Challenges in Global Business – A Study

Dr.V.Krupa Rao

Assistant Professor, Dept of Commerce, AK College of Management, Punjab

Abstract: The current financial crisis has raised questions about the legitimacy of capitalism. Ethical failures certainly played a role. While it remains to be seen whether and how many people blatantly broke the law, there are abundant signs of various forms of potentially unethical behavior. These include greed, unreasonable amounts of leverage, subtle forms of corruption (such as ratings agencies that appear to have had a conflict of interest), complex financial instruments that no one really understood, and herd behavior where people just followed along and failed to exercise independent judgment. It is difficult or impossible to regulate against greed and against many of the other ethical shortcomings that have been seen.

Keywords: Business Ethics, Business trends, Global manager, Social implications.

Introduction

Companies these days are more concerned about ethics attached to their publicity, and among their shareholders and future investors. All around the globe, one can see that investment now seems to be more sensitive towards fair dealing and conducting of businesses. Ethical awareness spread during the era when companies' frauds are seen very often appearing in the newspaper and media around the globe including major stock listed corporations. If we look into the definition of Business Ethics, you fill it like, "Business ethics is a form of applied ethics that examines ethical rules and principles within a commercial context; the various moral or ethical problems that can arise in a business setting; and any special duties or obligations that apply to persons who are engaged in commerce".

Different nations now share common policies of interest to strengthen ties with other nations and their businesses then tend to grow more rapidly with the understanding of mutual trade agreements to help them in economic growth and development.

By joining hands together, it will definitely extend the work by outsourcing to cheap labour in developing nations, creating more job opportunities, and the outcome is prevailing on local and foreign investors. The pros and cons still lay as an open threat to the world and precisely to the poor nations, which constantly struggle to match the ethical requirements to compete in the world market. Global impact of changing business trends to improve quality of production and services costs the companies their skilled workers and resources available at high cost, which are covered by ripping off the unwanted labour from their human resources.

This leads to a low profile approach by individuals seeking a proper place in the socio-economic norms of life. We have a very common example of the crash of planes on the WTC in New York affecting thousands of businesses and indirectly the people present and in the future, which had laid a very powerful affect on business ethics by big corporations. Young entrepreneurs have emerged in

the business highline voluntary to express their concerns for changing the way of thinking and approach to solutions of problems faced around the world. It proves to be a source of innovative ideas in these voluntary entrepreneurs to uplift the economy as well as bring new ideas of performing activities of daily life to remittance and from import/export of goods to telecommunication. "This is the spirit in which ICC, on behalf of world business, is supporting the Global Compact between business and the United Nations proposed by Secretary General Kofi Annan to promote human rights, improve labour conditions, and protect the environment".

A statement that we are living in "one world" misses the significant point that there may be many substantial local as well as regional factors that make a variation in attitudes and behavior. In addition it is important to note that what may happen at a distance can have a great effect on local activity. Business persons, diplomats, media representatives and those from many other groups must recognize, as some have that the welfare and even continued existence of their enterprises requires a good knowledge of what they may face in foreign climes not to speak of variations even in their native country. "Go global or perish" (Kehoe, 1998) is a fundamental battle cry. Even those who are not active in operations far from home cannot ignore the impact of the possible indirect influences on economic or political performance at home.

Moreover, attempts to translate local experience and knowledge to activity elsewhere in the world can lead to less than wished results. "Business in the global arena may be characterized as a brilliantly structured mosaic of complexity and diversity, composed of various and different places, peoples, cultures, customs, laws, mores, processes, and ethical systems, a mosaic that challenges,

exites and, at times, frustrates a global manager" (Ibid.). Lest it be believed that these factors relate only to business activity one may note that recent and past decisions on a geopolitical basis often have been made without a recognition of the underlying factors faced in those actions. Even on an individual level the challenges can play a role apart from what a manager in charge may be faced with. What may be encountered in tourism in a foreign setting, for instance, can often make a great difference in the emotional experience not to speak of possible difficulties or even dangers for those unable to recognize their bases.

