

# International Business Ethics: Why Discuss International Business Ethics?

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*By Lizabeth England*

## **Background**

What are the minimal ethical duties of an international company? According to Thomas Donaldson (1989:6), societies have the right to expect business to function ethically: "All productive organizations can be viewed as engaging in an implied contract with society. Corporations must have bestowed upon them by society...authority to own and use land and natural resources. In return, society has the right to expect that productive organizations will enhance the general interests of consumers and employees. Society may also expect that corporations honor existing rights and limit their activities to accord with the bounds of justice."

So, under this social contract between society and business, what rules guide business? If you watch television and movies and read newspapers, you may believe that all business leaders lie and cheat, want to destroy the environment, make any compromise for financial gain, and risk the lives and health of their employees and the public to make money. Front-page news reports of illegal stock market trading and sweatshops make all business professionals appear to be greedy, selfish, money-hungry villains. Of course, this is not true.

Business professionals have responsibilities to make decisions based on ethical principles. They also have a responsibility to the people who work for them and to society in general to provide employees with guidelines for making ethical decisions. In the 21st century, the role of ethics in international business transactions and interactions will receive more attention. Corporate leaders have discussed the adoption of an international code of business ethics. These leaders are concerned about ethical decisions and want to help employees learn to work in an ethical way.

## **Ethical decision making**

Ethical decisions are made by business leaders based on these considerations:

- How employees feel fulfilled professionally
- How customers can be satisfied
- How profit can be assured for shareholders
- How the community can be served

Many pressures affect business leaders. Ethical considerations are sometimes difficult for business leaders when they must choose among different priorities. Making decisions based on the needs of employees, customers, shareholders, and the community requires a good leader. All good leaders are interested in achieving ethical standards and in motivating employees to do what is right.

There are laws that guide business leaders. Breaking laws can lead to arrest and imprisonment. For example, one company's sales manager decided to discount prices of old fruit, which turned out to be contaminated. In the end, some children who ate the fruit got very sick with hepatitis A. The disease was traced to the company's spoiled fruit, and several of the company's leaders were indicted on criminal charges. Today the company no longer exists.

But laws are not always enough to ensure that behavior is ethical. Individual leaders and their decision-making behaviors (ethical or unethical) set examples for employees. In the United States, anonymous surveys show that 30 percent of managers admit they have submitted inaccurate reports. Clearly, there is a need to develop ethical decision-making skills.

## **On-the-job ethical conflicts**

Four main ethical conflicts confront leaders and managers in business:

1. Conflict of interest—An individual may be able to achieve personal gain from a decision he or she makes.
2. Loyalty versus truth—An individual must decide between loyalty to the company and truthfulness in business relationships.
3. Honesty and integrity—An individual must decide whether to be honest or lie, and whether to take responsibility for decisions and actions or blame someone else.
4. Whistle-blowing—An individual must decide whether to tell others (media or government authorities) about the unethical behavior of the company or institution.

In the following Classroom Applications, students will have the opportunity to learn about conducting international business with honesty, truth, fairness, and integrity as they answer questionnaires, discuss ethical dilemmas, and examine a case study of gift giving.

## **Classroom applications**

### **Goals:**

- To introduce new vocabulary that will assist learners in discussing ethics
- To provide a basic understanding of international business ethics

- To create an atmosphere of trust in discussing this culturally sensitive topic

## Warm-up Activity (approximately 15-20 minutes)

### Procedures:

- Tell students that the lesson will be on the topic of international business ethics. Ask the class if they agree with this statement: "Businesses have a responsibility to the citizens and environment." Discuss their opinions.
- Distribute a copy of Handout 1: Questionnaire on International Business Ethics to each student.
- Have students individually answer the questions on Handout 1.
- Before beginning the class discussion of their answers, have each student write a short statement of two or three sentences defending his or her position on all questions answered with SA (strongly agree) or SD (strongly disagree).
- Discuss the questionnaire and the students' responses. Ask some students to read their written statements aloud.
- Point out the issues that underlie the cultural sensitivity of the topic. Refer to the definitions of key words in the Glossary.
- Give a copy of the Background reading to each student. Have them read it as homework for the next lesson or in class before the next activity.

<b>Handout 1: Questionnaire on International Business Ethics</b>
<p><i>SA = Strongly Agree</i> <i>A = Agree</i> <i>NS = Not Sure</i> <i>D = Disagree</i> <i>SD = Strongly Disagree</i></p> <p>1. ____ It is better to avoid conducting business outside one's own country because of the complexities that occur across national borders.</p> <p>2. ____ Ethics is a philosophical issue, not a business issue.</p> <p>3. ____ In business, keeping a code of ethics is like</p>

keepingg vows.

4. \_\_\_ It's better not to think about ethics when you are making a s deal.

5. \_\_\_ International business ethics is important to me.

## Activity 1: Learning About Ethics at Work (approximately 15-30 minutes)

### *Procedures:*

- Divide students into pairs and distribute a copy of Handout 2: Ethical Dilemmas at Work to each pair.
- Instruct students to read the four dilemmas. Allow pairs to choose one of the four dilemmas to work on, or assign one dilemma to each pair.
- For their chosen dilemmas, ask students to paraphrase the point of view of the employee(s) and the point of view of the boss. Ask them to propose a solution to the problem.
- Have a class discussion of opposing points of view and possible solutions to each of the four dilemmas.
- Ask if any of the students can describe an ethical dilemma they faced at work, home, or school. Ask them to explain the differing points of view and the resolution of the problem.

### **Handout 2: Ethical Dilemmas at Work**

#### **Ethical Dilemma 1**

The boss asks workers to stay late at the office. Although several employees have gone to him/her and said that they could not stay late, he/she persists in telling workers that there is "a bit" more work for them to do.

