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Values in Tension: Ethics Away from Home

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When we leave home and cross our nation's boundaries, moral clarity often blurs. Without a backdrop of

shared attitudes, and without familiar laws and judicial procedures that define standards of ethical conduct, certainty is elusive. Should a company invest in a foreign country where civil and political rights are violated? Should a company go along with a host country's discriminatory employment practices? If companies in developed countries shift facilities to developing nations that lack strict environmental and health regulations, or if those companies choose to fill management and other top-level positions in a host nation with people from the home country, whose standards should prevail? Even the best-informed, best-intentioned executives must rethink their assumptions about business practice in foreign settings. What works in a company's home country can fail in a country with different standards of ethical conduct. Such difficulties are unavoidable for businesspeople who live and work abroad. But how can managers resolve the problems?

What are the principles that can help them work through the maze of cultural differences and establish codes of conduct for globally ethical business practice? How can companies answer the toughest question in global business ethics: What happens when a host country's ethical standards seem lower than the home country's?

COMPETING ANSWERS

One answer is as old as philosophical discourse. According to cultural relativism, no culture's ethics are better than any other's; therefore there are no international rights and wrongs. If the people of Indonesia tolerate the bribery of their public officials, so what? Their attitude is no better or worse than that of people in Denmark or Singapore who refuse to offer or accept bribes.

Likewise, if Belgians fail to find insider trading morally repugnant, who cares? Not enforcing insider-trading laws is no more or less ethical than enforcing such laws. The cultural relativist's creed—When in Rome,

do as the Romans do—is tempting, especially when failing to do as the locals do means forfeiting business opportunities. The inadequacy of cultural relativism, however, becomes apparent when the practices in question are more damaging than petty bribery or insider trading. In the late 1980s, some European tanneries and pharmaceutical companies were looking for cheap waste-dumping sites. They approached virtually every

country on Africa's west coast from Morocco to the Congo. Nigeria agreed to take highly toxic polychlorinated biphenyls. Unprotected local workers, wearing thongs and shorts, unloaded barrels of PCBs and placed them near a residential area. Neither the residents nor the workers knew that the barrels contained toxic waste. We may denounce governments that permit such abuses, but many countries are unable to police transnational corporations adequately even if they want to. And in many countries, the combination of ineffective enforcement and inadequate regulations leads to behavior by unscrupulous companies that is clearly wrong. A few years ago, for example, a group of investors became interested in restoring the SS United States, once a luxurious ocean liner. Before the actual restoration could begin, the ship had to be stripped of its asbestos

lining. A bid from a U.S. company, based on U.S. standards for asbestos re-moval, priced the job at more than \$100 million. A company in the Ukrainian city of Sevastopol offered to do the work for less than \$2 million. In October 1993, the ship was towed to Sevastopol. A cultural relativist would have no problem with

that outcome, but I do. A country has the right to establish its own health and safety regulations, but in the case just described, the standards and the terms of the contract could not possibly have protected workers in Sevastopol from known health risks. Even if the contract met Ukrainian standards, ethical businesspeople must object. Cultural relativism is morally blind. There are fundamental values that cross cultures, and companies must uphold them. At the other end of the spectrum from cultural relativism is ethical imperialism, which directs people to do everywhere exactly as they do at home. Again, an understandably appealing approach but one that is clearly inadequate. Consider the large U.S. computer-products company that in 1993 introduced a course on sexual harassment in its Saudi Arabian facility. Under the banner of global consistency, instructors used the same approach to train Saudi Arabian managers that they had used with U.S. managers: the participants were asked to discuss a case in which a manager makes sexually explicit remarks to a new female employee over drinks in a bar. The instructors failed to consider how the exercise would work in a culture with strict conventions governing relationships between men and women. As a result, the training sessions were ludicrous. They baffled and offended the Saudi participants, and the message to avoid coercion and sexual discrimination was lost. The theory behind ethical imperialism is absolutism, which is based on three problematic principles. Absolutists believe that there is a single list of truths, that they can be expressed only with one set of concepts, and that they call for exactly the same behavior around the world. The first claim clashes with many people's belief