The Place of Ethics in Business Functioning

Of all the elements of the challenges to be faced in a changing environment the field of ethics in recent years has become a major point of consideration in all circles of society, on a domestic level as well as globally. It has become increasingly clear that policies that do not take into account individual and social differences will not stand the test of time. Knowledge of the basics of a discipline alone will not keep the decision maker in any field of professional activity on an adequate level of performance. In business those who are knowledgeable in accounting, finance, or other disciplines but who do not recognize the broader social implications of their decisions are not likely to be effective. In politics a grasp of the elements of local and international law without recognition of the underlying forces does not make for effective action.

The recognition of the breadth of awareness of the many factors involved in even primary situations has led to a somewhat variation of structuring of the concepts of the field. Perhaps to emphasize the broader aspects of the functioning of ethical and closely related factors the somewhat newer

approach is to identify such action under the rubric Corporate Social Responsibility. The activity under this concept is not to be considered as limited to business corporations as it also can apply to other corporate bodies as worker's unions, non-profit organizations as well as to public entities though they may not be generally recognized as belonging to the same family. A further variation in the description of this area has come with development of the concept of Sustainable Development (SD). Many business executives "demonstrate their commitment to acting in a socially responsible manner. For a growing number of companies the chosen vehicle to make their case is the corporate sustainability report, a document that outlines corporate initiatives in such areas as the environment and resource management, as well as philanthropy, workplace conditions, and concern for the communities in which the companies do business" (Osborne, 2002). As a result of that approach the reporting is often described as identifying the "triple bottom line" which covers action in environmental, economic, and social responsibility areas. The term business ethics, however, remains a common designation of the area as one subset of the general area of ethics.

Down through the years the concern with ethical behavior often was not a topic of major interest, particularly in a business setting. At the national or local level governments are (or may not be) active in attempting to insure their constituents a stable and ethical society. One move has been to add legislation regarding those aspects of social behavior which formerly may have been governed and accepted by society or its elements but without the rule of law. While the legal provisions established may have been accepted to one extent or another by ethical sentiment of all or parts of the community there has been some latitude in the past that called for legislation.

There is much evidence that most of today's executives have become aware of the new roles they must play in the course of changing environments at all levels. In one well known report Maria Bartiromo, a well regarded financial reporter for CNBC, was asked: "Has the issue of ethics come up recently when you've talked to executives?" Her response was "it's the only thing people talk about. That's why we are seeing so many proposals about what should be done, whether it be expensing stock options and lowering the salaries of CEOs, or downsizing, or trying to put more checks and balances in place" (Shinn, 1998). Further evidence of corporate concern with ethics is the fact that at least 80% of Fortune-500 companies' Web sites address these problems.

This localized view, while it may have many common conditions on a broader geographic scale, it is clear that national and cultural differences world-wide make for more complexity in the understanding of and dealing with the differences likely to be encountered. Attention to the nature of the challenges world-wide has entered the halls of academe. The Association to Advance Collegiate Schools of Business International (AACSB) has been active in promoting the awareness of the requirements of a good academic program through continuing seminars with many focusing on the strong need for ethics in the curriculum as expressed by the Standards for Accreditation. In a survey 90% of business school deans reported that Ethics and Corporate Social Responsibility was integrated in the MBA curriculum but only 31 percent agreed with the statement that "the faculty at my business school are interested in discussing the social impacts of business decision making " (Anon., 2003). The Forum, a publication of the European Foundation for Management Development (EFMD) also indicates considerable activity in this area.

It must be noted, however, that some commentators, while not opposed to socially responsible efforts, believe that economic and financial results should be in the first place. Most notable in this respect has been one who has been a Nobel laureate (Friedman, 1970). On the other hand some observers believe that some of the problems in society are the result of the operation of capitalism. A response to this is "Look past today's scandals and you'll find that capitalism has always been founded on trust, honesty and decency. That's the only way it works".

