“There will be no survival of our globe without a global ethic” (Hans Kung)

ETHICAL CHALLENGES CONFRONTING ENTREPRENEURS WITHIN CONTEMPORARY GLOBAL ECONOMY: IN SEARCH OF A NEW WORLD ETHICS

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ABSTRACT:

There has been a sea change in the world economy with perceived far-reaching consequences on all aspects of human civilization. This dramatic transformation is largely precipitated by the phenomenon of globalization. The transformation now taking place in the global economy is unprecedented. The increasing availability of global capital, coupled with advances in computing and communications technology, is serving to speed up the processes of globalization. Concurrently, the barriers to globalization are increasingly disappearing in most countries of the world (11). As a consequence, the word “globalization” is in daily use throughout the world: “mondialisation” in French, “globalisierung” in German, or “Quan qui hua” in China.

Entrepreneurs are increasingly capitalizing on unprecedented business opportunities around the world being spawned due to globalisation of national economies.

With that in mind, entrepreneurs need to exercise due diligence in conducting their businesses in a socially and ethically responsible manner internationally. Since, unethical business practices are not going to helpful to the sustainability of business enterprises strategically. Ethical behavior of businesses has become a major issue throughout the world; Unethical behaviors of businesses are widely publicized by the media and the concerned citizens.

Examples of unethical business behaviour including, poor working conditions, low wages, enforced overtime, and harsh, sometimes brutal, discipline and corporal punishment, bribery, patent or copy right infringements, lying, and deceit about product performance and safety, deliberate use of harmful substances, intentional environmental pollution, discrimination, violation of promises are widely condemned.

In this research article, an examination is made of ethical practices and propensities across nations which have considerable implications for global entrepreneurs.

Keywords: Entrepreneurs, Ethics, Moral philosophy, Globalisation
INTRODUCTION

As the world is becoming more and more interdependent due to increasing globalization of world economy; mass migration; tourism and worldwide application of information technology, coupled with increasing regional and worldwide co-operation. Thus, modern enterprises including entrepreneurs are now operating within different socio-cultural environments involving people of culturally diverse backgrounds. This can also give rise to many ethical problems facing global entrepreneurs and international firms operating in different countries. Some of ethical dilemmas may include bribery; deceit/false information; anti-competitive behavior; discrimination; environmental issues; and social responsibility.

Ethical Dilemmas in Business Practices Around The Globe

Bribery

This is a typical phenomenon facing businesses around the world. Shaw and Berry (62) defined bribery as remuneration for the performance of an act that is inconsistent with the work contract or the nature of the work one has been hired to perform. European law contains measures against corruption exercised within the European countries, but unethical behavior of European businesses overseas is not covered within the European laws. Moreover, many countries such as France, Belgium, Greece, Germany, and Luxembourg for example allow their firms to deduct foreign bribes as business expenses from their taxable income. Multinationals from these countries and several other countries can actually itemize costs on their tax forms as “bribes” or “extortion payments”. In Germany, this particular item of tax deduction is called nuetsliche ausgaben or “useful expenditure”. These laws give a degree of legitimacy to bribery and extortion and many leaders feel that corruption does not originate in their societies as much as outsiders bringing corruption to their societies (37).

On the other hand, American executives found guilty of bribery outside the USA have been fined heavily and frequently sent to prison (67).

Despite American regulations against bribery, many parts of the business world consider it to be an acceptable or normal practice, regardless of whether it is considered legal or not. A recent report issued by the US Commerce Department estimates that since 1994, foreign firms have used bribes to edge out U.S. multinational companies on some $45 billion of international deals (34).

Bribery seems to be more extensive in developing nations. There is a prevalence of bribery in most Asian, African and Middle Eastern nations regardless of its legality. In a number of African nations bribery is such a strong and common norm that it overrides the law (62). In developing countries, government workers have low salaries. High-ranking officials become wealthy or can supplement their salaries through widespread bribery, which appears to be common and acceptable practice (43).

Even individualistic countries such as Canada and the USA differ among themselves as to the manner in which they view and condone bribery. For example, Canadian law permitted Exxon and General Motors to make large political contributions that are considered illegal in the USA (9).

