

8.10: Ethical Issues in the Global Marketplace

Learning Objectives

By the end of this section, you will be able to

- Identify ethical issues facing global organizations.
- Provide an example of a company that displays ethics in the global marketplace.

Identifying Ethical Issues in the Marketplace

As with all business decisions, there are ethical matters to consider when entering the global marketplace.

Outsourcing

Outsourcing refers to a business moving some of its operations to a foreign country to save money and time or to increase volume and quality. WhatsApp, an encrypted communication app owned by Meta Platforms (formerly Facebook), has been used globally for several years. Based out of California, the company realized it would have difficulty growing if it did not outsource. In 2012, the company began utilizing Russian companies for a small fraction of what it would have had to pay within the United States (NIX United, 2020). While outsourcing has its advantages, many will argue that outsourcing eliminates jobs in the home country.

Work Standards and Conditions

Unlike most developed countries, those countries that are still developing often have much lower standards for working conditions. This has been a topic of hot debate for many years in the United States and around the world as companies have moved some or all of their operations to countries with lower standards. In Xinjiang, China, more than half a million people from ethnic minority groups are forced to pick cotton for the fashion industry (Davidson, 2020). Well-known companies such as Nike, Apple, and Levi's have come under the same scrutiny in more recent years. Although cheaper production costs provide the company with more profits, more often than not, lower standards, working conditions, and otherwise unethical behavior put them under a microscope. Alternately, many companies and experts argue that even the worst working conditions have a positive impact on developing nations (Blattman & Dercon, 2017).

Workplace Diversity and Equal Opportunity

In recent decades, many countries have passed regulations to include and promote diversity in the workplace (Collins, 2020). However, in other countries, diversity and equal opportunity remain human rights issues. A diverse workforce has numerous benefits, particularly for companies expanding globally. Companies committed to diversity have increased chances of success in the global market; diversity often breeds an increase in ideas and cultural intelligence and creates a more agile workforce (Yazdi, 2017).

Additionally, marketers must also be considerate of diversity in their marketing strategies. Alienating underrepresented groups of people within a target market might not only cost sales but also backfire in terms of representation. Procter & Gamble has utilized its many marketing platforms to not only include diversity but also to shed light on societal struggles of people of many racial identities in its target markets. The company has also extended diversity into its hiring practices to “mirror the U.S. population” (Oakenfull, 2021)

Child Labor

Most Americans see the use of child labor as unethical. The United Nations (UN) has implemented many treaties that establish human rights for children within member nations (GoodWeave, 2024). However, each country has its own standards for child labor and the minimum age at which a child can work.

Bribery and Corruption

Bribery and corruption may seem like a thing from the past, but in fact, both are still quite prevalent in both developed and developing nations. Nearly all countries have laws against bribery and corruption, but in many politically unstable areas, doing business means bribing officials. When a company expands into international markets, the managers and marketers must decide to what degree they are willing to participate in practices otherwise deemed illegal or unethical in the home country. The Foreign Corrupt Practices Act of 1977 “was enacted for the purpose of making it unlawful for certain classes of persons and entities to make payments to foreign government officials to assist in obtaining or retaining business” (Fraud Section, 2023).

Dumping is a practice in which a company manufactures a very large number of goods and exports them to a foreign market, and the product is offered at an extremely low price to the consumer market. This often drives out all competition in the market. Once competition is driven out, the company then raises the price of the product, essentially creating a monopoly on the product. The United States and other countries have laws strictly prohibiting the practice of dumping, and many impose fines against those companies attempting to practice dumping.

Link to Learning: Free and Fair Trade

As a marketer, it's important to be aware of ethical practices. Learn more about the United States [Department of Commerce](#) and how it promotes free and fair trade.

Companies with a Conscience: Kao Corporation



Figure 8.7 Global companies are also interested in ethical business practices; for example, Kao, a Tokyo-based company, and Costco, a US-based company, partnered to develop foldable containers for repeated product use. (credit: “Costco-Ribboncutting-21” by Baltimore County Government/flickr, Public Domain)

Founded in 1887 in Tokyo, Japan, Kao is a “16-time Ethisphere World’s Most Ethical Companies honoree and [it has] been honored every year since Ethisphere started recognizing companies” (Ethisphere, 2023). The company’s strategies aim for zero waste when producing its cleaning and health and beauty products. Using leftover materials, Kao developed Bio IOS, a sustainable ingredient in its cleaning products. Its product development process encourages consumers to use refill packs to reduce waste (Gemeš, 2024).

In 2022, Kao and Costco teamed up to begin testing foldable containers that allow for repeated use as packing materials in a Kanagawa Prefecture Costco warehouse (see Figure 8.7) (Koa, 2022). [To read more about this initiative and to see the packaging, visit the Kao website.](#)

The company plans to expand these reusable packing materials into other warehouses and hopefully further into the industry. Kao prides itself on the innovation of societal and environmentally friendly products as well as practicing gender equality and universal product design (Gemeš, 2024).

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