

# Ethics and Social Responsibility

# Ethics

**Moral standards, not governed by law, that focus on the human consequences of behavior**

# Ethics

- Ethics:
  - Study of morality and standards of conduct
  - Dilemmas arising from conflicts between ethical standards between countries most evident in employment practices
  - Inferring right vs. wrong in legal sense
  - Ethical vs. Legal

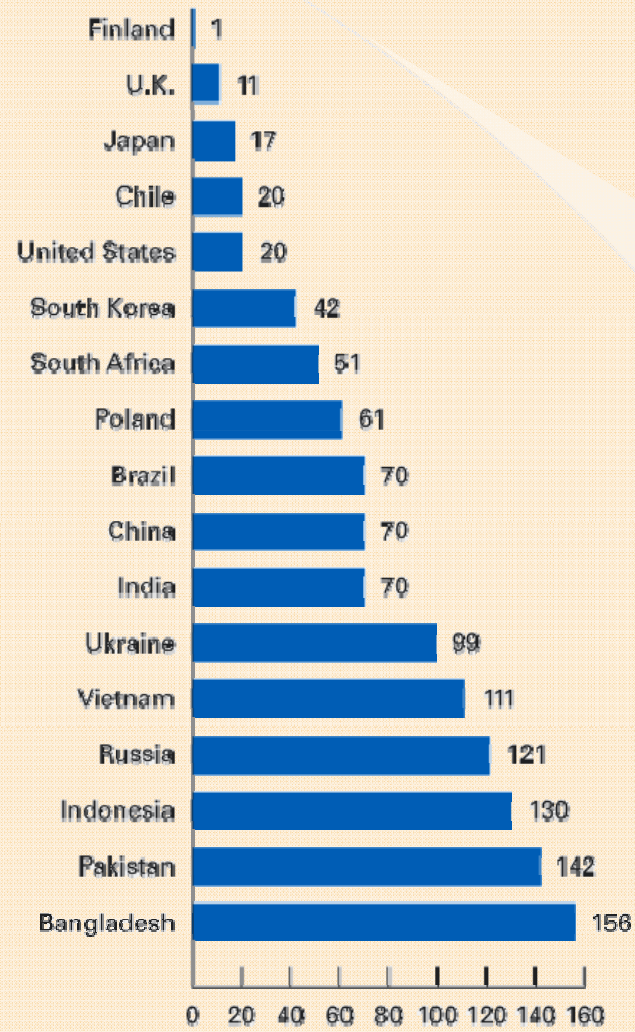
# Ethics and Social Responsibility Dilemmas

- Employment and business practices
  - Difficult to establish a universal foundation of employment practices
  - Difficult dilemmas in deciding working conditions, expected consecutive work hours, and labor regulations.
  - Offshoring due to differences in labor costs
  - Wealthy nations and firms helping or not helping less wealthy nations and people.

# Corruption Index: Least and Most Corrupt Countries

**Figure 3-1**

**Corruption Index:  
Ranking of Least  
Corrupt to Most**



Source: Adapted from Transparency International, CPI Table, [www.transparency.org/news\\_room/in\\_focus/2006/cpi\\_2006\\_1/cpi\\_table](http://www.transparency.org/news_room/in_focus/2006/cpi_2006_1/cpi_table).

# Trust in Leaders



Figure 3-2

Trust in Leaders:  
Percentage Saying  
"A Lot" and "Some Trust"

Source: From *Voice of the People Survey, 2003*. Reprinted with permission of Gallup International.

# Ethics and Social Responsibility Around the World: JAPAN

- Equal opportunity issues
  - Refusal to hire women or promote them into management positions
  - Hostile work environment
  - Traditional role of females and female employees
  - Sexual harassment may not be considered a moral issue

# Ethics and Social Responsibility Around the World: EUROPE

- Equal employment opportunity
  - Glass ceiling pervasive throughout the world
  - France, Germany, Great Britain have seen increase in number of women in management, but tend to represent only lower levels



# Ethics and Social Responsibility

- Corruption
  - Government corruption pervasive element in international business environment
  - Scandals in Russia, China, Pakistan, Lesotho, South Africa, Costa Rica, Egypt and elsewhere

# The Social Responsibility of Corporations

- **The Efficiency Perspective**
  - Friedman, “Chicago School”
- **The Social Responsibility Perspective**
  - Evan and Freeman “Stakeholder Theory”

