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Maria Gorbunova
Maria Khazan

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МИНИСТЕРСТВО ОБРАЗОВАНИЯ И НАУКИ РОССИЙСКОЙ ФЕДЕРАЦИИ

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М. Л. Горбунова
М. Ю. Хазан

ДЕЛОВАЯ ЭТИКА

Учебно-методическое пособие

Рекомендовано методической комиссией Института экономики и предпринимательства ННГУ для иностранных студентов, обучающихся по направлению подготовки 38.03.01 «Экономика» (бакалавриат) на английском языке

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В настоящем пособии изложены учебно-методические материалы по курсу «Деловая этика» для иностранных студентов, обучающихся в ННГУ по направлению подготовки 38.03.01 «Экономика» (бакалавриат).

Пособие включает 8 разделов курса, для каждого из которых приведены основные понятия, принципы и модели. Пособие завершает список рекомендуемой и использованной для написания работы литературы.

Ответственный за выпуск:
председатель методической комиссии ИЭП ННГУ,
к.э.н., доцент Летягина Е.Н.

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Unit 1. Basics of business ethics

Importance of business ethics. The development of business ethics. The benefits of business ethics. Stakeholder relationships, social responsibility and corporate governance from an ethical perspective.

The course of business ethics is important for many considerations. Always growing number of unethical business behavior all over the world stresses the common request for a better study of the factors that determine ethical and unethical decisions. Employees, managers, and business owners face the ethical challenges almost every day.

Personal moral attitudes and way of decision-making of an individual involved in the business may not be enough to direct him in the controversial situations. The study of business ethics helps the students begin to recognize ethical issues and select the correct approaches to resolve them.

The study of business ethics evolved trough five distinct stages (see. Tab. 1.1.) [Ferrell, Fraedrich and Ferrell, 2009].

Table 1.1

A Timeline of Ethical and Socially Responsible Concerns

1960s	1970s	1980s	1990s	2000s
Environmental issues Civil rights issues Increased employee-employer tension Changing work ethic Rising drug issue	Employee militancy Human rights issues Covering up rather than correcting issues	Bribes and illegal contracting practices Influence peddling Deceptive advertising Financial fraud Transparency issues	Sweatshops and unsafe working conditions in third-world countries Rising corporate liability for personal damages Financial mismanagement and fraud	Cybercrime Financial management International corruption Loss of employee privacy Intellectual-property theft

Before 1960, business ethics was based on the religious rules. During the 1960s the U.S. faced growing ecological problems such as pollution and the inappropriate disposal of toxic wastes. There was a rise of consumerism in that period. Independent individuals, groups, and organizations began to protect their rights as consumers to have safe goods, vehicles, first. In the 1970s business ethics became an independent field of study focusing on ethical decision-making processes of individuals and organizations. The concept of corporate social responsibility appeared to regulate an organization’s impact on stakeholders. In the 1980s a growing number of various educational institutions with diverse interests promoted the study of business ethics. Many companies established ethics as well as social committees to develop corporate ethics and support ethical conduct of employees. However, the 1908s generated a whole range of new ethical problems connected to the less government regulation and expanding business globalization. These new ethical problems shaped the business ethics development in the 1990s. The government continued to support self-regulation and companies’ actions to prevent eventual organizational misconduct. The clamorous ethic scandals of the early twenty-first century drew attention to the financial sector. Many individuals have to trust others including managers, lawyers, and accountants when selling complex financial instruments. This situation may cause a misconduct of trustee and damage the whole system of private saving. The public desire for higher ethical standards led to the adoption of the Sarbanes-Oxley act that provided penalties for corporate fraud and introduced new requirements for accounting oversight. The trend of this period is a passage from ethical rules to ethical culture aimed to make ethic a part of principal organizational values.

The values and beliefs of ethical organizational culture determine a framework for employees that helps to recognize and respond to ethical issues. Firms have to ascertain principles, cultivate shared values, and form compliance standards to prevent misconduct.

The *ethical culture* as a part of corporate culture consists of rules and principles delimiting appropriate conduct within the organization. The research results and business-practice examples underline importance and benefits of ethical organizational culture. The possession of proper ethical reputation among employees, customers, industrial media, and other contact audiences provides various advantages that include improvement in employee commitment, customer loyalty, investor willingness to finance company's activity, and better financial performance.

Business ethics issues, conflicts, and successes directly involve various relationships. In a business context, customers, investors, employees, suppliers, government agencies, communities, and many others who influence somehow a company's products, operations, markets, industry, and outcomes are known as *stakeholders***.** This term is opposed to the idea of *shareholder*, because the key role in business belongs nowadays to above-mentioned interested parties while owners of business sideline. Many firms sometimes experience conflicts with key stakeholders, and consequently damage their reputations, shareholder confidence, and gains. Stakeholders provide resources that are more or less critical to a firm's long-term success. These resources may be both tangible and intangible. Suppliers, for example, offer material resources or intangible knowledge; employees and managers give expertise and commitment; customers generate revenue and provide loyalty; local communities deliver infrastructure; and the media transmit positive corporate images. Once the credibility of a firm has been destroyed, the reputation of the company and trust with stakeholders is almost impossible to recover. Reputation is a factor in the consumers' perceptions of product attributes and corporate image features that determine consumer propensity to acquire goods and services at profitable prices.

Stakeholder model presumes two types of actors. *Primary* or *formal stakeholders* are those whose continued commitment is absolutely necessary for a company survival and stable functioning. They usually have a contractual relations with the firm, these include employees, customers, suppliers, and financial institutions. Ferrell, Fraedrich, and Ferrel [Ferrell, Fraedrich and Ferrell, 2009] suggest to consider governments and local communities as primary stakeholders also. *Secondary or informal stakeholders* do not typically engage in transactions with a company and thus do not provide inputs critical to survival of the firm. Among secondary stakeholders, there are the media, trade associations and special-interest group.

From business ethics point of view, both primary and secondary stakeholders originate specific values and standards of acceptable or inacceptable corporate behaviors and affect ethical decision-making process in the considered firm.

The degree to which a firm catches and addresses stakeholder demands can be referred to as a *stakeholder orientation*. This orientation consists of three groups of activities: (1) the organization-wide collection of data about stakeholder groups and assessment of the company's influence on these groups; (2) the distribution of this information within the company; (3) the firm's action as a whole to this information resource.

It is hard to imagine stakeholder relationships without social responsibility of the company toward the general public and its components, although each has a distinct meaning. The *social responsibility* is a company's obligation to maximize its positive impact and minimize its negative impact on people, while business ethics expresses standards and expectations of acceptable behavior that meet requirements of stakeholders and demands of society as a whole. The ethical level of social responsibility is one of its dimensions (see. Fig. 1.1) among economic, legal and philanthropic ones. Nevertheless, only if a firm includes ethical standards in its foundational values, the social responsibility will be really in the center in daily decision making.

