

Business Ethics
Prof. Susmita Mukhopadhyay
Vinod Gupta School of Management
Indian Institute of Technology, Kharagpur

Lecture - 40
Globalization, suppliers and competitors

In the last section we have discussed about the competitors and the business ethics issues related to business ethics, where we saw like when we are talking of intelligence gathering and industrial espionage, or the dirty tricks played by the organizations, in order to gain in the more information about the competitors present and so that it gets the overall control over the market space, and some anti competitive behaviors' like ticking.

So, these become relevant also in case of while we are discussing about globalization, the suppliers, and competitors. Like if you re visit the concept again in with respective globalization. In this module, when we are talking of the gathering of intelligence or industrial espionage. So, the it becomes an unethical practice when we are trying to like deal with like how they are collecting the information, the techniques taken to, the tactics taken to collect the information from the competitive organization, what type of information that they are trying to collect, is that information private to the competitor and the purpose for what they are putting that information to which is a against the may be a public interest.

So, here we will focus with relevance to globalization more into the issues and try to debate about whether any information can be stated as a private information for the particular organization. Because now in the context of globalizations and so they organization are due to this reterritorialization, the organizations are functioning like boundary less organizations, where everybody is having access to more or less and everybody gets to know what the organization is doing or not doing.

So, they and there is a very few like type of demarcation regarding what is private defender private corporate space with respect to the public corporate space like what is public and what is private. And here in contest of globalization, the organization is dealing with multiple people may be at a single point of time, like when it is spreading itself across the different territories and regions through different cultural, then is it possible to have a like ownership of this as how to control it becomes really very

difficult to how to control this information so that how to put check on people, so that the information is not misused by the multiple of users or individuals whom I am doing business with. So, how do I put a control to this factors, these becomes this question becomes relevant when we discussing this with respective globalization.

Next important issue over here when we are talking of the organizations like private information set up. So, much of the corporate activities now take place in the like set of public and semi public places like colleges, hospitals then shops. So, is it possible for it to tell like with lots of infrastructure developed and internet developed, technology developed. So, can it be claim like a legitimate it is to (Refer Time: 05:42) like this is my private information, and this like when it becomes functioning in a family space or which is easily accessible easily connected, then it is also easy to track it, is also easy to follow it. So, how do I safeguard something which is which I would like to preserve maybe as a part of my private information, which I may not be wanted to share it with others.

So, in this domain may be the discussion of intellectual property becomes important because, this is where we speak of the property rights of the organization. So, what is the (Refer Time: 06:40) knowledge gained, and thought processes research is done to develop a product or services or the how do you want to put my wisdom into it, these becomes important when you are talking of like in case of inventions formulations. So, these can be assigned into these tangible forms of your intangible forms of property we can talk of this intellectual property rights. So, and any issues related to the violation of these thing that is taken as the violation into the private information, any issues related to protecting away this property right from the organizations to take another violation of the private information, intellectual capital that the organization has.

Then we are talking also in the context of globalization about the purpose for which this information is collected. So, if the purpose is for the information collected could be for may be providing some harm to the better interest of the public. Suppose if some organizations are because the globalization context, they the organizations got its a I know this like private people private companies coming in for even and even trying to answer to the getting into the areas like defense and maybe security producing things for the military and all these type of things. So, any information which is gathered from the these type of organizations and maybe it is shared with other competitive organizations through the processors like s p units, spys etcetera, which we have a larger negative

impact on the welfare of the organizing or maybe the country at large, maybe the citizens are large are questionable practices. Because and if these things are done for the sake of the profit that is gained in terms of like I sell this information others, that is that gives me a lot of margin of profit then these becomes questions of ethical questions, because these are against going against the public interest at large.

So, genuinely these public interest things are like explain bases on the consequential framework whether they the outcome is positive or negative, or the very process itself like it is getting the speed techniques used to collect this information and the purpose for what it is used for both the things will determine whether like it it is an ethical or unethical in nature.

So, and also these are related to you know that we discussed about the over green aggressive competitions, and how may be the MNC is trying to spread its itself against different organizations across different countries, again its businesses and in this context also we can talk of gift and bribes, the techniques taken, for gifts and drives and how it gets interpreted across different cultures. The different in interpretation and the loophole that we that mean you like discover into our business in that grey area, because these also talks of the techniques taken for moving in the way which are as we discussed anti competitive motives.

So, we are like trying to pressurize the suppliers or we are trying to because of the monetary power what we are having, we are trying to gain access to space or infrastructures improving trying to provide certain restrictions to it, so that other competitors are not able to enter into the. So, we are trying to as if gain a monopoly and provide restrictions for the entry of the other organizations.

