
CHAPTER 1

PRINCIPLES OF BUSINESS ETHICS

Ethics form the foundation for international economic activities. Ethical guidelines are essential in making business decisions. Business professionals have responsibilities to make decisions based upon ethical principles. In the 21st century, the role of ethics in international business transactions and interactions will receive more attention.

Materials in this volume will help teachers and students to learn about, explore, and discuss ethics and ethical issues in international business.

Principles of Business Ethics is the theme of this chapter in the Business Ethics volume. The theme is of interest to learners and teachers of English around the world. The focus of these lessons is on the development of language skills needed to think, discuss, and write about business ethics. The students' skills will improve as interest and personal involvement in the materials and the topic increases.



BACKGROUND INFORMATION

Why discuss international business ethics? According to Donaldson, societies can and do have the right to expect business to function ethically. People in every country in the world make an agreement with business to carry out the necessary work to provide goods and services to society: "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" (1989, p. 6).

So, under this 'social contract' between society and business, what rules guide business? What are the minimal duties of business professionals? Should an international code of business ethics be adopted? If so, what should such a code contain?

Most companies have a Code of Conduct that guides workplace behaviors. A Code of Conduct is a description of what practices are expected of employees in the company. If employees follow the rules of the Code of Conduct, they succeed in their jobs; if employees violate the Code of Conduct, they may lose their jobs.

More and more companies conduct international transactions as a part of their daily operations. International situations are particularly prone to 'gray areas' because norms and practices that guide

ethical behaviors vary across cultures. The ethical decision about what to do in some international business situations is not always clear. Sometimes, a decision about ethics is not 'black or white,' but is in the 'gray area'. In this chapter, a description of a dilemma that requires discussion about international business ethics is presented.



Most experts in international business ethics agree that an international code of ethical practice, and not a code based on each individual culture's unique norms and practices, is essential to global economic survival in the 21st century.

Experts have created a list of principles to guide international business ethics. These principles are summarized here:

Principles of International Business Ethics ¹

1. **Integration**– Business ethics must permeate all aspects of organizational culture and be reflected in key management systems. Companies start by integrating ethics into goal setting and hiring practices. When promoting workers to higher levels within the company, ethical principles guide incentive programs.
2. **Implementation**– Ethical conduct is not just an idea, but requires the implementation of a plan of change in specific areas of work in the company. Some examples are efforts to modify personnel appraisal processes, promotion of improved environmental practices, and referrals to specialists, when needed.
3. **Internationalization**– Increased internationalization is necessary to all successful business in the 21st century. Internationalization is achieved through the formation of international partnerships, trading blocs, and implementation of GATT and other free trade agreements. Clarification of an organization's own definition of integrity that transcends national borders is necessary. A resulting program is not culturally defined and requires little or no modification when applied in global contexts.



CLASSROOM APPLICATIONS

Language classes are places in which interesting activities and discussions can lead to better understanding of ethics in business. In order to understand the importance of principles in business ethics, students work together using materials that are valuable for learning and interesting.



¹ Adapted from the *International Business Ethics Institute* and the *Caux Roundtable on Moral Capitalism at Work*

PRELIMINARY LESSON PLANNING

Materials:

- Prepare copies of these for all students: [Principles of International Business Ethics](#) and [Case Study](#)
- newsprint, poster board or other large paper
- markers

Learning Groups:

Though individualized assignments and tasks can be effective learning contexts, research shows that classroom interaction on topics of high interest results in more learning and a better understanding of the content. The teacher makes decisions about how to best organize the learning experiences for students in the classroom.

Student groups are important for classroom learning. Students may be grouped in pairs, small groups (4-6 students per group), half-class or whole class. Teachers may allow students to group themselves, or teachers can arrange the groups. Whatever the grouping scheme, how students interact – with whom, on what topics, and for how long – is an important aspect in planning a lesson. Variety of experiences is the key to effective learning in the classroom acquisition of language.

Vocabulary and Grammar:

Review readings and determine vocabulary and grammar points to be addressed. See [Appendix A](#) for a sample grammar review.



