

Lesson Notes: Ethical Issues in International Business

When companies do business across borders, they face various ethical challenges. These challenges can affect different groups, including **consumers, stockholders, employees, the host country, and society** at large. Understanding these ethical issues is crucial for businesses to operate responsibly and sustainably on a global scale.

1. Consumers

- **Safety:** Companies must ensure their products meet safety standards everywhere they sell. This involves not compromising on product quality to reduce costs.
- **Fair Pricing:** Charging fair prices and not exploiting consumers in different markets is essential.
- **Disclosure:** Being honest about product ingredients, sourcing, and manufacturing processes.

Example

- **Safety:** Toyota's recall of millions of cars due to safety issues, such as faulty airbags and accelerators, underscores the importance of product safety in maintaining consumer trust.
- **Disclosure:** Volkswagen's emissions scandal, where they admitted to cheating on emissions tests, highlights the need for honest disclosure to consumers.

2. Stockholders

- **Fair Return:** Ensuring investments are managed ethically and provide a fair return.
- **Controlled Risk:** Avoiding unethical practices that might offer short-term gains but pose long-term risks to the investors.

Example

- **Fair Return:** The Enron scandal, where fraudulent accounting practices led to the company's collapse, affected countless stockholders who lost their investments.
- **Controlled Risk:** The financial crisis of 2008 was partly caused by banks taking excessive risks without adequate disclosure to their investors, leading to massive financial losses.

3. Employees

- **Fair Wages:** Paying employees a fair wage for their labor, regardless of the local minimum wage, to ensure a decent standard of living.
- **Good Working Conditions:** Providing safe and healthy working conditions.
- **Outsourcing:** Ethically managing outsourcing practices to not exploit labor in countries with less stringent labor laws.
- **Child Labour:** Strictly prohibiting the use of child labor and ensuring suppliers and partners do the same.

Example

- **Fair Wages:** The controversy around the garment industry in Bangladesh, where workers are often paid minimal wages, has led to global discussions about fair compensation.
- **Good Working Conditions:** Foxconn, a major supplier for Apple, faced scrutiny after reports of poor working conditions and worker suicides, prompting calls for better labor practices.
- **Outsourcing:** Nike has been criticized in the past for outsourcing labor to countries with questionable working conditions, although it has made significant efforts to improve its practices.
- **Child Labour:** Chocolate industry giants like Nestlé, Mars, and Hershey have been criticized for their supply chains' links to child labor in cocoa farms in West Africa.

4. The Host Country

- **Local Economy:** Supporting the local economy without undermining local businesses.
- **Respect for Local Laws and Culture:** Adhering to local laws and respecting cultural norms and values.

- **Cultural Preservation:** Avoiding practices that could harm local cultures or traditions.

Example

- **Local Economy:** When Walmart enters a new market, local small businesses often struggle to compete with its low prices, sometimes resulting in the closure of local stores.
- **Respect for Local Laws and Culture:** Google and Facebook have faced challenges in countries like China and Russia, where government demands for censorship conflict with their policies on free expression.
- **Cultural Preservation:** Starbucks faced backlash for opening a store in the Forbidden City in Beijing, leading to a debate about cultural preservation and commercialization.

5. Society

- **Sustainability of Development:** Implementing business practices that are not only profitable but also sustainable, ensuring environmental preservation.
- **Combating Corruption:** Engaging in transparent practices and fighting corruption in all its forms.

Example

- **Sustainability of Development:** Unilever's Sustainable Living Plan aims to decouple its growth from environmental impact, showcasing a commitment to sustainable business practices.
- **Combating Corruption:** Siemens AG faced one of the largest corporate bribery cases in history, leading to significant fines and a complete overhaul of its compliance systems to combat corruption.

Key Takeaway

For companies operating internationally, navigating these ethical issues requires a careful balance between achieving business goals and maintaining ethical integrity.

Companies must develop strategies that respect the rights and dignity of all

stakeholders involved, from local employees and communities to global consumers and investors. By addressing these ethical concerns proactively, companies can build a sustainable and responsible international business model that contributes positively to global society.