Rethinking Ethical Issues in Global Business Environment

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Abstract

In the wake of globalization and liberalization policy, business ethics phenomenon in globalised business environment has become a critical issue that has attracted business and management research scholars to engage on crucial debates and discussion at both local as well as international forum. This is because globalization policy as it were has brought about business uncertainties, changing demographics, and a push for diversity that has resulted into corporate business cultures that are less homogeneous and increasingly competitive. This paper therefore finds its relevance in the day-to-day violations of business ethics in the globalised business environment and contends that business organizations must take responsibility of these violations or omit at their own peril. The malpractices that we continue to see in business world are centered upon the self-indulgent, introspective and myopic perspectives of the business organizations that are not able to transform their thoughts to consider all possible perceptions and ramifications of their actions. Despite the diverse ideals of relativism, imperialism and universalism as philosophies geared towards finding solutions to ethical dilemmas at global level, we contend that they are much far away from the solution. The impediment of global business ethics is the phenomenon that, unlike established laws whose violation is directly punishable in a court of law, business ethics is self-regulatory. What remains difficult is to determine exactly what is ethical or not ethical. Though an alternative approach-the relationship approach has been suggested in this article, we treat it as a traditional approach that has generated a glimpse support from current body of literatures.

Key words: Ethical Dilemmas, Relativism, Imperialism, Universalism, Relationship
Approach, Globalization Policy.

INTRODUCTION

The dawn of a global knowledge society with information-driven economies and expansion of cross-border trade as consequences of liberalization and globalization policy is placing new demands on business organizations for more innovative approaches in business ethics at both local as well as global business environment (Nissanke and Thorbecke, 2005). This premise is consistent with Brownlie *et al*. (1999) who indicate that; "What is it like to think new thoughts… to undo the fragile web of assumption… to render new images to the familiar… to look anew at the world… to see the ordinary and everyday from a fresh perspective?" Many research scholars today share this view and indicate that what they took for granted, assumed, believed and worked towards has been upended by those who argue that in order to 'get it right' in a global business environment, organizations must rethink their business ethics approach. Sheth and Sisodia (1999) also support this hypothesis by asserting that, the context of ethics in global business environment is changing in fundamental ways. The acceptance of law-like generalizations has to be, as they suggest, "Either enhanced or modified". The old opinion of business ethics as "an oxymoron", or that "business organizations do not have ethics" (Laczniak and Murphy, 1993) is being re-thought. The business ethics is increasingly being called into

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question from various quarters (Brownlie *et al.,* 1999) and research scholars are developing the discipline in order to challenge the ethical complacency that existed in the past. Business ethics is ultimately the ethics of power, of how to handle the power of business and how that power is acquired, increased and exercised. The need for ethics in business has never been greater, precisely because the power of business was never so manifold and as extensive as it is today (Mahoney, 1997). The term 'ethics' has generally been used to refer to the rules and principles of right and wrong conduct. It therefore boils down to morality and good or bad conduct. Business ethics are a set of rules that stipulate how businesses and their employees ought to behave (Aldag and Stearns, 1991). DiPiazza (2002) says "I see ethics as a mission-critical issue…. deeply embedded into who we are and what we do. Its just as important as our product development cycle or our distribution system…its about creating a culture based on integrity and respect, not a culture based on dealing with the crisis of the day…We speak to ourselves every day, 'Are we doing the right things?" Sheth, Gardner and Garret (1988) opine that ethical decision-making in a business environment is very complex, and that allegedly "guilty business practitioners have quite sincerely stated that they honestly did not realize that their actions could possibly create ethical problems". Business organizations operating at international levels often find that many countries differ in what is considered wrong or right in a business market. This article therefore, raises certain fundamental questions on issues of international business ethics that are of concern in the current change of policy and in particular; the global business environment. For instance, whose ethical norms should be applied and followed at global business environment? Growing literature in international business ethics indicate that managing across borders involves dealing with ethical challenges that are complex and multifaceted (Arthaud-Day, 2005; Buller and McEvoy, 1999; Falkenberg, 2004; Windsor, 2004). They range from varying legal, political, economic and cultural conditions that provide a challenge for business executives who want to satisfy moral expectations across different countries and aim to integrate an ethical dimension into their strategic decision-making processes. Bowie (1996) writes that all countries are different in various ways such as physical setting, economic development and literacy rates and argues that even if truly universal moral principles existed, they would be subjected to differing cultural contexts. Hence ethical behavior would still differ among cultures even though they may agree on fundamental universal moral principles.

Another critical research question raised in this article could be; what parameters form a set of universal ethical norms that are acceptable to all and could be applied at global business environment? The analysis and discussion emanating from the two research questions above in this article is purportedly what we think is critical and could make a contribution to theory development in ethical issues at global level. This premise is supported by Parker (1998) who argues that the primary challenge associated with the impact of globalization on ethics in global business environment is balancing, conflicting and (or) competing objectives such as the apparent trade-off between profits and social responsibility, individual and collective interest, autonomy and collaboration innovation and order, heterogeneity and homogeneity. For this reason Laczniak (1993) asserts that it is harder to ignore the 'ethics gap' between what societies expect and what business professionals are delivering. According to Carroll (2004), the focus of global business ethics demands cutting-edge thinking and practice as business organizations expand their products and services the world over. Perhaps the development of conceptual models and applications that may be important to help management executives recognize and prepare for the ethical implications of international strategic decisions are imperative (Robertson

and Crittenden, 2003). This research paper therefore, is intended to bridge this information gap. It is hoped that the knowledge gained from this article could serve as a basis for improved ethical decision-making among management executives and in particular, the business organizations engaged in cross-border trade.

