

## 1.7: Ethics and International Business

### Learning Objectives

1. Learn about the field of ethics.
2. Gain a general understanding of business ethics.
3. See why business ethics might be more challenging in international settings.

### A Framework for Ethical Decision Making

The relationship between ethics and international business is a deep, natural one. Definitions of ethics and ethical behavior seem to have strong historical and cultural roots that vary by country and region. The field of **ethics** is a branch of philosophy that seeks virtue. Ethics deals with morality about what is considered “right” and “wrong” behavior for people in various situations. While business ethics emerged as a field in the 1970s, *international* business ethics didn’t arise until the late 1990s. Initially, it looked back on the international developments of the late 1970s and 1980s, such as the Bhopol disaster in India or the infant milk-formula debate in Africa. Georges Enderle, ed., *International Business Ethics: Challenges and Approaches* (Notre Dame, IN: University of Notre Dame Press, 1999), 1. Today, those who are interested in international **business ethics** and ethical behavior examine various kinds of business activities and ask, “Is the business conduct ethically right or wrong?”

While ethical decision making is tricky stuff, particularly regarding international business issues, it helps if you start with a specific decision-making framework, such as the one summarized from the Markkula Center for Applied Ethics at Santa Clara University. “A Framework for Thinking Ethically,” Markkula Center for Applied Ethics, Santa Clara University, last modified May 2009, accessed January 26, 2010, <http://www.scu.edu/ethics/practicing/decision/framework.html>.

1. **Is it an ethical issue?** Being ethical doesn’t always mean following the law. And just because something is possible, doesn’t mean it’s ethical—hence the global debates about biotechnology advances, such as cloning. Also, ethics and religion don’t always concur. This is perhaps the trickiest stage in ethical decision making; sometimes the subtleties of the issue are above and beyond our knowledge and experience. Listen to your instincts—if it feels uncomfortable making the decision on your own, get others involved and use their collective knowledge and experience to make a more considered decision.
2. **Get the facts.** What do you know and, just as important, what don’t you know? Who are the people affected by your decision? Have they been consulted? What are your options? Have you reviewed your options with someone you respect?
3. **Evaluate alternative actions.** There are different ethical approaches that may help you make the most ethical decision. For example, here are five approaches you can consider:
  1. **Utilitarian approach.** Which action results in the most good and least harm?
  2. **Rights-based approach.** Which action respects the rights of everyone involved?
  3. **Fairness or justice approach.** Which action treats people fairly?
  4. **Common good approach.** Which action contributes most to the quality of life of the people affected?
  5. **Virtue approach.** Which action embodies the character strengths you value?
4. **Test your decision.** Could you comfortably explain your decision to your mother? To a man on the street? On television? If not, you may have to rethink your decision before you take action.
5. **Just do it—but what did you learn?** Once you’ve made the decision, implement it. Then set a date to review your decision and make adjustments if necessary. Often decisions are made with the best information on hand at the time, but things change and your decision making needs to be flexible enough to change too. Even a complete about-face may be the most appropriate action later on.

### Ethics in Action

You might know that almost 60 percent of the soccer balls in the world are made in the city of Sialkot, Pakistan. Historically, these balls were hand-stitched in peoples’ homes, often using child labor. During the 1996 European Championships, the media brought attention to the 7,000 seven- to fourteen-year-old children working full time stitching balls. NGOs (nongovernmental organizations) and industry groups stepped up to take action. “Child Labour Case Study,” The Global Compact, accessed November 12, 2010, [human-rights.unglobalcompact.org/case\\_studies/child-labour/child\\_labour/combating\\_child\\_labour\\_in\\_football\\_production.html](http://human-rights.unglobalcompact.org/case_studies/child-labour/child_labour/combating_child_labour_in_football_production.html). UNICEF, the World Federation of the Sporting Goods Industry, the International Labour Organization (ILO), and the Sialkot Chamber of Commerce signed the Atlanta Agreement to eliminate the use of child labor in Pakistan’s soccer ball industry. “Atlanta Agreement,” Independent Monitoring Association for