Bribery in Japan is an open kind of activity that is culturally accepted (12).

Overall, it is estimated that approximately US$85 billion is involved in bribes from developed countries to developing nations.

Universally, bribery is not accepted as an immoral, illegal or unethical business practice despite the American government’s desire to level the playing field and assert a universal ethical approach to replace all forms of bribery internationally with competition based solely on merit of the products and services offered by nations (18).
For the purpose of illustration, the following Table 1 provides a list of ten least and ten most corrupt countries.

Table 1 : Ten Least and Ten Most Corrupt Countries in the World (Ranked by Transparency International Corruption Perceptions Index)

<table>
<thead>
<tr>
<th>TOP TEN LEAST CORRUPT COUNTRIES</th>
<th>BOTTOM TEN MOST CORRUPT COUNTRIES</th>
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<tr>
<td>Rank Country</td>
<td>Rank Country</td>
</tr>
<tr>
<td>1 Finland</td>
<td>81 Mozambique</td>
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<tr>
<td>2 Denmark</td>
<td>82 Kenya</td>
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<tr>
<td>3 New Zealand</td>
<td>82 Russia</td>
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<tr>
<td>3 Sweden</td>
<td>84 Cameroon</td>
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<td>5 Canada</td>
<td>85 Angola</td>
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<td>6 Iceland</td>
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<td>6 Norway</td>
<td>87 Azerbaijan</td>
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<td>6 Singapore</td>
<td>87 Ukraine</td>
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<tr>
<td>9 Netherlands</td>
<td>89 Yugoslavia</td>
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<tr>
<td>10 United Kingdom</td>
<td>90 Nigeria</td>
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False Information

Another related issue is the question of deceit/false information facing international trade. One serious detriment to the expansion of international business is the degree to which various nations condone the practice of falsifying information. Lying is particularly a complex phenomenon: the person lying must intend to deceive the person with whom he or she is communicating (1).

In the area of advertising, nations seem to differ in their reactions to deception. In collectivist cultures such as Hong Kong and Malaysia, managers tended to view deceptive advertising as acceptable. On the other hand, the managers in the individualistic cultures UK and US did view it as a major problem (56). In Venezuela, however, fraudulent advertising is considered a very grave problem in the business world but not highly unethical when compared to the ranking of other ethical issues (54).

Falsifying reports, according to Hong Kong managers, is a highly unethical practice. Malaysian managers also consider falsifying reports as highly unethical. In Canada, many corporations stress the integrity of books and records (45). Furthermore abuse of one’s expense account was considered more of an ethical issue among employees of American firms than of UK firms even though both nations are classified as highly individualistic. Padding ones expense account was considered by Hong Kong Chinese managers and Malaysian managers as one of the highest ranked unethical practices (48).

Dealing with Competitors

The manner in which companies compete with one another in the international market is a vital issue. If companies feel that some nations do not provide a leveled playing field for all competitors, they are less inclined to do business there all other things being equal. Two overriding concerns are violation of patents and copyrights and obtaining information about competitors.

Outright violations of patents and copyrights that occur in some nations tend to impede international trade. The International Trade Commission estimated that the US alone loses $40 billion annually in sales and royalties
from the theft of intellectual property (43). Asia, which is a collectivist culture, has been accused of the most serious offences of software piracy. Piracy is still considered legal in Indonesia, and Thailand, although software copyright protection legislation has been passed in Japan and Philippines. Despite the legal aspects against piracy in Japan, a high tolerance level still exists for software piracy activities in this country (63).

Another concern of international companies is the degree to which various nations condone industrial espionage or obtaining information about competitors. Millions or perhaps billions of dollars may be lost as a result of such illegal activities.

There are, however, many ways for obtaining information about competitors, some of which are not overtly criminal even though they may well be unethical. These include the following:

- Milking potential recruits who have worked for competitors;
- Picking brain at conferences;
- Conducting phony job interview;
- Hiring people away from competitors to obtain information;
- Interviewing competitors under false pretences;
- Debriefing design consultants who have served with competitors;
- Grilling suppliers;
- Infiltrating customer business operations;
- Studying aerial photographs of a company’s plant;
- Taking plant tour (28).

