Quick Study® BUSINESS

BUSINESS ETHICS

DEFINITION:

The study of the nature, purpose, function and justification of rules of right conduct within the context of commerce; broadly conceived to include the transaction of goods and services at the individual, corporate, and international level of exchange.

PRIMARY ETHICAL CONSTRUCTS

1. **The Question of Generality:** Can the rules of right conduct that apply to individuals be generalized to collective entities, such as corporations?
2. **The Question of Responsibility:** Can a corporation have moral responsibility? If so, how is responsibility to be diffused and distributed throughout the corporate hierarchical structure?
3. **The Question of Liability:** Provided that corporations can be meaningfully said to be morally responsible, must their liability *necessarily* be proportional to their responsibility?
4. **The Question of Allegiance:** Do the commonly accepted personal virtues of loyalty, commitment, and devotion have a place in the employer/employee dichotomy? Does a corporation have an obligation to provide for a worker based purely upon that worker's loyalty to the corporation over many years – even if the continued employment of the worker is counter-productive?

ETHICAL CONCEPTS IN BUSINESS

1. **Conflict of Interest:** A state of affairs is said to constitute a conflict of interests – or potential thereof – in a set of circumstances where the individual has the capacity to influence decisions that promote their self-interest but may have a detrimental impact upon the organization they belong to, or the well-being of some other group. *Crucial to a charge of a conflict of interest is the reasonable expectation that some individuals in similar circumstances may unfairly favor their own self-interest at the expense of others (e.g., the group, organization, or agency).*
2. **Honesty and Fairness:** Honesty is a predisposition to generally tell the truth and inspire trust. Fairness is the ability to be objective relative to one's own self-interest and to treat the self-interest of others justly and equitably. Impartiality to one's own needs is the hallmark of fairness.
3. **Private and Public Morality:** Private morality pertains to actions encompassing an individual's life insofar as others are not significantly impacted. Public morality (of which business morality is a sub-category) pertains to actions encompassing a group and its members as to how this significantly affects others (i.e., other groups or individuals).

RECOGNIZING POTENTIAL ETHICAL ISSUES

Corporate organizations are especially vulnerable to the phenomenon of "**group-think**"–a group dysfunction wherein the preservation of harmony becomes more important than the critical evaluation of ideas. Corporate groups are especially susceptible to this when the drive to produce profits may overshadow and minimize the possible ethical drawbacks of the means to produce the profits. This can prompt a situation where safety concerns may be overlooked or dismissed in an effort to produce the greatest profit at the least possible cost. To avoid this, a critical dialogue between in-group and out-group members is often necessary. The opinions of external observers, if taken seriously, may suffice to overcome the myopia of group-think.

CONSTITUENTS OF THE BUSINESS ETHIC SCENARIO

1. **Owners:** Generally are persons who own the means of production, resources, and capital that allow a business to function. Owners are at times placed in a precarious ethical position when their obligations to their employees and/or shareholders conflict with greater societal/environmental obligations.
2. **Employees:** Employees may also be placed into a precarious ethical position when, even with limited decision-making power, they are expected to carry out work which is unethical in a societal dimension, but may be profitable for the company. In such cases, it is problematic to make a determination as to the exact extent of the employee's culpability in the wrong-doing.
3. **Management:** Managers generally have moral and legal duties to manage a company to promote the interests of the owners/stockholders. Concurrently, managers have obligations toward the security and well-being of employees. This dual-responsibility can often lead to conflicts and tensions in the owner-manager-employee triad. This situation is compounded by collateral ethical responsibilities to the public and its safety.
4. **Consumers:** Although ordinarily the consumers needs are paramount and may well dictate over-all policy, this should be counter-balanced with long-term societal/environmental responsibilities. For instance, cheap lumber resulting from deforestation will benefit the consumer, but its overall long-term impact to the environment and society can be devastating.
5. **Marketing:** Dubious marketing tactics can give rise to a myriad of ethical problems, including false, misleading, or deceptive advertising. More significantly, pricing strategies may amount to price gouging in cases where a product is critically needed and a company has a monopoly on it – e.g., certain drugs that are produced by only one pharmaceutical company that holds patent rights. Lastly, omission of product information can lead to serious breaches of ethics where serious safety issues are downplayed, minimized, suppressed or distorted by the manufacturer.
6. **Accounting:** A company's accounting staff may be placed in a compromised ethical stance in cases where short-term accounting "irregularities," though beneficial to the profit margin – or the job security of certain executives – may be unfair to stockholders, or even illegal. In such instances, the accountant may be in the unenviable position of tolerating a cover-up (and possibly being held criminally liable if discovered) or disclosing the problem and likely losing their job.