This we will try to discuss again when we are discussing globalization with respect to how it deals with the local competitions; when we are talking of like issues that we discussed in the last module that of exercising its dominant position, and that forcing others to enter into the contract with organization, so that jointly though organization by itself is not efficient or self sufficient enough to answer to the competition of the firm other organization which is maybe it is near competition giving a very close competition to it by using its dominant position, what it is doing it is buying other businesses, who

have like complementary products, and that is how gaining strength and putting a great challenge to the competitors.

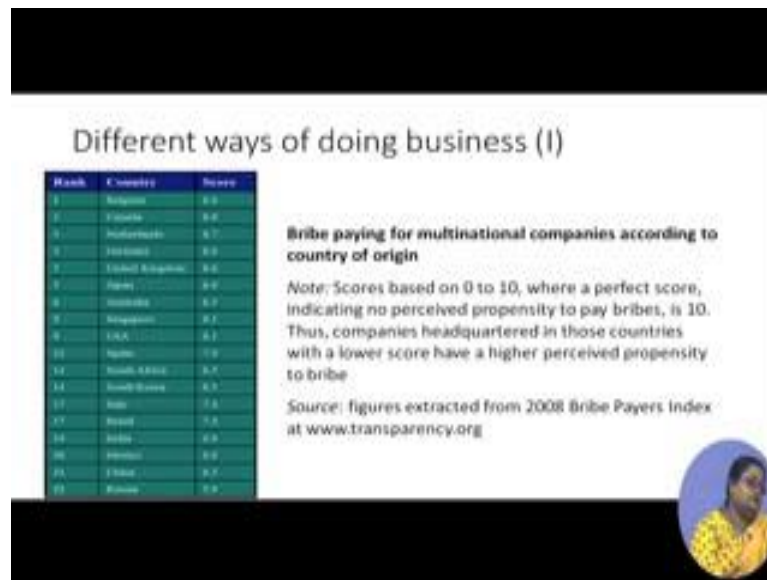
So, these type of use of dominant positions or the use of like when you are talking of forming (Refer Time: 13:31) so that the local competitors cannot with stand that pressure. So, joining of hands of few likeminded competitors, so that the common competitor which is could be a local competitor, or a group of competitors cannot withstand that pressure these types of challenges are also there, when we are talking in terms of globalization, suppliers and competitors.

(Refer Slide Time: 14:12)



So let us see; what are the like issues that we face in this context. So, this ethical challenges of global business networks are it reshaping it, actually deals with reshaping of ethical consideration with suppliers and competitors it by bringing in issues of like different ways of doing business, impacts the indigenous businesses that we were discussing, differing labour and environmental standards across different regions and extended chain of responsibility.

(Refer Slide Time: 14:50)



Different in different ways of doing a business, so here we are mainly talking about the fashionable tactics like gifts and bribes and which shows that like (Refer Time: 15:17) multinational companies according to the country of origin. So, what we find like in a study done by the 2008 bribe payers index, which is available at WWW dot transparency dot org, we find like where there is a it is a 0 to 10 scale where there is a perfect score indicating, no perceived propensity to pay bribe is 10.

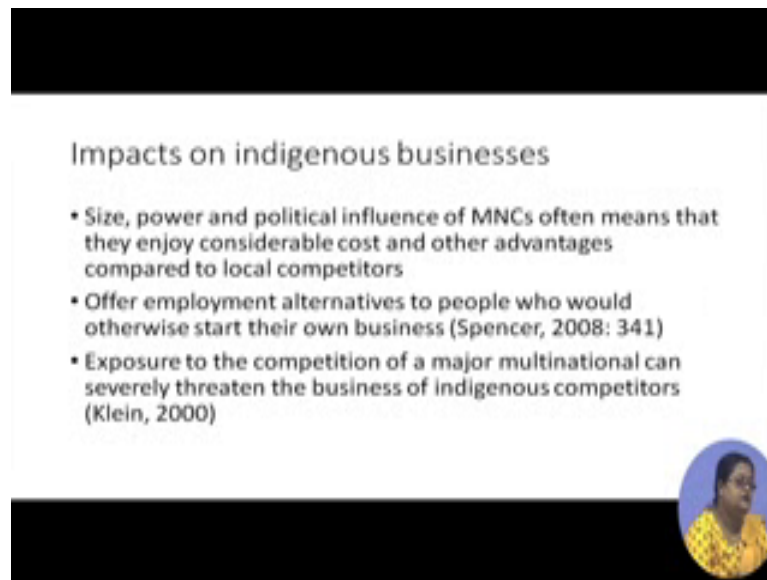
So, those countries in which resides with which (Refer Time: 16:04) in those countries with those companies head quarter in those countries with the lowest score have a higher perceived propensity to drive. So, what this actually shows is that it depends on the host countries culture, based on the country the origin of the organization, maybe which determines whether I will take a short cut in doing my business or not; whether I pay a bride for doing my business or not and that depends on my understanding of like what I understand by bribe I get, and the which have a low score on low score on the scale have a higher propensity to pay the bribe.