Gaining information from competitors is a gray ethical area and the managers from different countries seem to accept such practices as a fact of doing business in a fast paced and fast changing world. Thus, gaining competitors’ information is considered ethical behavior by Hong Kong Chinese managers and Malaysian managers (48) and not a problem for US and UK employees (56).

**Environmental and Ecological Concerns**

One of the most pressing and thorny international management problems is the ecological impact of industrialization around the globe. To protect the environment and the people from the unintended consequences of industrialization, most developed countries have established numerous regulations and enacted specific environmental legislation. Today, because of the increased knowledge about the environmental impact of industrialization, there are worldwide pressures and demands to curb the damage to the environment (27).

The study (8) found that there were varying degree of attitudes amongst French, German, and American managers when it came to environmental pollution caused by the industries. For example, managers from France and Germany believed that the pollution would not harm the environment, on the other hand, the US managers would not approve of actions that posed a threat to the environment or released illegal pollutants.

As it can be seen that there is a variety of perceptions of ethics in the business world in terms of what constitutes business ethics. However, inquiry into ethics suggests that it is all about right and wrong conduct based on a societal moral standard (58;59). It is concerned with human relationships, duties and obligations: how we think about and act towards each other; and what are the consequences of our decisions and actions in terms of human outcomes as opposed to mere profit. Ethics is important dimension of international management because ethical behavior in one country is sometimes viewed as unethical in another country. The complexity and interdependency involved in international business management spill over the area of social responsibility as well. While the impact of obligations and the responsibilities of a domestic business are limited to its home
environment, those firms involved in international business create a web of interdependent and often conflicting responsibilities that are not easily resolved. For international management there is a wider area of potential misunderstanding, disagreement and dispute.

The society allows organizations to operate within certain parameters and the business is expected to operate in a manner consistent with the societal interest. The uncertainties are due to differences in the moral philosophies underlying norms and value systems of various cultures (27).

**Moral Philosophies And Their Relevance To Business Ethics**

A moral philosophy is conceived in terms of a set of principles or rules that people use to decide what is right or wrong (64). Moral philosophies help explain why a person believes that a certain choice among alternatives is ethically right or wrong (55).

There are several moral philosophies that help shape ethics around the world, which have considerable implications for the operations of business enterprises globally. The leading moral philosophical thoughts can be classified in four categories which have considerable implications for the business world:

- **Teleology**;
- **Deontology**;
- **Theory of Justice**; and
- **Cultural Relativism** (55).

**Teleology**

It tends to advocate that a behavior or action is acceptable in a society for as long as it produces desired outcomes, such as a promotion at work, a bigger market share for a product or service. Teleological philosophy is often referred to as consequentialism by moral philosophers because of the emphasis placed by such philosophies on evaluating the morality of an action mainly by examining its consequences (55).

There are two key teleological philosophies which may have implications for contemporary management practices and they are Egoism and Utilitarianism.

**Egoism**

It is primarily based on the pursuit of individual self-interest and it can be seen as the determinant of individual behavior. In other words, any action taken by an individual in order to further his or her self-interest is ethically justified. Thus from an egoistic perspective, an act contrary to one’s self-interest is an immoral act (35).

Given individual differences, self-interest naturally varies amongst individuals. For example, for some individuals, it is money that is most important goal in life whilst for some others it maybe acquisition of power and prestige. However, when confronted with choices, individual would seek out those option(s) that would maximize his or her personal self-interest, and that is in line with the philosophical school of thought based on Egoism.

**Utilitarian View**

The utilitarian approach initially advanced by the noted English philosopher Jeremy Bentham tends to argue that decisions are made solely on the basis of their outcome or consequences. It further maintains that the goal
of utilitarianism is about maximising the greatest good for the largest number of individuals. John Stuart Mill objected to this failure of Bentham's utilitarianism to take into account of the difference between an honest and a dishonest act which produce the same result (51). Another critique of utilitarianism is that while it insists that total good be maximised. It tells us nothing about the distribution of this good. (35).

Meanwhile, Jackson notes, the problem with this school of thought is the question of justice: “it is perfectly justifiable, using these principles, to persecute the minority in the interest of the majority” (39:279). This brings us to the notion of morality which is embedded within the theory of deontology.