WARM UP ACTIVITY

(approximately 15-20 minutes)

Goals:

- To involve students in the topic
- To teach new vocabulary
- To gain background information on the topic
- To create an atmosphere of trust to discuss a sensitive and very important topic

Procedures:

1. Warm up for Activity #1: Write a Code of Conduct for your school or company.
2. Tell students that today's lesson will be on the general topic of Business Ethics, with the focus on Principles of Business Ethics. Tell students that when they have finished the lesson, they will have done the following:
 - a. discussed and written a little on this topic

- b. learned information on the topic that they did not previously have
3. Write on the blackboard "Principles of International Business Ethics."
Ask students to share what they understand about Principles of International Business Ethics. A pair of students (or the teacher, if necessary) records student responses on an overhead, blackboard or flip chart. Retain this record of student responses for later use (Step 5 and afterward)
 4. Teacher summarizes student responses focusing on key words used in the recording of those responses on overhead, blackboard or flip chart.
(Note: If proficiency and confidence and trust are high, a student might be asked to volunteer to do the summary. Choose a different student from those who may have earlier recorded student responses.)
 5. Have students complete [Handout #1: Self Assessment on International Business Ethics](#). Discuss their responses. Listen to what students say to get a sense of what they understand and know about this topic. Reminder: This is a warm up. However, [Handout #1](#) can be used for a [lesson extension](#) if the teacher so desires.
 6. Transition from Warm up to Activity #1 – Now, tell students that they will address the topic of the day – to learn about Principles of International Business Ethics.



ACTIVITY #1 – WRITE A CODE OF CONDUCT

(approximately 40-45 minutes)

Goals:

- To use English in meaningful ways
- To introduce Principles of International Business Ethics
- To provide meaningful contexts for using new vocabulary and (often somewhat under-used) grammatical structures

Procedures:

1. Have students read the [Principles of International Business Ethics](#).
2. Have each student or group of students select one principle to describe in a paraphrase. Then, have students think of an example of a situation where this principle might apply. For example, students choose integration as the principle to discuss. A paraphrase of **Integration** might be this: A code of conduct must be obvious in all aspects of business operations. For example: When a candidate is interviewed for a job, the interviewer refers to ways in which the position requires ethical behavior, as defined by the Code of Conduct. Or, when goals are set for the year, the company vice-president outlines how goals might conflict with the company code of conduct and ways of avoiding those conflicts.

3. Present an introduction to the activity. Say "Now, we see the role and importance of ethical behavior in international business. A "Code of Conduct" is a starting point for building a plan for ethical behaviors in a business. In the next activity, we are going to work in groups to develop a Code of Conduct. Each group's Code must adhere as much as possible to the three "Principles of International Business Ethics." (10 minutes).
4. In each group, there are two Scribes (they write down the comments made in the group discussion), a Coordinator (this person assures that the discussion stays on the topic and that all participants have their views heard) and two Proofreaders (these individuals are responsible for the final draft that will be shared with the class later on). Note: This scheme can be adjusted, depending on the size and needs of the group. However, for maximum effectiveness, all students should be assigned a role for this activity.
5. In each group, ask students to please follow these steps (15-20 minutes):
 - a. Read through and make sure you understand the Principles. Ask the teacher if you need more information or clarification.
 - b. Review sample **Codes of Ethics** or **Codes of Conduct** from several professional groups at this web site:
<http://www.ethicsweb.ca/resources/professional/index.html>
 - c. Now, write a Code of Conduct for your school or company. Use the format provided in [Handout #2](#). The Coordinator generates ideas; and the Scribes write the list on a large piece of newsprint, poster board or other large paper (preferably, with wide markers).
 - d. The Proofreader checks the Code and is responsible for finding mechanical (spelling, grammar, capitalization and formatting) errors. Note: See [Appendix A](#) for a brief grammar review.
6. Tape each group's Code of Conduct to the blackboard (5 minutes)
7. Invite the class to read through each Code. Encourage students to discuss their Codes with each other as they walk around the room reading each group's Code: Explain the rationale, and describe how each principle is represented in the Code. (15 minutes)
8. Finally, the teacher gives feedback on the Code, referring specifically to the mechanics (see the grammar section in [Appendix A](#) for specific points on which to provide feedback) and the content. (Focus here is on how and to what extent that students' Codes of Conduct address the Principles of International Business Ethics).