SOME MORAL THEORIES RELEVANT TO BUSINESS ETHICS

1. **Teleology:** An act is judged to be right based upon its propensity to produce certain kinds of consequences. These consequences are often judged, predicted, or estimated using empirically gathered evidence.
2. **Deontology:** An act is judged to be right based upon the subjective intentions of the agent committing the act, independently of the prospective consequences – good or bad – of the act. The intentions of the agent are often motivated by some perceived universal moral standard (e.g., the "Golden Rule").
3. **Relativism:** All moral standards are relative to person, place, time and/or culture. There is no objective, immutable, universal moral standard.
4. **Virtue Ethics:** The view that the primary and fundamental moral foundation is to be found in a person's character. Rather than rules of conduct to which persons must adhere, an individual's personality is cultivated so that by nature and habit they will have a predisposition to behave in a morally righteous way.

BUSINESS MORAL RESPONSIBILITY

1. **The Economic Dimension:** Large businesses can affect the economy in a variety of ways; each affect carries with it a social responsibility of the business for the overall economy. Business may have political power due to its economic power; also, issues pertaining to monopolies, down-sizing, equal job opportunity, unfair pricing practices, and environmental impact all pertain to a business' economic responsibility.
2. **Competition and Responsibility:** The greater the competition between rival business factions, and the greater the perceived risks associated with failure (including the possible liquidation of the company), the greater the likelihood that ethically questionable business practices will be used. These include sustained price cuts, discriminatory pricing to drive small businesses out of business, and price wars. In the case of pricing irregularities, it is often difficult to initially discern whether a tactic is legitimate competition that will enhance consumer welfare, or will ultimately be detrimental to consumer welfare. Cases of corporate espionage, insider trading, and leveraged buy-outs provide somewhat more clear-cut cases of unfair competition.

THE LEGAL DIMENSION

The legal arena of business social responsibility exists to regulate business behavior. The prevailing overall view is due to the severe potential of conflict of interests; businesses cannot generally be trusted to be self-regulating. Some have argued that over-regulation of business stifles competition, research and development, and ultimately is a disservice to the consumer. Nonetheless, it is still necessary to regulate business on several legal dimensions. These include:

1. **Regulating Competition:** The essence of these laws is to promote *procompetitive* practices in order to provide the consumer with the lowest possible price for the best possible product. Contained in this intent are anti-trust laws designed to prevent businesses from holding monopolies in the market for their particular product.
2. **Consumer Protection:** These laws function to foster the safety and well being of the consumer by two primary means: First, insuring that the product manufactured is safe and complies with safety regulations; second, providing consumers accurate and understandable information so they can make informed decisions in purchasing the product. This last could include truth in advertising, proper labeling of the contents and ingredients contained in the product, and the clear disclosure of the terms and conditions of contracts.
3. **Environmental Protection:** Given that a short-term business profit can often be produced at a devastating long-term environmental cost, laws preventing the irresponsible use of natural resources have been enacted. Such phenomenon as strip-mining, toxic waste dumping, indiscriminate logging and deforestation all cause tremendous long-term environmental damage while netting the business responsible a greater short-term profit than more ecologically conscientious methods.
4. **Workplace Safety:** A business can often turn a greater profit by keeping production costs to an absolute minimum. This will often result in compromising worker safety. The protection of worker safety then becomes the paramount concern for regulations designed to hold businesses accountable for the safety of employees, and their compensation in case of injury.

