Chapter 5

Ethics, Corporate Social Responsibility, and Sustainability
Think about:
How can firms benefit by focusing on the poorest customers?

FILM
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.

Did you ever see someone act inappropriately? What “faux pas” (embarrassing inappropriate act or remark) have you seen/experienced?
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?
Ethical Issues In International Business

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
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
Ethical Issues In International Business

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 . . .
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)
The Roots Of Unethical Behavior

German Trading Company example
Global Corruption - TI Film
Examples - Film
Let's look at Siemens … FILM

Write:
1. What did they do wrong?
2. What did they do to improve?
3. How do you feel about it?
BRING YOUR TEXTBOOK TO CLASS FOR OUR NEXT CLASS SESSION ON “THEORY”
Go to my homepage & click: “International Business Resources” -> “Country Data” (1st link on page) OR
Go to https://goo.gl/XpW4B5

Click on your assigned country, and see results. From this page you will get sources to complete:
- Economy
- Political System
- Key Industries
- Business Appointments
- Negotiating – use: https://goo.gl/8WfY4 (download PDF for assigned country)
- Business Dress
- Doing Business In … - use: http://www.doingbusiness.org/ (select economy [country])
- Conversation Topics
- Gift Giving

For Negotiating and Doing Business In, please use the URLs listed above.

Let’s take a quick look at the page
https://goo.gl/XqqLkg (watch capitalization) - select country

TAIWAN
COMPREHENSIVE COUNTRY DATA

Click HERE for help

Select a Different Country

Click on a tab to identify specific links:

All  Business Appointments  Negotiating  Key Industries  Corruption  Business Dress  Doing Business in  Legal  Labor Law  Conversation Topics  Economy  Taxation

Certifications  Gift Giving  Political  Payment  Import/Export

Taiwan - Wikipedia
Taiwan officially the Republic of China (ROC), is a state in East Asia. Its neighbors include China to the west, Japan to the northeast, and the Philippines to the ... https://en.wikipedia.org/wiki/Taiwan

Taiwan country profile - BBC News
Taiwan is an island which has for all practical purposes been independent since 1950, but which China regards as a rebel region that must be reunited with the ... www.bbc.com/news/world-asia-16164639

Is Taiwan Considered a Country? - Information
Mar 3, 2017 ... A essay about whether Taiwan should be considered an country independent from mainland China. https://www.thoughtco.com/is-taiwan-a-country-1435437

Taiwan country profile - BBC News
Jun 14, 2017 ... Taiwan is an island which has for all practical purposes been independent since 1950, but which China regards as a rebel region that must be ... www.bbc.co.uk/news/world-asia-16164639

Taiwan
East & Southeast Asia :: TAIWAN. Page last updated on September 06, 2017. The World Factbook :: East & Southeast Asia :: TAIWAN. Flag Description, red field ... https://www.cia.gov/library/publications/the-world...

Taiwan Country Code 886 Country Code TW
Solving Ethical Problems: 5-Step Process

1. Identify Stakeholders
   - Who will this affect?
   - How will it affect them?

2. Rights Violations
   - **Internal Stakeholders** employees, stockholders, etc.
   - **External Stakeholders** customers, suppliers, unions, etc.

3. Moral Intent

4. Ethical Action

5. Audit Decisions
Ethical Problems: 5-Step Process

- Will the decision violate the fundamental rights of any stakeholders?
- If so, in what way?
# Ethical Problems: 5-Step Process

- **Identify Stakeholders**
- **Rights Violations**
- **Moral Intent**
- **Ethical Action**
- **Audit Decisions**

- **Establish Moral Intent**
  - Priority placed on moral concerns
- **Moral Concerns** more important than concerns over fundamental rights
- **If it “feels wrong” – don’t do it!**

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Ethical Problems: 5-Step Process

- Act in an ethical manner
- Take Steps 1 – 3 into consideration before acting
Ethical Problems: 5-Step Process

- **Identify Stakeholders**
- **Rights Violations**
- **Moral Intent**
- **Ethical Action**
- **Audit Decisions**

- 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