This article is structured into the following sections. The next section captures the methodology of the study. The third section highlights on the conceptualization of a paradigm shift of ethics in global business environment. The fourth section of the article, attempt to express some complex and challenging ethical dilemmas faced by organizations engaged in international business that requires what we call hard decisions of choice in business, keeping in view the principle of self-regulation. The section five of the article provides a critique of diverse views of three schools of thought in regard to global business ethics. The last section is the conclusion of the article.

METHODOLOGY

This is a desk research study critiquing ethical issues in global business environment. The study adopts a descriptive research design. This means that our study heavily relies upon desk research database of previous empirical as well as theoretical studies of other eminent scholars in this area of discipline to make conclusive generations. The author has achieved these results through surfing of internet and a thorough survey of reputed research data banks meant for business scholars maintained by Blackwell, Emerald as well as Jestor subscribed to by Maseno University-Kenya. The qualitative analysis of results and presentation in this article is purely descriptive in nature.

CONCEPTUALIZATION GLOBAL BUSINESS ETHICS

In the introduction section we have indicated that the paradigm shift of global business environment due to globalization and liberalization policy has necessitated the business community in general to rethink new approaches to carry out business. This is because globalization policy has brought about business uncertainties, changing demographics, and a push for diversity that has resulted into corporate business cultures that are less homogeneous and increasingly competitive. These global business environment challenges are complex and wanting. Globalization is not a single phenomenon; it has become a catchall concept to describe a range of friends and forces leading to openness, integration and interdependence of economies. Many writers suggest that globalization is a process that has several interpretations (Bigsten and Durevall 2003), though it is universally recognized to reflect increasing global integration, not just from the liberalization of commodity and factor markets, but also of cross-border movements of labour and capital, transfers of incomes and technology, and an increase in communication and the flow of information between countries. In the economic sense it can be broadly defined as a process relating to the integration of economies worldwide where world economy is viewed as a single market and production area with regional sub-sectors rather than a set of national economies linked by trade and investment. With globalization we see cross-border operations of economic activities such as production, investment financing, technology utilization and marketing. This scenario has resulted into optimal utilization of global resources including competitive sourcing of inputs for achieving cost competitiveness in productive economies of scale in operations and efficient technology utilization. Thus, competitive production and markets have become global in nature and goods and services become less

distinguishable or identifiable with their country of origin. There has been also removal or reduction of tariffs or non-tariffs barriers; re-structuring, de-layering, re-engineering, privatization, enhanced transparency of trade policies and regulations; trade facilitations measures that are a simplification of practices as well as deregulation of domestic regulatory measures including liberalization for example relaxations of investment and capital flows between countries. The economic circumstances and factors that spur liberalization are: easy movement of factors of production across national borders; greater world-wide acceptance and commitment to the free trade principle; enhanced efficiency in production made possible by increased specialization and improvement in transport, communication and information technology networks that have led to lower cost transactions and of doing business globally. The fact that these changes are occurring more in combination than in isolation creates conceptual and practical demands for interpreting any isolated aspect of global change while keeping an eye on global business ethics practices. The long-term impact of the current globalization policy on the corporate world and the business community in general is a sea change in the 'rules of thumb' by which business is expected to operate in harmony with global social environment. The firm's external environment manifested in public policies and expectations is becoming a key factor in major strategic business decisions. In addition, change in social values and ideologies have tremendous implication for the role that business is expected to play in the society.

The pursuit of economic growth does not necessarily lead automatically to social progress. In many cases it actually leads to a deteriorating physical environment, an unsafe workplace, needless exposure to toxic substances on the part of the workers and consumers, discrimination against certain groups in society, urban decay and other social problems (Leonard and McAdam, 2003). These environmental concerns have been expressed often than not. For instance, in one hand Beauchamp and Bowie (2004) report that there are other fundamental ethical issues associated with international business ethics, which include bribery, extortion, facilitation payments and human rights. On the other hand, Ferrell, Fraedrich and Ferrell (2002) describe global ethical issues as encompassing human rights, sexual and racial discrimination, price discrimination, bribery, harmful products, pollution and telecommunications issues. In this scenario, it is no wonder that the attention of top management, governments and society are being directed towards corporate governance, corporate accountability and corporate social responsibility (CSR) (Hazarika, 1998). The illustration given in the conceptual framework (see appendix A) is an attempt to link implications of globalization policy and the paradigm shift in global business ethics, in particular, the complex ethical challenges that have evolved in business environment keeping in view difficult situations business organizations find themselves in as business ethics is meant for self-regulation. The next section of this article attempts to review the complex ethical dilemma issues faced by organizations engaged in international business and how difficult it is to arrive at 'hard decisions of choice'.

