Ethics, Corporate Social Responsibility, and Sustainability

Chapter 5  Sustainability
Creative Capitalism

Think about:
How can firms benefit by focusing on the poorest customers?

FILM
Introduction

**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*

**FILM**

Did you ever see someone act inappropriately? What “faux pas” (embarrassing inappropriate act or remark) have you seen/experienced?
While Traveling Internationally . . .

WRITE (Give a Paragraph)
What can you do, when traveling internationally, to avoid making faux pas?

Discuss and share with a neighbor ...
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
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*”
**Straw Men Approaches To Business Ethics**

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*.

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*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 . . .
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

- Personal Ethics
- Organization Culture
- Unrealistic Performance Goals
- Decision-Making Processes
- Leadership

German Trading Company example
Global Corruption - TI Film
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/8WFfY4 (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 Country Data page
https://goo.gl/XpW4B5 (watch capitalization) - select country

PREPARE FOR INTERNATIONAL TRADE WITH TAIWAN

CLICK ON A TAB TO EXPAND LINKS FOR THAT TOPIC
Solving Ethical Problems: 5-Step Process

Identify Stakeholders

- Who will this affect?
- How will it affect them?
- Internal Stakeholders (employees, stockholders, etc.)
- External Stakeholders (customers, suppliers, unions, etc.)

Rights Violations

Moral Intent

Ethical Action

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!
Ethical Problems: 5-Step Process

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

1. Identify Stakeholders
2. Rights Violations
3. Moral Intent
4. Ethical Action
5. 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