5. **Workplace Equity:** Laws enacted to insure equal employment opportunity for previously marginalized groups seek to enforce compliance to affirmative action guidelines. These tactics are designed to foster and cultivate a workplace demographic that accurately reflects the racial, age, gender, and other types of diversity found in the overall population. Controversy arises when businesses protest that they should have the right to hire the *most qualified person* for the job. This sometimes means that certain types of individuals must be excluded from consideration, resulting in the employee population not reflecting the diversity of the overall society. For instance, a religious educational institution may demand the right to hire only staff of a particular religious denomination.
6. **The Problem of Sentencing Irregularities:** Sentencing of persons convicted of so-called "white-collar crimes"—the typical domain of breaches in business ethics—is often along more lenient guidelines than those for criminal convictions such as robbery. This disparity in the application of the law has been brought into serious question. Why should a banking industry executive who embezzles a fortune be given a lesser punishment than a bank robber – provided neither incident resulted in physical harm to persons or property?

THE ETHICAL DIMENSION

This pertains to areas of conduct within the corporation, the community, or the society which, though not regulated by law, are nonetheless governed by implicit expectations and prohibitions regarding acceptable behavior.

THE MAIN PROBLEM

Perhaps more crucial in business than any other area: *How is that which is beneficial at the societal level to be made morally obligatory at the individual corporate level, assuring that such compliance still allows the primary goals of business (to wit, to make a profit) to be sought, relatively unimpeded?*

1. **Are Ethics Adequate For Instilling Social Responsibility?** There is a divergence of opinion whether ethical requirements that have no legal ramifications are adequate for assuring compliance with standards of social responsibility. Virtue theory would hold that if the individuals that constitute a corporation are of good character, then the organization as a whole will be responsible, and outside intervention and regulation would be an unnecessary and superfluous intrusion. This leaves it unresolved as to whether a corporation could reasonably be expected to foster the virtues of social responsibility, if this would significantly undercut their profit margin.
2. **To What Extent Should The Corporate Ethical Direction Reflect Social Responsibility?** A business ordinarily gauges its responsibility primarily in terms of maximizing the profit for investors and shareholders; how can a business effectively replace this focus with a paradigm where ethical decision making, as this reflects the requirements of social responsibility, becomes the core of business strategy?
3. **Can Public Relations Promoting A Positive Corporate Image Foster Social Responsibility?** A positive corporate image portraying the corporation as socially responsible (e.g., by manufacturing "environmentally friendly" products), can make the corporation more profitable, if consumers favor the values the corporation is promoting. Otherwise, with a lack of profitability, the impetus for corporate social responsibility would be lost.

THE PHILANTHROPIC ARENA

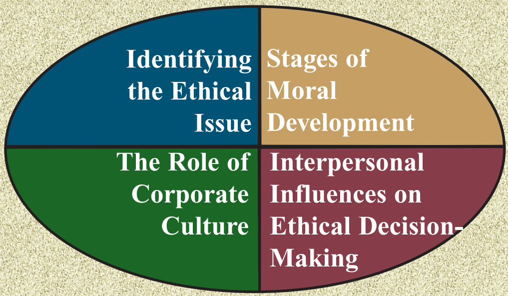
This arena encompasses business' role as a community member with commensurate obligations to improve the well-being of the community. There is an expectation that business should contribute to improving the community. This may be realized by subsidizing, promoting cultural events, fostering educational programs or charitable donations.

1. **The Compatibility Paradox:** Oftentimes, the very services and products consumers demand and businesses attempt to supply, in their most desirable form, may lead in the production process to a decrease in the consumers' overall quality of life. The methods of manufacturing that will bring consumers the best possible product at the least possible price may require manufacturing techniques that have a negative impact upon the consumer's quality of life in the long run. E.g., ever faster and more ubiquitous information technology gives rise to ever-increasing risks of invasion of privacy and its attendant ethical dilemmas. Frequently, the most consumer-friendly production methods have the most environmentally unfriendly impact. Balancing the short-term convenience of the products' advantages for the consumer with long-term quality of life repercussions is a major challenge for business and society.
2. **Philanthropic Incentives:** In many instances, charitable donations produce indirect positive dividends for a business. For example, contributions for improving the educational standards within a business' community can be beneficial because they increase the educational level of the local workforce, thus saving the company great expense in recruiting non-localized labor.