#### **Ethical Dilemma 2**

Your colleague rarely completes work assignments. You have been helping him finish the last two

projects. You want him to stop asking you to help him because you have work of your own to do.

### **Ethical Dilemma 3**

The company is growing and the amount of work is increasing. You think the boss should hire more employees.

### **Ethical Dilemma 4**

You work in the quality control division of a company. You have rejected some of the parts that have come through your department because they did not meet company standards. Your boss tells you that you should ignore the low standard parts.

## **Activity 2: A Case Study in Gift Giving (approximately 20-30 minutes)**

### *Procedures:*

- Tell students that they will read through a description of a real-life situation in which gift giving is the subject of ethical judgment.
- Divide students into pairs and distribute a copy of Handout 3: Case Study in Gift Giving to each pair. Ask them to answer the following questions as they read: What happened to Grady? What did the official say?
- In pairs or small groups, have students summarize the situation by paraphrasing the point of view of the high-ranking official and by explaining the dilemma facing Grady. Ask students to propose possible solutions to the problem posed in the case study.
- Have a class discussion of their proposed solutions.
- Distribute a copy of Handout 4: Questionnaire on the Ethics of Gift Giving to each student.
- Have students individually answer the questions on Handout 4.
- Before beginning the class discussion of their answers, have each student write a short statement of two or three sentences defending his or her position on all questions answered with SA (strongly agree) and SD (strongly disagree).
- Discuss the questionnaire and the students' responses. Ask some students to read their written statements aloud.

### **Handout 3: A Case Study Giving**

Grady is the president of an engineering firm. The firm is negotiating a contract in another country. The engineering firm has not previously worked in this country. A high-ranking official in this country tells Grady that it is an established and legal custom to give personal gifts to officials who are authorized to award contracts. This official also informs Grady that no further work will be awarded to Grady's firm without such gifts. However, this condition will not be included in the contract. If Grady does not comply, the government will also be less cooperative in the completion of the first contract. Grady learns that other firms have given such gifts.

*Adapted from a National Society of Professional Engineers (NSPE) case and a Board of Ethical Review j.*

### **Handout 4: Questionnaire on the Ethics**

*Answer the following questions by yourself; then discuss them with your teacher or ar.*

*SA = Strongly Agree*

*A = Agree*

*NS = Not Sure*

*D = Disagree*

*SD = Strongly Disagree*

1. \_\_\_ There should be no international code of ethics ogiving.

2. \_\_\_ Decisions about gift giving are best left to individunesses.

3. \_\_\_ I prefer to have rules about gift giving provided for my use in internatisiness.

4. \_\_\_ All businesses should be required to follow rules of ethical gift gihavior.

5. \_\_\_ Business professionals in individual countries should not be required to adhere to international rules

ogiving.

## Extensions of the lesson

1. Encourage students to pursue the topic of international business ethics by checking the Internet resources listed below.
2. Write a code of conduct for your school or company. Sample codes of conduct are available online at the Web site of the Centre for Applied Ethics listed below in Internet Resources. A common grammatical structure used in this type of document is the hypothetical conditional. Example sentence: "If employees follow the rules of the code of conduct, they can succeed in their jobs. If employees violate the code of conduct, they may lose their jobs." Have students use the hypothetical conditional with if clauses in the code of conduct they write.

## Internet resources

### *Online Ethics Center for Engineering and Science*

<http://onlineethics.org>

Its mission is to provide engineers, scientists, and science and engineering students with resources useful for understanding and addressing ethical issues. This site also has information about the Board of Ethical Review of the (U.S.) National Society of Professional Engineers.

### *Institute for Business and Professional Ethics*

<http://www.depaul.edu/ethics>

Based at DePaul University, its mission is to encourage ethical deliberation in decision makers by stirring the moral conscience and imagination and to provide a forum for exploring and furthering ethical practices in organizations.

### *International Business Ethics Institute*

<http://www.business-ethics.org>

This site contains information from the International Business Ethics Institute in Washington, D.C., as well as many other professional associations interested in international issues in business ethics. Links are provided for worldwide networking.

### *Centre for Applied Ethics*

<http://www.ethics.ubc.ca/resources/professional>

The Centre was created by the University of British Columbia's Board of Governors in 1993. Its mission is to bring moral philosophy into the public domain by advancing research in applied ethics. The Centre provides opportunities for academics, practitioners, and others to engage in systematic and rational reflection on significant moral issues of the day.

## Reference

Donaldson, T. 1989. *The ethics of international business*. Oxford: Oxford University Press.

## Glossary

*Compromise*: an agreement that is achieved after everyone involved accepts less than he or she wanted at first

*Ethics*: the study of morals, values, and choices an individual makes in relation to other people; rules or standards of conduct

*Expertise*: a special skill or knowledge gained by experience

*Hepatitis A*: inflammation of the liver

*Integrity*: the quality of being honest and having high moral principles

*Priorities*: what you believe to be most important and put before all else

*Set an example*: to purposely mold your actions and behavior to what you wish others to follow

*Sweatshop*: a factory where people work hard in bad conditions for very little money

*Whistle-blowing*: an employee's decision to disclose potentially damaging information to an authority figure (boss, media, or government official)

This article is an adaptation of chapters 1 and 2 of the Business Ethics volume of the *English Teaching Forum's* electronic journal *Language and Civil Society*. For more information on business ethics and the author of this article, Lizabeth England, visit the *Language & Civil Society* Business Ethics volume at:

<http://exchanges.state.gov/englishteaching/resforteach/ejournals/language-and-civil-society.html>.