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Mercenary - A Mirage of Success: A Case Study with Reference to International Arena

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Abstract: The global economy is growing at a strong pace and it is inclusive of both domestic and international consumers. Companies deal with international markets where the understanding of the responsibilities of all the stakeholders is a must. It should be kept in mind that ethical standards should be embedded in the organization's DNA. The ever-growing international business demands higher standards of ethics and responsibility. Bio-piracy, fair trade movement, and many others fall within the purview of ethical issues in international business. Ethical behavior has historical roots which are different from one region to another. The complexity of international business has to be understood so as to follow ethical standards. The economic development, culture, law and political systems vary from country to country. Hence, when there is a situation to cross the border and build business relations with other countries, an ethical issue becomes a major hindrance due to the various factors which might be existing in that country. In order to improvise the ethical standards when entering into an international business relationship, a preamble to monitor the company's policy is necessary. The history clearly signifies that a company which expects higher profit and major trade-offs, result in hurting innocent people or depicting a crooked picture of themselves to the country with which they enter into the contractual relationship with. Hence, it should be made sure that being the representative of the home country, domestic companies should stick on to ethical standards.

Keywords: Global economy, Ethical standards, International business.

INTRODUCTION

International business gained importance ever since the country started rushing towards the verge of development. It started to spread its wings towards other countries so as to set a wider base. Acquiring

resources, expanding sales might be few reasons for the same. There can be a lot of dilemmas when speaking about ethical code of conduct in international business. Law governing a country does not be the same as other. Right and wrong behavior becomes a puzzle. There are chances where a manager may face an ethical dilemma when dealing with foreign companies which might not be faced by him when dealing with domestic companies. The emergence of international business clearly indicates as any country is not insulated by distance.

It is noteworthy that the perspectives of international business have gone beyond serving shareholder interest and meeting needs of consumers. If clearly observed, international scandals are making headlines daily. Many companies have come up with an effort of setting up an ethical code of conduct just as Shell Oil, IBM, and XEROX had for years. It is due to globalization, where companies have interdependence on international base, that requirement of the uniform code of conduct is into the picture.

There are various changes that have occurred in the global economy and have added to the need of ethical business standards and corporate social responsibility. The need for corporate reputation and significance of brand has made many entities vulnerable to deviate from their ethical values. Public awareness has increased due to stronger international transmission of information on an ever-widening scale.

OBJECTIVES OF THE STUDY

- To understand the need for global business ethics.
- To enumerate the approaches put forth by various philosophers.
- To assess the degree of risk which is taken up by few countries.

RESEARCH METHODOLOGY

The research is based on secondary data along with information collected from other similar research papers, journals, and surveys. The research covers the aspects which depict the necessity of a globalized standard of ethics in the world to regulate corporate activities across beyond national borders.

KEY REVIEW OF LITERATURE

- A.D Gangone, Assistant Professor, Constantin Brancoveanu University of Pitesti, Romania in her paper titled “Ethical Issues in International Business” published in the ‘Fascicle of Economics and Public Administration’ has explained regarding various sources of unethical issues in a global perspective.
- Brian J Hurn, Associate Professor, Schiller International University, London, in his paper titled “Ethics in international business” published in ‘Emerald Publishing’ has explained the various root causes of ethical issues.

GLOBAL APPLICATION OF ETHICAL BUSINESS

It can be noticed in some countries where businesses completely ignore the factors such as benefits to the employee, working environment safety and so on so as to make their businesses to look standardized and more professional from the view of multinational companies. Some agree to this where such low ethics

make business relations attractive. Most of the multinational do not generally get into such violations of regulations. It is evident that Foreign Direct Investment is more in only those countries which has higher worker rights since they are the ultimate reason for economic growth. Establishment of standard ethical measures is very difficult since various culture, traditions, and others affect the same. Ethical norms such as honesty, integrity, and loyalty may be the key criteria. Still, after crossing the boundary of one country everything comes back to the original state again.

Etch-a-sketch ethics

Ohio Art Company, known as one of the top toy sellers, the Etch-a-sketch. Since 1960, more than 100 million were sold but early 90's wasn't good time for the company. The company lost sales for 2 years due to slow moving toys. Hence, in December 2000, the company used a strategy so as to outsource the production of these Etch-a-sketch toys to a leading Chinese toy maker, Kin Ki Industrial by laying off 100 US workers. The decision of closing the Etch-a-sketch toy line wasn't a surprise for the employees. The manufacturing of those toys was done in a small town of Bryan and outsourcing was a tough decision to come up with.