THE DECISION-MAKING SCENARIO

1. **Identifying The Ethical Issue:** The first step in any ethical decision is to identify the problematic issue. Two factors in this process are the perceived relevance of the issue to overall corporate strategy and the perceived intensity or need for the resolution of the issue at hand. Many obstacles can impede this process, such as group-think, which could distort perceptions so that the relevance of the issue is minimized or entirely dismissed, and insensitivity of the group to the general nuances of the issue. This last in turn can be a function of the moral development of group members.
2. **Stages of Moral Development:** Kohlberg identifies six stages of cognitive moral development of the individual, ideally maturing to the final stage during their lifetime; the stages may be summarized as follows:
   - A. **Primitivism:** Individual views right conduct simplistically in terms of negative consequences for bad conduct. The likelihood of getting caught for transgressions, and ensuing punishment for disobedience, dictates the degree of obedience, making this a very unreliable and inefficient system.
   - B. **Reciprocity:** Right behavior is determined by a reciprocal and mutually beneficial arrangement where each party's self-interests have been equitably satisfied. Fairness becomes of paramount importance in this stage.
   - C. **Empathy:** There is a vicarious identification with the needs and interests of others in this stage, such that the perception of right behavior reflects their needs and interests.
   - D. **Social Conscience:** The scope of empathy is expanded to include not only specific others, but the society or community as a whole. A preliminary rudiment of conscience begins to be formed at this stage.
   - E. **Social Contract and Rights:** A tacit, or perhaps explicit, recognition of the utility and advantage of rights and contracts characterize this stage. Rights, values, and legal contracts to society are recognized as worthy of respect and preservation.
   - F. **Universal Ethical Principles:** The scope of individual rights and duties to others is expanded to become the notion of universal inalienable rights and ethical principles. These are held to be true regardless of any particular society's or legislative body's recognition.
3. **The Role of Corporate Culture:** The prevailing corporate moral milieu can significantly affect the moral decision-making of the members of the organization. For instance, an employee of a camping gear manufacturer may become more environmentally conscientious as a result of company campaigns that raise "ecological awareness." Conversely, the corporate culture of organized crime may foster and cultivate an ethic of callous disregard for law and law enforcement.
   - A. **Significant Others:** This group includes an employee's peers, managers and subordinates. Of all the people in an organizational hierarchy, *significant others within the work group have the greatest impact upon an employee's decisions.* In the ethical arena, this is especially pertinent since directives, memos, and seminars from higher management may have little impact if the significant others disagree with such information.
   - B. **Absolute of Responsibility:** Employees may feel exempt from responsibility for unethical behavior in cases where they were following directives from bosses and managers. The degree to which subordinates bear moral responsibility for the consequences of unethical actions undertaken at the expressed direction of their superiors is a difficult and complex issue.
   - C. **Incentives and Disincentives:** Unethical behavior may be fostered or discouraged within the corporate culture by the system of positive and negative reinforcement functioning within the culture. For instance, if a large sale is made using a system of bribes and kick-backs, and the salesperson responsible for the unethical business practice is not reprimanded, but may indeed be commended, then the message is implicit but clear: Unethical practices will be tolerated (even rewarded), provided that they increase sales.
   - D. **Extraneous Factors Influencing Ethical Decision-Making:** Even in cases where an employee may initially feel that they are being required to carry out unethical directives, compliance can be rationalized due to the influence of extraneous factors, including low self-esteem and the need to fit in, the need for acceptance, the fear of losing their job, or the fear of being demoted or not being promoted.
4. **Interpersonal Influences on Ethical Decision Making:** The psychological aggregates of interpersonal behavior and interaction at the corporate level play a key role in determining the capacity of the individual to make ethical decisions. These factors can be organized via the dynamics of group interaction, as well as analyzed at the level of individual dominating personalities within the group.

DECISION-MAKING SCENARIO



A. **Employee Conduct:** Generally, employees will transgress company policy in proportion to the likelihood of getting caught. The *extent and severity* of such transgressions can be significantly amplified if the employee feels mistreated, exploited, or treated unfairly by the corporation. For instance, an employee who feels exploited by a company will be more likely to make unauthorized personal long-distance calls.

B. **Socialization:** Socialization involves the process of assimilation and adoption of the views, attitudes, and values of a group to which the individual becomes a part. As a result of this process the individual may significantly alter their ethical outlook in an effort to "fit in."

C. **Role-Functionality:** The role a person adopts within an organization may also significantly impact their ethical stance and decisions. For instance, being in a supervisory position can make the individual less likely to behave unethically because they are more accountable for their behavior and know they are expected to provide an inspiring and professional role model. The role-functionality of the individual then becomes the efficiency with which they function in their assigned role and fulfill the requirements of the role.

