



V-LRN

VIRTUAL LEARNING NETWORK



International Business Environment

Block-5

Unit-19

International Business Ethics

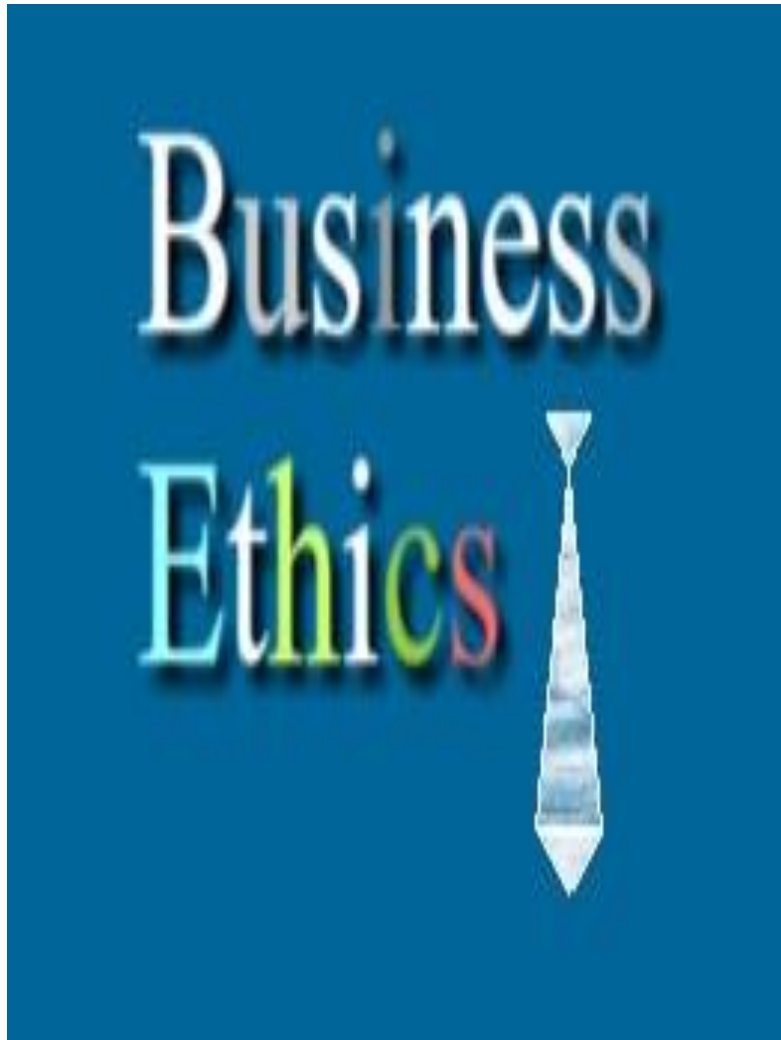
Virtual Learning Network



Topics to be covered

- Introduction
- Concept of ethics
- Approaches to ethical management
- Framework for resolving ethical dilemmas
- Ethics and international Management
- Ethical systems of belief
- Foreign corrupt practices act of USA
- Ethical issues in international Trade
- Business and social responsibility
- Summary

Introduction



- Ethics refers to the business conduct or morals of standard. It is based on the cultural value system and the accepted ways of doing business in each society. Ethical norms are based on broadly accepted guidelines from religion, philosophy and legal system. Global managers are exposed to wide varieties of ethical problems. Therefore, understanding of ethical norms becomes essential for smooth operation of global business.

The Concept OF Ethics

Ethics is the study of decision making within a framework of a system of moral standards. The individual conduct that is considered 'right' and "good" in the context of a governing moral code is called ethical behavior. It is not only compatible with law but also confirms to a broader set of moral principles expected by all in the social group.

Business ethics are system of moral standards principle of right or wrong governing the conduct of business people.



Ethical Dilemmas And Ethical Lapses

A classical ethical dilemma refers to permitting or not tobacco companies to advertise. Not allowing them to advertise, restricts their freedom of speech and obstructs their ability to do business

Ethical lapse on part of a manager occurs when he makes an unethical decision. While ethical dilemma arises due to unresolved interpretations of ethical issues, the ethical lapse is associated with cases of unethical behavior.

Approaches to Ethical Management

- **Identifying Ethical Pressures**
 - The ethical pressure on managers is likely to result from such sources as organizational goals, personal goals, competition, uniformity and fear. The managers may be under pressure to meet their organization's goals, such as to sell a certain number of products. Such pressures may lead managers to choose course of action that may be less ethical but helps in better short-term performance.



Frameworks For Resolving Ethical Dilemmas

Many philosophical and management theorists have provided frameworks that can be used by manager to face ethical dilemmas

Using this framework managers can analyze the issues involved and use plausible criteria for making decision

Normative philosophy which is concerned with the study of proper thought and conduct or how people should behave stands at the root of principle used for ethical analysis



Frameworks For Resolving Ethical Dilemmas (Contd.)