ETHICAL DILEMMAS: HARD DECISIONS
OF CHOICE IN GLOBAL BUSINESS

Dilemma comes from the Greek word *Di-lemma*, two propositions, which mean a situation in which a choice has to be made to gain or avoid between two equally urgent, yet cunningly incompatible alternatives. It is true that decision-making is about choosing between two unpleasant alternatives and quite often that is a dilemma. Hampden-Turner (1990) sees *di* and *lemma* as two contrasting propositions, so choosing between them is a challenge. There are

dilemmas that are impossible to solve because the person imposing the dilemma is determined to disintegrate the victim's value system. Hampden-Turner (1990) sees these as dilemmas because the author argues that any value one cares to name – such as universality or rule orientation – has the task of accounting for many particular instances or exceptions to its rule. Hampden-Turner (1990) maintains that dilemmas are often defined as choices between unfavourable alternatives. This would certainly sharpen the dilemma, but it is also a dilemma to have to forgo one alternative for another when one would like to have both. Hampden-Turner (1990) argues that one needs to extend dilemma theory to describe a very common experience – such as management wanting rapid growth and high profitability, but it is difficult to obtain both. Elevated levels of ethics in business thinking are often due to corporate scandals, low employee morale, reduced turnover and (or) loss of public confidence (Nash, 1990). Perhaps this is the complex scenario in which global business organizations are caught up. Parker (1998) argues that the primary challenge associated with the impact of globalization is balancing conflicting and (or) competing objectives such as the apparent trade-off between profits and social responsibility, individual and collective interest, autonomy and collaboration innovation and order, heterogeneity and homogeneity. He further reveals that an organization houses not only diverse people but diverse systems, diverse structures, diverse ways of thinking and acting. He suggests that incorporating the diverse perspectives becomes possible with increased understanding of the ways in which the world is currently understood or may change and how those perspectives are affecting business roles. This means that change and the increased complicity brought about by global change reduces the reliability of managerial tradition and increases the need to develop a more dynamic and complex view of the organization in global contexts.

In a global business environment, responsible marketers discover what consumers want and respond with marketing offers that create value for buyers in order to capture value in return. Some marketing companies use questionable practices and some marketing actions that seem innocent in them but strongly affect the larger society. Consider the sale of cigarettes. Parker (1998) writes that the way corporations go about their business activities, with respect to business ethics performance, is increasingly important to their customers as well as all stakeholders of the corporation and the society in general. Customers in the market place are becoming increasing aware of and increasingly discriminating against corporations that fail to meet the customers' criteria of acceptable versus unacceptable ethical business activities and management principles. Table 1 depicts the dynamics of business ethics as function of time and culture. This is rightly pointed out by Goran and Wood (2003).

Table 1
Dynamics of Business Ethics Model

		Company's view	
		Acceptable	**Unacceptable**
Others' Views	Acceptable	Congruence	Positive dissonance
	Unacceptable	Negative dissonance	Congruence

Source: Goran Svensson and Grey Wood (2003) Emeralds databank.

However, from a consumer perspective, ethical consumption is a growing phenomenon and regarded as a major driver of ethical trading practices, now increasingly being adopted by both large and small companies (Mintel, 2004; Brinkman and Brinkman, 2002; Hosmer, 2002; Tallontire, Erdenechimeg and Blowfield, 2002). That is, ethical consumerism is the choice to purchase products, which consumers believe have been produced using ethically sound processes (The Co-operative Bank, 2002). Issues considered by the ethical consumer include breaches in labour practices and human rights. This is consistent with the United Nations Emergency Children's Fund (UNICEF) currently appealing for ethical polices to address the root of why practices such as child labour and inadequate core labour provisions occur. Information available indicates that one child in every six aged between five and 17 are being exploited by child labour around the world (The International Labour Organization, 2003). International conventions on child labour practices have been formalised (The International Labour Organization, 1973). The main ILO conventions include: Convention No. 138, which prohibits all economic activity by children under the age of 12; and Convention No. 182, which prohibits and appeals for the elimination of all child labour for children below 18 years of age. Despite an increasing number of countries committing themselves to these conventions, they are not as yet universally ratified. China clearly appears to present the most significant number of violations regarding Gap's Icn. vendor code of conduct (VCC) with over 50 percent of Chinese factories found to be violating local working laws; between 10 percent and 25 percent of factories identified as using psychological or verbal abuse against its workers; and between 1 percent and 10 percent found to be non-compliant with child labour laws. Unwillingness to share documentation (25-50 percent) was also a major reason for the number of contract terminations that took place in China (The Gap, 2004b).

Critics also charge that they are too many intermediaries in global business environment and that the intermediaries are inefficient or that they provide unnecessary or duplicate services. As a result, distribution costs become too much and consumers pay for these excessive costs in the form of higher prices. Business corporations are also accused of pushing up prices to finance heavy advertising and sale promotion. Even then, business organizations are sometimes accused of deceptive practices that lead consumers to believe that they would get more value than they actually do. Another criticism is that products lack the needed quality and product safety. Critics also have charged that some producers follow a programme of planned obsolescence causing their products to become obsolete before they actually should need replacement. Other producers

