

Can a Profitable International Business Operate Ethically?

What are the cultural and ethical limits? Ethical decision making can be affected by organizational or individual culturally held values and norms as well as by the ethical theory used in its decision making. Culture and ethics are interrelated and intertwined in such a way that it makes it difficult to know which factor is affecting behavior in a given situation. Is it the cultural vision of their ethics or is it the ethical vision of their culture that guides someone to do or not do certain things.

Another approach to business ethics is that moral obligations in business are determined by what the law requires. Such a moral requirement in our society becomes all the more unreasonable when we consider societies that *do* have a strong external source of morality. Islam, for example, contains a broad range of moral requirements such as an alms mandate and restrictions on charging interest for certain types of loans, particularly for relief aid. Thus, in Muslim countries that are not necessarily ruled by Islamic law, there is a strong source of external morality that would be binding on Muslim businesses apart from what their laws would require. Confucianism places a strong emphasis on filial piety, so in Chinese and other Confucian societies, it is normal to expect their businesses to maintain a respect for elders even if it is not part of the legal system. The Western culture, or at least the United States, lacks an equivalent external source of morality. One reason is because of the presence of a wide range of belief systems - the diversity of denominations and beliefs in Christianity prevents it from being a homogeneous source of Christian values. In short, without a widely recognized system of ethics that is external to the law, "non" legal moral obligations in our society appear to be optional - and, it is unreasonable to expect business people to be obligated to principles which appear to be optional.

Globalization combined with standardization has made businesses financially efficient while also posing questions regarding the standardized codes of business ethics across national boundaries.

Global business ethics take into account both moral attitudes and moral reasoning, although the relationship between them is not defined. Recent studies in business ethics have shown both remarkable similarities and differences across cultures with respect to attitudes toward questionable business practices. Different cultures may share similar attitudes toward questionable business practices, having used reasoning processes based on different values

Cultural factors, and particularly family, class, and race, also have an early impact, but eventually the common denominator - the need for competent, professionalized management - prevails. The similarities of management in all advanced industrializing societies are far greater than their differences.

That ethical and commercial considerations will conflict has always faced those who run companies. It is not a new problem. The difference now is that a more widespread and critical interest is being taken in our decisions and in the ethical judgments which lie behind them. While it is hard enough to resolve dilemmas when our personal rules of conduct conflict, the real difficulties arise when we have to make decisions which affect the interests of others. Often we must balance the interests of employees against those of shareholders, in addition to the differing views among the shareholders, and the interests of past, present, and future employees are unlikely to be identical.

As Western professionals become more and more engaged in business activities outside their native countries, they seem to be asking increasingly difficult questions about the difference between cultural sensitivity and ethical correctness: Should we always play by the rules of the country in which we find ourselves operating? Should local norms always supersede home country beliefs?

It is a general belief that corruption leads to political instability, smothers development, increases the cost of goods and services, and should cease to exist. However, an opposing view may be that in business practices worldwide it is often not very clear what is corrupt and what is not. In Asia and Africa, nepotism, cronyism and bribery can increase society's cohesion, help to redistribute resources and actually add to the efficient management of business institutions operating in developing nations. Giving jobs to family members and gifts to people of influence is viewed as "responsible nepotism," and important to relationship building. Awarding contracts to an old friend rather than the lowest bidder is also acceptable, because the friend can be trusted to deliver a good product, based on the existing good relationship between the contractor and the client. Such practices become corrupt only when one favors friends simply because they are friends, rather than because they can be trusted

Cross Cultural Cosmos

International Corporate and Business Communication and Behavior

business@crossculturalcosmos.com

LinkedIn: Annette Rondos

www.crossculturalcosmos.com

to do the right job. Western cultures are built on rules and transparency, while most of the world's other cultures are relationship-based. Westerners trust rule-based institutions, while others trust their friends and family far more and are therefore especially keen to cultivate strong relationships. What is "right" for one person or culture may not be "right" for another. The values and customs of local employees, partners, suppliers, clients, and bureaucrats, are a fine line between the requirements of the Foreign Corrupt Practices Act and the ethical ambiguities of the local business environment.

In today's environment of heightened awareness and sensitivity to any appearance of corporate misconduct, international companies find it wise to develop international codes of business ethics which are explicit where diverse cultural settings have proven to be challenging do not assume that their standards will be understood the same way in all locations.

Corporate ethics policies usually deal with gift giving/receiving, proprietary information, bribes, nepotism and hiring practices, conflict of interest, sexual harassment, treatment of racial and ethnic minority employees and use of convict or child labor by suppliers. All of these areas are viewed from different perspectives in different countries and by different companies. Before finalizing the wording of a company's policy statement regarding business conduct abroad, it is important to obtain the advice of business consultants and other international companies working in the same environment, on specific cultural issues, to ensure that local employees understand and accept the corporate ethics in ways that make sense to them.

In conducting ethical business practices abroad, one should: Know what you are up against (understand the cultural contexts in which these will be disseminated); Have a clear strategy and realistic compliance goals (recognize that long-distance control is limited, carefully chose the degree of control depending on the importance of the rule and the local acceptance of it); Provide intercultural orientation to those responsible for enforcing compliance (expatriate managers); Write and review ethics guidelines with local cultural factors in mind (the wording should reflect an awareness of the specific issues likely to be encountered. Translate the ethics conduct statements into the local language, have them translated back into English to check if the meaning was lost or distorted); Avoid being ethnocentric (remember that your own cultural values pertaining to ethics and morals are not universally accepted, an attitude of moral superiority is sure to cause offense and create resistance); Engage local employees, suppliers and clients (merely distributing a written set of ethics statements is very unlikely to be effective, actively involving local people in training and/or focus groups is much more likely to gain the assent and compliance that will make a difference); Determine which situations, relationships and arrangements have the greatest potential to become ethical problems (focus on these first when establishing compliance and enforcement measures); Consult with colleagues (comparing ethics guidelines with other international companies).

Local companies can also use these guidelines when communicating, trading, negotiating, or dealing in any way with foreign companies or foreign associates, and should be announced to the organization's staff so that they in turn can apply the same standards in their dealings.

Business is part of the global social system and we cannot isolate the economic elements of major decisions from their social consequences. There are no universal or simple rules. Those who make those business decisions have to assess their economic and social consequences on business practices and actions and, if necessary, be prepared to change their policies to accommodate unforeseen situations that arise.

So, can a profitable international business operate ethically?