(Refer Slide Time: 17:00)



And in the study again based on this 2008 bribe payers index, it shows like in which it talks of the different sectors where bribes are paid, where which talks of like 0 for the sectors score of 0 for the sector, which bribes are always paid and 10 that bribes are never paid by a sector, and we find in many cases that either the zero point or the 10 point it is not somewhere appearing in the list. So, we cannot just tell like bribes are never paid and bribes are always paid sort of (Refer Time: 18:06) it becomes (Refer Time: 18:08) from the study like more or less in some situations bribes are paid. And it depends again on the countries prospective of interpretation of what is bribe and what is gift.

(Refer Slide Time: 18:16)



Impacts on indigenous businesses

- Size, power and political influence of MNCs often means that they enjoy considerable cost and other advantages compared to local competitors
- Offer employment alternatives to people who would otherwise start their own business (Spencer, 2008: 341)
- Exposure to the competition of a major multinational can severely threaten the business of indigenous competitors (Klein, 2000)

As we discussed in the earlier discussion, what is the intension of giving the bribe will also depend on the decision making power of the individual at whom the bribe is paid for the particular the gift is given, for the particular decision and the conflict of interest faced by the particular person, we are adding in whose biggest interest are I am working. Or is the amount in a persuasive enough to just make that person just decide on like up to move that person in the way of this adding this something goes against the interest of the organization and serves its self interest of getting the money, and decide for the organization like the supplier so that without taking into consideration, the changes given to other similar types of suppliers and like forces like somewhere, the amount given as. So, much that it persuades the person to take preferential treatment to the supplier.

These type of issues (Refer Time: 20:02) of these types of things will determine the nature of the things that are given whether it comes to gift, or whether it becomes bribe and so like the personal interest taken and the brother it is the acceptable or not acceptable definition of the culture in with the business scenario is happening all very important.

Next we are going to discuss about the impacts on indigenous businesses. So, in the last discussion also we were trying to discuss about the anti competitive behavior, when you are talking of like using ones dominant position or forming of cartels and solutions for the bigger organization to give two through a barrier the competitors, also is relevant

when we are talking with respect to impact on indigenous businesses. What we see like the size power on the political influence of the MNC of a mean that they enjoy considerable cost, and other advantages compared to local competitors; because of the strength because of their maybe I was off of citizenship, they have a considerable influence on the other stakeholders of the developing countries where they come to do the business, more respect to government regulations and relaxations given to them and. So, because they come to the country and enter into a relationship with the region in terms of like bringing upliftment of the economic development of the country developing country.

So, in that case they enjoy and if they are more powerful in terms of the power relative power shared, they are advantages given to them I mean compared to the local competitors, there is more in some cases more than the power shared by the local competitors. They offer like employment alternatives to people who would have otherwise maybe there start own business. So, this is this can be looked maybe both from positive aspect and the negative aspect of like cutting down competition. So, if the MNC was not there probably there was some seed of thought in some person's mind, with the sort of infrastructure available to them that would have given them possibility of starting their own businesses, and thus create employment opportunities for a larger set of people in the local area.

But with the MNCs coming in as the regretted power of infrastructure, they provide employment alternatives to those people and instead of starting up with the own businesses. There are more attracted towards getting self employed and thus the seed of doing a business, which could have been there in the mind that that does not get the scope of flourishing. So, this could be having both like by the providing employment maybe we are uplifting the living standards the person, but on the other way the possibility of the business when it gets does not see the light of the day then maybe the employment opportunities of so many other people also comes to a question mark, and there lies the negative impacts of it.

So, an exposure to the competition of a major multinational can severely threaten the business of indigenous competitors. So, this we were discussing module when we were talking of the bottom of the pyramid opportunities, where the MNCs through their controls like that they have, the resources that they have access to may produced things

at a very large scale at a lower cost than what the indigenous competitors are producing and can provide the alternatives to the people at the bottom of the pyramid also. But it may act as a threat to the indigenous competitors maybe in this case we take piece of our, maybe if you are taking, in this case maybe if you are taking the case of a local bakery who was producing maybe bread and this kids not answering it with the small (Refer Time: 26:24) of its within a small (Refer Time: 26:27) then coming out from the MNC and entering into that market space, in terms of selling the breads or biscuits and all the types of bakery items for small prices also.

So, could have like bring the local competitor, indigenous competitors to a threat of survival and that they may need a scaring aspect either they need to be like integrated with the business of the main MNC and all otherwise their existence becomes a threat. So, these exposure to competition because they are able to face the challenge posed by the MNCs.

