

Ethical Challenges in Global Business Operations

Business Ethics and the Multinational Enterprise of the 21st Century

We live in a period of the most dynamic and diversified growth of business in recorded human history. Competition among businesses has become fiercer than ever before. Markets for most businesses are no longer protected by tariffs, embargoes, and heavy-handed government regulation. Instead, all businesses are competing for finite resources, customers, and markets on a global stage.

Globalization has thus heightened the drive to succeed to new levels. Sometimes businesses or their investors demand success at all costs. However, an important part of any business' success is its reputation.

Ethical Reputation as a Business Asset

A reputation can be a great business asset provided that it is a reputation for honesty, candor, and fair dealing. A tarnished reputation, on the other hand, can be a significant competitive liability. Thus, those businesses that operate within a set of ethical guidelines are more likely to be successful in the long run because their reputation will be a powerful corporate asset that attracts business partners and customers. Conversely, businesses that do not take ethics seriously—or even more troublingly, view ethics as hurdles to be circumvented—run a significant risk of alienating potential business partners and customers.

In a world where many businesses in many nations have caught up with one another in the quality of their products and services, the ethical reputation of competitors is often a very important point of distinction.

The road to corporate criminal liability is paved with ethical lapses.

It is critical that every well-trained international business person understands the nature of business ethics and the importance of business ethics in a highly competitive, globalized business environment. Of equal significance, future business managers and executives must understand that the line between ethical violations and violations of the law is often a thin one; ethical violations are often the precursors to business activities that violate municipal law. Legal violations not only damage business reputation, but they also result in huge expenditures of corporate resources (in terms of lost time, legal expenses, and decreased productivity caused by responding to government investigations). This may result in severe punishments including forfeiture, fines, and imprisonment for key employees, officers, and directors of a business.

Codes of Business Ethics

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A code of business ethics covers a wide range of business practices and procedures. It does not cover every issue that may arise, but it sets out basic principles to guide those associated with an enterprise in their actions. Codes of ethics require adherence to those principles both in letter and in spirit. A code of ethics cannot and does not prescribe what conduct is appropriate in every instance; however, for individuals who work under its provision, it should at least raise the recognition of potential ethical issues and the common sense to seek guidance from more experienced management and from legal counsel.

Business Ethics Sources

Each business must adopt its own code of ethical rules from a triad of sources:

First, what are the ethical standards that must be observed to ensure legal compliance in all the countries in which the business operates?

Second, what are the ethical standards that others in the same trade or segment of business routinely observe and expect others to observe?

Third, what are the key values articulated in the business' mission statement, and what ethical rules must be embraced to ensure the realization of those values and, by extension, the achievement of the business' stated mission?

It is not enough to adopt rules based on only one or two of these sources. Rules must come from all three sources. Only in that way can the multinational business be sure that all individuals within the organization will conduct themselves in accordance with ethical standards that meet personal value sets, industry standards, and applicable municipal law.