

## Globalization and ethical challenges

Reshmi M Gurnani

Smt. ChandibaiHimathmalMansukhaniCollege, Ulhasnagar, India.

---

### Key Words

Business Ethics, Globalization, ICT, International Business

### Abstract

*Globally, every business is on a wild race to acquire more and more, mostly by short cut means. In the process of acquire they are doing the things which are not acceptable by society. This brings out the need of Ethics in business. Ethics is an everyday occurrence in as one's personal life as well as in corporate world. Business ethics examines ethical principles and moral or ethical problems that arise in a business environment. Due to the globalization of markets and production processes, an ever increasing number of marketers and business organizations have to deal with ethical issues in cross-cultural settings.*

*This paper examines the relevance of business ethics in international business scenario. The ethical influence of globalization on different stakeholders like shareholders, employees, customers, suppliers, competitors, government and civil society has been studied. The ethical issues faced by organizations in international human resource management, international financial management, international marketing, production, and information and communication technology (ICT) have been scrutinized. Business ethical practices in global corporations like Walmart, Coca-Cola, Nike, Texas Instruments, Infosys Technologies and Sony Corporation has been inspected. It comes out from the study that ethical business leadership is crucial for long-term success of the organization. The organizations should endeavor to provide value-based leadership to prosper. In the nutshell, this paper uniquely confluences the prominent disciplines like marketing, finance, human resource, production, ICT etc to establish the value of business ethics in emerging international business scenario.*

---

### Introduction

The corporate leaders and senior managers working with every global organization are facing various dilemmas and concerns spanning various disciplines like marketing, finance, human resource, production etc. Ethics present solutions to overcome these dilemmas and concerns.

Ethics is an important aspect in life of individuals as well as businesses. It attempts to distinguish right from wrong and good from bad. It constitutes desirable conduct in a particular set of social circumstances, prescribes moral codes, norms, beliefs and practices. Business or corporate ethics is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It is a specialized area of moral right and concentrates on application of moral standards to business institutions and organizations. It applies to all aspects of business conduct and is relevant to the conduct of individuals and business organizations as a whole.

### Research Methodology

#### Aims and Objectives

The aims of the paper are:

- To get the knowledge about emergence of Globalization and its importance.
- To understand the impact of Globalization on different Stakeholders.
- To analyze the ethical issues in different International Functional areas.

- To corroborate the Ethical Initiatives by some Global Corporations

### **Scope and Limitations**

The scope of this study is to examine the theoretical aspects of the business ethics and development from global perspective, as the study is purely based on the secondary data. In this regard the provisions of law have been dealt with only so far as was important in understanding the underlying principles and enumeration of any model has been sought to be avoided.

### **Method of Writing**

The researcher has attempted to adopt an analytical and exploratory approach. The method adopted is analytical in so far as it seeks to understand the meaning and basic functioning of Globalization and Ethical challenges involved in that.

### **Research Questions**

What is Globalization, What are Business Ethics and why are they needed?

What is an Ethical Influence of Globalization on Stakeholders?

What are the Ethical Issues in International Functional Areas?

Examining the Ethical Practices in some Global Corporations.

### **Sources of Data**

The present study is of descriptive nature based on secondary data collected mainly through various newspapers, magazines, official websites, published research papers, journals, books, Government notes and various reports of research studies.

### **Discussion**

#### **Phenomenon called Globalization**

Globalization is a phenomenon that has led to the integration of regional economies, societies, and cultures through communication, transport and trade. It is closely linked with economic globalization that stands for the integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, the spread of technology and military presence. However, the phenomenon of globalization is usually driven by a combination of economic, technological, socio-cultural, political and biological factors. Globalization includes internationalization, liberalization, universalization and westernization, which crosses the boundaries of nations. Globalization has led to internationalization of business processes. European countries and USA have many migrant workers from India, Africa, the Middle East and Far East. Cross-border movement of people is becoming easier. So, it becomes important to deal with ethical issues in cross-cultural settings.