**Deontology: The Theory of Rights**

Deontology (derives from Greek word deon – duty) is an ethical theory holding that acting from a sense of duty rather than concern for consequences is the basis for establishing our moral obligation (51). The noted German philosopher Immanuel Kant who pioneered this school of thought believed in a universal moral philosophy, which he referred to as Categorical Imperative. All morality depends on a single categorical imperative that applies across the entire range of human behavior. People have capacity to will, they have will-power and it is free. Therefore humans are able to regulate their own behavior in accordance with their own law, which is moral law. We demonstrate our freedom when we act in accordance with our moral law. The basis of moral law is formulated in categorical imperative. Formulations of imperative, according to Kant (42) include:

- One should only act on a principle that one can will to be universal law.
- One ought always act so as to treat humanity, in oneself or in another, as an end in itself, and not as a mere means. Individuals should be treated with respect and dignity as an end in itself; they should not be used as the means to reach the end. A person should not be done harm even if the end aim is good.

Deontology, as promulgated by Kant is all about “doing the right thing” as a universal moral duty which is a lot easy to follow both in business and personal life. On the other hand, teleology, in particular, egoism is problematic in the sense that it ultimately advocates that any means justifies the end. Egoism advocating for self-interest can be closely attributed to the controversial Machiavellianism school of thought that propounds amongst other things, application of deceit and ruthlessness in the pursuit of self-interest.

Given the heightened awareness and expectations of sound ethical business behavior amongst modern consumers, corporate behavior based on egoism can no longer be justified. In fact, one can argue that it doesn’t make business sense for any contemporary organization to pursue an egoistic corporate behavior. This is due to the fact that there are a myriad of competitors in today’s marketplace who are too keen to satisfy consumers’ needs and expectations by making product and service offerings in a responsible manner. Businesses that conduct themselves unethically will be the ultimate losers.

**Theory of Justice**

There are three fundamental guiding principles that the theory of justice provides to managers in terms of ethical decision-making:

- be equitable;
- be fair;
- and be impartial (55).

The theory calls for managers to establish standard rules that are equity-based and transparent. At the same time, these rules should be administered to all employees in the same way, and thus no individuals should be held responsible for action(s) over which they have no control (i.e. those actions may fall outside their clearly defined and delegated responsibility of individual workers).
Cultural Relativism in Ethical Decision Making

According to Donaldson (25), all cultures are different and no culture is any better or worse than any other, they are simply different. It is therefore correct to accept the culture and its values for what they are and not to be judgmental about them. According to cultural relativism, there is no single right way; therefore, people should not impose their own standards and values on others. For the relativists, nothing is wrong. However, cultural relativism is a flawed concept (69:29). Norms and practices may indeed vary from society to society, but the prevailing norms and practices in one culture do not themselves determine what actions are ethically right or wrong. Even within a specific cultural context, this is a matter for critical analysis, judgement and debate. It is illogical to infer that because a certain state of affairs exists, it is necessarily right or wrong or the things should remain that way. There is room for moral reform in most societies. Fulop and Linstead argued that the official morality may primarily serve the interests of a ruling minority (for example, in classical Chinese ethics), the ritualistic principles of “li” justify the need for unquestioning loyalty to rulers and the unequal privileges afforded to these rulers.

The strongest argument against cultural relativism is that the teachings of every religion (Buddhism, Christianity, Confucianism, Hinduism, Judaism and Islam) subscribe to the “Golden Rule”: do as you would be done by (29).

Business Ethics Defined

Although business ethics is primarily shaped by societal ethics, however, scholars on business ethics have conceptualized business ethics in a number of ways including:

- Business ethics is considered a non-mandatory system of certain standards of behavior (15);
- Business ethics is commercial behavior guided by a slowly accumulated set of guidelines, which have been found to be necessary for the continuous conduct of commercial relationships (24);
- Business ethics is the standards for conduct perceived as right and moral by individuals within an enterprise, taking into account the human welfare of those affected by decisions and behavior (36);
- “Business Ethics is applied ethics: it studies the relationship of what is good and right for business” (35:1).
- On the other hand, Grace and Cohen (30) defined business ethics as a complex issue, which covers the interactions between firms, individuals, industries and society.