# Corporate Governance

- The System by which business corporations are directed and controlled:
  - Owners bear primary responsibility
    - Distribution of rights and responsibilities
    - Stakeholder management
    - Spells out rules and procedures
    - Make goal and core policy decisions
      - Set acceptable means of attaining objectives
    - Monitors performance

# Corporate Governance

- Many continental European countries are “insider” systems
  - Ownership more concentrated
  - Shares owned by holding companies, families or banks
- Rules and regulations differ among countries and regions
  - U.K. and U.S. systems are “outsider” systems
    - Dispersed ownership of equity
    - Large number of outside investors

# Relativism Vs. Universalism

- What is meant by relativism?
  - Jeremy Bentham and John Stuart Mill
  - Relativism, Utilitarianism, Pragmatism
- What is meant by universalism?
  - Emanuel Kant
  - Deontological perspective
  - Categorical imperatives
- U.S court system is composite of both

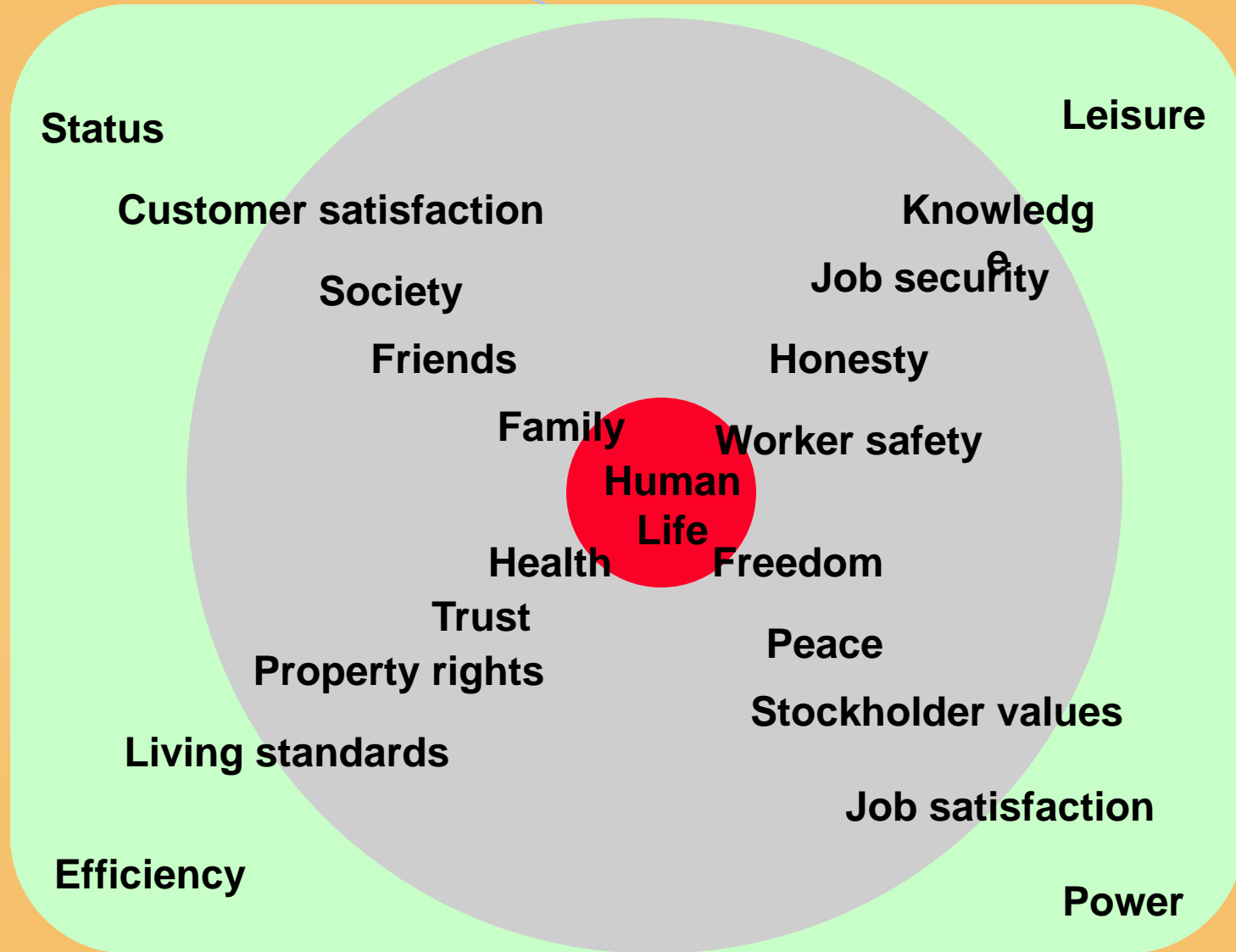
# Values

- Values: That which is valued.
  - Values are the constructs that anchor social exchange and social behavior.
    - For example, in exchange for talent you receive respect? How much respect for how much talent?
    - The various values have different worths on the social exchange.
- Values frame both rewards and behavior
  - Example: “Fairness” and “Justice” as core values
    - Are they core values in all cultures?
    - Are these values understood the same way in all cultures?
    - No. Understood differently in differently cultures and contexts
      - Need: To each according to need, from each according to ability
      - Equality: To each equally, from each equally
      - Equity: To each in proportion to input

# Values (continued)

- Some values are more central than others
  - Are any values universally central?
  - Are all values nationally, regionally, locally, ethnically, or other demographically based?
  - Your answer will impact how you managing, market and negotiate.
- Ranking of values.
  - What happens when they clash? What value wins out?
  - How might this impact “ethical” behavior?

# Values: Core and Periphery





# Face and Ethical Behavior

- What is “face?”
- Is face valued in all cultures? Is it the same in all cultures?
- How does the value of “face” alter ethical vs. unethical behavior?
- Does attention to “face” trammel other important values across cultures?
  - How about business values: (eg. efficiency?)
- If yes, what is to be done?

# Some Internal Ethical Issues

- **Discrimination**
- **Fairness**
- **Safety**
- **Compensation**
- **Child Labor**
- **Related management decisions are based in competing values**