- **Utilitarianism**
 - A decision is judged to be ethical on the basis of its perceived outcomes. In its original form, the theory was based on the prospect of greatest good for the greatest number of people. Following this approach, a government could follow a policy believing that the outcome would benefit greatest number of people.
- **Formalism or Deontology**
 - This approach is based on universal moral principles and is independent of wants and needs. The decision is not based on its expected result but on the consideration whether it is right.



Frameworks For Resolving Ethical Dilemmas (Contd.)

- **Utilitarianism and Formalism - Illustrations of Contrast**
 - While describing a business executive's action, the utilitarian sees it from the perspective of its being good or bad but the formalist views it from the angle of being right or wrong.
 - For a utilitarian the consideration behind an ethical decision is executive's needs, however, for a formalist it is the question of the executive's conscience.
 - For a utilitarian the solutions to ethical problems are not easily definable, it is exactly opposite as far as the formalist is concerned .



Frameworks For Resolving Ethical Dilemmas (Contd.)

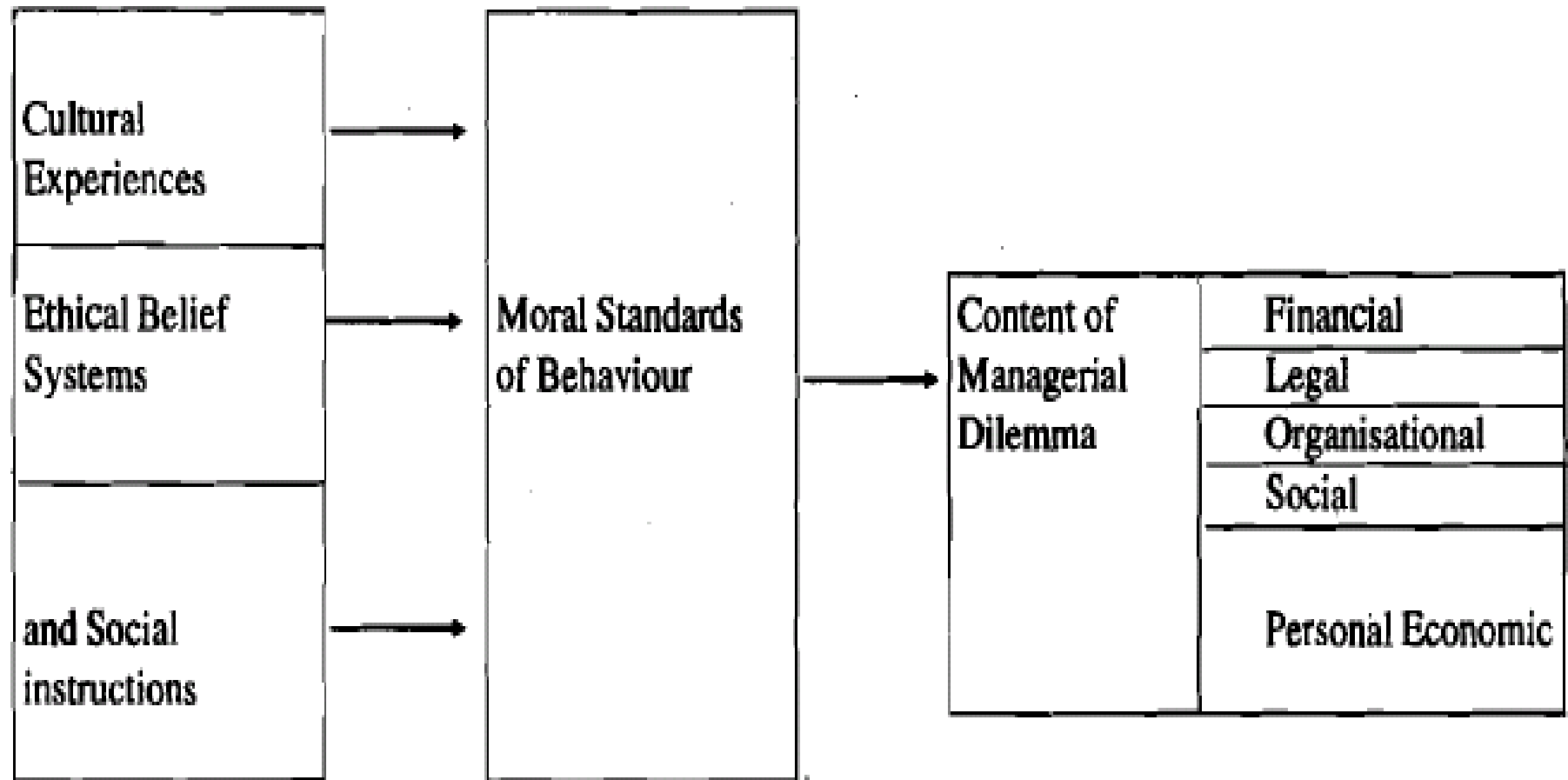
- **Institutionalizing Ethical Organization's Behavior**
 - An ethical organizational culture can be introduced and nurtured by managers that emphasizes the importance of ethical consideration. The move towards an ethical atmosphere must start at the top of the organization, led by personal influence of top managers.
 - Another way to institutionalize ethical behavior is to provide ethics training that may start at the time of employment at which employees read and sign the company's code of ethics

Ethics & International Management

Ethics management internationally is a rapidly evolving reality with many countries placing considerable emphasis on anti-corruption initiatives.