Outsourcing not only has a financial effect but also an emotional impact because just the CEO of Ohio Art Company denoted, "The employees who were working for Etch-a-Sketch were like family and now that family is gone." This decision of outsourcing was mainly taken up because the company had only two options (1) reducing the cost or (2) losing the money, which made them inclined towards avoiding the latter. In order to provide helping hand to Kin Ki, few raw materials such as aluminum powder which wasn't available in China was imported by the United States.

The company, however, made a strategic decision and the story could have ended there. However, it did not happen so. In December 2003, there was an expose in *The New York Times*, where the reporter depicted a gloomy picture of Kin Ki Industry's working conditions. The publication was as follows-

"The workers in the Kin Ki Industries have a decent salary and pension and medical benefits. They often play Ping-Pong and watch TV and hang out in the streets. They rarely work weekends or nights. The canteen in the factory provides tasty food and a comfortable dormitory is provided"

The Times reporter Joseph Kahn denied this fact and reported that the life of Kin Ki workers are restless and they went on strike twice in 2003 which demanded better working condition and high wages. However, an extra dish was given for each worker and wages was increased by a few cents. These labor problems were unknown to the Ohio Company as explained by the CEO of the same.

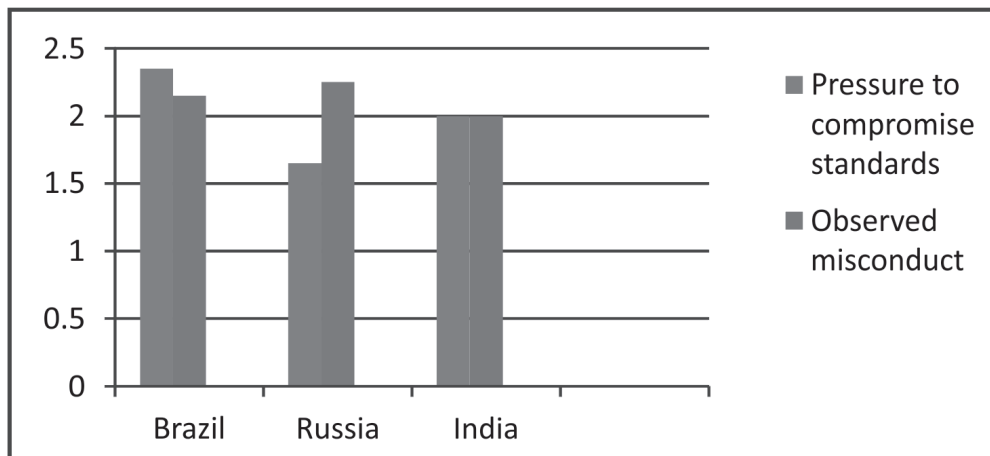
Ultimately, the thought process starts when the following questions are posed:

- a) How was the act of Ohio Art Company to move the production to China? What can be the explanation given for social and economic benefits?
- b) If we assume that the working conditions of Kin Ki were terrible, just as it is stated in '*The New York Times*', is it right for Ohio Art Company to continue its business with Kin Ki?
- c) How can the CEO of the Ohio Art Company be so ignorant about the labor problems in Kin Ki?

Ethics involved in outsourcing

The discussion is still in process as to whether it is fair on the part of the company to relocate their business to just make it cost-effective or other beneficial reasons. The ethical and social responsibility within the foreign market is a concept which is silent in this context. Practicing such ethics, shouldn't be the rule which a business follows in its home country but also when it enters to foreign markets. Many experts believe that such ethics has to be practiced when the foreign country has a higher level of ethics than the home country. Outsourcing is beneficial only till the country knows its responsibilities towards other countries.

The following bar graph shows the degree of risk in Brazil, Russia, and India.



(Source: Global Business Ethics Survey 2016)

Roots of unethical behavior

In an international business setting, managers behave in a manner that can be judged unethical. For example- An American Company offered a Ukraine Company to strip the ship of its Asbestos lining. It is known that asbestos is a highly toxic material. The Ukraine Company agreed to this offer which means that the employees of that company have to undergo the risk of developing asbestos- related risk. In this case, American behaved in an unethical manner knowing that the company to which such an offer was made has to subject its employees to health-related risk.

The reason as to why managers behave in an unethical manner in multinational corporations is a complex conclusion to make but there might be few generalizations which can be made.

It is true that personal ethics cannot be divorced from business ethics. It has been taught to us that acting in a wrong way is unethical and acting with honesty and integrity constitutes ethical mannerisms. This concept doesn't vary when a person enters into business in the domestic or international platform. Especially, those who work in other countries have a higher degree of interest to violate personal ethics. They are not bound by the ethical standards of the parent company and may spread their wings and act according to their will and wish in the foreign country. Certain organizational culture purely emphasizes on the economic factor but not the ethical standards. Such behavior to defraud another country in business may be due to pressure from the home country.