Child Labor, accessed November 12, 2010, <http://www.imacpak.org/atlanta.htm>. The Atlanta Agreement got ball production out of the home and into stitching centers, which could be monitored more easily. This also led to the centralization of production in approved “stitching centers.” On the one hand, the centers made it easier for the Independent Monitoring Association for Child Labor (IMAC)—an NGO created to watch over the Atlanta Agreement—to make sure no child labor was used. On the other hand, the centralization sometimes forced workers to commute farther to get to work. As a result, child labor has to a large extent disappeared from this sector. “Child Labour Eliminated in Manufacturing Soccer Balls,” *The Nation*, April 19, 2010, accessed November 12, 2010, [www.nation.com.pk/pakistan-news-newspaper-daily-english-online/Business/18-Apr-2010/Child-labour-eliminated-in-manufacturing-soccer-balls](http://www.nation.com.pk/pakistan-news-newspaper-daily-english-online/Business/18-Apr-2010/Child-labour-eliminated-in-manufacturing-soccer-balls). Moreover, global fair-trade companies, such as GEPA, have set up village-based stitching centers that solely employ women. GEPA website, accessed January 20, 2010, [www.gepa.de/p/index.php/mID/1/lan/en](http://www.gepa.de/p/index.php/mID/1/lan/en). Custom and religion prohibit women from working with men in Pakistan, and the women-only soccer ball stitching centers give them an opportunity to have a job and improve their families’ incomes.

## What Ethics Is Not

Two of the biggest challenges to identifying ethical standards relate to questions about what the standards should be based on and how we apply those standards in specific situations. Experts on ethics agree that the identification of ethical standards can be very difficult, but they *have* reached some agreement on what ethics is *not*. At the same time, these areas of agreement suggest why it may be challenging to obtain consensus across countries and regions as to “what is ethical?” Let’s look at this five-point excerpt from the Markkula Center for Applied Ethics at Santa Clara University about what ethics is not:

Ethics is not the same as feelings. Feelings provide important information for our ethical choices. Some people have highly developed habits that make them feel bad when they do something wrong, but many people feel good even though they are doing something wrong. And often our feelings will tell us it is uncomfortable to do the right thing if it is hard.

Ethics is not religion. Many people are not religious, but ethics applies to everyone. Most religions do advocate high ethical standards but sometimes do not address all the types of problems we face.

Ethics is not following the law. A good system of law does incorporate many ethical standards, but law can deviate from what is ethical. Law can become ethically corrupt, as some totalitarian regimes have made it. Law can be a function of power alone and designed to serve the interests of narrow groups. Law may have a difficult time designing or enforcing standards in some important areas, and may be slow to address new problems.

Ethics is not following culturally accepted norms. Some cultures are quite ethical, but others become corrupt—or blind to certain ethical concerns (as the United States was to slavery before the Civil War). “When in Rome, do as the Romans do” is not a satisfactory ethical standard.

Ethics is not science. Social and natural science can provide important data to help us make better ethical choices. But science alone does not tell us what we ought to do. Science may provide an explanation for what humans are like. But ethics provides reasons for how humans ought to act. And just because something is scientifically or technologically possible, it may not be ethical to do it. “A Framework for Thinking Ethically,” Markkula Center for Applied Ethics, Santa Clara University, last modified May 2009, accessed January 26, 2010, <http://www.scu.edu/ethics/practicing/decision/framework.html>.

## KEY TAKEAWAYS

- The subject of ethics is important in almost any context—be it medicine, science, law, or business. You learned a framework for ethical decision making as well as some opinions on what ethics is not.
- Many would argue that international business ethics can have a strong foundation in national culture. Some argue that ethics shouldn’t follow culturally accepted norms. However, business managers should have a good understanding of which norms their ethical standards are based on and why and how they believe they should apply in other national contexts.

## EXERCISES

(AACSB: Reflective Thinking, Analytical Skills)

1. To what does the term *business ethics* refer?
2. What are the five steps in the ethical decision-making framework?
3. What five areas have experts agreed are not ethics?

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