Philanthropic: 'giving back' to society

Ethical: following standards of acceptable behavior as judged by stakeholders

Legal: abiding by all laws and government regulations

Economic: maximizing stakeholder wealth and/or value

Fig. 1.1. Steps of Social Responsibility [Carroll, 1991]

Ethical standards imply a certain rules on the corporate governance. The contemporary corporate governance should be oriented not only toward a profit maximization based upon the informed and prudent decisions as shareholders concern, but in the direction of stakeholders aspirations connected to safety, loyalty, sustainability, and other long-term values. There are some steps to implement rules of business ethics and social responsibility into a firm's corporate governance [Ferrell, Fraedrich and Ferrell, 2009]: (1) assessing the corporate culture, (2) identifying stakeholder groups, (3) identifying stakeholder issues, (4) assessing organizational commitment to social responsibility, (5) identifying resources and determining urgency, and (6) gaining stakeholder feedback.

Unit 2. Issues in business ethics

Emerging business ethics issues. Recognition of an ethical issue. Honesty, fairness, and integrity. Ethical issues and dilemmas in business: abusive and disruptive behavior, lying, conflicts of interest, bribery, discrimination, sexual harassment, fraud insider trading, intellectual property rights, and privacy.

Stakeholders' ethical worries determine whether specific business behavior is perceived as ethical or unethical. In the case of the government or community, an ethical issue can become a legal debate later transformed in a law. Most ethical conflicts turn into litigation. Additionally, stakeholders often raise ethical issues implying businesses to make decisions that serve their particular interests.

Individuals and organizations make ethical decisions only after they recognize that a particular issue or situation has such component. Thus, a first step toward understanding business ethics is to develop *ethical-issues awareness* [Ferrell, Fraedrich and Ferrell, 2009]. Ethical issues typically arise because of conflicts among individuals' personal moral philosophies and values, the values and culture of the organizations in which they work, and those of the society in which they live.

The business actions and decisions of the lead to ethical conflicts. For example, a company's efforts to achieve its objectives may partially contradict with its employees' actions to fulfill their own personal goals. Similarly, consumers' desires for safe and quality products may conflict with a manufacture's need to maximize profits. Characteristics of the job, the culture, and the organization of the society in which one does business can also create ethical issues. A better understanding of the ethical issues that frequently arise in the business world will help resolve them if they occur.

In order to recognize an ethical issue, people must understand the universal moral constants of honesty, fairness, and integrity, which are acknowledged by businesspeople the world over.

Honesty refers to truthfulness or trustworthiness. To be honest is to tell the truth to the best of your knowledge without hiding anything. Issues related to honesty also arise because businesspeople regard it as a 'game' governed by its own rules rather than by those of society. This mentality may foster the idea that honesty is unnecessary in business. Because of the economic motive, many in business can become confused with the opposite of honesty – dishonesty. *Dishonesty* can be defined as a lack of integrity, incomplete disclosure, and an unwillingness to tell the truth. The causes of dishonesty are complex and relate to both individual and organizational pressures. For example, employees often lie to help achieve performance objectives.

Fairness is the quality of being just, equitable, and impartial. Fairness clearly partly covers other commonly used terms such as justice, equity, equality, and morality. There are three fundamental elements that seen to motivate people to be fair: equality, reciprocity and optimization.

In business, *equality* regards wealth or income distribution between employees within a company, a country, or across the globe. *Reciprocity* is an interchange of giving and receiving in social relationships. Reciprocity comes about when an action that has an effect upon another is reciprocated with an action that has an approximately equal effect upon the other. *Optimization* is the trade-off between equity and efficiency. Discriminating on the basis of gender, race, or religion is generally considered to be unfair because the optimal way is to choose the employee who is the most talented, most proficient, most educated, and most able.

Integrity refers to being whole, sound, and in an unimpaired condition. Integrity means acting ethically. The integrity is made up of two basic parts: a formal relation that one has to oneself and a person's set of values, from which the individual does not deviate. At a minimum, businesses are expected to follow all applicable laws and regulations. In addition, organizations should not knowingly harm proper stakeholders through deception, misrepresentation, or coercion.

Although businesspeople often act in their own economic self-interests, ethical business relations should be grounded on honesty, integrity, fairness, justice, and trust. Buyers should be able to trust sellers; lenders should be able to trust borrowers. Failure to live up to these expectations or to abide by laws and standards destroys trust and makes it difficult, if not impossible, to continue business exchanges.

An *ethical issue* is a problem, situation or opportunity that requires an individual, group, or organization to choose among a few actions that must be evaluated as right or wrong, ethical or unethical [Ferrell, Fraedrich and Ferrell, 2009]. An *ethical dilemma* is an ethical issue not having right or ethical choice; therefore, an individual or organization should choose among several wrong unethical actions.

Some ethical issues, for example, abusive behavior, lying, conflicts of interest, bribery, political involvement of companies, job loss and offshoring and other are recognized as having major impact on shareholder value of business.

Abusive or *intimidation behavior* is the most frequent ethical problem for employees. The concepts can mean anything – physical threats, false accusations, being annoying, profanity, insults, yelling, harshness, ignoring someone, and unreasonableness – and the sense of these words can differ by person. *Bribery* is the practice of offering something (usually money or other income equivalent) in order to obtain an improper benefit. In a case of *active* bribery, the person who gives the bribes commits the offence. Bribery or corruption is *passive* when the individual who can do a favor commits the offence.

A *conflict of interest* is a situation when a person should choose whether to advance his or her own interests, those of the company, or those of some other group. *Corporate intelligence* is the collection and analysis of information on markets, technologies, customers, and competitors as well as on socioeconomic and political environment. The tools of corporate intelligence as hacking, dumpster diving, and phone eavesdropping are questionable or illicit.

Another ethical/legal issue is *discrimination*, which is illegal in many countries as contradicting to their constitutional principles. The discrimination may occur on the basis of race, color, religion, sex, marital status, sexual orientation, public-assistance status, age, national origin, etc. A special case of discrimination is *harassment* that may be based on the political opinions, affiliation with a trade union, sexual provocation.

The *fraud* is one of the diversified types of ethical issues (see Tab. 2.1). It refers to the situation when a person engages in deceptive practices to advance his or her own interests over those of the organization or some other group.

Table 2.1

Types of economic fraud

Category	Examples
Accounting fraud	Corporate financial reports corporation may contain inaccurate information, whither intentionally or not, from which lawsuits and criminal penalties may result
Marketing fraud	The fraud as lying, false or misleading (deceptive) marketing communications involves internal and external business processes and destroys customers' trust in a company. Puffery identified as exaggerated advertising, blustering, and boasting upon may confuse an illogical buyer
Implied falsity	The communicative message has a tendency to mislead, confuse, or deceive the public. The literally false advertising claim may be in a form of false tests prove or bald assertions.
Labeling issues	The situations usually regard non-mandatory or voluntary label of foods. For example, a label that a product contains something that generates severe allergic reactions, or that a product is free from animal products, etc.
Slamming	The providing company changes a customer's phone service without authorization
Consumer fraud	This time, consumers attempt to deceive business for their own gain. Its forms are price-tag switching, item switching, lying to obtain age-related and other discounts. Other examples of fraudulent activities include shoplifting, collusion, duplicity, and guile

Source: Adapted from [Ferrell, Fraedrich and Ferrell, 2009].