This is the question of employment of the manager and hence any such pressures from the home country should be nodded for. The main criteria which play a key role are the leadership. When a business flourishes to another country, it mainly aims at a higher profit but the path taken to acquire such success should be observed. If the leader is a good mentor, the company flourishes with flying colors whereas if the leader himself guides the followers in the wrong way, the only option left to the followers is to go behind him. It is because of more than the development of the entity, the employees concentrate on the money which fills their pockets at the end of the day.

A Philosophical Approach

The theories related to ethics in perspectives pour in various opinions from moral philosophers. The value of the business is denied by many of them whereas a few more propagate it in an unsatisfactory way.

- **Straw men:** This approach to business ethics is mainly raised by business ethics scholars which describe that, in a multinational company, they provide inappropriate guidelines for ethical decision making. The presence of inherent value in them makes them important whereas the ideas they impart are unsatisfactory. However, there are few companies which adopt these approaches. These approached can be classified into (a) The Friedman Doctrine, (b) Cultural Relativism (c) The Righteous Moralists and (d) The Naïve Immoralist.

- a) **The Friedman Doctrine:** This was introduced by the Nobel Prize-winning economist Milton Friedman. He explains that the only social responsibility in the hands of business is increasing profits provided it stays within the ambit of law. According to him, any social expenditure should not go beyond what the law has instructed for or more than needed for smooth running of business. For example- the introduction of better working conditions to the employees should not go beyond the limit set by law or as required for better productivity of the employee. If exceeded, it diminishes profits. Are the shareholders intend to make investments from a portion of their profits, it is their right. In this theory, he explains about social responsibility but not business ethics. Many of them equate social responsibility with business ethics which makes them feel that Friedman is arguing against business ethics.

This doesn't work in an international business where "rules of the game" are not well-defined. In a few countries, child labor may not be a wrong thing to implement whereas some have their own reasons.

- b) **Cultural Relativism:** This concept emphasizes on the fact that ethics are nothing but the reflection of the culture of the entity. It clearly states that ethically a person should be adjusted to the culture he is into. For example, if a culture agrees on slave labor in a country then it is ethically right. It completely rejects the universal acceptance of right and wrong. If an act has cultural and legal acceptance, ethically it might be wrong.
- c) **The Righteous Moralists:** It states that it is better for multinationals to follow the ethical standards practiced in home country rather than the ones which they have to follow when they enter into business relations with a foreign country. This is mainly seen in developed nations. This approach is quite risky. The main criticism for this approach is that various universal standards get violated.

The circumstances may not be favorable wherever a business relation is formed. Hence, adaptive nature is of utmost importance.

- d) **The Naive Immoralist:** It states that if the manager of a multinational observes that a foreign firm isn't following the ethical norms of the host country, then the manager should behave in the same way. For example, in the case of Drug Lord, an American manager in Columbia gives a routine pay to the Local Drug Lord so that his plant will not be bombed and his employees will not be kidnapped. Here, such payments are ethically wrong. This sounds moral imperialism in the country. This also deviates the concept from ethics to other areas. In the Drug Lord case, more than ethics, it is the question of the lives of a large number of people. Another solution is that, in such a country where drug lords demand protection money, investment should not be made.

UTILITARIAN AND KANTIAN THEORIES

This theory is sensible when compared to Straw Men. These theories are the traditions on which new theories are constructed. These were developed in the 18th and 19th centuries. This approach was introduced by philosophers such as John Stuart Mill, David Hume, and Jeremy Bentham.

The Utilitarian theory says that the moral decisions or actions are basically reasonable depending on the consequences that occur. Ultimately, it is a rightful action if it gains control over bad consequences. The main aim is to maximize the benefits. Cost-benefit analysis and risk can be linked to this theory. The criticism of this approach is that cost and risk are very difficult to be accurately predicted. If done so, after-effects may or may not result in upward benefits. If Monsanto is taken as an example, predicting that the genetically engineered crops results to the emergence of superbugs which is resistant to pesticides are impossible. Another problem is that justice is not considered here. For example- Having the idea of keeping the health insurance costs minimum government takes up the activity of screening people with HIV virus but refuse to treat people with HIV positive. Here, reducing health cost is beneficial for a large number of people but does not serve its purpose since it ignores the interests of the minority.

The Kantian ethics depends on the philosophy of Immanuel Kant. It says that people aren't instruments or machines. They have their own respect and dignity. Making people work for long hours for a low pay with poor working conditions is opposed by this theory. The dilemma in this theory is that sentiments and emotions are not valued.