Ethical Analysis of Management Decisions





Content of Managerial Dilemma

- The financial content refers to financial benefits and costs in solving the drug problem.
- The legal content is concerned with any legislation, which permits or prevents the type of drug testing proposed.



Moral Standards of Behavior

- This occurs in the model prior to the consideration of the dilemmas facing the decision-maker. We use moral standards of behavior to judge our behavior and that of others. It is important to note that these tend to be subjective, imprecise and varies between the individuals.



Ethical System of Belief

- **Eternal Law**
The religious teaching reveal the moral standards and these standards are eternal law to which should adhere.
- **Utilitarian Theory**
The perceived outcome of the action provides standards. It is easy to justify immoral acts by referring to the benefits to the majority at the expense of a majority.



Ethical System of Belief (Contd.)

- Universal Theory (Formalism)
 - In this theory standards are derived from intent of the decision according to universal principles.
- Distributive Justice
 - A single value of justice should act towards the more equitable distribution of benefits provides the basis for moral standards.
- Personal Liberty
 - It is implied that everyone should act to secure greater freedom of choice, promoting market exchange & Social productivity.



Foreign Corrupt Practices Act Of USA

- After many glaring cases of business bribing government officials in other countries came to light, US government passed the Foreign Corrupt Practices Act (FCPA) in 1977 which was amended in 1988. This act requires adherence to strict accounting standards by US companies.



Ethical Issues In International Business

- International business takes different forms. The most important aspect of international business for Indian executives is international trade. It is, therefore, important to consider the current state of discussion on business ethics in the field of international trade.
- We should also consider the issues of ethical dilemmas faced by major players of international trade, the multinational corporations (MNCs).



Ethical Issues In International Business (Contd.)

- Ethical v/s Unethical Activities
 - Selling Products Less in Demand in Home Countries
 - Selling Prohibited Products in LDC Markets
 - Selling Products Likely to be Misused
 - Restrictive Trade Policies
 - Dumping
 - Counterfeiting
 - Grey Marketing

Code Ethics For International Marketing

International Marketing Reach



Various pressures on major player in international trade shows the need to clearly lay down guidelines, in form of code ethics, for their employees.

Such code of ethics should lay down guidelines for operating in various markets, particularly focusing on places where unethical behavior is more common.

The code of conduct has been emphasized and laid down by outside agencies such as OECD, International Chamber of commerce, International Labor Organization and UN committee on Transnational Corporation.

Business And Social Responsibility



The idea that companies should embrace its social responsibilities and not be solely focused on maximizing profits. Social responsibility entails developing businesses with a positive relationship to the society which they operate in.

According to the International Organization for Standardization (ISO), this relationship to the society and environment in which they operate is "a critical factor in their ability to continue to operate effectively. It is also increasingly being used as a measure of their overall performance."

Areas of Social Responsibility

Socially responsible organizations have also realized that investing in community health care is not desirable but also valuable and necessary for everyone including the company, the employees and the community at large.

The socially responsible organizations are all time looking for creative and new ways of servicing their stakeholders

Many organizations direct their social responsibility efforts towards upholding the cause for human rights. Reebok International, the athletic shoe manufacturer, has promoted the activities of Amnesty International. The right to freedom of expression is a part of its corporate philosophy

Organization have also shown interest in their social responsibility in educative. It is not just to be charitable of generate positive publicity, but to survive. They have contributed in efforts to improve preschool, primary, secondary and vocational education

Areas of Social Responsibility (Contd.)

Continuum of Social Responsibility – The stance taken by organizations towards their social responsibility can be categorized in one of the four ways :



These categories form a continuum; the lowest level responsibility is shown by firms who must be forced to comply with legal and ethical standards.

Areas of Social Responsibility (Contd.)



- **Social Audit –**
Organizations concerned with keeping their social responsibility at the forefront of their strategy employ the tool of social audit. It provides them a systematic evaluation and reporting of their current performance in various areas of social responsibility.



Institutionalizing Social Responsibility

- To help to institutionalize socially responsible behavior, organizations are setting up a separate Public Affairs Department to serve as a link between them and the key stakeholders such as customers, government agencies and the media.
- Methods of institutionalizing social responsibility
 - Advocacy
 - Partnership
 - Philanthropy
 - Executive Loan
 - Cause Related Marketing

Summary

- Ethics refers to the closeness of managerial decisions and actions with codes of moral standards that try to distinguish right from wrong.
- In international trade, proper understanding of ethical practices becomes essential. A number of practices have been termed as unethical.
- Besides ethics, social responsibility of business is another important area of concern for the - international marketer.

*Thank
You*