Why Business Ethics Is Needed

For businesses to exist in contemporary global markets, it is necessary to incorporate ethical behavior into their practices. The major reasons behind ethical business practices are:

- to prevent businesses from abusing the rights of the general public. For example, some business practices can cause harm to consumers through the production of defective products, it is the ethical responsibility of these companies to recall such products;
- to protect employees from being subjected to unethical practices. For example, sales representatives should not be given quotas that may induce them to partake in unethical dealings;
- to ensure businesses remain economically viable by complying to the value system of a society in which they operate. That is, for businesses to be successful they must abide by the established ethics of society;
- to protect business itself from unethical practices of employees. For example, if a business has its own set of ethical guidelines, employees will be unable to harm the good name of the business. Such ethical guidelines also provide security against unethical competitors;
- to act as major motivator for ethical employees to achieve a high degree of productivity (i.e. employees will be proud to belong to a company where sound ethical behavior is the prevailing norm (41).
An international study by Becker and Fritzche (8) found evidence that French, German, and American managers overwhelmingly agreed that in the long run sound ethics was good for business. A business cannot afford to have a reputation for not behaving ethically, which can in turn be damaging to its business interests.

With these issues in mind, modern organizations are better served by developing sound ethical guidelines for their managers to abide by.

According to De George (19), the following ethical guidelines should be observed by global entrepreneurs/managers operating overseas, particularly in the third world countries, if they want to want to be seen to be conducting themselves ethically:

- Do no intentional harm. This includes respect for the integrity of the ecosystem and consumer safety;
- Produce more good than harm for the host country.
- Contribute by their activity to the host country’s development
- Respect the human, rights of their employees
- To the extent that local culture does not violate ethical norms, MNCs should respect the local culture and work with and not against it.
- Pay for their fair share of taxes.
- Cooperate with the local governments in developing and enforcing just background (infrastructure) institutions (laws, governmental regulation, unions, and consumer groups) that serve as a means of social control (19:3-4).

Equally, it is important for entrepreneurs to strictly adhere to the local laws whilst making every effort for them to be seen to be truthful in the conduct of their business affairs. Moreover, for them to be respected by the host culture, they need to show respect for the people and the environment in which they operate. Finally, global entrepreneurs need to practice the Golden rule “do as you would be done by”.

Concluding Remarks

In this research article, a number of perspectives dealing with ethics were discussed that have important implications for global entrepreneurs and modern enterprises. It can be concluded that the global entrepreneurs and international organizations of today not only have an obligation to abide by sound ethical considerations, but also to preserve the ecological well-being of the planet, respect the host culture, and discharge their social responsibility consistent with a socio-economic view.

While there are no comprehensive guidelines for the conduct of international organizations, some scholars have, however, specified certain behavior deemed as appropriate for the conduct of businesses globally. DeGeorge has suggested that global entrepreneurs/multinational firms should take the following six steps to act with integrity in their dealings with the people of the world. These steps are:

- The firm should act in accord with it's own self-imposed values which cannot be less than an ethical minimum, but may well exceed this. For example, a firm may neither give nor take bribes.
- In addition to satisfying the basic moral norms applicable everywhere, the firm should uphold other equally obvious moral rules.
- The firm should enter into business agreements by building on these rules. Business agreements should be fair and benefit both sides.
- Because developing countries are poor in infrastructure, international organizations have special obligations towards them.
- The firm should consider ethical dimensions of its actions, projects and plans before acting, not afterwards. This means that the ethical dimensions should be an integral part of strategic planning.
- Each person should be given his or her due. The firm and global entrepreneurs should be open and receptive to complaints from those affected and address their claims with justice (19).
The need for a comprehensive, cohesive, and universal code of conduct for entrepreneurs and organizations doing business internationally, is paramount. The increase of world trade among global partners and the increase of foreign direct investment mandate that everyone work towards a better understanding and a common ground of precepts upon which to base decisions can help foster and further business and social contacts around the world. The result should be a facilitation of trade, and increase in profit and a heightened standard of living (72).

References:

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