As about insider trading, an insider is any officer, director, or owner of 10 percent or more of a class of a company's securities. There two types of insider trading legal and illegal. Illegal insider trading regards buying or selling of stocks by insiders who possess material that is still not public. Brokers, family members or friends, employees may be involved in the illegal insider trading, directly or indirectly, for example by 'tipping' an outsider. Legal insider trading being always an ethical issue is allowed not all the time.

Intellectual-property rights involve the legal protection of intellectual properties such as music, photo, books, movies, software, brand names, and other types of copyright materials. The problem is that the process of creating intellectual property objects is expensive because it request time and material resources belonging to an individual, group, organization or their combination.

The protection of sensible personal information, mostly in health-care and Internet industries, raised debates about new threats to the privacy. The same thing is valid to the monitoring employees' activity at the workplace.

Task 1.

Read situations (locates below).

What ethical problems are at each situation?

1. You know that the competitor company gave to the goods function which will influence sales. This firm planned presentation on which the head of firm will tell about new property of goods. You can send to this reception of the spy to learn about an innovation.

2. You know that your employee has problems in a family recently, indicators of his work decreased. Earlier he worked well. There is an opportunity to replace the employee.

3. You have to choose one of three advertizing strategy for your new goods. The first strategy (1) includes honest information and the principles of "soft sale". The second strategy (2) includes sensual motives and exaggerates benefits of goods. The third strategy (3) includes irritation, brightness, but it draws attention of audience. Preliminary tests showed that by the efficiency rollers settle down in the following order: 3, 2 and 1.

4. You talk the woman who wants to work for you as the sales agent. She has a high skill level. However there is an opinion that employment of the woman can cause negative reaction from the other sales agents and disappoint some important clients of firm.

5. There is an opportunity to attract the big customer. The agent of this client reported that "present" can influence the solution of a question. Colleagues recommend to send to the representative the laptop (not officially).

6. The top-management of firm formulates a new task - to expand "cheap" sector of goods with the simplified model which could be advertized for involvement of buyers. Such goods will be not really good. But there is a hope that sellers will convince buyers to get more expensive modifications. You are responsible for decision-making to create the simplified goods model.

7. The pharmaceutical company ABC has invented a preparation for treatment of glaucoma. After use there was information that the preparation leads to a cancer disease. In the country in which the preparation has been invented the preparation is excluded from sale. But the pharmaceutical company continues to sell it in the countries where it isn't forbidden.

Unit 3. The institutionalization of business ethics

Mandatory and voluntary requirements. Core practices.

To understand the d the institutionalization of business ethics, it is important to distinguish between the voluntary and legally mandated dimensions of organizational practices. Core practices are documented best practices, often encouraged by legal and regulatory forces as well as industry trade associations. The effective organizational practice of business ethics requires all three dimensions to be integrated into an ethics and compliance program. This creates an ethical culture that can effectively manage the risks of misconduct. Institutionalization in business ethics relates to established laws, customs, and expected organizational programs that are considered normative in establishing reputation. Institutions provide requirements, structure, and societal expectations to reward and sanction ethical decision making. In this way, society is institutionalizing core practices and provides organizations the opportunity to take their own approach, only taking action if there are violations.

Table 3.1

Boundaries of Ethical Decisions

Type	Definition
Voluntary boundary	A management-initiated boundary of conduct (beliefs, values, voluntary policies, and voluntary contractual obligations)
Core practices	A highly appropriate and common practice that helps ensure compliance with legal requirements, industry self-regulation, and societal expectations
Mandated boundary	An external imposed boundary of conduct (laws, rules, regulations, and other requirements)

Source: Adapted from [Ferrell, Fraedrich and Ferrell, 2009].

Laws and regulations are established by governments to set minimum standards for responsible behavior – society's codification of what is right and wrong. Civil and criminal laws regulating business conduct are passed because society – including consumers, interest groups, competitors, and legislators – believes that business must comply with society's standards. Such laws regulate competition, protect consumers, promote safety and equity in the workplace, protect the environment, and provide incentives for preventing misconduct.

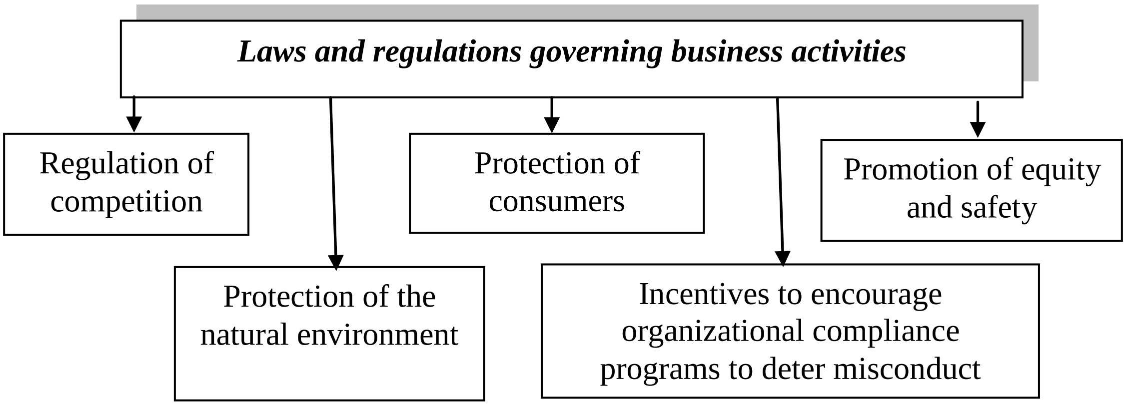

Fig.3.1. Mandated requirements for legal compliance. Source: Adapted from [Ferrell, Fraedrich and Ferrell, 2009].

The decisive steps toward the institutionalization of business ethics comprise the approval of the *Sarbanes-Oxley Act* and the *Federal Sentencing Guidelines* for Organizations (FSGO). The first one requires corporations to take greater responsibility for their decisions and to provide leadership based on ethical principles by establishing a system of federal oversight of corporate accounting practices. As the guidelines suggest, organizations that have demonstrate due diligence in developing effective compliance programs that discourage unethical and illegal conduct may be subject to reduced organizational penalties if an employee commits a crime. In general, the new business philosophy is that legal violations can be prevented through organizational values and a commitment to ethical conduct.

Both the initiatives create incentives for developing core practices that ensure ethical and legal compliance. Contemporary core practices moves the attention from the individual's moral standards to the corporate's structural integrity for both financial and nonfinancial performance. The integrated model to standardize the measurement of nonfinancial performance comprises the assessment of communications, compensation, social responsibility, corporate culture, leadership, risk, and stakeholder perceptions. Philanthropic issues touch on businesses' social responsibility insofar as businesses contribute to the local community and to society.

Philanthropy may improve the quality of life, reduce government involvement, develop staff leadership skills, and build staff morale. Nowadays philanthropic giving is tied to overall strategy and objectives. The concept of *strategic philanthropy* regards the synergetic and mutually beneficial use of an organization's resources to deal with key stakeholders so as to bring about organizational and societal benefits.

Task 1.

1. *Read the standards.*
2. *Answer the question: external or internal social responsibility is in those documents?*

1.

