

Business Ethics
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Lecture – 03
Globalization: a key context for Business Ethics

Welcome back. Now we will be focusing on the Globalization as a key context for Business Ethics. First here we will discuss about, what is globalization and what it is not. Globalization has been understood in different ways by different people. Globalization actually is not liberalization, it is not universalization, it is not westernization also; then what is globalization?

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Globalization is a process which diminishes the necessity of the common and shared territorial basis for social, economy, and political activities, processes and relations. We will try to focus on the definition at each of the key areas, and here we will try to discuss globalization in that light. So, when we are talking of globalization as a process which diminishes the necessity of a common and shared territorial basis, we are here speaking of globalization as deterritorialization of sharing what? It is a deterritorialization for like forming social relationships.

And, so the barriers of the country are no longer acting as barriers. And it has been facilitated by the development of technology. Here due to the development of technology

we can form friends with people from any parts of the world, and we do not have to restrict ourselves in terms of social relationships. With the people restricted within our own area our small; may be our small territory or our country or our state, but we can expand our horizon to other countries, other continents as well.

So, when you talking of globalization we are talking of the necessity diminishing requirement of a common territorial basis for sharing of social, economic, and political activities and processes and relationships. So, here the focus is mainly on opening up of certain activities due to the enhancement of the technologies and different decisions taken at the political level to remove the barriers so that the economic activities can be done across borders and the business processes can also be done across borders.

This, however, has from the ethical when this context is that of globalization and why it is a context of business ethics as a major context of business ethics, because it opens up the discussion regarding 3 important aspects: one is that of cultural issues, second is that of the legal issues, and third is that of the accountability issues. So, when originally there are territories; we can understand there is something which is called rules and laws which are followed in a particular country when you are talking of culture which is specific to a particular territory.

And we are accountable to the particular territory where we are doing the business, but with respect to globalization, these could be taken as these could give rise to ethical issues as; like if I am going to a different country to produce my things with like we are talking with respect to MNCs then whose rules do I follow, the law of which land do I follow? Then the business is accountable majorly to whom? What stakes do the citizens of that country where the MNC goes and produces its things? What stake do they have in the business of the MNC can they demand something can they place their needs to the MNC. And how far the MNC is accountable to their needs and demands?

Do the MNCs need to take care of the difference in the cultural issues also prevailing across the different countries, or there need to be one universal culture that is followed. So, how do they address small small issues which may arise from these 3 different perspectives? Are the ethical issues which are concerned with globalization as a key context of doing business now?

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Ethical impacts of globalization

Adapted from Business Ethics: Cases and Materials (2nd ed.) 60-61

Stakeholders	Globalization provides potential for greater profitability, but also greater risks. Lack of regulation of global capital markets, leading to additional financial risks and instability.
Employees	Corporations outsource production to developing countries in order to reduce costs in global marketplace - this provides jobs but also raises the potential for exploitation of employees through poor working conditions.
Consumers	Global products provide social benefits to consumers across the globe, but may also meet protests about cultural imperialism and westernization. Globalization can bring cheaper prices to customers, but vulnerable consumers in developing countries may also face the possibility of exploitation by MNCs.
Suppliers & competitors	Suppliers in developing countries face regulation from MNCs through supply chain management. Small scale indigenous competitors exposed to powerful global players.
Civil society (NGOs, etc)	Global business activities brings the company in direct interaction to local communities with possibility for erosion of traditional community life. Globally active pressure groups emerge with aim to "police" the corporation where governments are weak and tolerant.
Government & regulation	Globalization weakens governments and increases the corporate responsibility for jobs, welfare, maintenance of ethical standards, etc. Globalization also confronts governments with corporations from different cultural expectations about issues such as bribery, corruption, taxation, and philanthropy.

Let us focus on how globalization may have an impact on different stakeholders. So, what globalization provides is yes definitely it provides for greater profitability, but it also provides for greater risks, lack of regulation of global capital markets leading to additional financial risks, and instability. Now we are discussing different stakeholders and how globalization may affect them. First take the case of employee's corporations may outsource their production to developing countries in order to reduce cost in global marketplace. But this in one sense it may provide jobs, but it also provides a potential risk for exploitation of employees through poor working conditions.

Next when you are talking of consumers. So, the global products it may provide social benefits to consumers across the globe, but it may so happen it may get protests from people based on like; they are trying to propagate materialism, personalization, and that is what is spreading through globalization. So, it can bring in like cheaper prices to the consumers, but the vulnerable people in the countries like may also face possibilities for the by the different MNCs vulnerable people. So, when we will discuss in later part consumers and business ethics, because in this part what may so happen it may give rise to issues of discrimination. In the sense like who can buy, who cannot buy sort of? And in many cases give rise to self exclusion by the consumers like who can go to the specific place to buy certain things branded things and other things.