D. **Process of Ethical Decision-Making:** In a typical situation, the flow of the decision-making process is as follows:

i. **Personal Ethics:** The individual brings with them certain pre-existing ethical presuppositions about what is morally permissible.

ii. **Challenge:** A situation may be confronted that challenges the individual's convictions when an opportunity is presented for them to transgress, and there is an incentive to do so.

iii. **Significant Others:** The influence exerted by significant others seems to be the greatest determinant in the individual's decision.

iv. **Ethical Decision:** As a result of the interaction between personal beliefs, the challenge to abide by them, and the input of significant others, a decision to act is made.

v. **Action:** Precipitated by the previous factors, the individual acts either ethically or unethically.

E. **Differential Association:** This is the process of acquiring ethical or unethical behavior patterns due to the interaction with close co-workers, including peers, subordinates and superiors. Employees are more likely to behave unethically and *rationalize it as acceptable* when close co-workers do so. For instance, a business person who regularly observes a co-worker charging personal expenses to their corporate account with the rationalization that the company "owes them" for all their overtime, may similarly justify their own unethical behavior. The differential association theory holds that had the person not observed such behavior in a co-worker, they would have been much less likely to transgress company policy.

INTRA-ORGANIZATIONAL INFLUENCES ON ETHICAL DECISION-MAKING:

A. **Leadership:** The ability to assert positive leadership is a vital part of inspiring subordinates to ethical behavior. There are four factors which play key roles in a leader's effectiveness:

i. **Explicit Positive Reinforcement/Reward:** Can take the form of praise from the leader in private or public commendation and recognition.

ii. **Explicit Negative Reinforcement/Punishment:** May include reprimands, poor performance reviews, demotions, or loss of pay.

iii. **Implicit Positive Reinforcement/Reward:** Occurs when a leader will tacitly tolerate and ignore the unethical behavior of subordinates. By failing to take appropriate action, the leader indirectly encourages the unethical behavior.

iv. **Implicit Negative Reinforcement/Punishment**: By displaying hostility, scorn, ridicule, or harassment toward "whistle blowers" or employees attempting to behave appropriately, a leader indirectly punishes them.

B. **Motivation:** The ability to provide incentive for employees to do a good job and work productively toward company goals which are important from both a leadership and organizational perspective. *The motivating factors can change depending upon an individual's place in the corporate hierarchy.* At the rudimentary level, the worker may only need job security and a steady paycheck; in middle management, bonuses, recognition, and possible promotion become motivating factors; at the executive level, power, prestige, and recognition become important.

C. **Power:** The power and influence of leaders and significant others has a direct correlation with their effectiveness and motivational ability. John R. P. French and Bertram Ravin have identified five sources of power that motivate people within an organizational hierarchy:

i. **Reward Power:** A person's or organization's ability to regulate behavior by the incentive of desirable outcomes. These may include bonuses, recognition, pay raises, or promotion.

ii. **Coercive Power:** The operative mechanism here is fear and intimidation for failure to comply or conform. The measures employed could include coercion, harassment, threatened or actual loss of job, and demotions. Coercion almost always leads to resentment, conflict, low employee morale, and is best avoided.

iii. **Legitimate Power:** When a leader has inspired strong loyalty and is a recognized authority with legitimate power, they will have a great influence on subordinates. This influence could extend to an enhanced ability to motivate employees to unethical behavior.

iv. **Expert Power:** Can yield an extremely powerful influence upon subordinates and their willingness to abide by the expert's recommendations. Expertise may be recognized due to experience and seniority on the job, education, and general credibility.

v. **Referent Power:** When one individual perceives another as having like goals and aspirations, *and has some degree of empathy for the other,* then a base of referent power can be established. Thus, the two view their cooperation as mutually beneficial.

CONFLICT & CONFLICT RESOLUTION

1. **Conflict:** Conflict is the result of discord between an individual's values and those of the corporate culture, significant others, or society, and *it is ambiguous as to which values should prevail.* Conflict can occur between two equally desirable alternatives, as well as two undesirable alternatives. Conflict can also span several dimensions of the corporate structure.