that different cultural traditions must be respected. In some cultures, loyalty to a community—family, organization, or society—is the foundation of all ethical behavior. The Japanese, for example, define business ethics in terms of loyalty to their companies, their business networks, and their nation. Americans place a higher value on liberty than on loyalty; the U.S. tradition of rights emphasizes equality, fairness, and individual freedom. It is hard to conclude that truth lies on one side or the other, but an absolutist would have us select just one. The second problem with absolutism is the pre-sumption that people must express moral truth using only one set of concepts. For instance, some absolutists insist that the language of basic rights provides the framework for any discussion of ethics. That means, though, that entire cultural traditions must be ignored. The notion of a right evolved with the rise of democracy in post-Renaissance Europe and the United States, but the term is not found in either Confucian or Buddhist traditions. We all learn ethics in the context of our particular cultures, and the power in the principles is deeply tied to the way in which they are expressed. Internationally accepted lists of moral principles, such as the United Nations' Universal Declaration of Human Rights, draw on many cultural and religious traditions. As philosopher Michael Walzer has noted, "There is no Espe-ranto of global ethics." The third problem with absolutism is the belief in

a global standard of ethical behavior. Context must shape ethical practice. Very low wages, for example,

may be considered unethical in rich, advanced countries, but developing nations may be acting ethically if they encourage investment and improve living standards by accepting low wages. Likewise, when people are malnourished or starving, a government may be wise to use more

fertilizer in order to improve crop yields, even though that means settling for relatively high levels of thermal water pollution. When cultures have different standards of ethical behavior—and different ways of handling unethical behavior—a company that takes an absolutist approach may find itself making a disastrous mistake. When a manager at a large U.S. specialty-products company in China caught an employee stealing, she followed the company's practice and turned the employee over to the provincial authorities, who executed him. Managers cannot operate in another culture without being aware of that culture's attitudes toward ethics. If companies can neither adopt a host country's ethics nor extend the home country's standards, what is the answer? Even the traditional litmus test—What would people think of your actions if they were written up on the front page of the newspaper?—is an unreliable guide, for there is no international consensus on standards of business conduct.

BALANCING THE EXTREMES: THREE GUIDING PRINCIPLES

Companies must help managers distinguish between practices that are merely different and those that are wrong. For relativists, nothing is sacred and nothing is wrong. For absolutists, many things that are different are wrong. Neither extreme illuminates the real world of business decision making. The answer lies somewhere in between. When it comes to shaping ethical behavior, companies must be guided by three principles. • Respect for core human values, which determine the absolute moral threshold for all business activities.

• Respect for local traditions. • The belief that context matters when deciding what is right and what is wrong. Consider those principles in action. In Japan, people doing business together often exchange gifts—sometimes expensive ones—in keeping with longstanding Japanese tradition: When U.S. and European companies started doing a lot of business in Japan, many Western businesspeople thought that the practice of gift giving might be wrong rather than simply different. To them, accepting a gift felt like accepting a bribe. As Western companies have become more familiar with Japanese traditions, however, most have come to tolerate the practice and to set different limits on gift giving in Japan than they do elsewhere. Respecting differences is a crucial ethical practice. Research shows that management ethics differ among cultures; respecting those differences means recognizing that some cultures have obvious weaknesses—as well as hidden strengths. Managers in Hong Kong, for example, have a higher tolerance for some forms of bribery than their Western counterparts, but they have a much lower tolerance for the failure to acknowledge a subordinate's work. In some parts of the Far East, stealing credit from a subordinate is nearly an unpardonable sin. People often equate respect for local traditions

with cultural relativism. That is incorrect. Some practices are clearly wrong. Union Carbide's tragic experience in Bhopal, India, provides one example. The company's executives seriously underestimated how much on-site management involvement was needed at the Bhopal plant to compensate for the country's poor infrastructure and regulatory capabilities. In the aftermath of the disastrous gas leak, the lesson is clear: companies using sophisticated technology in a developing country must evaluate that country's ability to oversee its safe use. Since the incident at Bhopal, Union Carbide has become a leader in advising companies on using hazardous technologies safely in developing countries. Some activities are wrong no matter where they take place. But some practices that are unethical in one setting may be acceptable in another. For instance, the chemical EDB, a soil fungicide, is banned for use in the United States. In hot

climates, however, it quickly becomes harmless through exposure to intense solar radiation and high soil temperatures. As long as the chemical is monitored, companies may be able to use EDB ethically in certain parts of the world.