RIGHTS THEORIES

It is developed in the 20th century. It states that importance should be given to the rights of the people which is more than the limit of national boundaries. There is something called as fundamental human rights which don't have any boundaries within which it should be followed. They are universal. *Universal Declaration of Human Rights* sets up a standardized set of human rights which works in any country where business takes place. It is to be noted that rights and obligations come hand in hand.

For example- In the West, to escape from the high costs of toxic waste disposal, many firms shipped their wastes in the 1980s to the African nation, which happened at a lower cost. These toxic wastes were unloaded in Nigeria. The workers unloaded the barrels for \$2.50 per day. They were not told about the

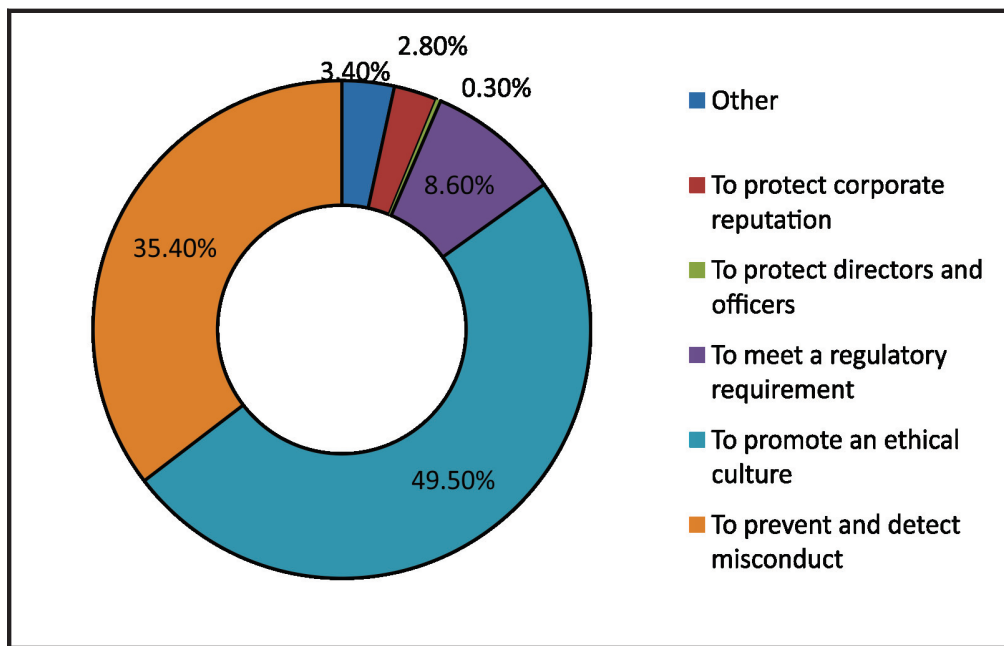
contents of the barrel and they were instructed to place the barrels in a residential area. In this case, the responsibility of the safety of the workers was not taken care of. Hence, this burden does not fall on the Nigerian government only, but also the multinational firms which shipped the toxic wastes. The obligation is universal.

Justice Theories

It emphasizes on the fair and equitable distribution of economic goods and services. There are many justice theories which involve complexities and variable approach. Here, a theory attributed to the philosopher John Rawls is explained. It says that, until an unequal distribution contributes to the overall development of the society, there should be equal distribution economic goods and services. A concept of the veil of ignorance is introduced. A specific caste, sex, religion and other factors which distinguish a person from another acts a veil which makes a person not to think rightfully. There are two principles involved here. The first principle is that a person initially demands on the equally distributed factor in the society which is right to vote, right to speech and so on. The second principle mainly should focus on the unequal distribution only if it benefits the society. Example- wealth and income distribution.

The following representation shows the interpretation of people towards ethics and compliance:

What do you see as the primary objective of your ethics and compliance program?



(Source: 2016 Compliance and Ethics Program Survey)

SUGGESTIONS

- Thus based on the above facts and figures, it is very important to develop globalized ethical standards which are active in any country where the business takes place. Nationality should be a reason for misconduct observed which seems lame.

- Any action taken during unclear situations should be based on the thoughts, which may move in both positive and negative directions.
- Adhering to the survey, measures for the wrongdoing, which has happened already has to be taken in various parts of the world.

CONCLUSION

The expansion of international business has strengthened the concept of ethics. This is the major concern of the modern era which exists amidst too many complexities. Every country has their own cultures which set up their own ethics that they develop. Employment practices are not common between various countries. An unethical practice in a country might be perfectly legal in the other. Hence, there is a primary necessity to develop and follow globalized ethical standards.

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