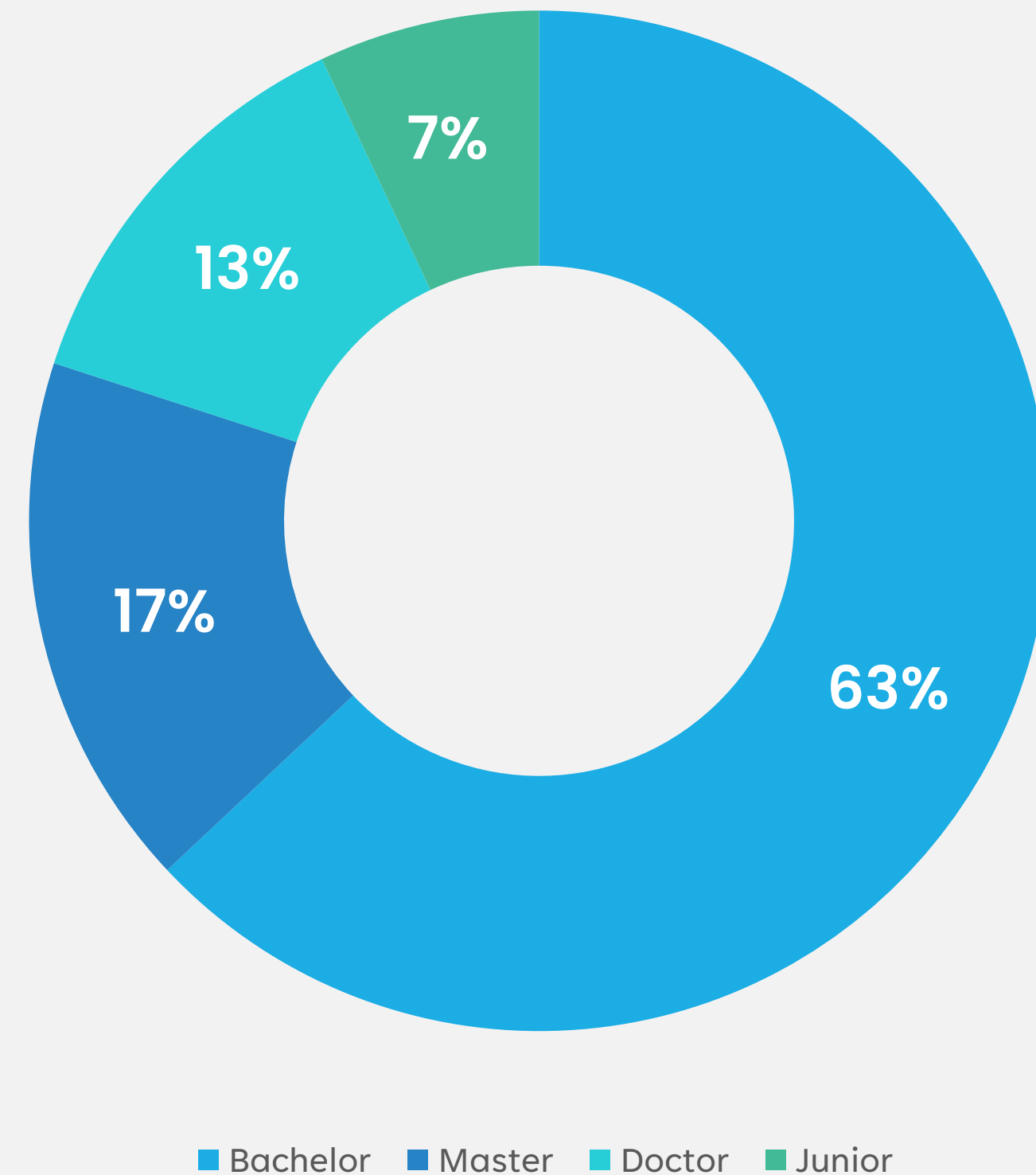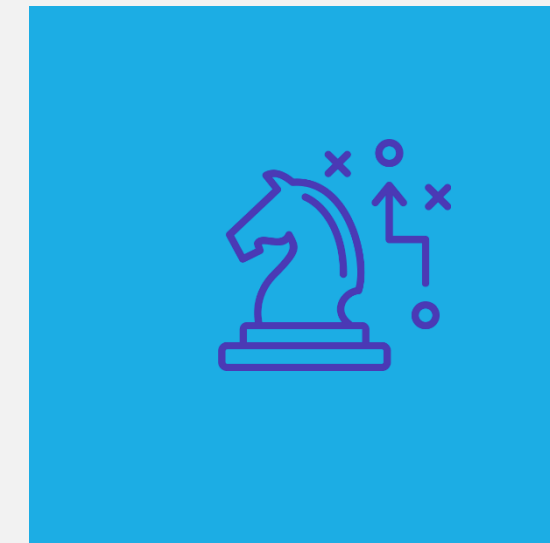
Respecting Core Values:

Respect for Human Dignity:

Creating a culture that values employees, customers, and suppliers.