DEFINING THE ETHICAL THRESHOLD: CORE VALUES

Few ethical questions are easy for managers to answer. But there are some hard truths that must guide managers' actions, a set of what I call core human values, which define minimum ethical standards for all companies.¹

The right to good health

and the right to economic advancement and an improved standard of living are two core human values. Another is what Westerners call the Golden Rule, which is recognizable in every major religious and ethical tradition around the world. In Book 15 of his Analects, for instance, Confucius counsels people to maintain reciprocity, or not to do to others what they do not want done to themselves. Although no single list would satisfy every scholar, I believe it is possible to articulate three core values that incorporate the work of scores of theologians and philosophers around the world. To be broadly relevant, these values must include elements found in both Western and non-Western cultural and religious traditions. Consider the examples of values in the [box] "What Do These Values Have in Common?" At first glance, the values expressed in the two

lists seem quite different. Nonetheless, in the spirit of what philosopher John Rawls calls overlapping consensus, one can see that the seemingly divergent values converge at key points. Despite important differences between Western and non-Western cultural and religious traditions, both express shared attitudes about what it means to be human. First, individuals must not treat others simply as tools; in other words, they must recognize a person's value as a human being. Next, individuals and communities must treat people in ways that respect people's basic rights. Finally, members of a community must work together to support and improve the institutions on which the community depends. I call those three values respect for human dignity, respect for basic rights, and good citizenship. Those values must be the starting point for all companies as they formulate and evaluate standards of ethical conduct at home and abroad. But they are only a starting point. Companies need much more specific guidelines, and the first step to developing those is to translate the core human values into core values for business. What does it mean, for example, for a company to respect human dignity? How can a company be a good citizen? I believe that companies can respect human dignity by creating and sustaining a corporate culture in which employees, customers, and suppliers are treated not as means to an end but as people whose intrinsic value must be acknowledged, and by producing safe products and services in a safe workplace. Companies can respect basic rights by acting in ways that support and protect the individual rights of employees, customers, and surrounding communities, and by avoiding relationships that violate human beings' rights to health, education, safety, and an adequate standard of living. And companies can be good citizens by supporting essential social institutions, such as the economic system and the education system, and by working with host governments and other organizations to protect the environment. The core values establish a moral compass for

business practice. They can help companies identify practices that are acceptable and those that are intolerable—even if the practices are compatible with a host country's norms and laws.

Dumping

pollutants near people's homes and accepting inadequate standards for handling hazardous materials are two examples of actions that violate core values. Similarly, if employing children prevents them

from receiving a basic education, the practice is intolerable. Lying about product specifications in the act of selling may not affect human lives directly, but it too is intolerable because it violates the trust that is needed to sustain a corporate culture in which customers are respected. Sometimes it is not a company's actions but

those of a supplier or customer that pose problems. Take the case of the Tan family, a large supplier for Levi Strauss. The Tans were allegedly forcing 1,200 Chinese and Filipino women to work 74 hours per week in guarded compounds on the Mariana Islands. In 1992, after repeated warnings to the Tans, Levi Strauss broke off business relations with them.