are accused of holding back attractive functional features, then introducing them later to make older models obsolete. Kotler and Armstrong (2004) assert that the corporate world is creating 'cultural pollution'. "Our senses are being constantly assaulted by advertising video clips: Commercials interrupt serious programmes, pages of advertisements, obscure magazines and billboards mar beautiful scenery. These interruptions continually pollute peoples' minds with messages of materialism, sex, power or status." While it has been pointed out that the business organizations need to be friendly to the environment, consumerism and environmentalism movements demand that people and organizations should operate with more care for the environment. They are concerned with damage to the ecosystem caused by strip mining, forest depletion, acid rain, loss of the atmosphere's ozone layer, toxic wastes and litter. They are also concerned with recreational areas and with the increase in health problems caused by bad air, polluted water and chemically treated food. Pedigo and Marshall (2004) address international ethical dilemmas confronting Australian managers and indicate that the critical cross-cultural ethical dilemmas faced by Australian managers included bribery, breach of contract, human rights and confidentiality issues. However, pricing, misrepresentation, environment and software piracy emerged as important industry-specific ethical dilemmas. This research study reveals that managers mostly responded to their ethical dilemmas by taking an imperialist approach and refusing to participate in practices that violated their own ethical values. This was regarded by some managers as more successful in resolving cross-cultural ethical dilemmas than the traditional approaches of imperialist, relativism and universalism as reported in the literature. Relationship building and understanding at an individual level was preferable to establishing general global codes of conduct and guidelines (Beauchamp and Bowie, 2001; Hendry, 1999; Donaldson and Dunfee, 1994; De George, 1993b; Dobson, 1990) as the response to resolving cross-cultural ethical dilemmas in international business dealings. Beauchamp and Bowie (2004) report that there are fundamental ethical issues associated with international business ethics, which include bribery, extortion, facilitation payments, environmental concerns and human rights. Bribery is regarded as occurring when an informal reward is offered to pay or provide favours to a person of trust to influence their conduct or judgment (Beauchamp and Bowie, 2001). For instance demands by overseas managers for payments of money, entertainment, gifts, prostitution and junkets are all related to informal rewards that influenced business operations, including whether a contract was awarded or a competitive tender was successful. Human rights issues are another key ethical dilemma at global arena. These include child labour, detrimental working conditions, discrimination and exploitation of workers. They create a dilemma for managers in relation to business opportunities versus their social conscience about the welfare of others. This is consistent with Ferrell *et al.* (2002) who describe global ethical issues as encompassing human rights, sexual and racial discrimination, price discrimination, bribery, harmful products, breach of business contracts, pollution and telecommunications issues. The paradox about ethics unlike the established laws, whose violation is directly punishable, is that ethics is mainly meant to help individuals and groups to carry out self-regulation. The study has adopted the business ethics model articulated by Ferrell, Daniel and Ferrell (2005) to discuss ethical decision-making processes in business organizations. In this model, the first step is recognizing stakeholder interests and concerns (see appendix B). Stakeholders, obviously, are individuals, groups, and communities that can directly or indirectly affect a firm's activities.

Although most corporations have emphasized shareholders as the most important stakeholder group, the failure to consider all significant stakeholders can lead to ethical lapses.

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The purpose of understanding stakeholder concerns and risks is to pinpoint issues that could trigger the ethical decision-making process. If ethical issues are perceived as being related to the importance of stakeholders' interaction with the firm, a sound framework will exist for assessing the importance or relevance of a perceived issue-the intensity of the issue-as shown in Appendix B. Ethical decisions in the workplace are guided by the organization's culture and the influence of co-workers, superiors, and subordinates. In fact, the ethical climate actually determines whether certain dilemmas are perceived as having a level of ethical intensity that requires a decision (Ferrell *et al.*, 2005).

The impetus of this article therefore is the widespread concern in business and other organizations over globalised ethical issues that have affected them in a very real way, even to the point of threatening their survival. If, in fact, the contributing factors can be identified, such knowledge can lead to improved ethical policy implementation or lead to the development of proactive steps to prevent unethical behavior and promote ethical behavior of business organizations in the world today. It is upon business organizations to embrace and instill ethical values in their respective corporate visions, missions and operational strategic management practices for a better tomorrow. The next section examines diverse ideals of ethical philosophies and theories summed-up as schools of thought and how they have stood the test of time for purposes of finding solutions to problems of global business ethics and way forward.

GLOBAL BUSINESS ETHICS: WHAT DO SCHOOLS OF THOUGHT STAND FOR?

The growing literature in international business ethics indicate that managing across borders involves dealing with ethical challenges that are complex and multifaceted (Arthaud-Day, 2005; Buller and McEvoy, 1999; Falkenberg, 2004; Windsor, 2004). They range from varying legal, political, economic and cultural conditions that provide a challenge for business executives who want to satisfy moral expectations across different countries and aim to integrate an ethical dimension into their strategic decision-making processes. Bowie (1996) writes that all countries are different in various ways such as physical setting, economic development and literacy rates and argues that even if truly universal moral principles existed, they would be subjected to differing cultural contexts. Hence ethical behavior would still differ among cultures even though they may agree on fundamental universal moral principles.

While reviewing the current literature on international business ethics, three important schools of thought emerged. The first school is relativism that supports the maxim "when in Rome, do as the Romans do" (Kohls and Buller, 1994: 31). Relativists argue that one should follow the ethical norms of the country where they are doing business. Rooted in the ancient Greek philosophy of the Sophists and Skeptics, the cultural relativisms school accepts that different cultures hold different ethical beliefs and that it is difficult to argue that the ethical standards of one culture are better than those of another. Cultural relativism asserts that words such as right, wrong, justice, and injustice derive their meaning and true value from attitudes of a given culture (Donaldson, 1996: 136). In business terms ethical relativism can justify different ethical standards applied to various countries and evolves over time. If moral relativism (the rejection of universal morals) is accepted as a basis for the international business activities of companies there, can be no common framework for resolving moral disputes or for reaching agreements on ethical matters between companies and different societies. It can only nurture