(Refer Slide Time: 27:37)



We also discussed about different we also discussed about the different labour, and environmental standards that appear in different regions where the organizations are functioning, and there in some cases maybe the environmental standards are strictly followed, labour standards are strictly followed in some countries maybe it is not there it is ambiguous it is not stated. So, it may so happen like those countries where the laws are less regulations are not present, that becomes an important rush plays more attractive

views where you get your suppliers from; because that would be the case in talking of suppliers and ethical responsibilities in the scenario of suppliers prospective for globalization.

So, what happens like maybe there is a rush to those countries developing countries, where there is no such clear rules and regulations given, even if that is stated the implementation of those rules and regulations are not strictly followed, and that is why they can give a supply at a very lower cost, which adds to the competitive advantage of the other profit margin that the MNC is doing by producing at a very low cost in some of these developing countries, and may be selling at a very high price in the some different country because there is no restriction of it is not compulsory like we are producing, your things are getting sold in that country only. So, that can this differing labor and environmental standards could be an issue, with where do you source your supply from in case of like globalization and business ethics.

So, this brings to our questions regarding of what is the responsibility of the MNC with respect to that. If you are looking from the cross benefit analysis maybe like we can argue like going to a developed country, developing country and doing a business over there, creating job opportunity in that country. So, we are uplifting their standard of their standard of life, because there is a difference in the condition from not having anything to having something.

So, that is and why do we need to take care more about the ethical issues related to processes, why do we intervene in that whether the laws are regulations are present or not present and whether we need to follow it strictly or not. Because maybe the when you are doing a cross benefit analysis, in terms of what is the cost of this activity and what is the benefit gained by this the local people or society there, may be they were not having anything and now they are having at least something. So, having at least something is better than not having anything.

So, this could be the argument, but when we understand like we are in a network of relationship and it is it relationship like of where because there is an information asymmetry because we are the MNCs are more powerful as compared to the suppliers or the other competitors the local people or there. So, maybe there is an information asymmetry in the power that is shared by each other, and it becomes somewhat a

responsibility of the this is from the caring prospective, like due to that factor and because there is a social cost of doing a business in the developing country, because it is there and maybe it is getting sold somewhere else the burden of running the business is taken by someone, but the fruit of that business gained from that business ultimate gain is they do not have a share to that. Due to that social cause effect, it becomes an extended chain of a possibility of the MNCs to take care of not only of suppliers for the education of the suppliers, to see like they are following due care processes in their organization.

Due care in dealing not only in how they are producing the things, and whether they are trying to see it the check with the standards that every step of the producing the things. Due care with respect to how they are procuring from their suppliers, and that is how the extended chain of responsibility for particular from this is connected to the you know like the extended; it is extended to the supplier of suppliers also. Because the MNC is powerful it can like have its power exerted on the supplier or the other organization government in the particular region, to take care of the exploitation issues proper working conditions, proper payment of salary, the discrimination issues and so many other issue that child labour, environmental concerns, so many other things which and how to reduce in a more ethical way goods and services.

So, these become the part of the extended chain of responsibility towards the supplier of suppliers. If you are talking of extended chain of responsibility towards the indigenes businesses, then what do we have a responsibility towards them do we provide them some space opportunities to get interpreted to with our supply chain or not. So, these types of alternatives we talk about, so that and MNCs are doing a business in a ethical way, the developing countries that they are taken as the suppliers for their product or services. So, what extended responsibility do they have towards this indigenes competitors also.

So, these type of questions are taken under this extended chain of responsibility, and go for a case of like we are talking about the supplier of suppliers, and in terms of suppliers of competitors like what you are trying to see are do is the gift and bribes to the techniques that you take, so that it can influence the sellers to showcase our product in a preferable position, on the shelf as compared to the indigenes competitors, so that the people buyers the consumers do not having in a view of the indigenes goods.

So, these type of very small small considerations which show the extended responsibility towards the competitors, and specifically the indigenes businesses, and whether we integrate them is also the part of our businesses one of the bigger considerations.

(Refer Slide Time: 36:55)



So, this discussion is connected to a this ethical ways or the extended part of responsibility where we are discussing about organizations, MNCs with respect to the other suppliers, and suppliers of suppliers and to the indigenes competitors, we are also discussing to some extent the political role of the organization as a corporate citizen, and so the power it can exercise as the corporate citizen, and in the business community and with the exercise of so that it gives rise to a balanced network of the different stakeholders, what power that can exercise in terms of corporate citizenship in towards it like towards its suppliers and to the competitors and what is done so that the balance is maintained.

We will discuss in the next module, when we will be discussing two things which is ethical sourcing and fair trade.

Thank you.