CHAPTER 9
Ethics and Globalization

Chapter Summary

Ethical issues have been raising problems in the global business. This has caused the United Nations to take action in 2000 by presenting the UN Global Impact. The chapter presents the issue of global relativism in a global environment. Next, the ethical challenges in doing business in developing and developed economies are compared. The author argues that even though it is hard for organizations to make a global code of conduct these are the best solutions. The final part of the chapter explains the OECD Guidelines for Multinational Enterprises.

Learning Objectives

After studying this chapter, you should be able to:

1. Understand the ethical issues arising in global business.
2. Explain the issue of ethical relativism in a global environment.
3. Compare the ethical challenges in doing business in developing and developed economies.
4. Explain the challenges in developing a global code of ethics.
5. Analyze the ramifications of the UN Global Compact.

Extended Chapter Outline

Objective 1: Understand the ethical issues arising in global business.
  1.1. The opening frontline focus case shows how an employee is faced with an ethical decision with his company.
  1.2. When doing business on an international scale, the concept of business ethics changes dramatically.
    1.2.1. Less-Developed Nation: Country that lacks the economic, social, and technological infrastructure of a developed nation
    1.2.1.1. Crushed by globalization due to no one wants to do business in countries where illiteracy is high, where modern infrastructure does not exist and where social chaos reigns.
    1.2.2. Developed Nation: Country that enjoys a high standard of living as measured by economic, social and technological criteria
    1.2.3. Utilitarianism: Ethical choices that offer the greatest good for the greatest number of people
    1.2.4. Globalization: The expansion of international trade to a point where national markets have been overtaken by regional trade
blocs (Latin America, Europe, Africa), leading eventually to a global market.

1.2.5. **Multinational Corporation:** A company that provides and sells products and services across multiple national borders

1.2.5.1. Most MNCs have chosen to ignore all ethical standards in the pursuit of the almighty dollar on the basis of two arguments

1.2.5.1.1. If they didn’t pursue the business, somebody else would

1.2.5.1.2. They are operating in full compliance with local laws and regulations, which conveniently happen to be far less restrictive than those they would face in their own country.

**Objective 2:** Explain the issue of ethical relativism in a global environment.

2.1. **Ethical Relativism:** Where your ethical principles are defined by the traditions of your society, your personal opinions, and the circumstances of the present moment.

2.2. Policies and procedures are hard to follow when your customers don’t have comparable policies in their own organization.

2.3. Leaves companies with a tough decision.

2.3.1. Stand by the Western principle of ethical conduct

2.3.2. Submit to practical reality of a local market and “grease up the appropriate palms” to get things done.

**Objective 3:** Compare the ethical challenges in doing business in developing and developed economies.

3.1. Globalizations upside for developed countries.

3.1.1. Globalization brings unprecedented improvements in wealth and standards of citizens

3.1.2. Leverage their natural resources or low costs of living to attract foreign investors

3.1.3. Access to these resources means lower production costs that equate lower prices and higher income standards for their customers

3.2. Globalizations downside for developed countries

3.2.1. Ravaged for their raw materials with no concern for long-term economic viability of their national economies

3.2.2. Workers are exploited

3.2.3. Take full advantage of less restrictive legal environments

**Objective 4:** Explain the challenges in developing a global code of ethics.

4.1. **Global Code of Conduct:** A general standard of business practice that can be applied equally to all countries over and above their local customs and social norms.

4.2. Companies take advantage of the less stringent laws and regulations of local markets to:
4.2.1. Increase revenue
4.2.2. Cut costs
4.2.3. Maximize profitability
4.2.4. Grow market share

4.3. DeGeorge’s guidelines for doing business in less developed countries.

Objective 5: Analyze the ramifications of the UN Global Compact.

5.1. UN Global Compact: A voluntary corporate citizenship initiative endorsing key principles that focus on four key areas of concern: the environment, anticorruption, the welfare of workers around the world, and global human rights

5.2. Over 2000 companies and more than 80 countries have made voluntary commitments to set core ethical values in 10 key principles.

5.3. Sends a strong message to your stakeholders that the organization is committed to ethical corporate conduct wherever they do business.

Objective 6: Explain the OECD Guidelines for Multinational Enterprises.

6.1. OECD Guidelines for Multinational Enterprises: promote principles and standards of behavior in the following areas: human rights, information disclosure, anticorruption, taxation, labor relations, environment, competition and consumer protection

6.2. Even though a governmental initiative backing credibility to the issues are being promoted, the ten guidelines carry no criminal or civil enforcement and are not regarded as legally binding

6.3. Has a broader series of issues than the UN Global Compact, but carries the same core values.

Key Terms
Developed Nation: Country that enjoys a high standard of living as measured by economic, social and technological criteria

Multinational Corporation: A company that provides and sells products and services across multiple national borders

Ethical Relativism: Where your ethical principles are defined by the traditions of your society, your personal opinions, and the circumstances of the present moment

OECD Guidelines for Multinational Enterprises: promote principles and standards of behavior in the following areas: human rights, information disclosure, anticorruption, taxation, labor relations, environment, competition and consumer protection

Global Code of Conduct: A general standard of business practice that can be applied equally to all countries over and above their local customs and social norms.

UN Global Compact: A voluntary corporate citizenship initiative endorsing key
principles that focus on four key areas of concern: the environment, anticorruption, the welfare workers around the world, and global human rights

**Globalization**: The expansion of international trade to a point where national markets have been overtaken by regional trade blocs (Latin America, Europe, Africa), leading eventually to a global market.

**Utilitarianism**: Ethical choices that offer the greatest good for the greatest number of people

**Less-Developed Nation**: Country that lacks the economic, social, and technological infrastructure of a developed nation