

## Chapter 8

# Managing Business Ethics in a Global Environment: The Impact of Cultural Diversities

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### **ABSTRACT**

*The aim of this chapter is to explore the how international players, acting at global level, may overcome a “moral gap” when it arises. In doing this, the linkage between culture and Business Ethics was examined in order to highlight the way values and beliefs differently affect a) the assumption about what is right or wrong, b) the individual/organizational moral reasoning, and c) the consistency between individual/organizational behaviour and the moral standards that prevail in a given context. Relevant issues were investigated referring to all the levels – individual, corporate and systemic – within which a “moral gap” may arise. Accordingly, “Bridging” diversities was identified as a good solution to solve a “moral gap” at all the mentioned levels. Cross-cultural sensitivity and cross-cultural negotiation were finally claimed as necessary to look for a trade-off between universal norms and local particularism, as well as to finally identify new common standards respectful of the opposite positions.*

### **INTRODUCTION**

Both globalization and the growing of international competition have affected the complexity of academic inquiry about Business Ethic and firms’ Social Responsibility. The interest of academics for the underlined subjects is, particularly, supported by the wide range of studies actually available about the topic.

In spite of this, further researches seem to be still necessary, mainly because of the complexity of the issues and the establishment of a wider global competitive environment.

The field of Business Ethic deals with questions about whether specific business practices are acceptable. It mainly relates to rules, standards, and moral principles regarding what is right or wrong in

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specific situations (Ferrell and Fraedrich, 2015; De George, 1993). It also means that Business Ethics comprises the principles, values, and standards that guide both individual and organizational behavior in the world of business.

Many Scholars (Ferrell and Fraedrich, 2015; Alas et al., 2015; Donaldson and Dunfee, 1999, 1994; Robertson, 2002; De George, 1993) recognize the deep linkage between culture and the establishment of the mentioned (moral) standards, as well as between culture and individual/organizational ethical behavior (Vitell et al., 2013; Husted, 2000; Cohen et al., 1996; Wines and Napier, 1992).

Particularly, culture may influence Business Ethic, by

1. Shaping the assumption about what is right or wrong;
2. Influencing the individuals' moral reasoning (even within organizations) and, finally, by
3. Affecting the consistency between individual/organizational behavior and the moral standards that prevail in a given context.

Due to the globalization of markets and production processes, an increasing number of individual players and business organizations deals with ethical issues in cross-cultural settings.

Since countries differ in their cultures, socio-economic, political, and legal systems, as well as in their level of economic development, international players have to deal with ethical issues much more than before: they are exposed to different values and ethical norms, and are often criticized for their ethical misconduct (Armstrong et al., 1990).

When acting at global level, therefore, international players (be them individuals or organizations) keep in contact with different cultural contexts: from a cultural perspective, host contexts may be very different from the domestic ones. In such circumstances, moral standards may also differ, and a so-called "moral gap" may arise.

The above situations pose deep challenges for both individuals and organizations: every time a "moral gap" establishes, international players are claimed to manage it in order to avoid the negative consequences of national or international boycott initiatives and the failure of the whole business, at least. In order to prevent failures, organizations should identify the set of rules to respect in each situations, as well as what may be do or not in the undertaking business. In doing this, they need to get a deep knowledge of local culture, as well as of the way culture shapes the local "moral free space" (Donaldson and Dunfee, 1999).

According to the above considerations, the traditional approach to Business Ethic may be extended by the theoretical contributions coming out from Cross-Cultural Management studies, in order to widen the actual understanding about the way Business Ethic may be managed in a global environment.

Depending on the above consideration, the chapter aims to explain:

1. How cultural diversities may affect the establishment of moral standards, as well the hierarchy of values that prevail in given societies;
2. How international players (acting in a global environment) define the set of standards they choose to respect in each situation;
3. How international players may manage a moral gap when it arises.

The chapter is organized as follow: the next section proposes a literary review about the principles and the theories belonging to the field of *Business Ethics*, focusing on individual, organizational (Corporate Social Responsibility) and systemic level. A discussion about the linkage between culture and ethic is

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