Ethics in Action

Ethical behavior is determined by the values of the society and legal principles act to support activity along these lines. At the governmental level the major role of the executive, legislative and judicial entities is to insure the health and safety of its people and provide that all will be protected from the deleterious effects of bad or dangerous practices by any elements of the community. Legal enactments are often supplemented by codes of conduct. These are most often met in quasi-public institutions or groups, such as lawyers, accountants, doctors, pharmacists and other professional organizations, such as the chambers of commerce. Educational institutions generally also have codes of conduct for all members of that community and action in schools of business in particular has shown a great deal of activity along those lines. Courses covering the problems of ethical performance in public and private organizations have shown an increase in number and stature where a decade ago these studies were more limited.

Many factors that come into consideration in a thorough review of ethical conditions in reality show the often complexity of the field of study.

Geography and natural conditions, such as floods or earthquakes, can serve as the base for the development of concepts of ethics and behavior. According to one observer "Italians tend to accept insecurity as a fact of life, which helps to explain why they are able to accept events as they happen" (Gannon & Associates, 1994). It is said that Italian businessmen will make promises that will not be kept as life to them is precarious and subject to change. The mere fact of the state of natural resources can have an effect on the development and maintenance of ethical principles. In early Japan rice agriculture was imported from China and its cultivation required hard work and the cooperation of all in a subsistence economy. "Thus harmony in working towards the common good became the chief value underlying the Japanese perspective….Behaviors that tend to destroy this sense of harmony are frequently classified as unacceptable or unethical". As a result, there is a thrust towards collective attitudes and behavior. In a collectivist culture there is pressure to conform and the upbringing of its citizens mirrors this in many ways.

Different conditions in countries like the United States the natural resources often foster individualism with a different set of accompanying attitudes and behavior. It should not be surprising that ethical concepts may differ to some extent in a comparison of the two cultural patterns. A Japanese worker who reports on the transgressions of fellow workers (whistleblowing) is considered to be in violation of the code of conduct of that society's code of ethics that reflects the value of collective efforts. Violation of the need for harmony is viewed as unacceptable and unethical in that culture. Similarly, in many cultures where emphasis is on a collective sense of action, there may be activity that may seem undesirable to viewers used to individual performance standards.

Cooperation and sharing information among students even on an examination (considered as cheating in some cultures) is not considered a violation of standards, much less ethics, in that community.

Similar variations in cultural underpinnings arise in the conduct of business. Bribes, for instance, may, in certain cultures, not be considered a violation of ethical principles but even as a necessary and expected way of doing business. While this is common in Africa or Asia it is not limited to countries of that region. In some countries in Western Europe "facility payments" are considered to be a business expense as long as this is done outside the home country. The most restrictive in this respectability is the United States where bribery anywhere in the world is considered not only unethical but even illegal.

Violation of the provisions of the Foreign Corrupt Practices Act of 1977 calls for significant penalties. Another important area in the conduct of business relates to matters of intellectual property. Copying of materials such as written matter, software, films, or video discs without permission of the copyright holders has in many countries long been considered a violation of basic economic rights. This "piracy" is widely seen and even tolerated in parts of the world. In most instances tradition insists that there should be a sharing of information without gain by parties who hold rights of ownership. Even though many nations have bowed to pressure by producers and their governments laxity in enforcement in some countries often exists. In matters more directly related to business operations differences may be seen in personnel decisions. The selection and promotion of workers can show cultural variation. Hiring on the basis of relationship or friendship rather than on merit may be accepted in

many cultures, particularly in less well developed settings but is not limited to those.

Nepotism may be present to one extent or another in advanced countries but there are even some closely held enterprises running the risk of violating statutes that call for equal opportunity and avoidance of discrimination in decision making. It is evident in many parts of the world that this practice may have strong cultural foundations. In India, for instance, prohibition of the hiring of relatives is looked upon as a means of disrupting the close family life which is an important element of the culture. Even more of concern to many are the conditions of employment where trying circumstances such as "sweatshops" and employment of children have caused concern in many parts of the globe where such conditions have raised questions of social responsibility. The recent criticism of the use of prisoners as slave labor by China has been viewed as a violation of human rights. The response of the Chinese has been that these are criminals and must be punished. They have stated in the past that China is at an early stage of industrial development and its economy must improve for the growth of well-being of all.

