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.

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Corruption Index:
Least and Most Corrupt Countries

Figure 3–1
Corruption Index:
Ranking of Least Corrupt to Most

Trust in Leaders

Figure 3-2
Trust in Leaders:
Percentage Saying “A Lot” and “Some Trust”

Average Across All 15 Countries Surveyed


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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

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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

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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

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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

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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

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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

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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?

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Values: Core and Periphery

Status
Customer satisfaction
Society
Friends
Family
Health
Trust
Property rights
Living standards
Efficiency
Leisure
Knowledge
Job security
Honesty
Worker safety
Peace
Stockholder values
Job satisfaction
Power
Human
Life
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?

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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)

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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

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Global Initiatives to Increase Accountability and Limit Corruption

- Foreign Corrupt Practices Act
- International Assistance Partnerships

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**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 of political contributions, including such tactics as:
  - “Entertainment” expenses
  - “Consulting” fees

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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

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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