A. **Personal-Corporate Conflict:** When there is discord between an individual's personal values and corporate policy, there is the potential for conflict. For instance, an advertising agency may land an account for a lucrative campaign advertising cigarettes. A top executive is put in charge of the campaign, but may experience conflict due to disapproval of the product, because a parent recently died from lung cancer caused by smoking.

B. **Social-Personal Conflict:** Disparity between an individual's values and the established social norms can cause potential for conflict. For instance, an individual with strong convictions about the acceptability of alcohol consumption may be in conflict with a society's laws restricting Sunday liquor sales.

C. **Corporate-Social Conflict:** When a corporation's values, or products, are in discord with societal norms, there is potential for conflict. For example, a videogame manufacturer might want to market an especially violent video game at local arcades; the societal norms might disapprove of this in the wake of increased gang violence. Sometimes, *dilemmas may arise* in such conflicts when the production of a product may not conform to societal values, but its continued production may greatly help the local economy.

2. **Guidelines for Conflict Management and Resolution:** Although conflict resolution, especially under conditions of great ambiguity, is complex and difficult, there are general guidelines in such circumstances:

A. **Personal Accountability:** Individuals working within the coporate environment can never be fully absolved of personal responsibility for their unethical actions. Excuses to the effect that they were "just doing their job" or "following orders" can only have limited validity. For instance, a trucker who illegally dumps toxic waste on the directive of upper-management is still partly responsible for his actions – even if he does need the bonus, the job, and has a large family to support.

B. **Long and Short-Term Corporate Interest:** Though unethical actions taken on a short-term basis may be very profitable, on a long-term basis they may lead to financial ruin. In conflict resolution, it is important to be objective and look at the big picture. For instance, a car dealership may offer sub-standard, defective cars at a very low price using deceptive advertising tactics. Though sales may soar initially, once the dealer acquires a bad reputation, it may lose credibility and go bankrupt.

C. **The Scope of Responsibility:** The repercussions of ethical decision-making are far ranging in their impact. This may reverberate not only to the immediate corporation and its investors/shareholders, but also the surrounding community, the environment, and the well-being of future generations. In managing and resolving conflict, it is important to be objective and consider the overall situation.

INTERNATIONAL BUSINESS ETHICS

The opportunity for conflict increases at the level of international business interaction due to different culturally defined standards of appropriate behavior in matters of ethics, etiquette, and civility.