So, these may give rise to some ethical issues which we will be discussing at length in our next discussions that follow. When you are talking of suppliers and competitors; so suppliers may face regulations from the MNCs through supply chain management. So, if this process of globalization may have a negative impact on the indigenous players small players who may not be in a position to withstand the competition given by global players. So, this could be like uneven competition and may lead to the, maybe life threatening in the terms of existence of the business for small suppliers.

Civil society; global business activities brings the company in direct interaction to the local communities. So, which may lead to erosion of traditional community life, and that may make pressure groups actively get involved in order to make a policing on the corporation and where the governments are weak and tolerant. So, it may so happen like if there are the rules of the land the laws are not prominent enough it may so happen the civil society organizations may emerge as active pressure groups so that they can do policing on what the MNCs are doing are they addressing the needs of the stakeholders, like the local community, like the environment, like the people of the developing country at large, and whether any difference or social injustice is being to also to for the environment whether it is polluting the environment are not. Different issues and may be taken up by the civil society organizations to see, to put a check on, whether in the MNC in the process of bringing in jobs to the developing country or to give an access to the global products at a cheaper rate to the developing countries are creating any imbalance or social injustice and disturbing the equilibrium of that country.

So, if the government rules and regulations are not that well developed or law is silent about what are the practices to be followed then civil society organizations may become active, and start dealing with these issues and act as pressure groups on MNCs so that they pay heed to these issues raised by civil society organizations and incorporate them in the practices which are relevant to that particular country where they are doing their business.

Government and regulations: globalization weakens the government and increases the corporate responsibility for jobs, welfare, maintenance of ethical standards etcetera. Globalization also confronts governments with corporations from different cultural expectations, about issues such as bribery, corruption, taxation, and philanthropy. What we try to mean over here like, MNCs which are going to developing country and if the

government is not active enough there about the upgradation of the life of the citizen and with respect to welfare job creation and other things it comes as a responsibility of the corporate which we talk of the social responsibility of the corporate for creation of more jobs welfare maintenance of ethical standards, etcetera.

So this can have both ways impact, because the corporation is becoming responsible for the activities which actually government also responsible for they may take this as a mode of extracting benefits from the government in terms of relaxations involved in doing business in that particular land, in that particular country. So, this has to be used with a very caution like how. We will discuss this more when we will be talking of corporate citizenship to what extent this is a welcome move and to what after what it is not, because if the corporation becomes responsible for doing all the activities that the government is supposed to do for the people of its country then it may give rise to certain rights of the corporation. And that if they are not ethically oriented, value oriented they may use it as a part of exploiting in getting benefits for their own self. So, this has to be used with very caution.

So, globalization: so what happens, because there are no territories involved and government may not have specific rules and stated guidelines regarding different issues like bribery, corruption, and taxation, etcetera; so these main and cultural expectations vary according in the explanation of what is bribery, what is corruption, and these factors these may give rise to certain ethical issues when the MNC is functioning in different different countries.

And according to the there could be culture specificity over explanation of these terms, and how the government is strict or relaxed about the following of these issues in their own country. And the MNC may face certain issues regarding that and it has to be very cautious about, it has to have a proper knowledge base about the cultural explanations of these terms in the country in which they are doing their business.

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	Europe	N. America	Asia
Who is responsible for ethical conduct in business?	Social control by the collective	The individual	Top management
Who is the key actor in business ethics?	Government, trade unions, corporate associations	The corporation	Government, corporations
What are the key guidelines for ethical behaviour?	Regulated legal framework of business	Corporate codes of ethics	Managerial discretion
What are the key issues in business ethics?	Social issues in organising the framework of business	Minority and minority in single decisions situations	Corporate governance and accountability
What is the dominant stakeholder management approach?	Formalised multiple stakeholder approach	Focus on shareholder value	Implicit multiple stakeholder approach, benign managerialism

Adapted from Business ethics: Cases and Materials (2nd edn) 2004

Now, what we are going to discuss is the difference in who is responsible for business like following business ethics, and how the 3 different regions vary in their explanations and the sharing of responsibilities. Why we are going to discuss this difference here is to focus on the issue like though globalization has deterritorialized social activities, economic activities, political activities and business has a free flow; the activities of the business have a free flow across different regions of the world, but still there are difference in conceptualization about the ethical issues and the responsibilities and accountabilities based on geographical regions. And these are mainly majorly due to cultural issues.

So, by focusing on this discussion over here we will try to focus on the things like even though there is deterritorialization, but as a MNC or as a business house who is doing businesses spread across different countries or across different regions we definitely have to take into account, we have to keep in our mind like the orientations of these different regions based on what they understand to be who is responsible for the ethical conduct of the business, who is accountable for it and what are the different approaches taken in maintaining the business ethics.

