Ethical Issues in International Business Decision Making

Anna-Mari Hatakko

Department of Graduate School of Business, Faculty of IMBA, Siam University, Bangkok, Thailand

Abstract: **Ethical issues are becoming more and more important to companies every year. Consumers are increasingly concerned about what they are buying; consumers' purchasing culture in developed countries is moving in a more ethical direction. At the same time companies are facing scandals after making unethical decisions.**

The purpose of this independent study is to acquire the most comprehensive description of business ethics; in order to study different theories and definitions, understand the impact of globalization and importance of ethical legislation, as well as analyze current ethical issues in international business.

Relevant literature was revised with the aim finding solutions how a company can avoid and manage ethical issues in a multi-cultural environment. Questions are: how multinational companies should deal with regulation differences between different countries and regions, and how they can handle the competition without making any unethical decisions.

Yes, unethical behaviour can lower company´s costs (e.g. using child labour or mismanagement of safety regulations), but as societies grow richer, their willingness to pay for ethical behaviour increases. Ethical behaviour is highly important to a successful business ad that is why every employee should follow the company´s principles in ethical business. Ethical decision-making creates long-term additional value to the company and it can be measured by income or good reputation.

Keywords: **Ethics, Business, Globalization, Ethical Issues.**

I.   INTRODUCTION

Ethical issues in international business are becoming increasingly important every year. They are more or less part of the business and the fact is that companies should know how to integrate ethics to be part of their core competencies. Nations are different one to another and so is the law in different countries; if something is unethical in one country, it can be acceptable in another. Business integrity and legitimacy are one of the most important facts in doing business truthfully. Even though the law says what is right and what is wrong, it does not necessarily tell what is ethically right and wrong. What is right according to the law may be ethically wrong and vice versa.

How multinational companies should deal with regulation differences between different regions?

The result of globalization in multinational corporations has presented them with ethical issues; they are more concerned about the ethical criticisms of others. Ethical decision-making is important because ethical reputation can lead to either a disadvantage or an advantage to corporations according to the decisions they make. There are already examples of ethical scandals which have led to loss of business.

Unethical behaviour might lead to deterioration of relationships; damage to reputation; declining employee productivity, creativity, and loyalty; ineffective information flow throughout the organization; and absenteeism. Companies having a reputation of unethical behaviour toward employees might have a difficult time recruiting and retaining valued professionals. Many companies have recognised this and established a codes of ethics, publicised statements of ethical values, provided ethics training, rewarded employees for notable ethical behaviour, publicized positive role models, and set up internal procedures to handle misconduct (Newstrom, 2011;Weiss, 2014).

The purchase behaviour in 21st century has changed and customers want to know what kind of production conditions employees have, and how ethically their product has been made. An ethically questionable activity often gets attention on social media and every company is under constant and critical review. At the same time, organizations are competing with each other in price and good quality:

How the organizations can handle the competition without making any unethical decisions?

At some point every worker in a managerial role will be faced with an issue that will require ethical decision-making and in that point individuals will have to decide for themselves what type of person they want to be. Managers face constant pressure when they have to increase product quotas and at the same time make ethical decisions to hit the expected time in the production chain.

Ethical crises arise when the organization is somehow ethically arguable and when someone thinks that something has been made incorrectly. Needless to say that the crises are easier to avoid than to fix and that is why companies create ethical strategies; to avoid ethical issues. The company's ethical strategy is the base of its ethical values.

A. Objectives:

The main purpose of this study is to:

- Understand the importance of business ethics

- Know the legislation in business ethics

- Learn how to manage ethical issues and avoid them

As the multinational working environment today is including regulation differences, this independent study is important by providing help to business people and individuals who are seeking information about ethical issues in international business. It will provide the way to deal with different ethical issues in international business and what kind of issues business people and individuals might face when working internationally. It will also provide the importance of ethical business thinking.

B. Conceptual Framework:
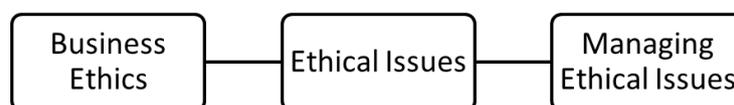
In this research business ethics are identified to then analyse the most used theories, and investigate different kind of ethical issues.

First, the concept of business ethics was identified, followed by an analysis of our ethical behaviour; personal ethics, social culture, decision-making process, leadership, unrealistic performance goals, and organizational culture. Different ethical theories, globalization and whose ethics it affects, and also differences between law and ethics were also analyzed.

Second part is investigating different ethical issues by comparing issues from past and present and then describing ethical issues in environment, engineering, employment practices and corruption.