1. **Cultural Factors:** The tendency of people to perceive their social milieu in terms of how their own group differs from another is called the *self-reference criterion*, or **SRC** for short. This criterion develops as a function of an individual's background and core cultural base of socialization. Culture, broadly conceived, comprises everything in a person's immediate surroundings, including shared concepts and values peculiar to a given group. Cultural differentiation may exist when two (or more) cultures interact and experience incongruence and disparity on many levels. These may include:
   - A. **Language:** There may be enormous discrepancies in the meaning of words when translation is attempted from one language to another. This is especially the case with advertising slogans which rely on vernacular, colloquial, or slang expressions which may translate awkwardly, or offensively, to another language. For instance, to have the ability to fly by "the seat of one's pants" is a compliment to a U.S. pilot, but the literal translation of this expression would be an insult to a Russian.
   - B. **Body Language:** Everyday gestures and mannerisms having a clear interpretation in one culture may be completely misunderstood in another. To nod one's head up and down may mean agreement, acknowledgment that the speaker has been understood, or disagreement – depending upon the culture. The amount of personal space people find comfortable in face-to-face interaction (i.e., the distance they prefer to stand from one another) also varies greatly based upon culture.
   - C. **Punctuality:** The acceptable margin of tardiness may vary greatly from culture to culture. Americans traditionally place great importance on punctuality, but Greeks and South Americans prefer a more relaxed approach.
   - D. **Conversational Etiquette:** The subject matter and the length of time of a discussion can have extreme cultural variation. For instance, Americans prefer to "get down to business" right away and immediately discuss the pertinent issues. In some Middle Eastern cultures, however, the convention is that the party who first brings up business matters in a meeting has the weaker negotiating posture, and is thus expected to make more concessions.
   - E. **Ethnocentrism:** Is the often implicit, sometimes explicit, notion that one's own culture is superior in some respect to another culture. Clearly, such attitudes, if manifest, convey an attitude of disrespect and can be extremely counter-productive in cross-cultural business dealings.
2. **Cultural Relativism and Ethical Conflict:** Cultural relativism is the belief that there is no single standard for appropriate behavior that applies to all people, everywhere, all the time. Each culture's standard is as valid as any other. This stance is a clear contrast to ethnocentrism. The problem arises when a corporation attempts to conduct business abroad in a culture whose practices are in great discord with that of the corporation's home culture. For instance, the host culture may find bribery an acceptable business practice and discrimination against women a "traditional custom." In such circumstances, it can be a problematic decision for the corporation. They must determine how far they will go to accommodate the traditions and culture of the foreign host. Ethical conflict is likely in such situations.
3. **Multinational Corporations and Ethical Conflict:** Multinational corporations (MNCs) are corporate entities that operate internationally without any significant ties to any one country or region. The method of operation of MNCs has raised many questions about ethically dubious and controversial practices undertaken by such corporations. Problem areas include:
   - A**. Transfer of Jobs:** MNCs will sometimes transfer jobs to overseas locations in an effort to avoid local laws governing workman's compensation, worker's rights to unionize, and minimum wage. This often results in rising unemployment at the local level. MNCs argue that this practice raises the standard of living for the labor hired overseas, and overall benefits the consumer when the savings on labor result in a less expensive product.
   - B. **Resource Exploitation:** Some MNCs have been criticized for plundering local natural resources by purchasing them at a very low price, producing products from these resources that are sold at a very high price, and returning only a very small percentage of the profit to the local economy.
4. **Areas of Ethical Conflict:** Both MNCs and corporations doing international business can run into ethical problems in the course of conducting business on foreign soil. These areas include:
   - A. **Discrimination:** Racial, sexual, religious, or ethnic discrimination may not only be tolerated in certain cultures, but may be an expected part of traditional customs and behaviors. If such discrimination is not acceptable to a corporation doing business abroad, this could easily mean the failure of its enterprise. For instance, Middle Eastern culture may exclude women from participating in business transactions; an American corporation that insisted on sending a female executive to negotiate with a Middle Eastern business interest could offend the foreign parties and seriously jeopardize – or completely destroy – its chances for finalizing a contract.
   - B. **Price Discrimination:** This practice can take one of two forms:
     - i. **Price Gouging:** Products sold abroad often cost more than the same product sold locally due to the added cost of tariffs, taxes, transportation, and storage fees. Sometimes, however, exorbitantly higher prices are charged abroad – far higher than these additional costs can justify. This is called price gouging. Such practices are especially controversial when the product is critically needed, or essential; e.g., pharmaceuticals.
     - ii. **Dumping:** Occurs when a corporation will sell its product abroad at a substantially lower price than the cost of production. This may occur as a tactic to drive competitors out of business, and to create a monopoly in the market for the product.
   - C. **Bribery:** In many cultures, bribery, euphemized as "facilitating payments," is standard business practice. Oftentimes, there is a specific percent of the total sale that is the understood rate of the bribe, for expediting a specific transaction.
   - D. **Dumping Hazardous Products:** In some instances, a corporation's home country may ban, severely restrict, or regulate its product. The corporation may then try to sell the product in a foreign market with much less stringent laws, or where local officials are amenable to bribes and "looking the other way." For instance, certain pesticides that have been banned in the U.S. market because they are hazardous to humans are marketed to foreign agricultural concerns.
   - E. **Compromised Worker Safety:** Due to less regulation of labor, worker's rights, unionization, minimum wage, and worker's safety in many developing nations, MNCs and corporations with foreign interests will favor using such cheap, unregulated labor. Severe ethical issues may be raised when the labor performed is under conditions that the home culture views as abhorrent. For instance, child-labor, "sweat-shops" and virtual "slave labor." Businesses often defend these practices with the argument that as bad as conditions are, the jobs still afford the people a significantly higher standard of living than alternative employment (or lack of) opportunities.
5. **A Global Business Ethic:** With the advent of the Internet and ever more integrated international business, it is foreseeable that a global business ethic will eventually develop. Such a prediction seems feasible in the face of ever-increasing inter-dependency on international commerce and the ever-increasing assimilation, cooperation, and communication between previously isolated markets and cultures.

CREDITS:
Author: Dr. Albert Lyngzeidetson
Layout: Eddy Pierre

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