The term business ethics should be understood from all angles. It is argued that it is unethical to resort to profiteering on one hand and it is unethical to incur losses. For the simple reason that a company which cannot make profits and incurs losses is a liability on the system by wasting scarce resources creating the problem of unemployment etc. Thus instead of profits being contradictory to ethics, business ethics dictates that the first responsibility of the business is to remain profitable and generate revenue for all the stakeholders viz., shareholders, employees, government, customers, public etc., of the society.

Business ethics is a form of applied ethics. It aims at inculcating a sense of value orientation within company's employee as to how to conduct business responsibly. Because the term 'ethics' can pose problems in the international context, i.e., the term does not translate well into action and it is difficult to find a common understanding. Some organizations choose to recast the

concept of business ethics through other terms like integrity, social responsibility, customer welfare, employee welfare, social value added, transparency and disclosure in accounting and environmental protection.

### **Business Ethics and Need of Business Ethics**

Business ethics (also corporate ethics) is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations. It aims at inculcating a sense of value orientation within company's employee as to how to conduct business responsibly. Because the term 'ethics' can pose problems in the international context, i.e., the term does not translate well into action and it is difficult to find a common understanding. Some organizations choose to recast the concept of business ethics through other terms like integrity, social responsibility, customer welfare, employee welfare, social value added, transparency and disclosure in accounting and environmental protection.

In the present world having severe and all pervasive deterioration of values, practices of hypocrisy in pursuit of self-interest, corruption, egoism, violence and pursuit of material wealth is prevalent everywhere. Everyone is on a wild race to acquire more and more, mostly by shortcut means. There is no end of desire. Further criminalization of the fractured polity, nexus with the underworld dons, unethical exploitation of religion, corruption, prevalence of terrorism and trade union militancy are pointers to the burning need of steering a value based course to the existing 'cause and effect syndrome'. It is a challenging and uphill journey for individuals, organizations, nations and is perhaps the last opportunity for heralding an era of world peace and harmony, rather than resulting in third world war or mass scale annihilation. It is in this context that values and ethics have its significance.

Ethics is needed to business for several reasons as stated below:

Ethics corresponds to basic human needs:

It is a human trait that man desires to be ethical; not only in his private life but also in his business affairs where, being a manager, he knows his decisions may affect the lives of thousands of employees.

Moreover, most people want to be part of an organization which they can respect and be publicly proud because they perceive its purpose and activities to be honest and beneficial to the society. Most top managers would like to respond to this need of their employees and they themselves feel an equal need to be genuinely proud of the company, they are directing. These basic-ethical needs compel the organizations to be ethically oriented.

#### **Ethics create credibility with the public:**

A company perceived by the public to be ethically and socially responsive will be honored and respected even by those who have no intimate knowledge of its actual working. There will be an instinctive prejudice in favour of its products, since people believe that the company offers value for money. Its public issue will attract an immediate response.

Ethics give management credibility with employees:

Values are supported to be a common language to bring leaderships and its people together. Organizational ethics, when perceived by employees as genuine, create common goals, values and language.

The management has credibility with its employees precisely because it has credibility with the public, neither sound business strategy nor a generous compensation policy and fringe benefits.

#### **Ethics help better decision making:**

Another point of great importance is that an ethical attitude helps the management make better decisions, i.e., decisions which are in the interest of the public, their employees and the company's own long term goal even though decision making is slower. This is so because respect for ethics will force the management to take various aspects like economic, social and ethical into consideration in making decisions.

### **Ethics and profits**

Ethics and profits go together. A company which is inspired by ethical conduct is also a profitable one. Value driven companies are sure to be successful in the long run though in the short run they may lose money.

### **Law cannot protect society, ethics can:**

Ethics is important because the government, law and lawyers cannot do everything to protect society. Technology develops faster than the government can regulate. People in an industry often know the dangers in a particular technology better than the regulatory agencies. Further, government cannot always regulate all activities which are harmful to society. Where law fails, ethics can succeed. An ethically-oriented management takes measures to prevent pollution and protection of workers' health even before being mandated by law.

