

Chapter 21

A Socio–Economic Model for Developing Ethics Code in a Multicultural Environment

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ABSTRACT

As more and more business organizations assume global posture, the issue of what constitutes an ethical or unethical business conduct on the part of corporations and corporate officers has become a subject of intense debate without a generally accepted conclusion. This chapter proposes a socio-economic model for developing an ethics code of conduct in a global business environment. It considers the interaction between an organizational culture, leadership, and host country's national culture and sub-cultures, political system, and individual factors. It discusses the benefit and implications of such an integrative approach to ethical decision making.

INTRODUCTION

The increasing number of questionable business conducts uncovered in some of the most trusted corporate giants such as JP Morgan (2014); Enron (2006), Tyco in the United States among many others, has reawakened the quest for a universally accepted standard of ethical business behavior. And as more and more business organizations expand globally, the quest for a generally accepted standard of ethical business behavior or conduct assumes greater attention and urgency

(Mahdavi, 2001). This quest began most notably in the 1960's and culminated in the passage of the Foreign Corrupt Practices Act (FCPA) in 1977, and Sarbanes Oxley law in 2002. Like any problem of this magnitude, many explanations are offered to explain the plethora of ethical violations. Some blame it on a society that is losing its grip on its values. Cheavning (1984) blames it on a society that is suffering from the ravages of a metaphysical cancer, a psychological rejection mechanism that questions the possibility of any one being able to know right and wrong in absolute terms. This

DOI: 10.4018/978-1-4666-9624-2.ch021

in turn, he reasons, destroys a culture's ability to develop a consensus on matters of right and wrong, leading to ethical schizophrenia, many ethical faces. Others blame it on an increased pressure to gain competitive advantage in a fiercely competitive global business environment. Yet others blame it on lack of consensus in the business community on what is generally considered a globally accepted standard of ethical business conduct. However, as more companies assume global posture, there is an increasing demand for a uniform or generally accepted standard of ethical conduct across cultures.

To this end, some argue in favor of a universal standard of ethical decision-making and conduct (*deontological approach*), while others favor a relative and more subjective approach (*teleological*) that recognizes moderating circumstances such as varying society's values, severity of consequence and cultural tolerance or influence - situational approach. This approach is anchored on the principle of moral relativism and principlism. Under moral relativism, the standards of what is right and wrong are relative to different individual and cultures (Donaldson, 1996; Frederick, 2002). Yet others argue for a virtue-based approach based on an individual judgment about what is virtuous in any given circumstance. To many, this seems to be a more realistic approach to ethical decision making, especially for business organizations that operate across nations and cultures. Even in this approach, there is considerable evidence that an individual's standard of ethical judgment (what is right or wrong, acceptable or unacceptable, ethical or unethical) is influenced by cultural heritage and norms, religion beliefs, professional code of ethics and others (Hunt & Vitell, 1986, 1992; Laczniak, 1993). Additionally, an individual's behavior is influenced by factors such as genetic inheritance (Wilson, 1978), religion (Harris, 1981), cultural experience and philosophical systems (Steiner, 1988).

This chapter is an attempt to profile philosophical views of the subject of ethics in general and emerging perspective on business ethics with emphasis on factors that moderate ethical judgment and decisions in a multi-cultural society, especially, of developing nations. The model is anchored on the twin principles of moral relativism and principlism. Under moral and cultural relativism, the standard of what is right and wrong are relative to different cultural norms, religious beliefs and values. In principlism, standards of what is right and wrong, acceptable or unacceptable are influenced by various sources, therefore are complex and no simple solution is often possible. It is hoped that such a model could inform an organization's effort to develop and ethics code that takes into consideration the reality of the global business environment – an extension of Trevino model (1986).

LITERATURE

Ethics is defined as a theory of morality which attempts to systematize moral judgment, establish, and defend basic moral principles (DeGeorge, 1982). Business ethics, according to Valasquez (1982), concentrated on how moral standards are particularly applied to business policies, institutions and behavior. It questions, not only the end results (objectives) but also the means (strategies) by which the objectives are accomplished. Business ethics, therefore, extend beyond what is legal or illegal to what is right or wrong, just or unjust, fair or unfair, acceptable and unacceptable business conduct.

PHILOSOPHICAL VIEWS

Four basic theories have been frequently used to explain the concept or subject of ethics and

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