CREATING AN ETHICAL CORPORATE CULTURE

The core values for business that I have enumerated can help companies begin to exercise ethical judgment and think about how to operate ethically in foreign cultures, but they are not specific enough to guide managers through actual ethical dilemmas. Levi Strauss relied on a written code of conduct when figuring out how to deal with the Tan family. The company's Global Sourcing and Operating Guidelines, formerly called the Business Partner Terms of Engagement, state that Levi Strauss will "seek to identify and utilize business partners who aspire as individuals and in the conduct of all their businesses to a set of ethical standards not incompatible with our own." Whenever intolerable business situations arise, managers should be guided by precise statements that spell out the behavior and operating practices that the company demands. Ninety percent of all Fortune 500 companies have

codes of conduct, and 70% have statements of vision and values. In Europe and the Far East, the percentages are lower but are increasing rapidly. Does that mean that most companies have what they need? Hardly. Even though most large U.S. companies have both statements of values and codes of conduct, many might be better off if they didn't. Too many companies don't do anything with the documents; they simply paste them on the wall to impress employees, customers, suppliers, and the public. As a result, the senior managers who drafted the statements lose credibility by proclaiming values and not living up to them. Companies such as Johnson & Johnson, Levi Strauss, Motorola, Texas Instruments, and Lockheed Martin, however, do a great deal to make the words meaningful. Johnson & Johnson, for example, has become well known for its Credo Challenge sessions, in which managers discuss ethics in the context of their current business problems and are invited to criticize the company's credo and make suggestions for changes. The participants' ideas are passed on to the company's senior managers. Lockheed Martin has created an innovative site on the World Wide Web and on its local network that gives employees, customers, and suppliers access to the company's ethical code and the chance to voice complaints. Codes of conduct must provide clear direction about ethical behavior when the temptation to behave unethically is strongest. The pronouncement in a code of conduct that bribery is unacceptable is useless unless accompanied by guidelines for gift giving, payments to get goods through customs, and "requests" from intermediaries who are hired to ask for bribes.

Motorola's values are stated very simply as

"How we will always act: [with] constant respect for people [and] uncompromising integrity." The

company's code of conduct, however, is explicit about actual business practice. With respect to bribery, for example; the code states that the "funds and assets of Motorola shall not be used, directly or indirectly, for illegal payments of any kind." It is unambiguous about what sort of payment is illegal: "the payment of a bribe to a public official or the kickback of funds to an employee of a customer. . . ." The code goes on to prescribe specific procedures for handling commissions to intermediaries,

issuing

sales invoices, and disclosing confidential information in a sales transaction—all situations in which employees might have an opportunity to accept or offer bribes. Codes of conduct must be explicit to be useful,

but they must also leave room for a manager to use his or her judgment in situations requiring cultural sensitivity. Host-country employees shouldn't be forced to adopt all home-country values and renounce their own. Again, Motorola's

code is exemplary. First, it gives clear direction: "Employees of Motorola will respect the laws, customs, and traditions of each country in which they operate, but will, at the same time, engage in no course of conduct which, even if legal, customary, and accepted in any such country, could be deemed to be in violation of the accepted business ethics of Motorola or the laws of the United States relating to business ethics." After laying down such absolutes, Motorola's code then makes clear when individual judgment will be necessary. For example, employees may sometimes accept certain kinds of small gifts "in rare circumstances, where the refusal to accept a gift" would injure Motorola's "legitimate business interests." Under certain circumstances, such gifts "may be accepted so long as the gift inures to the benefit of Motorola" and not "to the benefit of the Motorola employee." Striking the appropriate balance between providing

clear direction and leaving room for individual judgment makes crafting corporate values statements and ethics codes one of the hardest tasks that executives confront. The words are only a start. A company's leaders need to refer often to their organization's credo and code and must themselves be credible, committed, and consistent. If senior managers act as though ethics don't matter, the rest of the company's employees won't think they do, either.

CONFLICTS OF DEVELOPMENT AND CONFLICTS OF TRADITION

Managers living and working abroad who are not prepared to grapple with moral ambiguity and tension should pack their bags and come home. The view that all business practices can be categorized as either ethical or unethical is too simple. As Einstein is reported to have said, "Things should be as simple as possible—but no simpler." Many business practices that are considered unethical in one setting may be ethical in another. Such activities are neither black nor white but exist in what Thomas Dunfee and I have called moral free space.²

In

this gray zone, there are no tight prescriptions for a company's behavior. Managers must chart their own courses—as long as they do not violate core human values.

