

Chapter 14

International Business Ethics

CHAPTER SUMMARY

Operating abroad, especially in less-developed countries, creates dilemmas that lead to charges of serious ethical failings. Multinational corporations (MNCs) generally recognize a social responsibility and attempt to fulfill their responsibilities everywhere they are located. The major cause of occasional failures to act responsibly is not the lack of effort but the diversity of political and legal systems around the world and differences in economic development. Foreign operations give rise to challenges—and also create opportunities for misconduct—that simply do not exist for purely domestic enterprises. The main quandary facing all MNCs is deciding which standards to follow. Neither of the two extreme positions is satisfactory. The familiar adage “When in Rome, do as the Romans do” and the opposite, “When in Rome or anywhere else, do as you would at home,” are both inadequate guides. Instead, this chapter offers guidelines for developing special standards for the conduct of international business that can be applied to such matters as so-called sweatshops, foreign bribery, and human rights abuses. Ultimately, the solution to many of the ethical problems of international business lies in the development of international agreements and codes of ethics. As the guidelines for multinational corporations become more detailed and comprehensive, the need for special standards of international business may diminish, and business conduct may eventually be the same worldwide.

CHAPTER OBJECTIVES

- 14.1: Categorize the various ethical problems that multinational companies may face in their foreign operations, especially while conducting business in less-developed countries
- 14.2: Explain how the moral concepts of rights, welfare, and justice offer guidelines for conducting international business and the role of global civil society in developing and enforcing these guidelines
- 14.3: Describe the ethical issues in determining wages and standards for working conditions in international business, and factors that multinational corporations and foreign contractors should consider to improve on those set by market mechanisms
- 14.4: Evaluate the various forms of bribery and factors that foster them, the ethical problems with bribery, and the diverse means and strategies for combating bribery
- 14.5: Relate the challenges multinational companies face in dealing with repressive governments, and how a strategy of constructive engagement can be applied to operations in countries with a record of human rights abuses.

SUGGESTED DISCUSSION PROMPTS

1. Should a corporation try to impose its values on corporations from other cultures? Why or why not?
2. Can corporations across cultures potentially agree on all ethical issues, or are some differences insurmountable?
3. How can corporations operate internationally so as not to place other peoples at a disadvantage?
4. Why is the issue of bribery likely to arise when doing business in certain international settings?
5. What can and should corporations do to curtail human rights abuses in international operations?

ASSESSMENT FOR IN-CLASS USE

Multiple Choice Questions

Choose the BEST possible answer for each of the following.

1. Why is it not ethically sufficient for multinational corporations to simply follow the laws of the countries in which they do business?
 - A. Unethical practices may be legal in other countries.
 - B. Corporations are bound by the laws of their home country.
 - C. Some of the laws in foreign nations may be unenforceable.
 - D. Laws in other countries may unduly restrict business.

Correct Answer: A

14.1: Categorize the various ethical problems that multinational companies may face in their foreign operations, especially while conducting business in less-developed countries

Topic/Concept: Different Standards

Difficulty Level: Easy

Skill Level: Understanding

2. The relativist view on confronting different systems of business ethics says that _____.
 - A. the same ethics should be practiced in other countries as at home
 - B. ethical systems do not vary greatly between countries
 - C. one should follow whatever practices are accepted in a certain place
 - D. no one knows what the ethically correct way of doing business is

Correct Answer: C

14.1: Categorize the various ethical problems that multinational companies may face in their foreign operations, especially while conducting business in less-developed countries

Topic/Concept: Different Standards

Difficulty Level: Easy
Skill Level: Understanding

3. The absolutist view on confronting different systems of business ethics ignores the fact that _____.
- A. people may disagree over the correct ethical standards
 - B. ethical standards come from cultural views current in a location
 - C. ethical standards in other countries may not be the same as those one is used to
 - D. one may have to lower one's standards in order to business effectively

Correct Answer: B

14.1: Categorize the various ethical problems that multinational companies may face in their foreign operations, especially while conducting business in less-developed countries

Topic/Concept: Different Standards

Difficulty Level: Easy

Skill Level: Understanding

4. The absolutist position on morality places the responsibility for setting standards on _____.
- A. the local people where business is conducted
 - B. the visitor to a foreign country
 - C. the government of the country where business is conducted
 - D. a single impartial and ethically ideal observer

Correct Answer: C

14.1: Categorize the various ethical problems that multinational companies may face in their foreign operations, especially while conducting business in less-developed countries