flexibility, which creates rather complex relationships with consumers in the home and foreign markets with no common reference point. The opposite extreme of ethical practices to ethical relativism is the second school with a moral imperialist perspective that argues that people should apply their own cultural ethical values when operating anywhere around the world (Donaldson, 1996a; Gopalkrishnan, 2001). This argument advocates that organizations are not citizens of the host country. Although they must obey the rules and regulations of the host country, they must also apply moral standards justifiable to their home countries' laws and standards (De George, 1993a). Moral imperialists argue for the maxim "when in Rome, do as you would at home" (Wicks, 1990: 191). Given the choice between ethical relativism and moral imperialism, Ciulla (1995) suggests the need to move away from the question of whose values and focus more on what values are best for businesses and the cultures in which they operate. This writer considers that ethical decision-making process requires both prescriptive and creative perspectives involving the process of imagining that and imagining how. There are two ways of imagining that: first, having empathy and understanding what other cultures think is morally right; and second, the ability to see an ethical problem in a given situation. Imagining how leads to the application of one's moral imagination in creating a solution. While several schools of thought have begun to address this issue of 'evolutionary ethics' at global level, the main premise of this perspective is two-fold: first, that ethics emerge to the response to intrinsic urge to survive, particularly in environments where competition for scarce resources is strong. Second, that human seek to negotiate such competitive environments by adjusting their cultural morals albeit subconsciously. The resulting adaptive response may manifest as an ethic, simultaneously enduring cultural survival, individual fitness and normalcy of behavior. Thus, a global set of agreed standards would therefore perhaps appear to be the solution to whose ethics one should use in international trade. Leaders of global businesses and from other walks of life collaborated to create a global code of ethics intended to provide structural order amidst the occasional chaos of dynamic markets. The document, known as the Caux Round Table (CRT) principles for business (1995) was launched in 1994 and has been translated into many languages and introduced all over the world. The CRT principles speak of business responsibilities, including responsiveness to stakeholders as well as shareholders, efforts to create justice and a world community and business behavior conforming to the spirit as well as the letter of the law.

The third school of thought is universalism, which of course refers to normative ethical standards, or universal guidelines that transcend national boundaries and cultural differences (Donaldson, 1996a; Wicks, 1990). Wicks (1990: 197) refers to this maxim as "when in Rome or anywhere else, do as we and the Roman agree to do". A normative set of guidelines usually refers to business dealings as well as fundamental human rights issues such as employment practices and policies, consumer protection, environmental protection, political payments and involvement and basic human rights and freedoms (Frederick, 1991). Indeed, as business becomes an increasingly global affair, the advent of international moral absolutes being formed becomes more apparent (Donaldson, 1996b; De George, 1993a). Many global institutions such as Transparency International (Transparency International, 2001), the Caux Round Table (Ferrell *et al.*, 2002; Williams, 2000; Skelly, 1995), the United Nations and OECD (Dyer, 1998) have proposed various broad-based global codes of conduct. Potential advantages of a global code of ethics are several. Like many company codes, they reduce the potential for serious missteps and can reduce operating uncertainties. Second, a common code of ethics worldwide makes it possible for all firms to operate according to the same principles this produces the 'level playing

field' upon which many organizational leaders prefer to play. A global code of ethical standards provides a means for standardizing within-and-across-firm behaviors as well. However, these ethical codes are not without limits. Despite what appear to be compelling reasons to adopt codes of business ethics, there are limitations as well. Since global rules are likely to emerge from a negotiation process, they are unlikely to reflect values and habits consistent for all cultures. According to the theory of dialogic idealism, which is based on the philosophical theories of Apel (1988, 1990) and Habermas (1983, 1991), it is not possible to find or to generate concrete ethical principles that are universally valid (Nil, 1995a: 44). For instance global codes of ethics developed by firms from the west may not incorporate ethical concerns for other nations. Potential sources of global ethics, such as the idea of human rights, the principle of democratic legitimacy, or the concept of public accountability, which are encountered in the moral views of most cultures are ''too general to allow the derivation of a comprehensive system of precepts for a global ethics'' (World Commission, 1995: 40). Further, global ethics may be viewed as a 'seal of approval' and thus represent an end point to developing global ethics rather than the beginning point they should be. Global ethics like other standards can respond to but rarely anticipate change. Accordingly organizations may hide behind global codes when conditions change unless there are reasons to keep codes current. The sum total of such outcomes may be in the best interests of the majority of stakeholders, many of whom may be surviving at a cross-cultural and international business fraternity levels.

Big interesting questions can be raised about the role of laws and the legal system in the cross-cultural ethical decision-making. At a more macro-level one could argue that a fairly comprehensive international legal systems exits to resolve most disputes. Should Business organizations use the system to resolve conflicts? De-George (1993a has suggested that "law is often ineffective outside boundaries; expectations vary from society to society or from region to region; and interests often clash where no clear methods of resolving disputes exist." Pedigo and Marshall (2003) argue that use of various industry arbitrators such as the World Trade Organization and Swiss General Surveillance to provide a means of recourse when dealing in particular with the ethical dilemmas of bribery, breach of contract and software piracy seriously failed among Australian managers working in overseas business organizations. Moreover, using a legal system and applying pressure via diplomatic channels and interest groups-although important and helpful-may not always be the most efficient or effective way to resolve conflicts among companies in the global business environment. Inadequacies of these systems and actions are evident, for example in evolving global policy considerations vis-à-vis new technologies and intellectual property rights (Shultz and Saporito, 1996). Other scholars in the area of business ethics pursue a more pragmatic approach by designing an ethical checklist that helps businessmen engaged in international trade. For instance the Global Compact Programme, launched by Mr. Kofi Annan, then UN Secretary General, in July 2000 was designed for the social responsibility of corporates all over the world and its sustainable growth. The global compact is a partnership between the UN, the business community, International Labor Organization (ILO) and NGOs. It provides a forum for them to work together and improve corporate practices though co-operation rather than disagreement. The programme is aimed at responsible corporate citizenship so that businesses work for social development while creating and spreading wealth and prosperity. It asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labor, environment and anti-corruption and to adhere to ten universally accepted principles, which are as follows:

Human rights:
1. Business should support and respect the protection of internationally proclaimed human rights.
2. Make sure they are not complicit in human rights abuses.