What is the required role of business and other organizations in promoting an ethical stance in all circumstances? It must be recognized, first of all, that ethics is an organizational issue as well as a personal one. Managers who fail to be thinking leaders and establish systems that facilitate ethical conduct share responsibility with those who act in a way that runs counter to the code of conduct of an ethically performing enterprise and that of the culture. Difficulties may be greater when managers must operate in parts of the world where values and the resultant ethical stands may vary from those to which the visitor is accustomed. Does one take a relativistic view (in Rome do as the Romans do) or

proceed on the basis that there are fundamental factors that have been learned and are meant to be followed (cultural imperialism)? One may believe that in all global activity those managers must adhere to basic human values such as respect for personal dignity and basic rights. At the same time one must be aware of the cultural differences in the views of what is or is not ethical. What may be thought of as bribery to some may be an act that is considered to be a significant element of tradition such as gift giving in Japan or other countries. In all experiences there may be better understanding of the situation in recognition of underlying economic and social mechanisms. One view of the problems is through the description of the general situation in terms of conflict. In the situation that may be described as the conflict of development it must be recognized that developing countries may accept conditions that are considered unacceptable in more advanced countries. In a country with a high economic level the conflict of cultural tradition may rule as in the case of Saudi Arabia where women are extremely restricted in virtually every commercial activity.

Given the existence of so many and varied difficulties in doing business on a global scale there is no doubt that the managers placed in responsible positions can have significant problems in achieving desired goals. "Business ethics is a challenge with three parts: (1) developing managers as moral individuals; (2) building an environment in which standards and values are central to the company's strategy just as economic purpose is; and (3) formulating and implementing policies that support ethical performance – as well as safeguards to assure that they are observed" (Andrews, 1989). Such general guidelines may point the way but implementation can be difficult in practice. Adherence to values and codes of conduct is basic while specific efforts can include supporting efforts

to achieve certain goals such as eliminating corruption, determining conditions of contacts with suppliers and customers, or using moral means in a creative context. Coca-Cola, for instance, has rejected giving bribes demanded by Egyptian officials and instead set up a program of planting fruit trees all over the country much to the pleasure and support of the populace.

Conclusion

It is not easy, of course, to create such general rules or arrangements neither ethically nor politically. Yet, the situation is not hopeless. In recent years there have been discussion and even some agreement between different cultures and religions about the principles of global ethics. Moreover, there has also been discussions about the need of "global governance", that is about the common, political action aimed at the control of global ecological, economical and social problems. The developments in both directions are most welcome. Global business needs global ethics and global politics if it is supposed to benefit all stakeholders and the society on the whole.

References

AACSB International (2003), Eligibility Procedures and Accreditation Standards for Accreditation, Revised January 31, 2008.

Alsop, R. (2003). Right and wrong: can business schools teach students to be virtuous? In the wake of all the corporate scandals they have no choice but to try, Wall Street Journal (Eastern Edition) , Sept. 17, 2003.

Anon., (2003). Deans consider CSR, Bized, May/June, 2003, p.25.

Carroll, S. & M. Gannon (1997). Ethical Dimensions of International Management, Thousand Oaks, California: Sage Publications.

Cheit, E. (1964). The new place of business: why managers cultivate social responsibility, In E. Cheited.,The Business Establishment, New York: John Wiley & Sons.

Des Jardins Joseph R. & McCall John M. (eds) 1985, Contemporary Issues in Business Ethics, Wadsworth, Belmont.

Donaldson, T. (1996). Values in tension: ethics away from home. Harvard Business Review, September/October 1996.