Note: Step 7 (above) represents the feedback/assessment part of the activity, and is critical to providing the teacher with data on the extent to which students have achieved the objective(s) of a lesson. Alternative feedback/assessment tools might be considered. Step 7 is one option.



ACTIVITY #2 - READ AND EVALUATE THE CASE STUDY

(Approximately 20-30 minutes)

Goals

- To use English correctly in meaningful ways
- To describe gift-giving practices and the ethical implications of those in international business settings
- To improve vocabulary skills
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Procedures:

1. Warm up for Activity #2: Discuss gift-giving practices, since those are carried out in the students' work or school environment.
2. Teacher describes a gift-giving or gift-receiving experience he/she has had. Then, the teacher solicits ideas from the students. For example, the teacher asks: "What are the appropriate gifts for teachers in your school/ employees in your company?" Generate a class discussion on this topic. Get students to talk about this, without making judging comments.
3. Ask students to complete the [Questionnaire on Ethics of Gift Giving](#) (Handout #3).
4. Tell students that they will read through a description of a real-life situation in which gift giving is the subject of ethical judgment.
5. Do a round robin reading of the [Case Study](#) (Appendix B).
Note: In a round robin reading, each student has a copy of the text and reads one paragraph followed by the next student reading the next paragraph, until all students have had the opportunity to read once. Teacher correction here is on reading comprehension.
6. Now, check for understanding. Make sure that students understand the short [Case Study](#). See [Handout #4](#) for a list of questions for students to answer (either in pairs, groups or individually). Give instructions for multiple choice and reading comprehension assessment. Ask students to read the questions first and then to re-read the passage.
7. Solicit responses from students using their answers to the comprehension questions. Then, provide correct answers. Make certain students understand the [case study](#).
Note: If students do not seem to need the comprehension 'test,' omit [Handout #4](#) and go on.
8. Now, do [Handout #3](#) Questionnaire on the Ethics of Gift Giving. Ask students to discover their own and others' attitudes towards gift giving.
Note: Teacher may or may not wish to summarize student responses to the Questionnaire at this point.
9. Write a Code of Conduct for International Gift Giving for the class. Include a list of rules for gift giving based on the [Principles](#) and addressing the topic as it relates to the academic and/or professional contexts of students in the class.

COOL DOWN ACTIVITY

(Approximately 10-15 minutes)

Goals:

- To build on an atmosphere of trust and respect for others' ideas
- To close the lesson

Procedures:

1. Summarize what we have done. Be certain to include another verbal listing of the [Principles of International Business Ethics](#).
2. Ask students to choose one of the Principles and discuss a way in which he/she might address it in his/her work/school life.
3. Ask why gift giving is an important subject for international business professionals to address.
4. Finally, ask students to say what they would like to know more about concerning international business ethics.



LESSON EXTENSIONS

Ways of Expanding on Activity #1:

Teachers might want to expand on this activity by asking students to share their Codes with others (outside the class). This can be done by encouraging students to engage in authentic electronic exchanges. Try these web sites for starters:

<http://eslcafe.com>

Dave's ESL Café

<http://onlineethics.org/>

Online Ethics Center for Engineering and Science

Students can write comments to the web site owners and ask for responses. Note: Students are very likely to receive responses! Possibilities abound for extending these electronic interchanges between your students and website owners!

Possible Ways of Expanding Activity #2:

Students might use the questions in [Handouts #1](#) and [#3](#) to conduct a survey of 20 or more individuals in the community. Tally the results and create a graph and interpret it.

INTERNET RESOURCES

The Internet resources listed below provide useful information to those wishing to know more about whistleblowing. The sites marked with an asterisk (*) point visitors to other web sites on the same topic.