ISO 26000:2010 provides guidance to all types of organizations, regardless of their size or location, on:

- concepts, terms and definitions related to social responsibility;
- the background, trends and characteristics of social responsibility;
- principles and practices relating to social responsibility;
- the core subjects and issues of social responsibility;
- integrating, implementing and promoting socially responsible behaviors throughout the organization and, through its policies and practices, within its sphere of influence;
- identifying and engaging with stakeholders; and
- communicating commitments, performance and other information related to social responsibility.

ISO 26000:2010 is intended to assist organizations in contributing to sustainable development. It is intended to encourage them to go beyond legal compliance, recognizing that compliance with law is a fundamental duty of any organization and an essential part of their social responsibility. It is intended to promote common understanding in the field of social responsibility, and to complement other instruments and initiatives for social responsibility, not to replace them.

In applying ISO 26000:2010, it is advisable that an organization take into consideration societal, environmental, legal, cultural, political and organizational diversity, as well as differences in economic conditions, while being consistent with international norms of behaviors.

ISO 26000:2010 is not a management system standard. It is not intended or appropriate for certification purposes or regulatory or contractual use. Any offer to certify, or claims to be certified, to ISO 26000 would be a misrepresentation of the intent and purpose and a misuse of ISO 26000:2010. As ISO 26000:2010 does not contain requirements, any such certification would not be a demonstration of conformity with ISO 26000:2010.

ISO 26000:2010 is intended to provide organizations with guidance concerning social responsibility and can be used as part of public policy activities. However, for the purposes of the Marrakech Agreement establishing the World Trade Organization (WTO), it is not intended to be interpreted as an "international standard", "guideline" or "recommendation", nor is it intended to provide a basis for any presumption or finding that a measure is consistent with WTO obligations. Further, it is not intended to provide a basis for legal actions, complaints, defenses or other claims in any international, domestic or other proceeding, nor is it intended to be cited as evidence of the evolution of customary international law.

ISO 26000:2010 is not intended to prevent the development of national standards that are more specific, more demanding, or of a different type.

ISO International Standards provide practical tools for tackling many of today's global challenges, from managing global water resources to improving the safety of the food we eat.

With more than a billion estimated road vehicles in use worldwide, the potential impact of standards on global sustainable development is enormous.

ISO standards for the automotive industry cover everything from safety, ergonomics and performance, to test methods, the environment, and the roll-out of innovative technologies.

Climate change is the major environmental challenge of our time.

ISO standards help tackle climate change, with requirements for measuring greenhouse gas emissions and verifying claims made about them, as well as standards that focus on environmental and energy management.

Reducing energy consumption and the dependency on fossil fuels is a major challenge.

ISO International Standards can help solve the energy challenge by increasing energy efficiency, and promoting the development of renewable energy technologies.

Services represent more than two thirds of World Gross Domestic Product (GDP), according to the World Trade Organization. They are a core economic activity, contributing more to GDP than both industry and agriculture combined.

ISO develops International Standards that help ensure that services are of a consistent, high quality.

Access to health services, quality care, and safe medical practices and equipment is a basic human right.

ISO has more than 1300 standards that help to improve health-related products and services, ranging from **dentistry** to **medical devices**, and **health informatics** to **traditional medicines**.

With more than a billion people globally affected by some kind of disability, combined with an ageing population, accessibility to products and services has never been more important.

But accessible solutions are not just for the disabled or elderly – they make products more appealing to a wide range of audiences. ISO has standards that help everyone from manufacturers to policy makers improve accessibility for all.

Source: http://www.iso.org/iso/home/news_index/iso-in-action.htm

2.

The SA8000 Standard is one of the world's first auditable social certification standards for decent workplaces, across all industrial sectors. It is based on the UN Declaration of Human Rights, conventions of the ILO, UN and national law, and spans industry and corporate codes to create a common language to measure social performance. It takes a management systems approach by setting out the structures and procedures that companies must adopt in order to ensure that compliance with the standard is continuously reviewed. Those seeking to comply with SA8000 have adopted policies and procedures that protect the basic human rights of workers.

The intent of SA8000 is to provide an auditable, voluntary standard, based on the UN Declaration of Human Rights, ILO and other international human rights and labor norms and national labor laws, to empower and protect all personnel within an organization's control and influence who provide products or services for that organization, including personnel employed by the organization itself and by its suppliers, sub-contractors, sub-suppliers and home workers. It is intended that an organization shall comply with this Standard through an appropriate and effective Management System.

It is universally applicable to every type of organization, regardless of e.g., its size, geographic location or industry sector.

The requirements of this element - Management System - are central to their correct implementation, monitoring and enforcement. The Management System is the operational map that allows the organization to achieve full and sustained compliance with SA8000 while continually improving, which is also known as Social Performance.

When implementing the Management System element, it is a required priority that joint worker and management involvement be established, incorporated and maintained throughout the compliance process with all the Standard's elements. This is particularly critical to identify and correct non-conformances and to assure continuing conformance

Source: http://www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&pageId=937

Unit 4. The ethical decision-making process

Ethical decision-making and ethical leadership. Ethical issue intensity. Business ethics evaluations and intentions.

The key components of the ethical decision-making framework comprise ethical-issue intensity, individual factors, organizational factors, and opportunity. These aspects are interconnected and determines business ethics evaluations and intentions, which result in ethical or unethical conduct (see Fig.4.1).

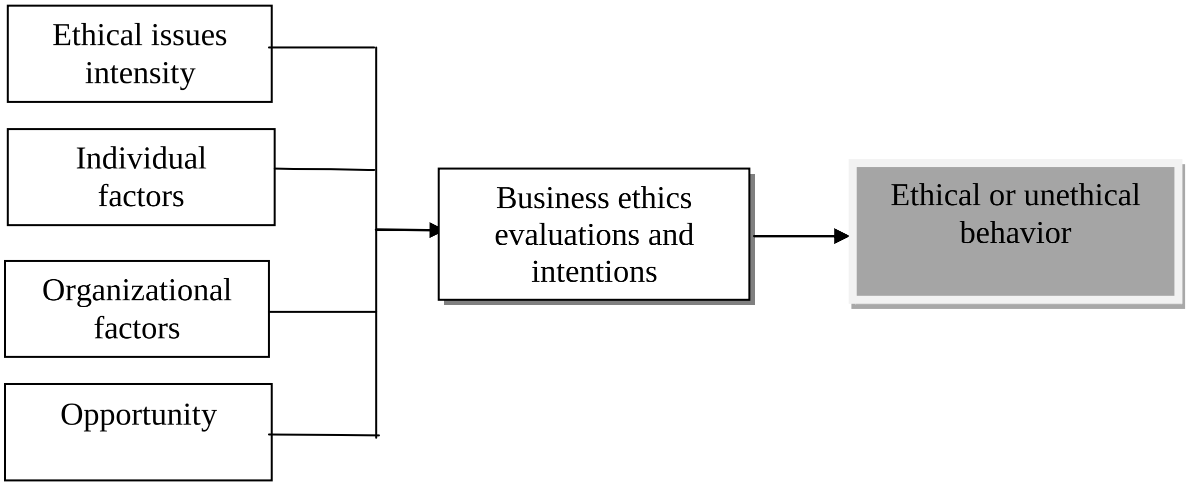

Fig. 4.1. Framework for Understanding Ethical Decision Making in Business
Source: [Ferrell, Fraedrich and Ferrell, 2009].