Donaldson, T., Dunfee, T. (1994). Toward a unified conception of business ethics: Integrative social contracts theory. Academy of Management Review, 19, 252-284.

Elbe, F. (2001). The challenge of globalization, in Bunz H. & A. Kuklinski, Globalization, Warsaw, Friederich Ebert Foundation.

Esrock, S., Leighty, G. (1998). Social Responsibility and Web pages: self preservation or agenda setting?

Friedman Milton, The Social Responsibility of Business is to Increase its Profits, in Des Jardins J & McCall J (eds) 1985, Contemporary Issues in Business Ethics, Wadsworth, Belmont, pp. 21-25.

Friedman, M. (1970). The social responsibility of business is to increase its profits. New York Times Magazine, September 13, 1970.

Gannon, M. & Associates (1994). Understanding Global Cultures: Metaphysical Journeys Through 17 Countries, Thousand Oaks, California: Sage Publications.

Goodpaster Kenneth 1993, Business Ethics and Stakeholder Analysis, in Winkler Earl and Coombs Jerrold (eds), Applied Ethics: a Reader, Basil Blackwell, Oxford, pp. 229-248.

Green Ronald 1994, The Ethical Manager- a New Method for Business Ethics, Macmillan, New York.

Hirst Paul & Thompson, Grahame 1996, Globalization in Question. The International Economy and the Possibilities of Governance, Polity press, London.

Hoffman M. & Moore J. (eds) 1990, Business Ethics. Readings and Cases in Corporate Morality, McGraw Hill.

Kehoe, W. (1998). The environment of ethics in global business. Journal of Business and Behavioral Science, vol. 4, no. 2, p. 47.

Kolasa, B. (1978), Responsibility in Business, Englewood Cliffs, N. J.: Prentice- Hall.

Kolasa, B. (2004). Corporate Social Responsibility: Issues and Problems, Middletown, MD.: Cambridge Ventures, LLC.

Korten David 1995, When Corporations Rule the World, Earthscan, London.

Küng Hans 1997, A Global Ethic for Global Politics and Economics (translated by John Bowden from the German WeltethosfürWeltpolitik und Weltwirtschaft 1997), SCM Press, London.

Macleod Alistair 1993, Moral Philosophy and Business Ethics: The Priority of Political, in Winkler Earl and Coombs Jerrold (eds), Applied Ethics: a Reader, Basil Blackwell, Oxford, pp. 222-228.

McGrew Anthony G. & Lewis Paul G. (eds) 1992, Global Politics. Globalization and the Nation-State, Polity Press, Cambridge.

Moninaisuusluovuutemmelähteenä. Kulttuurinjakehityksenmaailmankomissionraportti 1998 (translated by Susan Heiskanen from the English Our Creative Diversity. Report of the World Comission on Culture and Development 1995), Otava, Keuruu.

Nash, L. (1993). Good Intentions aside, Boston: Harvard University Press.

Osborne, R. (2002). World class citizenship, Industry Week, Cleveland, October2002, p. 11.

Our Global Neighbourhood 1995, The report of the UN Comission on Global Governance, Oxford University Press, Oxford.

Plompen, M. (2003). Corporate social responsibility, EFMD Forum, Autumn, 2003.

Public Relations Review, Greenwich, vol.24, Iss 3.

Raiborn Cecily & Payne Dinah, 1996, TQM: Just What the Ethicist Ordered, Journal of Business Ethics 15, pp. 963-972.

Rawls, J. (1971). A Theory of Justice. Cambridge: Harvard University Press.

Schokkaert Erik and Eyckmans Johan 1994, Environment, in Harvey B. (ed.), Business Ethics: a European Approach, Prentice Hall, Hertfordshire.

Shinn, S. Keeping an eye on business, Bized, January/February, 2003, p.18.

Surowiecki, J. (2002). A virtuous cycle. Forbes, December 23, 2002, p.248.

Young Oran (ed.) 1997, Global Governance. Drawing Insights from the Environmental Experience, MIT Press, Cambridge, Mass.