- <http://www.whistleblowing.org>
Blowing the Whistle
This site is the only electronic communication tool by and for those who are actual whistleblowers. Staffed by a father and son team of whistleblowers (one in industry, the other in government), this site will generate good class discussion on the world of whistleblowing from the real-world experiences of two whistleblowers.
- <http://www.pbs.org/wgbh/pages/frontline/smoke/index.html>
Smoke in the Eye
An interview with executives in the tobacco industry, this report provides a model for strategies used by businesses to protect their own interests with the public and on camera. Interested students can use this material for several possible classroom activities (and tasks outside the classroom). For example, students might identify strategies these executives use and may present either a model for executives in a local company under suspicion for ethics violations, or students might provide a list of interview questions for an interview with an executive from a local company or government agency.
- <http://www.whistleblower.org/>
Government Accountability Project
In 1977 the non-profit Government Accountability Project was created to help whistleblowers. The site has specific examples of whistleblowing, which can be used as discussion topics, and provides links to other whistleblowing sites.



APPENDIX A

Grammar Overview –Some Useful Rules and Ways of Using Them to Discuss International Business Ethics

The grammar rules that appear below may be of help to students and teachers in identifying areas of accuracy in grammar usage. Other grammar rules will be presented in later chapters.

Grammar Point #1:

Example Sentence from the text: See page 2: "If employees follow the rules of the Code of Conduct, they succeed in their jobs; if employees violate the Code of Conduct, they may lose their jobs."

This sentence is a good example of the use of the hypothetical conditional. We use this form frequently.

Rule: Use an *if* clause to introduce the topic. After that, it is not necessary to repeat the *if* clause in every sentence. It sounds unnatural to keep repeating *if*.

Grammar Point #2:

Example Sentence from the web text: See page 3: "Ethical conduct is not just 'an idea,' but requires the implementation of a plan of change in specific areas of work in the company."

This sentence demonstrates the use of articles in describing a rule or principle. Notice the use of *an*, *the* and *a*. We use definite articles (*the*) to refer to what we have previously described and indefinite articles (*a*, *an*) to refer to ideas we want to introduce.

[Back to Classroom Applications](#)

[\(Back to Activity #1\)](#)



APPENDIX B

Case Study

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 to officials.

Adapted from NSPE Case and BER Judgment, summarized

at <http://temp.onlineethics.org/cases/nspe/index.html>

[Back to Classroom Activity #2](#)



HANDOUT #1

Handout #1: A Self Assessment On International Business Ethics

SA = Strongly Agree
A = Agree
NS = Not Sure
D = Disagree
SD = Strongly Disagree

1. ___ It is better to avoid conducting business outside one's own country because of the complexities that occur across national borders.
2. ___ Ethics is a philosophical issue, not a business issue.
3. ___ In business, keeping a code of ethics is like keeping wedding vows.
4. ___ It's better not to think about ethics when you are making a business deal.
5. ___ International business ethics is important to me.

[Back to Warm-Up to Activity #1](#)

[Back to Possible Extensions to Activity #2](#)



HANDOUT #3

Handout #3: Questionnaire on the Ethics of Gift Giving Practices

Answer the following questions by yourself; then discuss them with your teacher or a partner.

SA = Strongly Agree

A = Agree

NS = Not Sure

D = Disagree

SD = Strongly Disagree

1. ___ There should be no international code of ethics on gift giving.
2. ___ Decisions about gift giving are best left to individual businesses.
3. ___ I prefer to have rules about gift giving provided for my use in international business.
4. ___ All businesses should be required to follow rules of ethical gift giving behavior.
5. ___ Business professionals in individual countries should not be required to adhere to international rules on gift giving.

[Back to Activity #2](#)

[Back to Extensions](#)

HANDOUT #4

Handout #4: Comprehension Questions for use with Case Study

Circle the correct answer to each question:

1. What happened to Grady?
 - A. He was told to give a gift to an official.
 - B. His wallet was stolen.
 - C. The president of the company wanted a gift.
 - D. He found out it was illegal to give gifts.
2. What did the official say?
 - A. Give a gift to the president.
 - B. Give a gift to an official.
 - C. Ask for payment when closing the deal.
 - D. Bring a gift to a dinner with executives.
3. According to the official, gift giving was considered
 - A. Ethical, but rarely done.
 - B. Commonplace, but unethical.
 - C. Polite, but not required.
 - D. A matter of choice.

[Back to Activity #2](#)