The first step in ethical decision-making is to recognize that an ethical issue presupposes that an individual or work group choose among several actions that will ultimately be evaluated as ethical or unethical by the public. *Ethical-issues intensity* is the perceived significance of an ethical issue to the individual or work group [Ferrell, Fraedrich and Ferrell, 2009]. . It reflects ethical sensitivity of the individual or group that generates the ethical decision process. Other factors in the above-mentioned ethical decision-making mechanism influence this sensitivity also, as a result determining why various subjects often perceive ethical issues in a different way. Individual factors such as gender, education, nationality, age, and locus of control can affect the ethical decision-making process, with some factors being more significant than others. Organizational factors such as a company's values often have greater influence on an individual's decisions than that person's own values. In addition, business decisions are most often made jointly, in work collectives and committees, or in conversation and discussions with colleagues. Corporate culture and structures act through the individual relationships of the company's members to influence their ethical decisions. A *corporate culture* can be defined as a set of values, beliefs, goals, norms, and ways of solving problems that employees of a company share [Ferrell, Fraedrich and Ferrell, 2009]. Generally, corporate culture comprises rules that prescribe a wide range of conduct for the company members. The ethical culture of an organization specifies whether it has an ethical integrity. Peers, managers, coworkers, and subordinates influence the work group have more daily impact on employee's decisions than any other factor in the decision making framework. Obedience to authority may explain why many business ethics issues are resolved simply by following the directives of a superior.

Ethical opportunity results from conditions that either provide rewards, whether internal or external, or limit barriers to ethical or unethical conduct. Included in opportunity is a person's job context, which includes the motivational techniques superiors use to influence employee behavior. The opportunity employees have for unethical behavior in a company can be removed by formal codes, policies, and norms that are effectively imposed by management.

Ethical dilemmas involve problem-solving situations in which decision rules are often ambiguous. The results of an ethical decision are often uncertain; no one can always be sure whether the right decision has been made. There is no substitute for critical thinking and the ability to take responsibility for own decisions. An individual's international and the final decision regarding what actions this person will take are the last steps in the decision-making process.

The ethical decision-making mechanism is not only a guide for making decisions. It is designed to provide insights and tips about typical ethical decision-making processes in business entities. Ethical decision making within companies does not rely strictly on the personal values and morals of employees. An organization's culture when combined with corporate governance mechanisms may significantly influence business ethics.

Guilty or an uneasiness is the first sign that an unethical decision has occurred. The next step is changing one's behavior to reduce such feelings. Finally, one can eliminate some of the situational factors by quitting.

Unit 5. Individual factors: moral philosophies and values

Moral philosophies, including teleological development. Deontological, relativist, virtue ethics. Justice philosophies. Stages of cognitive moral development.

Moral philosophy refers to the set of principles, or rules, that people use to decide what is right or wrong. These norms or attitudes present guidelines for resolving conflicts and for optimizing the mutual benefit of people living in groups. Businesspersons are somewhat guided by moral philosophies as they formulate strategies and face specific ethical issues.

Teleological, or consequentialist, philosophies specify that acts are morally rights or acceptable if they produce some desired result, such as realization of self-interest or utility. *Egoism* defines right or acceptable behavior in terms of the consequences for the individual. In an ethical decision-making situation, the egoist will choose that alternative that contributes most to a person's own self-interest. Egoism can be further classified into hedonism and enlightened egoism. *Hedonism* is a sort of pure egoism based on the idea that people have the right to do everything to achieve the greatest amount of pleasure, assuming that their actions may infringe on the equal rights of others. *Enlightened egoism* allows that a person take care of the well-being of others although his or her own interests remain predominant.

Utilitarianism is concerned with maximizing total utility, or providing the greatest benefit for the greatest numbers of people. In making ethical decisions, utilitarians often conduct a cost-benefit analysis, which considers the costs and benefits to all affected parties. Rule utilitarians determine .

Deontological, or nonconsequentialist, approaches focus on the rights of individuals and on the intentions behind an individual's particular behavior rather then on its consequences. In general, deontologists regard the nature of moral principles as permanent and stable, and they believe that compliance with these principles constitutes ethicalness. They also believe that individuals have certain absolute rights that must be respected. Rule deontologists suppose that the conformity to general moral principles defines ethicalness. Act deontologists believe that actions are the proper basis on which to judge morality and that rules serve only as guidelines.

According to the *relativist* perspective, definitions of ethical behavior are originated subjectively by the experiences of individuals and groups. The relativist observes behavior within a relevant group and tend to determine what consensus group members have reached on the issue in question.

Virtue ethics posits that what is moral in a given situation is not only what is required by conventional morality or current social definitions, however justified, but also what a person with a 'good' moral character would deem appropriate. Those who profess virtue ethics do not believe that the end justifies the means in any situation.

Ideas of *justice* as applied in business relate to evaluations of fairness. Justice relates to the fair treatment and due reward in accordance with ethical or legal standards. *Distributive justice* is based on the evaluation of the outcome or results of a business relationship. *Procedural justice* is based on the processes and activities that produce the outcomes or results. *Interactional justice* is based on an evaluation of the communication process in business.

The concept of a *moral philosophy* is not exact; moral philosophies can only be assessed on a continuum. Individuals use different moral philosophies depending on whether they are making a personal or a workplace decision.

According to Kohlberg's model of cognitive moral development, individuals make different decisions in similar ethical situations because they are in different stages of moral development. In Kohlberg's model, people progress through six stages of moral development: (1) punishment and obedience; (2) individual instrumental purpose and exchange; (3) mutual interpersonal expectations, relationships, and conformity; (4) social system and conscience maintenance; (5) prior rights, social contract, or utility; and (6) universal ethical principles. Kohlberg's six stages can be further reduced to three levels of ethical concern: immediate self-interest, social expectations, and general ethical principles. Cognitive moral development may not explain as much as was once believed.

White-collar crime can be defined as an individual committing an illegal act in relation to a person's employment, who is highly educated; in a position of power, trust, respectability and responsibility; and abuses the trust and authority normally associated with the position for personal and/or organizational gains. Some reasons why white-collar crime is not being heavily researched are that it doesn't come to mind when people imagine a crime, the offender (or organization) is in a position of trust and respectability, criminology or criminal justice systems look at white-collar crime differently, and many researchers have not moved past the definition issues. The increase in technology use seems to be increasing the opportunity to commit white-collar crime with less risk.

Individual factors such as religion, moral intensity, and a person's professional affiliations can affect a person's values and decision-making process. Other factors such as ethical awareness, biases, conflict, personality type, and intelligence have been studied, but no definitive conclusions can be made at this time about their relationship to ethical behavior. One thing we do know is that moral philosophies, values, and business are more complex than merely giving people honesty tests or value profiles that are not business oriented. Paper-and-pencil techniques do not yield accurate profiles for companies.

Task 1.

Choose the most significant for your group of words (on Spiral dynamics).