We can see 'Components of ethical climate' in the following diagram:

Ethical Criteria	Focus of Ethical concern		
	Individual Person	Company	Society
Egoism	Self interest	Company interest	Economy efficiency
Benevolence	Friendship	Team interest	Social responsibility
Principle	Morality	Company rules and procedures	Laws and professional codes

### **Ethical Influence of Globalization on Stakeholders**

Business ethics propel the stakeholders of company towards higher level of performance. Globalization provides an enabling environment in this endeavor. Shareholders, employees, customers, suppliers, competitors, government and civil society are considered as stakeholders of businesses. Ethical influence of globalization on stakeholders is described below in Table 1:

Table 1: Ethical influence of Globalization on Stakeholders

Stakeholders	Ethical Influence
Shareholders	A shareholder's perspective of business ethics focuses on making decisions for the best interest of the company's investors. Ethical shareholders tend to take greater responsibility for the profitability of the company.
Employees	Globalization provides better opportunities to the employees. Ethical conduct enables them to integrate their personal goals with goals of organization.
Government	Globalization enables collaborations among governments across the globe. The government can provide better services to citizens, check corruption and enable transparency in processes.
Customers	Globalization enables greater product variety to customers. They get cheaper products but learn to use them responsibly
Suppliers	Globalization enables suppliers' better connectivity with their customers. Ethical suppliers supply higher quality products and seek long term profitability.
Competitors	All the competing companies get wider market. They can also engage in collaborations in mutually beneficial areas.
Society	Due to increasing connectivity caused by globalization, civil society is better

	aware of the problems of the populace and can rapidly take up issues with the pertinent authorities.
--	--

### Ethical Issues in International Functional Areas

As businesses have become increasingly internationalized, ethical issues have emerged in international functional areas of businesses. The ethical issues faced by organizations in international human resource management (HRM), international financial management, international marketing, production, and information and communication technology (ICT) are presented in Table 2:

**Table 2: Ethical influence of Globalization on International Functional Areas:**

Area	Issues
International Human Resource Management	Globalization has presented complex challenges for international HRM. Due to cultural differences, the commitment between employer and employees has become fuzzier. A significant challenge for management is to maintain objectivity in hiring, promotion, and compensation. Child labor has emerged as a complicated issue. Other important issues include discrimination, fraud, and sexual harassment. Since past decade and half, companies like Nike, Kmart, JC Penny, Reebok, Levi Strauss, The Gap etc have been trying to overcome these issues but lot of progress needs to be made [4].
International Financial Management	The primary goal of management is wealth maximization for the shareholders. There is little direct support that ethical behavior leads to shareholder's wealth maximization [5]. Indirect studies have also not found any substantial relationship between corporate financial performance and social responsibility [6][7]. But for long term sustainability, organizations should engage in ethical practices. Fairness in trading practices, trading conditions, financial contracting, sales practices, consultancy services, tax payments, internal audit, external audit are the areas in which ethical financial practices need to be followed. Other important areas are creative accounting, earnings management, misleading financial analysis, insider trading, securities fraud, bucket shops, forex scams etc [8].
International Marketing	In international marketing, the needs and wants of various groups vary, which leads to ethical conflicts. Most ethical issues are related to marketing policies, communications, pricing approaches and distribution practices. The specific ethical issues are: prudence of targeting vulnerable sections for consumption of redundant or dangerous products/services, transparency about source of labor, fair treatment and fair pay to employees, product or service transparency, appropriate product labeling, product/service safety and liability, truthful and honest advertising, fair pricing and distribution, forthrightness in selling etc [9]. Ethical behavior by a company in these areas leads to positive attitudes in customers about company, its products and services.
Production	This area of business ethics deals with the duties of a company to ensure that products and production processes do not cause harm. Defective, addictive and inherently dangerous products and services (e.g. tobacco, alcohol, weapons, motor vehicles, chemical manufacturing, bungee jumping) are not ethical practices in production. The company should also maintain a harmonious relationship with the environment. It is important to deal with ethical issues caused by new technologies like genetically modified food, mobile phone radiation, health etc. Certain other ethical issues are use of animals and disadvantaged groups as test objects [10].
ICT	The internet, private exchanges, global satellite linkages, RFID and other

	forms of new technology hold great promise in terms of allowing global supply chains to operate more efficiently and provide faster response to demand. However, these new technologies also present some cultural and ethical challenges to firms operating in the global environment. There may be varying views among countries on goals, decision-making approaches, information sharing and trust and many other cultural differences.
--	---