Topic/Concept: Different Standards

Difficulty Level: Easy

Skill Level: Understanding

5. The practice of respecting basic rights in international transactions ensures that _____.
- A. a moral minimum will be respected
 - B. no ethical transgressions will take place
 - C. everyone will agree on all ethical standards
 - D. everyone will understand each other culturally

Correct Answer: A

14.2: Explain how the moral concepts of rights, welfare, and justice offer guidelines for conducting international business and the role of global civil society in developing and enforcing these guidelines

Topic/Concept: Guidelines for Multinationals

Difficulty Level: Easy

Skill Level: Understanding

6. One of Richard DeGeorge's guidelines for multinational corporations is that _____.
- A. they should carry out actions that benefit their home country
 - B. they should conform to the ethical expectations of the local culture
 - C. they should pay their employees the same as they pay their domestic employees
 - D. they should do more good than harm for the host country

Correct Answer: D

14.2: Explain how the moral concepts of rights, welfare, and justice offer guidelines for conducting international business and the role of global civil society in developing and enforcing these guidelines

Topic/Concept: Guidelines for Multinationals

Difficulty Level: Easy

Skill Level: Understanding

7. Justice must be strongly considered in international operations mainly because _____.
- A. multinational corporations often are not familiar with local laws
 - B. foreign investment most often benefits the rich rather than the poor
 - C. globalized businesses tend to make more profits than other companies do
 - D. multinational corporations have a duty to aid developing countries

Correct Answer: B

14.2: Explain how the moral concepts of rights, welfare, and justice offer guidelines for conducting international business and the role of global civil society in developing and enforcing these guidelines

Topic/Concept: Guidelines for Multinationals

Difficulty Level: Easy

Skill Level: Understanding

8. An internationally agreed-upon code of ethics includes an emphasis on _____.
- A. profitability
 - B. human rights
 - C. politics
 - D. abiding by the law

Correct Answer: B

14.2: Explain how the moral concepts of rights, welfare, and justice offer guidelines for conducting international business and the role of global civil society in developing and enforcing these guidelines

Topic/Concept: Guidelines for Multinationals

Difficulty Level: Easy

Skill Level: Understanding

9. Wage standards in developing countries are often very low mainly because _____.

- A. wages are not set by the market
- B. developing countries do not have as many factories
- C. local politics prevents workers from campaigning for higher wages
- D. workers are willing to work for much less than someone comparable in the United States

Correct Answer: A

14.3: Describe the ethical issues in determining wages and standards for working conditions in international business, and factors that multinational corporations and foreign contractors should consider to improve on those set by market mechanisms
Topic/Concept: Wages and Working Conditions

Difficulty Level: Easy

Skill Level: Understanding

10. ABC Corporation is an American company that wishes to do business with Rimonter, a corporation located in Asia. Rimonter has the standard practice of requiring an undocumented payment of \$50,000 to a charitable organization headed by Rimonter's CEO. This payment is required in exchange for securing a manufacturing contract with Rimonter Corporation. In response to Rimonter's demand, ABC Corporation should _____.
- A. agree to pay the \$50,000 to the charitable organization but document the payment
 - B. refuse to pay \$50,000 to the charitable organization but offer to pay \$10,000 instead
 - C. refuse to pay \$50,000 to the charitable organization and look for a different business partner
 - D. agree to pay the \$50,000 to the charitable organization in installments of \$10,000 over the next 5 years

Correct Answer: C

14.4: Evaluate the various forms of bribery and factors that foster them, the ethical problems with bribery, and the diverse means and strategies for combating bribery
Topic/Concept: Foreign Bribery

Difficulty Level: Moderate

Skill Level: Evaluate

Essay Questions

1. Compare the approaches of absolutism versus relativism for understanding cultural differences in ethics.

14.1: Categorize the various ethical problems that multinational companies may face in their foreign operations, especially while conducting business in less-developed countries
Topic/Concept: Different Standards

Difficulty Level: Moderate

Skill Level: Analyze

2. Describe the codes of ethics that are understood to apply to all forms of international business.

14.2: Explain how the moral concepts of rights, welfare, and justice offer guidelines for conducting international business and the role of global civil society in developing and enforcing these guidelines

Topic/Concept: Guidelines for Multinationals

Difficulty Level: Easy

Skill Level: Understanding

3. Relate the challenges multinational companies face in dealing with repressive governments, and how a strategy of constructive engagement can be applied to operations in countries with a record of human rights abuses.

14.5: Relate the challenges multinational companies face in dealing with repressive governments, and how a strategy of constructive engagement can be applied to operations in countries with a record of human rights abuses

Topic/Concept: Human Rights Abuses

Difficulty Level: Moderate

Skill Level: Evaluate