GUIDELINES FOR ETHICAL LEADERSHIP

Learning to spot intolerable practices and to exercise good judgment when ethical conflicts arise requires practice. Creating a company culture that rewards ethical behavior is essential. The following guidelines for developing a global ethical perspective among managers can help. Treat corporate values and formal standards

of conduct as absolutes. Whatever ethical standards a company chooses, it cannot waver on its principles either at home or abroad. Consider what has become part of company lore at Motorola. Around 1950, a senior executive was negotiating with officials of a South American government on a \$10 million sale that would have increased the company's annual net profits by nearly 25%. As the negotiations neared

completion, however, the executive walked away from the deal because the officials were asking for \$1 million for "fees." CEO Robert Galvin not only supported the executive's decision but also made it clear that Motorola would neither accept the sale on any terms nor do business with those government officials again. Retold over the decades, this story demonstrating Galvin's resolve has helped cement a culture of ethics for thousands of employees at Motorola. Design and implement conditions of engagement for suppliers and customers. Will your company do business with any customer or supplier? What if a customer or supplier uses child labor? What if it has strong links with organized crime? What if it pressures your company to break a host country's laws? Such issues are best not left for spur-of-the-moment decisions. Some companies have realized that.

Sears, for instance, has developed a policy of not contracting production to companies that use prison labor or infringe on workers' rights to health and safety. And BankAmerica has specified as a condition for many of its loans to developing countries that environmental standards and human rights must be observed. Allow foreign business units to help formulate ethical standards and interpret ethical issues. The French pharmaceutical company Rhône-Poulenc Rorer has allowed foreign subsidiaries to augment lists of corporate ethical principles with their own suggestions. Texas Instruments has paid special attention to issues of international business ethics by creating the Global Business Practices Council, which is made up of managers from countries in which the company operates. With the overarching intent to create a "global ethics strategy, locally deployed," the council's mandate is to provide ethics education and create local processes that will help managers in the company's foreign business units resolve ethical conflicts. In host

countries, support efforts to decrease institutional corruption. Individual managers will not be able to wipe out corruption in a host country, no matter how many bribes they turn down. When a host country's tax system, import and export procedures, and procurement practices favor unethical players, companies must take action. Many companies have begun to participate in reforming host-country institutions. General Electric, for example, has taken a strong stand in India, using the media to make repeated condemnations of bribery in business and government. General Electric and others have found, however, that a single company usually cannot drive out entrenched corruption. Transparency International, an organization based in Germany, has been effective in helping coalitions of companies, government officials, and others work to reform bribery-ridden bureaucracies in Russia, Bangladesh, and elsewhere. Exercise moral imagination. Using moral

imagination means resolving tensions responsibly and creatively. Coca-Cola, for instance, has consistently turned down requests for bribes from Egyptian officials but has managed to gain political support and public trust by sponsoring a project to plant fruit trees. And take the example of Levi Strauss, which discovered in the early 1990s that two of its suppliers in Bangladesh were employing children under the age of 14—a practice that violated the company's principles but was tolerated in Bangladesh. Forcing the suppliers to fire the children would not have ensured that the children received an education, and it would have caused serious hardship for the families

depending on the children's wages.

In a creative arrangement, the

suppliers agreed to pay the children's regular wages while they attended school and to offer each child a job at age 14. Levi Strauss, in turn, agreed to pay the children's tuition and provide books and uniforms. That arrangement allowed Levi Strauss to uphold its principles and provide long-term benefits to its host country. Many people think of values as soft; to some they are usually unspoken. A South Seas island society uses the word Mokita, which means, "the truth that everybody knows but nobody speaks."

However difficult they are to articulate, values affect how we all behave. In a global business environment, values in tension are the rule rather than the exception. Without a company's commitment, statements of values and codes of ethics end up as empty platitudes that provide managers with no foundation for behaving ethically. Employees need and deserve more, and responsible members of the global business community can set examples for others to follow. The dark consequences of incidents such as Union Carbide's disaster in Bhopal remind us how high the stakes can be.