### Ethical Practices in Global Corporations

A global organization must not only understand the values, laws, culture and ethical standards of its own country but should also be very sensitive to other countries where its subsidiaries are operating. The ethical practices in global corporations like Walmart, Coca Cola, Nike, Texas Instruments, Infosys Technologies and Sony Corporation are presented in Table 3:

Table 3 Ethical Practices in Global Corporations

Corporation	Area	Ethical Initiative
Walmart	Environment	Adopted energy conservation measures Launched lighting efficiency program • Started program for recycling of materials
Coca-Cola	Philanthropy	Launched program called "Education on Wheels" • Started American Indian College Education Fund
	Health	• HIV/AIDS awareness campaigns in Africa
	Marketing	• Relationship marketing with stakeholders
Nike	Social Responsibility	• Adopted ethical code of conduct
	Marketing	• Adopted ethical code of conduct
	Human Resources	• Created ethics office headed by ethics director
Texas Instruments	Environment	Launched program for zero wastage of resources • Adopted recycling of materials
Infosys Technologies	Corporate social responsibility	Strictly compliance with the laws of all countries High degree of disclosure and transparency • Management trustee for shareholders not for owners
Sony Corporation	Corporate governance	Created committees for compensation and audit Created office of independent directors • Launched equity compensation plans
	Code of ethics	Based on respect for human rights Stresses integrity and fairness in business • Focuses on ethical personal conduct
	Communication	Launched internal hotline system • Education of employees about code of ethics
	Crisis management system	• Adopted a 3-tier crisis handling mechanism
	Anti-social elements exclusion	• Adopted mechanism for anti-money laundering

### Conclusion

What makes the ethics and values in business special relevant and topical in the present day context in the world is the fact that we are on the threshold of environmental changes of far-reaching consequences. Business ethics present pertinent solutions to the concerns and dilemmas faced by global organizations. Ethical leadership is essential for the long-term survival and success of any organization. In the era of globalization, business ethics considerably

influence shareholders, employees, customers, suppliers, competitors, government and civil society. Organizations should focus on the ethical issues faced by them in various functional areas like marketing, finance, human resources, production, ICT etc. The commendable work done by global corporations in inculcating and practicing business ethics underscores the importance of value based leadership in international business scenario.

### References

- Velasquez M.G. (2009), *Business Ethics, Sixth Edition*, Prentice Hall Inc
- Anbalagan C. (2011), "Impact of International Business Ethics, Economic systems and Intellectual Property Rights in Business and Management", *International Journal of Marketing and Management Research*, 2(1), January, ISSN (online): 2229-6883
- Ferrell O.C., "Nike: From Sweatshops to Leadership in Employment Practices", Fraedrich John and Farrell Linda (2009), *Business Ethics: A Case Perspective*, ISBN 13:9778-81-315-1119-0, pp. 320-324
- Ferrell O.C., "Texas Instruments Creates a Model Ethics and Compliance Program", Fraedrich John and Farrell Linda (2009), *Business Ethics: A Case Perspective*, ISBN 13:9778-81-315-1119-0, pp. 331-338
- Croucher S.L. (2004), "Globalization and Belonging: The Politics of Identity in a Changing World", *Rawman& Littlefield*, p. 10
- Chavan S.V. (2010), "Ethics and Management - Towards a Spirituality of Business", AIMS International Conference on Value-based Management, August 11-13
- Dr. Harman Preet Singh, Dr. Sunita Jindal & Sekh Abdul Samim, "Business Ethics: Relevance, Influence, Issues and Practices in International Business Scenario", *The First International Conference on Interdisciplinary Research and Development*, 31 May - 1 June 2011, Thailand, p. 59.3.
- K. Shravan Kumar, GinnaPrudvi Reddy & G.Ramaiah, "The Importance of Business Ethics in Globalisation", *International Journal of Advancements in Research & Technology*, Volume 3, Issue 4, April-2014, ISSN 2278-7763, p. 293 & 294.