

Week 4

Corporate Ethics in International Business Practice

Lecture Objective

What I am setting out to do here in talking about global business ethics is less about providing you with a tangible list of dos and don'ts in business practice. It is more about helping you understand the critical issues that global managers must deal with on an operational and strategic basis.

Enlightenment, Reason and Ethics

While ethics is not religion, values based on religious teachings have influenced our understanding of ethical conduct. Given the influence of Western thought over the world in the last few centuries, many would say that global business has been heavily impacted by the mode of thinking that began with the European Reformation and post-Enlightenment values since the 17th century on. The Enlightenment placed emphasis on equality and individual rights - In this mode of thinking, it has become accepted that all people in any country and of any background are equal and should have equal opportunity. Companies incorporate this principle in their employment, management, and operational guidelines; yet enforcing it in global operations can be both tricky and inconsistent.

The areas of business impacted by global perceptions of ethical, moral, and socially responsible behaviour include the following:

- Ethics and management**
- Ethics and corruption**
- Corporate social responsibility (CSR)**

The British East India Company – 1600 – 1850s

In this book (The Company State), Philip J. Stern reveals the history of a corporation concerned not simply with the bottom line but also with the science of colonial governance. Stern demonstrates how Company leadership wrestled with typical early modern problems of political authority, such as the mutual obligations of subjects and rulers; the relationships among law, economy, and sound civil and colonial society; the constitution of civic institutions ranging from tax collection and religious practice to diplomacy and war-making; and the nature of jurisdiction and sovereignty over people, territory, and the sea.

The largest global companies, typically the *Fortune Global* 500, will often make management and employment decisions regardless of local practices. Most people in each country will want to deal with these large and well-respected companies. The person representing the larger company brings the clout of their company to any business interaction.

But lesser-known, midsize, and smaller companies may find that *who* their representative is will be more important. Often lacking business recognition in the marketplace, these smaller and midsize companies have to rely on their corporate representatives to create the professional image and bond with their in-country counterparts so they may have to adapt to local cultural norms.

Corruption is “giving or obtaining advantage through means which are illegitimate, immoral, and/or inconsistent with one’s duty or the rights of others. Corruption often results from patronage – relationships between patrons and clients. Shell (Nigeria) in the 1980-90s and beyond was engaged in huge corruption/pay backs to politicians, etc in Oginiland which was the centre of the Nigerian oil industry....resulted not just environmental crimes but also violence and murder..

Officials said that Siemens, beginning in the mid-1990s, used bribes and kickbacks to foreign officials to secure government contracts for projects like a national identity card project in Argentina, mass transit work in Venezuela, a nationwide cell phone network in Bangladesh and a United Nations oil-for-food program in Iraq under Saddam Hussein. ‘Their actions were not an anomaly,’ said Joseph Persichini Jr., the head of the Washington office of the Federal Bureau of Investigation. ‘They were standard operating procedures for corporate executives who viewed bribery as a business strategy.’”

Transparency International analyses trends in global corruption. The following is an excerpt from their 2010 Global Corruption Barometer report.

“Corruption has increased over the last three years, say six out of 10 people around the world. One in four people report paying bribes in the last year. These are the findings of the 2010 Global Corruption Barometer.

“The message from the 2010 Barometer is that corruption is insidious. It makes people lose faith. The good news is that people are ready to act,” said Labelle. “Public engagement in the fight against corruption will force those in authority to act—and will give people further courage to speak out and stand up for a cleaner, more transparent world.” Source:

Transparency International, “Global Corruption Barometer 2010,”

2011, http://www.transparency.org/policy_research/surveys_indices/gcb/2010

Gift giving as a long an established form of practice that would help in the development of a business relationship in business conducted in Asia, the Middle East, and Africa, gift giving was clearly tipping into bribery. In the past two decades, many countries have placed limits on the types and value of gifts while also banning bribery in any form. In the United States, companies must adhere to the *Foreign Corrupt Practices Act*, a federal law that specifically bans any form of bribery. Foreign companies that are either listed on an American stock exchange or conduct business with the US government come under the purview of this law.

Corporate Social Responsibility (CSR) is defined in Wikipedia as “the corporate conscience, citizenship, social performance, or sustainable responsible business, and is a form of corporate self-regulation integrated into a business model. CSR policy functions as a built-in, self-regulating mechanism whereby business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms.”

“Corporate social responsibility encompasses not only what companies do with their profits, but also how they make them. It goes beyond philanthropy and compliance and addresses how companies manage their economic, social, and environmental impacts, as well as their relationships in all key spheres of influence: the workplace, the marketplace, the supply chain, the community, and the public policy realm.” *Source: “Defining Corporate Social Responsibility,” Corporate Social Responsibility Initiative, Harvard Kennedy School, http://www.hks.harvard.edu/m-rcbg/CSRI/init_define.html*

See the new HSBC advert which sets out their working relation with Shelter (a housing/homeless charity) and also the advert from Carlsberg which sees them having established a link with the WWF.

Under the auspices of the United Nations, the Global Compact “is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.”

Governments often do not enforce laws until it's politically expedient to do so. Take child labour...Western companies operating in India or Pakistan are not permitted to use child labour in factories, mines, and other areas of hazardous employment. However, child labour is widespread in these countries due to deep-rooted social and economic challenges. Local governments are often unable and unwilling to enforce national rules and regulations. Companies and consumers who purchase goods made by children are often unaware that these practices remain unchecked.

Covid-19 and Corruption

Transparency International said:

Not only are Covid-19 sufferers in need of medical support, but governments across the EU are rolling out vaccinations to protect those most vulnerable to the virus and are creating plans to allocate billions of euros for post-pandemic recovery. Corruption threatens all these activities.