

# Chapter 1

## Globalization and International Labor Standards, Codes of Conduct, and Ethics: An International HRM Perspective

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### ABSTRACT

*The scope of globalization continues to expand. More and more firms, large and small, from large countries and small countries, from developed countries and emerging economies, private and public, independent, multinational, and transnational, participate in global commerce. Yet the conduct of business across international borders continues to be difficult, complicated, and complex. Every country has its unique history, language(s), legal and business system, and culture that require learning and adaptations to facilitate cross-border business activity. And every function of every business that conducts cross-border business has to learn about their foreign partners enough to achieve this necessary adaptation. This chapter provides an overview of concerns about international business ethics, particularly as they relate to International HRM (IHRM). International ethics looks at what is right and wrong in business conduct across borders and the impact of cultural (country and company) variances on ethical conduct of MNEs. Because MNE ethics, particularly issues which relate directly to employee relations, are often relegated to the responsibility of IHR, the primary focus in this chapter is on the impact of ethics on global HR practices.*

### INTRODUCTION

The scope of globalization continues to expand. More and more firms, large and small, from every country, private and public, independent, multinational, and transnational, participate in global

commerce. Yet the conduct of business across international borders continues to be difficult and complex. National and international legal systems and country cultures have not evolved to accommodate this expanded and expanding cross-border commerce. Every country has a unique history, language(s), legal and business

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systems, and cultures and traditions that require learning and adaptation in order to facilitate and take advantage of the new globalization. As a consequence, new, transnational standards and codes of conduct are being developed to fill the void that now exists in cross-border regulations and ethical standards (Tsogas, 2009). The focus of this chapter is on these new forms of transnational labor standards, particularly as they apply to International Human Resource Management. The approach is one of focus on practice, i.e., what has happened and what is currently happening, as opposed to presenting a theoretical model and/or empirical research on these issues.

One of the most important decisions which globalizing businesses have to make, today, is not only whether or not to invest in another country—but also which country or countries in which to do business (Webley, 1998). But, even though firms that “go international” can employ lawyers and consultancies to help them cope with local (foreign) differences, it is not always easy to know how to behave or how to conduct business in an ethical manner in an unfamiliar culture or across many unfamiliar cultures (see, for example, Carroll & Gannon, 1997; Digh, 1997; Donaldson, 1996; Kumar & Steinmann, 1998; Sethi & Sama, 1998). Indeed, even the definition of “ethical manner” is often unclear or varies from country to country.

The conduct of international business increasingly involves concerns about the values and practices—the ethics—of multinational enterprises (MNEs) when they conduct business outside their countries of origin (Capron & Guillén, 2009; Carroll & Gannon, 1997; Daniels, et al., 2002; Desai & Rittenburg, 1997; Parker, 2005; Vance and Paik, 2006). Even the best-informed, best-intentioned executives must often rethink their assumptions about business practice in foreign settings. What works in an enterprise’s home country is often viewed very differently in a country with different standards or perceptions of what is ethical conduct (Briscoe, 2000, 2002, 2003; Briscoe, et al., 2009; Donaldson, 1996). Evidence even

suggests that not only is there variance among countries and cultures, but even among different industries (Schlegelmilch & Robertsson, 1995). Often one’s national perspective clouds one’s view of another country or culture’s way of doing things. Difficulties in understanding and working with another country’s often very different practices are unavoidable for business people who work and/or live outside their home countries. But deciding what is right or wrong can be difficult.

This chapter focuses on these ethics concerns as they relate to Human Resource Management (HRM); or, since this chapter deals with HRM in the global context, it deals with ethical issues for International HRM (IHRM). Indeed, one could argue that IHRM is possibly the most important business function in achieving successful and profitable (and ethical) international business (Briscoe, et al., 2009; Perkins & Shortland, 2006). And therefore, problems and concerns with global ethics often center on issues of International HR.

International governing bodies, non-governmental organizations (NGOs), labor organizations, investigative journalists, and special interest groups increasingly raise questions about the “ethical” nature of the business practices of MNEs, often particularly as they relate to employment-related practices. As businesses look outside their country borders for business opportunities, they claim many benefits for themselves and the countries in which they conduct business. Yet those who are opposed to globalization often charge these firms with worker exploitation and the increasing of inequities in the countries in which they do business, particularly in less developed countries. Because of this, concern—and confusion—about business rules and ethics, the focus on HR policies and practices has intensified.

Even if there is relative agreement on basic human values and ethical principles around the world (for example, refer to the UN Universal Declaration of Human Rights), clearly there is considerable variance in what might be referred to as the ethical climate within different countries

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