Chapter 5

Ethics, Corporate Social Responsibility, and Sustainability
Please write:

1. How can firms benefit by focusing on the poorest customers?
Ethics refers to accepted principles of right or wrong that govern the conduct of a person, the members of a profession, or the actions of an organization.

Ethics are judgments.
Ethical Issues In International Business

Employment practices

- If work conditions in a host nation are clearly inferior to those in a multinational’s home nation, should companies apply:
  - home country standards?
  - host country standards?
  - something in between?
Human rights

- In developed countries
  - Basic human rights such as:
    - Freedom of association,
    - Freedom of speech (and information access),
    - Freedom of assembly, and
    - Freedom of movement, are taken for granted
Banned by Customs

**Source:**
Straw Men Approaches To Business Ethics

Four straw men approaches:

1. **Friedman doctrine** - the only social responsibility of business is to *increase profits*, so long as the company *stays within the rules of law*

2. **Cultural relativism** - ethics are culturally determined and firms should adopt the ethics of the cultures in which they operate
   - “*When in Rome, do as the Romans do*”
3. **Righteous moralist** - a multinational’s *home country standards of ethics should be followed* in foreign countries

4. **Naïve immoralist** - if a manager of a multinational sees that firms from other nations are not following ethical norms in a host nation, that manager should not either – *do what other foreign firms are doing.*

**ALL four approaches offer inappropriate guidelines for ethical decision making**
Environmental regulations

➢ Problems when environmental regulations in host nations are far inferior to those at home

➢ Question becomes:
  ➢ Which regulations do you obey?

➢ Let’s look at a scenario to see what we will do . . .
What Would You Do? Part 1

Work for a trading company (German) in Taiwan.

➢ Help German buyers purchase from Taiwan
➢ Company charges 5% commission

What Would You Do?

➢ Customers offer to give you 3% commission for sales via transferrable L/C to you, personally (instead of using the company)
Now What Would You Do? Part 2

Work for a trading company (German) in Taiwan.
- Help German buyers purchase from Taiwan
- Company charges 5% commission

What Would You Do Now?
- Customers offer to give you 3% commission for sales via transferrable L/C to you, personally (instead of using the company)
- Everyone else in the company is doing this
Work for a trading company (German) in Taiwan.
➢ Help German buyers purchase from Taiwan
➢ Company charges 5% commission

What Would You Do Now?
➢ Customers offer to give you 3% commission for sales via transferrable L/C to you, personally (instead of using the company)
➢ Everyone else in the company is doing this
➢ Boss says its OK as long as you meet quota
The Roots Of Unethical Behavior

German Trading Company example
Global Corruption - TI Film
Examples - Film
Let’s look at Siemens ...

What are pros and cons of the Siemens approach?
Country Profile – Project

Handout on Project

- Review the steps for project completion (text file)
- Conduct research on-line (see following slide)

**BRING YOUR TEXTBOOK TO CLASS FOR OUR NEXT CLASS SESSION ON “THEORY”**
Click: “International Business Resources” -> “Country Data” (1st link on page)

Click on your assigned country, and see results:
### Solving Ethical Problems: 5-Step Process

<table>
<thead>
<tr>
<th>Identify Stakeholders</th>
<th>Rights Violations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moral Intent</td>
<td>Ethical Action</td>
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<tr>
<td>Audit Decisions</td>
<td></td>
</tr>
</tbody>
</table>

- **Who will this affect?**
- **How will it affect them?**
- **Internal Stakeholders** employees, stockholders, etc.
- **External Stakeholders** customers, suppliers, unions, etc.
Ethical Problems: 5-Step Process

- Will the decision violate the fundamental rights of any stakeholders?
- If so, in what way?
| Identify Stakeholders    | • Establish Moral Intent  
|                        |   • Priority placed on moral concerns  
| Rights Violations      | • Moral Concerns more important than concerns over fundamental rights  
| Moral Intent           | • If it “feels wrong” – don’t do it!  
| Ethical Action         |  
| Audit Decisions        |  

Ethical Problems: 5-Step Process
Ethical Problems: 5-Step Process

<table>
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<th>Identify Stakeholders</th>
<th>Act in an ethical manner</th>
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<td>Rights Violations</td>
<td>Take Steps 1 – 3 into consideration before acting</td>
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Ethical Problems: 5-Step Process

- Review decisions to determine if they were consistent with ethical principles
- This step is often overlooked
- Not all ethical dilemmas have a clean and obvious solution