Labour:
3. Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. The elimination of all forms of forced and compulsory labor.
5. The effective abolition of child labor.
6. Eliminate discrimination in respect to employment and occupation.

Environment:
7. Business should support a precautionary approach to environmental challenges.
8. Undertake initiatives to promote greater environmental responsibility.
9. Encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption:
10. Businesses should work against all forms of corruption, including extortion and bribery (Source: www.unglobalcompact.org)

An organization complying with this powerful UN's Global Compact Programme identifies universal values, principles and rights and follows them regardless of the opinion of the majority. Ethics becomes integral to organizational activity. Falkenberg (2004: 18) claims that it is only when organizations operate at this level that business decisions will be "beneficial and sustainable in the long term".

For purposes of strategy, organizations can pursue global, multinational or transnational strategies when operating in international markets. Organizations with a global strategy aim to achieve global efficiency by building centralized, global-scale operations (Bartlett, Ghoshal and Birkinshaw, 2004). An organization that adopts a global strategy operates "as if the entire world… were a single entity; it sells the same things in the same way everywhere" (Levitt, 1983: 92-3). In addition to uniform products and services, organizations with a global strategy pursue a uniform marketing approach and integrates competitive moves throughout the world (Yip, 1989). Key strategic decisions are made centrally, usually by worldwide product divisions and implemented by the overseas operations (Bartlett *et al.*, 2004). Organizations pursuing a multinational strategy emphasize the importance of local responsiveness and decentralize their strategic and operating decisions to the subsidiaries in each country (Bartlett *et al.*, 2004). This strategy recognizes that consumer needs, industry conditions, government regulations and social norms vary from country to country and that an organization needs to respond by tailoring products and services to the requirements of the local markets. The decentralization of strategic and operating decisions gives subsidiaries considerable autonomy to not only adapt their products and services, but also their marketing strategies and their competitive moves to the situation of the host country (Yip, 1989). Organizations that adopt a transnational strategy seek

to achieve both global efficiency and national responsiveness (Bartlett *et al.*, 2004). Such a strategy requires both global coordination and local responsiveness. The head office needs to decide which key resources and capabilities are best centralized within the home country to realize global efficiencies, which resources and capabilities should be concentrated (but not necessarily in the home country) and which resources and capabilities may be decentralized on a regional or local basis (Bartlett *et al.*, 2004). Decision-making is a complex process of coordination and cooperation. The challenge for transnational organizations is to develop appropriate coordinating mechanisms between subsidiaries without compromising their freedom to respond to the needs of the local markets (Bartlett *et al.*, 2004). With all the above suggested strategies, the big question that needs to be synthesized is "Are these international ethical issues incorporated into the visions, missions and global strategies of business organizations?" The wide range of ethical dilemmas discussed in section three of the article is an acid test for many business organizations operating at global arena. The choice of a global strategy may be good but may lack global ethical support. The managers of global business enterprises need a middle ground to balance strategy and ethics gap which is interesting as the paradox is the self-regulatory principle that has proved a stumbling block in the quest to strike the balance. Our suggestion in regard to the three schools of thought namely relativism, imperialist and universalism provide hypothesis towards rethinking of alternative approach. Relationship building that deviates from the traditional approaches described in the business ethics literature can perhaps be a long-term strategy to be adopted by management executives to prevent the occurrence of ethical dilemmas in international business. The relationship building approach incorporates building trust with overseas counterparts, maintaining an ethical reputation and employing overseas nationals to assist in establishing relationships. The basic theoretical framework pegged to this approach is dialogic theory. The proposed approach would build a better playing ground among stakeholders from different cultures to have mutual understanding and help global business organizations to base their ethical decisions on norms, which although not universally valid, are acceptable to all parties with vested interests. Just as in the dialogic theory, real communication process among the stakeholders to generate common norms is critical to arrive at what is acceptable to all participants based on principal of universality, universal ordinances of ideal dialogue, universal objectives and principal of responsibility. However, the irony of ethical process is the implementation level where organizations have freedom to make decisions that are based on the principle of self-regulation. Hard decisions of choice guided by what is acceptable but not necessarily acceptable elsewhere can be confusing when drawing generalizations that may stand the test of time. We suggest therefore further empirical research to unveil methodology where the principle of self-regulation is put on the spot and identify conclusively what is ethical or not ethical in a global business environment particularly in the wake globalization and liberalization policies.