  - **How do these differ by nation? By Region?**

# Cross-Cultural Ethical Issues

<http://www.globalethics.org>

- **Theft of Intellectual Property**
- **Tobacco and dangerous products**
- **Bribery and Corruption**
- **Intentionally Selling Dangerous Products**
- **Environmental Pollution**
- **Intentional Misrepresentation**

# NGOs, MNCs and Ethical Balance

- **NGO:** Non-governmental organization; private, not-for-profit organization that seeks to serve society's interests by focusing on social, political, and economic issues such as poverty, social justice, education, health and the environment.
- NGOs have urged MNCs to be more responsive to range of social needs in developing countries
- NGOs have grown in number, power, influence
- NGO activism has caused major changes in corporate behavior
- NGO leaders are the most trusted of eight leadership categories (see slide to follow)

# NGOs

- NGOs in U.S. and globally
  - Save the Children
  - Oxfam
  - CARE
  - World Wildlife Fund
  - Conservation International

# Rise of Civil Society and NGOs

- Major criticisms
  - Exploitation of low-wage workers
  - Environmental abuses
  - Intolerable workplace standards
- Response to social obligations:
  - Agreements and codes of conduct
  - Maintenance of standards in domestic and global operations
  - Cooperation with NGOs regarding certain social issues
- Corporations receiving heavy criticism
  - Nike
  - Levi's
  - Chiquita

# Global Initiatives to Increase Accountability and Limit Corruption

- Foreign Corrupt Practices Act
- International Assistance Partnerships

# Corruption and Foreign Corrupt Practices Act (FCPA)

- Some evidence that discontinuing bribes does not reduce sales of the firm's products or services in that country
- Recent formal agreement by many industrialized nations to outlaw the practice of bribing foreign government officials
- Illegal for U.S. firms and their managers to attempt to influence foreign officials through personal payments or political contributions, including such tactics as
  - “Entertainment” expenses
  - “Consulting” fees



# Corruption and Foreign Corrupt Practices Act

- Recent formal agreement by many industrialized nations to outlaw the practice of bribing foreign government officials
  - Organization for Economic Cooperation and Development
  - 29 members plus several other countries have signed on
  - Fails to outlaw most payments to political party leaders
  - Does indicate growing support for anti-bribery initiatives

# Convergence or Divergence?

- **A Bureaucratic Ethic**
- **International Regulatory Agencies**
- **Diffusion of Capitalism Worldwide**
- ***Religious Differences***
- ***Reassertion of National and Ethnic Cultures***
- ***Varying Economic Systems and Levels of Development***