The last part of this independent study is the conclusion where is determined how to manage ethical issues in international business. Examples are given on how to avoid and handle those, and what kind of standards and regulations companies can follow to act more ethically in international business.

II. LITERATURE REVIEW

A. Theory:

Some theories are published about the subject. Theories are mostly written on a country level, not looking for the world as one total business practice area. Universities have been taking an ethical business practices as part of the international business courses. People are now studying more about the subject and companies are taking ethics as part of the business.

There are many ethical philosophies; for example Egoism, Deontology, Normative ethics, Virtue ethics, and Utilitarianism. Ethics have always been part of our daily-living. Our personal behaviour comes from our family

behaviour, our religion and the culture. We can say that the bible is one of the main modifiers of our ethical behaviour, even if it is not effecting anymore, it shaped the behaviours and attitudes of our nation before us.

There are also many ethical theories, but the five most used ones are: Stakeholder theory, Corporate Social Responsibility, Corporate Citizenship, Corporate Social Performance, and Sustainable Development. Stakeholder analysis is the approach where stakeholders (anyone in the company with a stake) are placed on a grid in order to rank them and better understand their needs (Schibi, 2014, p.83). When stakeholder theory is seen as a theory, Corporate Social Responsibility (CSR) is a vaguer concept. It is taking social issues, environmental issues, and the economic development of region and society into account (Gössling, 2014, p.1). Corporate Citizenship (CC) requires more active involvement and functioning as societal citizens by corporations. CC comes notably important when companies are operating in developing nations where civil and societal rights may not be afforded to the same extent. Corporate Social Performance (CSP) is corporate behavior that looks for specific outcomes and redresses adverse social phenomena; that is, it uses the organization's core competencies for financial as well as social ends. Sustainable Development (SD) is a term used to indicate the ongoing nature of sustainability (McDonald, 2014).

B. Results:

As mentioned before companies should act ethically: to protect its own interests, to protect the interests of the business community as a whole so that the public will have trust in it, to meet stakeholder expectations, to prevent harm to the general public, to build trust with key stakeholder groups, to protect themselves from abuse of unethical employees and competitors, to protect their own regulations, to protect their own employees, and to create an environment in which workers can act in ways consistent with their values (Fernando, 2010).

How multinational companies should deal with regulation differences between different regions?

Sometimes law does not necessarily say what is the ethical solution, but law should always be the main place where to find the right decision. By creating an ethical strategy, a company can follow the same rules and regulations in every country and region where they develop their business activities. Having a strong ethical culture inside the company is easier for employees to make decisions that are ethical instead of unethical.

Shoeman (2012) (as cited in EthicsMonitor, 2012) defines that the ethical strategy includes six different focus areas:

1. Setting the ethical standards

➢ Clearly defined ethical standards based on company's values and rules, including the code of conduct and policies.

2. Setting up an ethics committee

➢ Members need to be senior enough that they can make decisions and authorize necessary actions.

3. Building ethical awareness

➢ Taking a powerful approach in the pursuit of improved workplace ethics, particularly reducing unethical behaviour. Visible policing provides a good example of the impact of awareness.

4. Measuring and monitoring ethical status

➢ A comprehensive method to do this is to conduct an ethics survey; the result will identify the most important ethical issues requiring attention and what action to take to improve ethics in the organization.

5. Taking action

➢ Actions to improve ethical behaviour and actions to reduce unethical behaviour. The most likely areas to increase ethical behaviour will be via values, leadership, organizational culture, communication and training, while reducing unethical behaviour will largely be via laws, rules and regulations, systems and procedures and transparency.

6. Maintaining an ethical culture

➢ Maintenance is a never-ending task.

III. CONCLUSION AND RECOMMENDATION

It is easy to do unethical decisions, but with good training it is easy to follow the ethical way. With ethical decision-making the company can make long-term relationships and it is easier to the company to build long-term relationships. The company can make statements of ethical values; by doing so, the public will also know their values making it more

difficult to take unethical decisions. If the company is providing ethical training to their employees and gives rewards for ethical behaviour it is more difficult for them to act unethically.

When law and regulations are different from one country to another, the company should advice its employees on how to deal with the ethical dilemmas. The best way for that is to keep ethical training in regular basis and make an ethical code for the company. Adding ethics to be part of the vision shows the way of good business practices to all parties who are dealing with the company.