Claire Greyvz, Don Beck, Chris Kovan
"Spiral dynamics":

Color type of value	**Content of value**
Beige	Physical survival (existence of resources necessary for this purpose)
Purple	Accessory (to a family, to a certain group, belief in traditions and rituals, elements of a magic view of the world)
Red	Power, status, wealth, force, victory
Blue	Order, organization, planning, regulations, belief (religion), law

Orange	Success, development, leadership, growth, expansion
Green	Harmony, relations, happiness, spiritual growth
Yellow	Integrity, system, acceptance, vision of communication of all with everything
Turquoise	The general unity, difference is absent between "I" and "we".

Unit 6. Organizational factors: the role of ethical culture and relationships

Corporate culture. Interpersonal relationships. Opportunity and conflict in decision-making.

Corporate culture refers to the set of values, moral principles, norms and methods of solving problems that the employees of an organization divide. These shared values may be formally expressed or informally perceived. Corporate cultures are classified in several ways.

N.K. Seitha and Mary Ann von Glinow (1985) have proposed two-dimensional four-type model of corporate cultures. The dimensions are (1) concern for people – the organization's efforts to care for the employees' well-being; (2) concern for performance – the organization's efforts to focus on output and employee productivity (Fig. 6.1). Therefore, N.K. Seitha and Mary Ann von Glinow classified corporate four cultures as apathetic, caring, exacting, an integrative.

The *apathetic culture* means minimal concern for both people and a firm's performance. In this environment, employees focus on their own self-interests. Apathetic tendencies can affect any organization. If a company does not demonstrate enough respect to the long-serving employees or ignore past performance, its corporate culture is apathetic.

Concern for people		Low (concern for performance)	High (concern for performance)
	High	**Caring**	**Integrative**
	Low	**Apathetic**	**Exacting**

Concern for performance

Fig. 6.1. A Framework of Organizational Culture Typologies
Source: [Seitha, von Glinow, 1985].

The *caring culture* implies high concern for people but minimal concern for firm performance. This culture supports a development of employee loyalty and commitment, which are not directly transferred into higher profits, lower consumer complaints, etc. The *exacting culture* implies little concern for people but a high concern for performance putting the interests of the firm at the first place. However, it can generates a frustration among employees. The *integrative culture* combines high concern for people and for performance. In such environment superiors recognize the importance of each organization member because employees possess ineffable qualities helping the organization meet its performance criteria.

A *culture audit* can be conducted to identify an organization's culture. If a firm's culture rewards unethical behavior, people within the company are more likely to act unethically. A company's failure to monitor or manage its culture may foster questionable conduct.

Ethics as a component of corporate culture and interpersonal relationships within a company influence the behavior and decision-making of a person. *Differential association* refers to the idea that people learn ethical or unethical behavior while interacting with others who are part of their or other intimate personal groups. The learning process is more likely to result in unethical behavior if the individual associates primarily with persons who behave unethically.

Several research studies have found that employees, especially young managers tend to go along with their superiors' moral judgments to demonstrate loyalty. Hopefully, we have made it clear that *how* people typically make ethical decisions is not necessarily the way *should* make ethical decisions. However, a person should be able to improve his or her own ethical decision making one he or she understands the potential influence of his other interaction with others in the intimate work groups.

Opportunity describes the conditions in an organization that limit or permit ethical or unethical behavior. It results from conditions that either provide rewards, whether internal or external, or fail to put up barriers against unethical behavior.

The structure of an organization may create opportunities to engage in unethical behavior. In a *centralized organization*, decision-making authority is concentrated in the hands of top managers, and little authority is delegated to lower levels. In a decentralized organization, decision-making authority is located as far down the chain of command as possible. Centralized organizations tend to be more ethical than decentralized ones because they enforce more rigid controls on ethical practices. This control exists in a form of ethical codes and corporate policies. However, unethical conduct can occur in both types of structures.

In addition to the values and customs that represent the culture of an organization, individual groups Within the organization often adopt their own rules and values and even create subcultures. The main types of groups are formal groups and informal groups. The *formal groups* are committees, work groups, and teams. *Informal groups* often feed an informal channel of communication called the 'grapevine'. *Group norms* are standards of behavior that groups expect of their members. They help define acceptable and unacceptable behavior within a group and especially define the limits on deviating from group expectations. Sometimes group norms conflict with the values and rules prescribed by the organization's culture.

Sometimes an employee's own personal ethical standards conflict with what is expected of him or her as a member of an organization and its corporate culture. This is especially true given that an organization's ethical decisions are often resolved by committees, formal groups, and informal groups rather than by individuals. When such ethical conflict is severe, the individual may have to decide whether to leave the organization.

Unit 7. Ethical leadership

The role of a leadership in a corporate culture. Habits of strong ethical leaders. Developing an effective ethics program. Implementing and auditing ethics programs.

Leadership regards the skill or confidence to guide others toward achieving goals. It has a relevant impact on the ethical decision-making process within an organization. Leaders have the authority to motivate others and enforce both the organization's rules and policies and their own opinions. A leader must not only gain the respect of his or her followers but also provide a standard of ethical conduct. Leaders exert power to influence the behaviors and decisions of subordinates. There are five power bases from which a leader may influence ethical behavior: reward power, coercive power, legitimate power, expert power, ad referent power. Leaders also attempt to motivate subordinates; motivation is an internal force that focuses an individual's behavior toward achieving a goal. It can be created by the incentives that an organization offers employees.

Leadership styles and habits promote an organizational ethical environment. Leadership styles include coercive, authoritative, affiliative, democratic, and coaching elements.

Transactional leaders negotiate or barter with employees. *Transformational leaders* strive for a shared vision and common learning experience. *Strong ethical leaders* have a strong personal character, have a passion to do the right thing, are proactive, focus on stakeholders' interests, are role models for the organization's values, make transparent decisions, and tale a holistic view of the firm's ethical culture[Ferrell, Fraedrich and Ferrell, 2009].

Leadership style determines ethics programs that orientate employees on potential legal and ethical issues that they may face every day. To support ethical conduct, organizations introduce special programs by determining, sharing, and observing ethical values and legal requirements that characterize the firms' history, culture, industry, and operating environment. Without such programs and standards of conduct, it is difficult for employees to determine what behaviors a company recognizes acceptable.

A company must have an *effective ethics program* to ensure that employees understand its values and comply with its policies and codes of conduct. An ethics program should help reduce the possibility of deviated behavior, eventual misconduct, and consequent penalty. The United States federal courts system promotes the Federal Sentencing Guidelines for Organizations. The main objective of this script is to encourage companies to assess risk, to self-monitor and work to deter unethical acts and punish unethical employees (see Tab 7.1). Ethics programs are designed to realize organizational control systems and to create predictability in employee behavior. These control systems may have a compliance orientation or a values orientation. A *compliance orientation* create order by requiring that organization members associate with and commit to specific requested conduct. It bases upon legal terms, statutes, and contracts that teach employees the rules and the penalties for noncompliance. A *value orientation* tries to develop shared values. Although penalties are implied, the orientation focuses more on abstract ideals such as respect and responsibility. Value-based programs influence employees to develop critical reasoning in regard of ethical issues that is positively connected to personal integrity, awareness and better decision-making.