CONCLUSION

Good business organizations win, keep and grow customers by building relationships with them based on superior customer value and satisfaction. Understanding customers is an important first step in developing strong customer relationships. To gain competitive advantage, business organizations must use this understanding to design market offers that deliver more value than the offers from their competitors. One key component to create and achieve sustainable competitive advantage in an organization is by incorporating professional ethics and good business practices into an organization. Perhaps as globalization policy now draws more

diversity into business practices by creating uncertainties, it is important to look not only at individual firm's business ethics but rather to rethink and have a wide global view of business ethics. This simultaneous look at the whole and each of its parts creates a potential to see points of similarity and difference and therefore is of paramount significance to enhance sustainability of competitive advantage. It is upon the global business managers to develop, skillfully, business ethics codes that are relevant to today's global challenges to enable them become corporate leaders in the current competitive business environment. Business organizations are on notice that business ethics need to be viewed from a proactive approach and not one of constant catch-up. That is, to pose critical questions in regard to the state of knowledge and relate diverse schools of thought that champion international business ethics. The crucial three schools of thought namely relativism, imperialist and universalism are based on diverse philosophies but geared towards finding solutions to ethical dilemmas that face at international business. Though there is no converging point of agreement to the ideals they stand for, the biggest challenge to managers today is to understand and use a middle-of-the-road position, which neither assumes ethics to be obvious and similar in everyone's understanding nor loses its relevance in a moral discourse that would immerse the concept in theoretical waters. The article's deviation from the current thinking, in particular the business and management literature on global ethical issues that capture the ideals of the three schools of thought is a testable hypothesis geared towards an alterative approach. The emergence of a relationship approach that encompasses building trust with overseas counterparts, maintaining an ethical reputation and employing overseas nationals to assist in establishing relationships perhaps could boost further the international business. The principle of self-regulatory in ethics on the part of business organizations is no doubt challenging, but the article contends that the business organizations must take responsibility of ethical violations or ignore them at their own peril. We strongly suggest therefore, that global business organizations need to investment in and adopt proactive approaches to ethical safeguards needed and these should be regarded as dimensions for better understanding of ethical and unethical behaviors. They also need strategies that are acceptable to all stakeholders for purposes of dealing with complex ethical dilemmas in global business environment.

