Opening Profile: Primark's Moral Maze

UK clothing Co.

- Indian suppliers found to be using child labor 2008
- enough just to fire the suppliers?
- punishing the whistle-blower?
- LDC: children often can be breadwinner
The Social Responsibility of MNC's

CSR \rightarrow \text{dilemma}

\underline{U.S.} 
profits and
\underline{stockholder accountability}

\underline{Europe} 
anticipate and
solve broader
social problems

profitability \rightarrow \text{can you remain competitive if you expand on this notion of CSR}
MNC Stakeholders

- Home Country
  - Shareholders - owners
  - Customers
  - Employees
  - Unions

- Host Country
  - Employees
  - Host Government
  - Community
  - Local suppliers/distributors

2 extremes of CSR: profits vs. problem solving
- Positive impacts: providing managerial training, new technology, creating jobs, investment capital, improving infrastructure such as power generation, roads

- Problem solving
Negative effects of MNCs in the context of CSR

- poverty (living wage, child labor, length work week)
- environmental damage
  - competition for natural resources
- general concern over host-country's welfare
Global Consensus or Regional Variation?

- **Global Corporate Culture:**
  - An integration of the business environment in which firms operate
  - Results from the dissolution of traditional boundaries between the MNC and countries

U.S. → follow basic business obligations
  - Doing business right

Europe → serve broader social aims such as worker welfare and environmental sustainability
Dealing with Confusion About Cross-Cultural Dilemmas
that are created by MNC

Engage stakeholders in a dialogue
Establish principles and procedures to deal with difficult issues regarding
- labor Standards
- human rights
- environmental issues

Adjust reward systems to reflect the company's CSR
General Guidelines for Code of Morality and Ethics in Individual Countries

Moral Universalism

Need to develop a moral standard that is accepted by all cultures.

Unlikely that a universal code of ethics exists.

Ethnocentric Approach

Applying the morality used in home country, regardless of the host country's system of ethics.

Ethical Relativism

Adopting the local moral code of whatever country in which firm is operating, e.g., China.
International Codes of Conduct

1. The Anti-Sweatshop Code of Conduct: Bill Clinton's tenure
   - Department of Labor publishes a list of Co's that comply such as Nike, Walmart
   - bans forced labor, abuse, discrimination, requires a minimum wage

2. The Electronic Industry Code of Conduct (EICC)
   - Hewlett-Packard, Dell, IBM, Intel
   - bans forced & child labor, forced overtime
   - requires certain environmental

3. Social Accountability 8000 (SA 8000)
   - Avon, Toys "R" Us
   - no child labor
   - unionization rights
   - 48/hr workweek maximum
   - living wage
Comparative Management in Focus: Doing Business in China

- The attraction of doing business in China:
  - cheap labor
  - large & growing market
  - world's third largest manufacturer

1. U.S.
2. Japan
3. China
## Comparative Management in Focus: Doing Business in China

### Human Rights and Freedom of Information Challenges

- Reporters Without Borders ranked China 159/167 countries
- Press freedom
- Workers' rights (factory conditions)
- Human rights
- Intellectual property protections

2006: Reporters jailed; publications shut down

### Human Rights and Freedom of Information Issues in China

- **Examples**
  - Nike—violations of workers' rights
    - Forced overtime
    - Child labor
  - Yahoo, Google, Microsoft accused Amnesty International
International Business Ethics:
The business conduct or morals of MNCs
in their relationships with individuals
or entities

- ethics vary by region, culture

Should managers of MNC subsidiaries
adhere to home or host country
ethical standards?
A Moral Philosophy of Cross-Cultural Societal Ethics

EXHIBIT 2-4  A Moral Philosophy of Cross-Cultural Societal Ethics

Macро-level Moderators:
- Natural resources
- GDP per capita
- Form of government
- Political stability

Economic Ideology:
- Capitalism versus Socialism

Culture:
- Western versus Eastern

Societal Moderators:
- Language
- Religion
- Historic traditions

Dominant Moral Philosophy

Ethical or Unethical Societal Norms

Individual Behavior

Firm Specific Moderators:
- Corporate culture
- Policies
- Profit motive

# Global Corruption Barometer:

2009 Corruption Perception Index (CPI)—Selected Ranks

*Source: Selected data from the TI Corruption Perception Index, 2009*

## Top 20—Least Corrupt

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
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<tbody>
<tr>
<td>1</td>
<td>New Zealand</td>
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<tr>
<td>2</td>
<td>Denmark</td>
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<tr>
<td>3</td>
<td>Singapore</td>
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<td>4</td>
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<td>12</td>
<td>Luxembourg</td>
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<tr>
<td>14</td>
<td>Germany</td>
</tr>
</tbody>
</table>

## Bottom 20—Most Corrupt

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
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<tbody>
<tr>
<td>158</td>
<td>Tajikistan</td>
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<tr>
<td>162</td>
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<td>Congo Brazzaville</td>
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<td>168</td>
<td>Haiti</td>
</tr>
<tr>
<td>168</td>
<td>Iran</td>
</tr>
</tbody>
</table>
To Bribe or NOT to Bribe?

Questionable Payments

- payments that raise ethical questions
- bribery is officially prohibited by all countries
- political payments, extortion, bribes, sales commissions
  "grease money"

Actual examples
- mail delivery in Mexico
- William Norris, CEO of Control Data Corporation
- Olympic Committee: members of IOC
  2002 Olympics

How much should a manager adhere to his/her own ethical standards?
Managing the Corruption

U.S. Law: Foreign Corrupt Practices Act of 1977 (FCPA) prohibits U.S. companies from making illegal payments, gifts or political contributions to foreign government officials for the purpose of influencing them in business transactions.

Goal: stop U.S. companies from contributing to corruption and to improve U.S. image abroad.

Critics → ethnocentric puts U.S. firms at competitive disadvantage tries to impose U.S. values on others.

Three Tests of Ethical Corporate Actions

Is it legal?

Does it work in the long run?

Can it be talked about?
The Process for Companies to Combat Corruption and to Minimize the Risk of Prosecution

1. Having a global compliance system that shows employees have understood and signed off on the legal obligations regarding bribery should be country-specific.

2. Make employees aware of the penalties of lone actors, e.g., criminal sanctions.

3. Have a system in place to investigate foreign agents and overseas partners who negotiate for your firm.

4. Whistle-blowing system in place.