Table 7.1

Minimum requirements for Ethics and Compliance Programs

1.	Standards and procedures that are reasonably capable of detecting and preventing misconduct
2.	High-level personnel who are responsible for an ethics and compliance program
3.	No substantial discretionary authority give to individuals with a propensity for misconduct
4.	Standards and procedures communicated effectively by ethics training programs
5.	Establishment of systems to monitor, audit and report misconduct
6.	Consistent enforcement of standards, codes, and punishments
7.	Continuous improvement of the ethics and compliance program

Source: Adapted from Federal Sentencing Guidelines for Organizations, 2008.

Most companies begin the process of establishing organizational ethics programs by developing *codes of conduct*, which are formal statements that describe what an organization expects of its employees. Variations of codes of conduct include the *code of ethics* and the *statement of values*. A code of ethics must be developed as part of senior management's desire to ensure that the company complies with values, rules, and policies that support an ethical culture. Without uniform policies and standards, employees will have difficulty determining what is acceptable behavior in the company.

Having a high-level manager or committee who is responsible for an ethical compliance program can significantly enhance its administration and oversight. Such ethics officers are usually responsible for assessing the needs of and risks to be addressed in an organization-wide ethics program, developing and distributing a code of conduct or ethics, conducting training programs for employees, establishing and maintaining a confidential service to answer questions about ethical issues, making sure the company is complying with government regulation, monitoring and auditing ethical conduct, taking action on possible violations of the company's code, and reviewing and updating the code.

Successful ethics training is important in helping employees identify ethical issues and in providing them with the means to address and resolve such issues. Training can educate employees about the firm's policies and expectations, available resources, support systems, and designated ethics personnel, as well as about relevant laws and regulations and general social standards. Top executives must communicate with managers at the operations level and enforce overall ethical standards within the organization.

An effective ethics program employs a variety of resources to monitor ethical conduct and measure the program's effectiveness. Compliance with the company's ethical code and standards can be assessed through observing employees, performing internal audits and surveys, instituting reporting systems, and conducting investigations, as well as by external audits and review, as needed. Corrective action involves rewarding employees who comply with company policies and standards and punishing those who do not. Consistent enforcement and disciplinary action are necessary for a functioning ethical compliance program.

Ethical compliance can be ensured by designing activities that achieve organizational objectives, using available resources and given existing constraints. A firm's ability to plan and implement ethics business standards depends in part on its ability to structure resources and activities to achieve its ethics and objectives effectively and efficiently.

In implementing ethics and compliance programs, many firms make some *common mistakes* including failing to answer fundamental questions about the goals of such programs, not setting realistic and measurable program objectives, failing to have its senior management take ownership of the ethics program, developing program materials that do not address the needs of the average employee, transferring a national ethics program to a firm's international operations, and designing an ethics program that is little more than a series of lectures. Although an ethics program should help reduce the possibility of penalties and negative public reaction to misconduct, a company must want to be a good corporate citizen and recognize the importance of ethics to successful business activities.

An *ethics audit* is a systematic evaluation of an organization's ethics program and/or performance to determine its effectiveness. Such audits provide an opportunity to measure conformity to the firm's desired ethical standards. The concept of ethics auditing has emerged from the movement toward auditing and reporting on companies' broader social responsibility initiatives. Social auditing is the process of assessing and reporting a business's performance in fulfilling the economic, legal, ethical, and philanthropic social responsibilities expected of it by its stakeholders. An ethics audit may be conducted as a component of a social audit. Auditing is a tool that companies can employ to identify and measure their ethical commitment to stakeholders and to demonstrate their commitment to improving strategic planning, including their compliance with legal, ethical, and social responsibility standards.

The auditing process can highlight trends, improve organizational learning, and facilitate communication and working relationships. It can help companies assess the effectiveness of programs and policies, identify potential risks and liabilities, improve compliance with the law, and demonstrate progress in areas of previous noncompliance. One of the greatest benefits for businesses is improved relationships with stakeholders. A significant benefit of ethics auditing is that it may help prevent the public relations crises associated with ethical or legal misconduct. Although ethics audits provide many benefits for companies and their stakeholders, they do have the potential to create risks. In particular, the process of auditing cannot guarantee that the firm will not face challenges. Additionally, there are few common standards for judging disclosure and effectiveness or for making comparisons.

An ethics audit should be unique to each company based on its size, industry, corporate culture, identified risks, and the regulatory environment in which it operate. Ferrell, Fraedrich and Ferrell (2009) offered a framework for ethics audit.

The *first step* in conducting an audit is securing the commitment of the firm's top management and/or its board of directors. The push for an ethics audit may come directly from the board of directors in response to specific stakeholder concerns or corporate governance reforms or from top managers looking for ways to track and improve ethical performance. The audit's success hinges on the full support of top management.

The *second step* is establishing a committee or team to oversee the audit process. Ideally, a specific board of directors' committee would oversee the ethics audit. This committee will recruit an individual from within the firm or hire an outside consultant to coordinate the audit and report the results.

The *third step* is establishing the scope of the audit, which depends on the type of business, the risks faced by the firm, and available opportunities to manage ethics. This step includes defining the key subject matter or risk areas that are important to the ethics audit.

The *fourth step* should include a review of the firm's mission, values, goals, and policies. This step should include an examination of both *formal documents* that make explicit commitments with regard to ethical, legal, or social responsibility and *less-formal documents* including marketing materials, workplace policies, and ethics policies and standards for suppliers or vendors. During this step, the firm should define its ethical priorities and articulate them as a set of parameters or performance indicators that can be objectively and quantitatively assessed.

The *fifth step* is identifying the tools or methods that can be employed to measure the firm's progress and then collecting and analyzing the relevant information. During this step, a company's stakeholders need to be interviewed to understand how they perceive the company. Once these data have been collected, they should be analyzed and summarized. Analysis should include an examination of how other organizations in the industry are performing in the designated subject-matter areas.

The *sixth step* is having an independent party to verify the results of the data analysis. Verification is an independent assessment of the quality, accuracy, and completeness of a company's audit process. Such verification gives stakeholders confidence in a company's ethics audit and lends the audit report credibility and objectivity. The process of verifying the results of an audit should employ standard procedures that control the reliability and validity of the information.

The *final step* in the audit process is reporting the audit findings to the board of directors and top executives and, if approved, to external stakeholders. The report should spell out the purpose and scope of the audit, the methods used in the audit process (evidence gathering and evaluation), the role of the (preferably independent) auditor, any auditing guidelines followed by the auditor, and any reporting guidelines followed by the company.

Although the concept of auditing usually refers to an official examination of ethical performance, many organizations audit informally. The auditing may present problems, but through it, an organization can demonstrate the positive influence of ethical behavior and relative corporate initiatives on a firm's activity and consequently stakeholders' perception.

Task 1. Describe an ethical role of the leader at each stage of life cycle of the organization (locates below).

Unit 8. Implementation of the business ethics in a global economy

Business ethics in a global economy. Ethical perceptions economy. Culture and cultural relations. Multinational corporations. Universal ethics. Global ethics issues.