So, what we will see like, when we are talking of who is responsible for ethical conduct in business we find like the answer is different when you are looking into Europe, North America and Asia. In Europe it is social control by the collective, in North America the

onus is on the individual and in Asia it is the top management. When we look into who is the key factor in business ethics in Europe we find again it is the collective body, like government, like trade unions, like corporate associations. In North America it is the corporation and in Asia it is government and corporations.

So, in all cases you find like though at this level for Europe, North America and Asia in all 3 cases it is mentioned the government, corporate associations, the corporations or the government and the corporation the key actor, but who is responsible for the ethical conduct here the onus lies on the collective body, here the onus lies within the individual within the corporation, and here the onus lies on the top management body which is within the government or the corporation.

What are the key guidelines for ethical behavior? Here we find negotiated legal framework for business in Europe. In North America it is corporate codes of ethics. And in Asia it is the managerial discretion. Here we will try to point out what is there is a subtle difference between when you are talking of ethics and law. In the sense what is defined as the law the stated rules and regulations for which may or may not have a moral connotation to it. And what is not defined by law properly, so that can be an ethical concern. So, what is not defined by law till some issues about which there are still not well defined rules and regulations of the country formed those are debatable issues which has a moral connotation, those are called to be ethical issues.

The ethical issues which get its shape in terms of well written regulations formed about it and comes under law may be coming under law at a later point of time. But till the time there is no written formal legislations formed till that time it remains the gray area or the ethical debate. But what is law, the issues which fall under law may be not be an ethical issue also. For example, so like it is right to drive on the right side or the left side of the road as per the rule or the law or of the land can be a legal or the illegal issue, but it may not be a ethical or unethical issue because it does not have a moral connotation to it. But when it comes to whether it is ethical means whether it is right or wrong to have employing child labor is a ethical issue. So, there is a subtle difference between these 2 terms and we have to follow it carefully.

So, when we are talking of the key guidelines for ethical behavior in Europe it is negotiated legal framework of business. So, what we see it is like more of guided by the

norms and the laws followed. North America it is the corporate code of ethics which depends on what the corporation thinks which are based on its own organizational, culture, values and mission. And how it has formalized institutionalized the ethical practices and ethics management within the organization. What codes of conduct it has written for the business to follow; so that is the corporate codes of ethics. And in Asia it is the managerial discretion based on what the top management thinks like it is right and wrong, and it is not like a in many cases not like a written codes of ethics like the which is institutionalized in terms of this has to be followed.

What are the key issues in business ethics? In Europe it is social issues in organizing the framework of business. In North America it is misconduct and immorality in single decision situations. And in Asia it is corporate governance and accountability. All these differences are again due to the focus on who is responsible for ethical conduct of business. So, because it is a social control by the collective, so key issues here are the social issues in organizing the framework of business. So, whether we have addressed all the social issues properly or not while we are framing the business because the control is in the hand of the collective.

So here, because the control is in the hand of the corporation and that too the individual within the corporation, so any misconduct and immorality in any single decision situations these are the key issues of business ethics over here. Here the control is who is responsible is the top management and it depends on the guidelines are based on the managerial discretion. So, the corporate governance of how this board of top management is functioning, whether there is a transparency in that system or not, and whom they are accountable for; are the key issues in the in Asia for the business ethics.

So, who is the dominant stakeholder and what is the dominant stakeholder management approach, we can understand definitely. For Europe it is formalized multiple stakeholder approach, because the control is on the social control by the collective people. And you can understand the addressed issues are the social issues in organizing the framework of the business. So, it is the formalized multiple stakeholder approach. See the difference is here it the focus is on multiple stakeholders. In North America because it is mainly in the individual hand and it is the focus is more on the shareholder values, because when it is the corporation the individual the corporation codes of conduct. And the focus is on the misconduct and immorality in single decision situations. And social issues are not

focused in over here. So, the focus is mainly on the shareholder value and not on the multiple stakeholder approach.

Here when you are talking of corporate governance and accountability; so it is an implicit multiple stakeholder because when we are talking of corporate governance and top management and it is not the individual, but it is again the government the corporations which are the key actors in the business ethics. So, it is an implicit multiple stakeholders' module and it is benign managerialism.

So, based on our focus on who is responsible for ethical conduct of business and what are the key guidelines for ethical behavior and other aspects like the key issues in business ethics. So, the approach varies from region to region based on the culture of that region. And while doing business in the different regions, the business organizations has to be careful of taking into account the differences which are there in across these different regions and accordingly they have to see orient their business practices so that in that framework it becomes a properly followed ethically done business in the particular framework where they are functioning.

Thank you.