Ensuring a safe workplace and producing safe products and services.

Respect for Basic Rights:

Safeguarding the rights of employees, customers, and communities.

Avoiding actions that threaten safety, health, education, and living standards.

Being Good Citizens:

Supporting social institutions, economic and educational systems.

Collaborating with local governments to protect the environment.

Ethical Dilemmas in the Workplace:

Ethical dilemmas, including discrimination, sexual harassment, conflicts of interest, customer confidence, and organizational resource allocation, complicate the workplace. Individuals may rationalize unethical behavior by convincing themselves that the behavior is not illegal, benefits everyone, will not be discovered, or will be protected by the organization.

Factors Influencing Ethical Behavior:

Ethical behavior is influenced by personal factors (family influences, religious values, personal standards), organizational factors (supervisory behavior, peer group norms, policy statements), and environmental factors (laws and regulations, societal norms, competitive climate).

Maintaining High Ethical Standards:

A checklist for dealing with ethical dilemmas involves recognizing the dilemma, gathering facts, identifying options, testing each option's legality, rightness, and benefit, deciding on a course of action, and double-checking decisions with spotlight questions about personal and public perceptions.

Ethics Training and Whistleblowing:

Ethics training programs help individuals incorporate high ethical standards into daily life and cope with ethical issues under pressure. Whistleblowers play a crucial role in exposing misdeeds, but barriers such as strict chains of command and strong work group identities may impede whistleblowing. Organizational methods to overcome these barriers include ethics staff units and moral quality circles.

Ethical Role Models and Codes of Ethics:

Top managers serve as ethical role models, influencing the ethical behavior of employees. Codes of ethics, formal statements of organizational values and principles, cover areas such as bribes, political contributions, honesty of records, customer/supplier relationships, and confidentiality.

Corporate Social Responsibility (CSR):

CSR obligates organizations to act in ways that serve both their interests and those of society. Organizational stakeholders, including employees, customers, suppliers, owners, competitors, regulators, and interest groups, are directly affected by and have a stake in the organization's behavior.

Beliefs Guiding Socially Responsible Practices:

Guiding beliefs include the importance of work-life balance, organizational performance in healthy communities, gaining by respecting the natural environment, managing for long-term success, and protecting reputations.

Perspectives on Corporate Social Responsibility:

Two perspectives on CSR include the classical view, where management's sole responsibility is profit maximization,

and the socioeconomic view, which emphasizes broader social welfare considerations.

Arguments For and Against CSR:

Arguments against CSR include reduced profits, higher costs, dilution of business purpose, excessive social power for businesses, and lack of public accountability. Arguments in favor of CSR highlight its potential to add long-run profits, improve public image, avoid government regulation, and fulfill businesses' resources and ethical obligations.

Corporate Social Responsibility (CSR):

CSR refers to an organization's obligation to act in ways that serve its interests and the interests of society at large. The evaluation of corporate social performance involves criteria such as economic responsibility, legal responsibility, ethical responsibility, and discretionary responsibility.

Criteria for Evaluating Corporate Social Performance:

Economic Responsibility:

Meeting financial obligations and contributing to economic development.

Ethical Responsibility:

Adhering to accepted principles of right and wrong in business conduct.

Legal Responsibility:

Complying with laws and regulations governing business operations.

Discretionary Responsibility:

Engaging in activities and initiatives that go beyond legal and ethical requirements.

Strategies for Pursuing Social Responsibility:

Obstructionist
Meets only economic responsibilities.

Accommodative
Meets economic, legal, and ethical responsibilities.

Defensive
Meets economic and legal responsibilities.

Proactive
Meets economic, legal, ethical, and discretionary responsibilities.

Government Influence on Organizations:

- Government influences organizations through regulation in areas like occupational safety, fair labor practices, consumer protection, and environmental protection.

Organizational Influence on Governments:

Organizations influence governments through personal contacts, public relations campaigns, lobbying, political action committees, and occasionally through illegal acts such as bribery or illegal financial contributions.

Corporate Governance:

- Corporate governance involves the oversight of top management by a board of directors. It encompasses tasks like hiring, firing, and compensating the CEO, assessing strategy, and verifying financial records.

Centrality of Ethics and Social Responsibility:

- Ethics and social responsibility play a central role in leadership and the managerial role. This centrality emphasizes the interconnectedness of ethical conduct, social responsibility, and effective organizational governance.

Thanks!