When entrepreneurs go global, they understand first or last that other cultures have a number of differences. It embarrasses at the first moment because the businesspeople expect a conduct that is congruent to habitudinal. Such mutual incomprehension affects all interpersonal relations immanent to the business: business meetings, negotiations, consumer understanding, operational management, etc. This idea is called the *self-reference criterion* (SRC). The SRC is the unconscious reference to one's own cultural values, experiences, and knowledge.

The global businessperson must not only understand the values, culture, and ethical standards of his or her own country but also be sensitive to those of other countries. *Culture* includes everything in our surroundings that is made by people – both tangible items and intangible concepts, including language, law, religion, politics, technology, education, social organizations, and general values and ethical standards. Each nation has a distinctive culture and different beliefs about what business activities are acceptable or unethical. *Cultural differences* that create ethical issues in international business include differences in language, body language, time perception, and religion.

When an organization need to adapt its own ethical system to global, especially in regard to questionable practices, it may refers to refer to the *cultural relativism*. According to it, morality varies from one culture to another, and business practices are defined as right or wrong by the particular culture in which they occur. As with most philosophies, cultural relativists fall along a continuum. Some people support the idea that only one culture defines ethical behavior for the whole globe, without exceptions. A cultural relativist may adjust to the ethics of a particular foreign culture. Hence, they may found themselves in conflict with their own culture's values and legal system. Fig. 8.1 shows that as business goes global, the chances of ethical contradiction enlarge. Numerous attempts have been made to establish a set of global or universal ethical standards. Although many cultures share certain values, differences surface when these values are explained from the perspective of a specific culture.

Home Country Perceptions

		Ethical	Unethical
Foreign Country Perceptions	Ethical	**Ethical**	**Ethical**
	Unethical	**Ethical**	**Unethical**

Fig. 8.1. Matrix for Global Relativists When Making Cross-Cultural Ethics Decisions. Quadrants relate to the perceived ethicalness for global relativists dong business abroad Source: [Ferrell, Fraedrich and Ferrell, 2009].

Table 8.

Major sources of ethical dilemmas in the international managers' activity

SOURCES OF ETHICAL DILEMMAS	FUNDAMENTAL ETHICAL ISSUE
Corruption	Is it ethical to make a payment to a governmental clerk providing it

	depends on succeeding in a business?
Industrial espionage	Is it ethical to use some information about the competitors' activity, obtained through methods that are at the edge of the law?
Relation with the environment	Is the organizational behavior ethical, though it has the possibility to go over the environment standards imposed by the legislation, staying competitive, is satisfied to respect them?
Relation with the employees	Is it an ethical behavior for the organization to apply different personnel policies regarding employment, promotion and remuneration of the employees on different markets where it acts?
Relation with the consumers	Is it ethical for the behavior of an organization which does not completely inform its target consumers about the features of the offered product and which has big prices for the key products in order to maintain the consumers' health and life, even though the legislation in the host country allows it?

Source: Gangone (2010)

Multinational corporations (MNCs) operate on a global scale without significant ties to any one nation or region. Because of their size and financial power, MNCs can have a serious impact on the countries where they do business, which may create ethical issues.

More precisely, the managers of the transnational corporations may respond to such demands in an ethical manner if they apply one of the following methods:

- donations in money in order to create or develop various public services (such as building hospitals or roads) for the host state, correspondingly promoted and managed, may increase the public appreciation to the organization and prevents the money disappearance in private pockets;
- donations in goods or services may be medical equipments for hospitals, computers for schools or aids for underprivileged persons and, if promoted correspondingly, may facilitate the future development of the business and they are absolutely ethical;
- donations in jobs refer to employing some persons in the host country in some projects meant to sustain the organizational activity, but also to increase their trust in it. For instance, Coca-Cola hired, in Egypt, six hundred persons to plant hundreds of acres with orange trees, recuperating the respective land from the deserted zone, and obtained thus an increase of confidence from the Egyptian community, without violating the principles of business ethics (Fadiman, 1991, pp. 34-35).

Although U.S. laws prohibit American companies from discrimination in employment, discrimination in other countries is often justified on the basis of cultural norms and values. MNCs should strive to understand the human rights issues of each country in which they conduct business.

Price discrimination creates an ethical issue and may be illegal when the practice violates the laws of the countries in which it occurs, when the market cannot be segmented or the cost of segmenting exceeds the extra revenue gained from legal price discrimination, or when price discrimination results in customer dissatisfaction. When the foreign price of a product exceeds the full costs of exporting, the ethical issue of gouging arises, Dumping occurs when companies sell products in their home markets at high prices while selling the same products in foreign markets at low prices that do not cover the HI costs of exporting. Price differentials, gouging, and dumping create ethical issues because some groups of consumers have to pay more than a fair price for products.

Bribery is an acceptable practice in many countries, but the U.S. Foreign Corrupt Practices Act (FCPA) prohibits American businesses from offering or providing payments to officials of foreign governments to obtain or retain business. The Omnibus Trade and Competitiveness Act reduced the force of the FCPA and has made the prosecution and applicability of the FCPA in global business settings nonthreatening.

Globally, companies have begun working together to minimize the negative effects of *pollution* and support environmental responsibility. Joint agreements and international cooperatives have successfully policed and prosecuted offenders of reasonable emission standards.

Advances in telecommunications have intensified such ethical issues as *privacy protection*, fraud, and patent, copyright, and trademark infringement. They have also made it easier to carry out questionable financial activities, notably *money laundering*, which involves transferring illegally received money or using it in financial transactions in order to conceal the source or ownership or to facilitate an illegal activity.

Intellectual property refers to the ideas and creative materials that individuals develop to solve problems, to carry out applications, and to educate or entertain others. It is generally protected through patents, copyrights, and trademarks.

World entities such as the World Trade Organization are in the process of redefining themselves in relation to the new global environment. Ethics in the twenty-first century has taken on a new importance and is seen as critical to the economic sustainability of corporations and countries, and international entities that do not recognize this new reality face global scrutiny.

Task 1.

Describe culture of your country with use of criteria of R. D. Lewis (locates below).

Task-oriented (linear active) culture	**People-oriented (multi-active) culture**	**Respect-oriented (reactive) culture**
Punctuality	Not punctuality	Punctuality
Systematic planning of the future	Planning in general	General principles of existence
Performance only of one action at once time	Performance of several actions at once time	Both options
Preference to receive an information for decision-making from official sources	Preference to obtain information for decision-making orally, informally	Preference to obtain information for decision-making from reliable sources
The preference to work with competent colleagues	The preference to work with relatives	The preference to work with reliable people
Introversion	Extraversion	Introversion
Moderate use of language of a body in communication	Active use of language of a body in communication	Very small use of language of a body in communication

Average verbal activity	High verbal activity	Low verbal activity, good listener

Draw a conclusion on culture of your country: task-oriented (linear active) culture, people-oriented (multi-active) culture, respect-oriented (reactive) culture.

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Мария Юрьевна **Хазан**

Мария Лавровна **Горбунова**

ДЕЛОВАЯ ЭТИКА

Учебно-методическое пособие,

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603950, Нижний Новгород, пр. Гагарина, 23.