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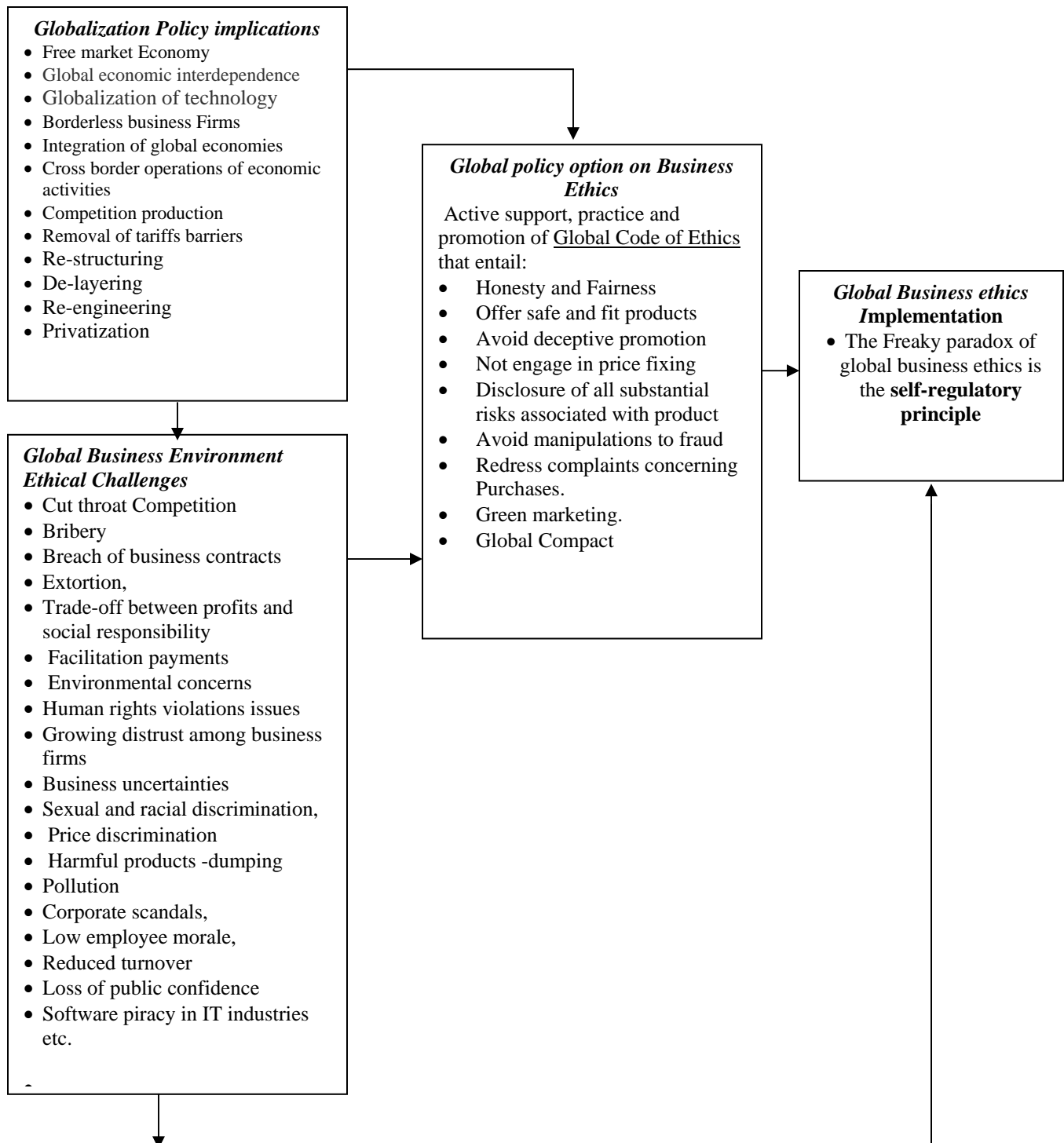
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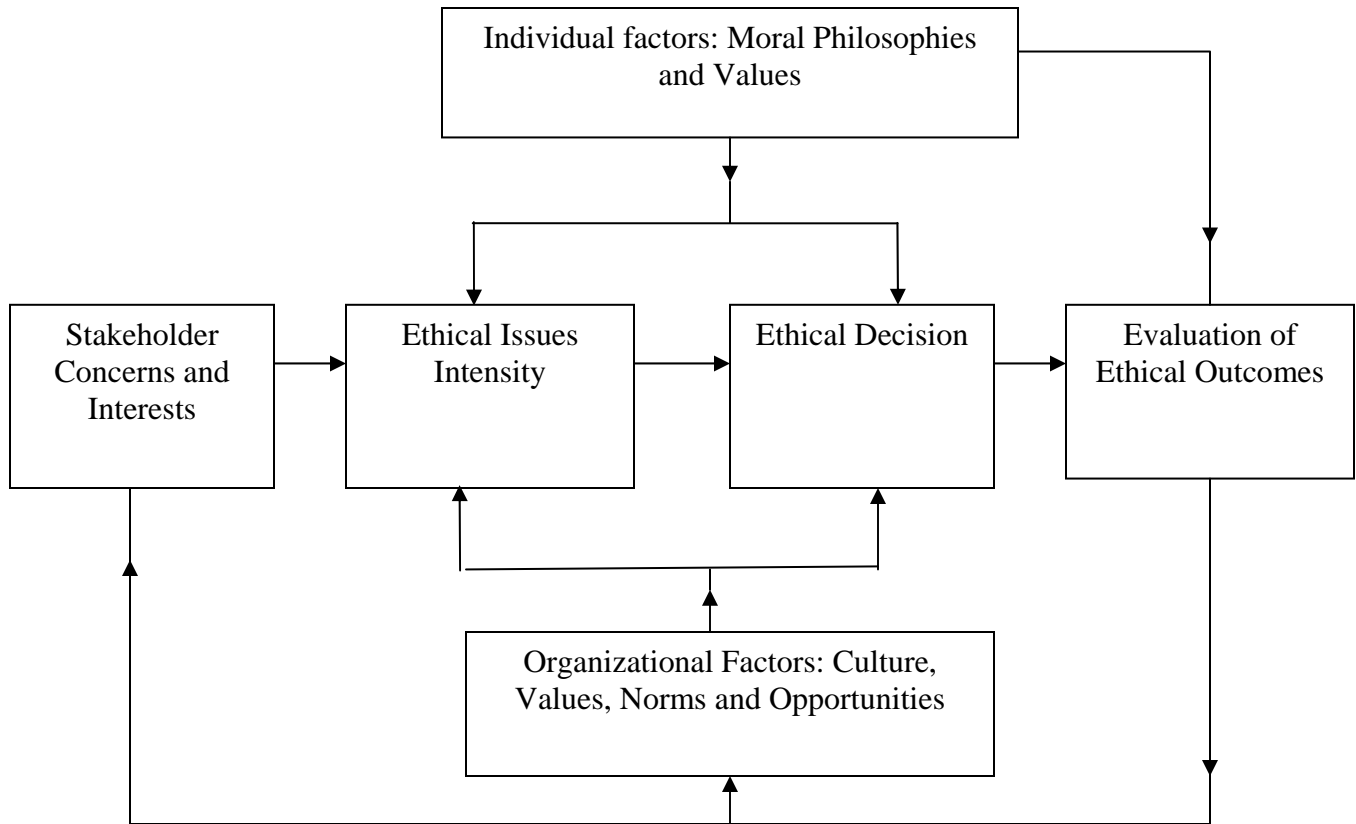
APPENDIX A

Conceptualization of ethical and dilemma issues in Global business environment

Globalization Policy implications

- Free market Economy
- Global economic interdependence
- Globalization of technology
- Borderless business Firms
- Integration of global economies
- Cross border operations of economic activities
- Competition production
- Removal of tariffs barriers
- Re-structuring
- De-layering
- Re-engineering
- Privatization

Global policy option on Business Ethics

Active support, practice and promotion of Global Code of Ethics that entail:

- Honesty and Fairness
- Offer safe and fit products
- Avoid deceptive promotion
- Not engage in price fixing
- Disclosure of all substantial risks associated with product
- Avoid manipulations to fraud
- Redress complaints concerning Purchases.
- Green marketing.
- Global Compact

Global Business ethics Implementation

- The Freaky paradox of global business ethics is the **self-regulatory principle**

Global Business Environment Ethical Challenges

- Cut throat Competition
- Bribery
- Breach of business contracts
- Extortion,
- Trade-off between profits and social responsibility
- Facilitation payments
- Environmental concerns
- Human rights violations issues
- Growing distrust among business firms
- Business uncertainties
- Sexual and racial discrimination,
- Price discrimination
- Harmful products -dumping
- Pollution
- Corporate scandals,
- Low employee morale,
- Reduced turnover
- Loss of public confidence
- Software piracy in IT industries etc.

APPENDIX B

Ethical decision-making process in global business firms

Source: O. C. Ferrell *et al* (2005)