When companies are competing with each other in price and good quality, it is tempting to the managers to make unethical decisions and not follow the ethical way when the productions costs might be lower. Companies can however compete with something other than just price – ethical reputation. Being known as a 'green business' company, customers know that the company is following environmental regulations and acting ethically. It makes more value to the company and it can also create a core competency. There are numerous certifications that companies can apply to help them to draw ethical business guidelines, for example ISO 14001 standard.

REFERENCES

[1] EthicsMonitor. (2012). *An Ethics Strategy is Essential to Create an Ethical Business.* Retrieved from Bansal, A., & Hoffman, A. J. (Eds.). (2012). *The Oxford Handbook of Business and the Natural Environment.* New York, NY: Oxford University Press Inc.

[2] Brenkert, G. G., & Beauchamp, T. L. (2010). *The Oxford Handbook of Business Ethics.* New York, NY: Oxford University Press, Inc.

[3] Burns, J. M. (2012). *Leadership*. New York, NY: Open Road Integrated Media.

[4] Crane, A., & Matten, D. (2010) *Business Ethics: Managing Corporate Citizenship and Sustainability in the Age of Globalization* (3rd ed.). New York, NY: Oxford University Press Inc.

[5] Eicher, S. (Ed.). (2009). *Corruption in International Business: The Challenge of Cultural and Legal Diversity.* Burlington, VT: Gower Publishing Company.

[6] EthicsMonitor. (2012). *An Ethics Strategy is Essential to Create an Ethical Business.* Retrieved from www. ethicsmonitor.co.za/An-ethics-strategy-is-essential-to-create-an-ethical-business.aspx

[7] Ethics Research Center. (2009). *Business Ethics Timeline.* Retrieved from http://www.ethics.org/?q=resource/ business-ethics-timeline

[8] Fernando, A. C. (2010). *Business Ethics and Corporate Governance.* New Delhi, India: Dorling Kindersley (India) Pvt, Ltd.

[9] Ghilleyer, A. (2010). *Business Ethics: A real world approach.* New York, NY: McGraw-Hill.

[10] Gössling, T. (2011). *Corporate Social Responsibility and Business Performance: Theories and Evidence about Organizational Responsibility.* Cheltenham, United Kingdom: Edward Elgar Publishing Limited.

[11] Hill, C., Udayasankar, K., & Wee, C. (2014). *Global Business Today* (8th ed.). Singapore: McGraw-Hill.

[12] Hopkins, M. (2007). *Corporate Social Responsibility and International Development: Is Business the Solution?* Sterling, VA: Earthscan.

[13] Kaag, J., & Bhatia, S. K. (2014). Fools For Tools. *Chronicle Of Higher Education, 61*(13), B13-B15. Retrieved from The Chronicle of Higher Education.

[14] Leigh, A. (2013). *Ethical Leadership: Creating and Sustaining an Ethical Business Culture.* London, United Kingdom: Kogan Page Limited.

[15] Martin, M., & Schinzinger, R. (2010). *Introduction to Engineering Ethics* (2nd ed.). Singapore: McGraw-Hill.

[16] McDonald, G. (2015). *Business Ethics: A contemporary approach.* Melbourne, Australia: Cambridge University Press.

[17] Newstrom, J. (2011). *Organizational Behavior: Human Behavior at Work* (13th ed.). Singapore: McGraw-Hill.

[18] Northouse, P. G. (2013). *Leadership: Theory and Practice* (6th ed.). Thousand Oaks, CA: SAGE Publications, Inc.

[19] O'Toole, J., & Mayer, D. (2010). *Good Business: Exercising Effective and Ethical Leadership.* New York, NY: Routledge.

[20] Pops, G. M. (2010). *Ethical Leadership in Turbulent Times: Modeling the Public Career of George C. Marshall.* Plymouth, United Kingdom: Lexington Books.

[21] Schein, E. H. (2010). *Organizational Culture and Leadership* (4th ed.). San Francisco, CA: Jossey-Bass.

[22] Schibi, O. (2014) *Managing Stakeholder Expectations for Project Success: A Knowledge Integration Framework and Value Focused Approach.* Plantation, FL: J. Ross Publishing, Inc.

[23] Transparency International. (2014). *Corruption Perceptions Index 2014: Clean Growth at Risk.* Retrieved from http://www.transparency.org/cpi2014/press

[24] Transparency International. (2015). *What is corruption?* Retrieved from www.transparency.org/what-is-corruption/ #define

[25] Treviño, L., & Nelson, K. (2010). *Managing Business Ethics* (5th ed.). Hoboken, NJ: John Wiley & Sons, Inc.

[26] Weiss, J. (2014). *Business Ethics: A Stakeholder and Issues Management Approach* (6th ed.). San Francisco, CA: Barrett-Koehler Publishers, Inc.