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# Ethics in a Global Society (Chapter 12 of Organizational Ethics: A Practical Approach

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## ETHICS IN A GLOBAL SOCIETY

### Chapter Preview

The Dangers of Globalization and the  
Challenges of Ethical Diversity  
Developing Cross-Cultural Ethical  
Competence  
Coming to Grips With  
Ethnocentrism  
Becoming a World Citizen

Understanding Ethical Diversity  
Finding Moral Common Ground  
Resolving Ethical Cross-  
Cultural Conflicts  
Chapter Takeaways  
Application Projects

**G**lobalization is having a dramatic impact on life in the 21st century. We inhabit a global society knit together by free trade, international travel, immigration, satellite communication systems, and the Internet. In this interconnected world, ethical responsibilities extend beyond national boundaries. Decisions about raw materials, manufacturing, outsourcing, farm subsidies, investments, marketing strategies, suppliers, safety standards, and energy use made in one country have ramifications for residents of other parts of the world. Organizational citizenship is now played out on a global stage. Businesses, in particular, are being urged to take on a larger role in solving the world's social problems.

To act as ethical global citizens, organizations must confront and master the dangers of globalization and the dilemmas of ethical diversity. In this section, I'll describe these obstacles and offer tactics for overcoming them.

### THE DANGERS OF GLOBALIZATION AND THE CHALLENGES OF ETHICAL DIVERSITY

The benefits of living in a global economy are obvious: lower labor costs, higher sales and profits, cheaper goods and services, instant communication to anywhere on Earth, increased information flow, and cross-cultural contact. What's often hidden is the downside of globalization. Of particular concern is the growing divide between the haves and the

have-nots. The richest 10% of the global population controls 89% of the world's assets and income. The eight richest men on Earth have as much wealth as half of the world's population. Governments of wealthy nations appear more interested in promoting the sale of their goods (including agricultural products) than in opening up their markets to poor countries.<sup>1</sup> Lumber, minerals, and oil are extracted from poor regions and consumed in privileged areas, leaving environmental damage behind.<sup>2</sup> The pain of globalization isn't limited to developing economies, however. Millions in industrialized nations have seen their jobs outsourced to China, the Philippines, Vietnam, and other nations with lower labor costs. These job losses helped fuel renewed nationalism in the United States and Great Britain, which elected to leave the European Union.

Critics note that global capitalism frequently promotes greed rather than concern for others. Ethical and spiritual values have been shunted aside in favor of the profit motive. Few industrialized countries give even the suggested minimum of .07% of gross national product (70 cents of every \$100 produced by the economy) to alleviate global poverty. The United States doesn't crack the top 10 list of most generous nations, which is led by Sweden (1.41%), the United Arab Emirates (1.09%) and Norway (1.05%).<sup>3</sup> Local cultural traditions are being destroyed in the name of economic progress. As burgers, fries, pizza, and other popular American foods replace local fare, people around the world can expect to suffer the same kinds of chronic health problems as U.S. residents do—type II diabetes, obesity, and heart failure.

The big winners in globalization are multinational corporations. According to one estimate, 69 of the world's 100 largest economies are corporations. The combined revenue of the top 10 companies is greater than the 180 poorest nations combined, a list which includes South Africa, Israel, Ireland, Iran, and Greece.<sup>4</sup> Some multinationals have pursued free trade at the cost of human rights and the environment. They have employed sweatshop and slave labor, stood by as repressive regimes tortured their citizens, and plundered local resources.

Along with the potential moral pitfalls of globalization, organizations also face the challenges of ethical diversity.<sup>5</sup> Nations, tribes, ethnic groups, and religions approach moral dilemmas differently. What members of one group accept as right may raise serious ethical concerns for another. For example, in Germany contracts are highly detailed and strictly enforced. In Egypt, contracts spell out guidelines for business deals rather than specific requirements. Egyptians expect to renegotiate and revise contracts, and there is no moral stigma attached to violating a signed agreement. In Mexico, honoring a contract is based on the signer's personal ethics. There is little legal recourse if a contract is violated.

Bribery offers another instance of conflicting moral standards. In South American countries, it is nearly impossible to move goods through customs without making small payments to cut through red tape. At the other extreme, Malaysia executes corporate officials who offer and accept bribes. U.S. corporations and foreign firms listed on a U.S. stock exchange are prevented from exchanging money or goods for favors or services under the Foreign Corrupt Practices Act of 1977. However, in recognition of the fact that petty bribery is common in some parts of the world, small payments to facilitate travel and business are permitted under the statute. Cultures also clash over intellectual property rights (which are strictly enforced in the West but not protected in parts of Southeast Asia) and deception (Americans lie to protect their privacy, whereas Mexicans are more likely to lie to protect the group or family). Another clash of moral standards is described in Case Study 12.1.



The challenges posed by globalization and ethical diversity can undermine ethical decision making. For some organizations, it is business as usual. Interested only in making a profit or expanding their influence, they fail to weigh the possible negative consequences of their choices in the global environment. Leaders faced with ethical diversity sometimes behave as ethical imperialists by imposing their personal moral standards on members of other cultures. Or they may opt for cultural relativism by always following local customs (“When in Rome, do as the Romans do”). Nevertheless, being in a new culture or working with a diverse group of followers doesn’t excuse managers from careful ethical deliberation. Standards from one culture can’t be blindly forced upon another; conversely, just because a culture has adopted a practice doesn’t make it right. For example, trafficking in humans takes place in some parts of the world, but most societies condemn this practice.

Fortunately, you can develop your cross-cultural ethical competence and help your organizations to do the same. To achieve this goal, you must first wrestle with ethnocentrism and consider becoming a world citizen. Next, you have to recognize the value orientations of cultural groups and how these patterns influence ethical decision making. Then, you need to adopt universal moral principles that should govern behavior in every cultural setting and employ guidelines for sorting through conflicts between competing ethical norms.

## DEVELOPING CROSS-CULTURAL ETHICAL COMPETENCE

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### Coming to Grips With Ethnocentrism

Overcoming the challenges of globalization and ethical diversity is impossible if we fall victim to ethnocentrism. *Ethnocentrism* is viewing the world from our cultural group’s point of view, which makes our customs and values the standard by which the rest of the world is judged. Our ways are “right,” while their ways fall short. A certain degree of ethnocentrism is probably inevitable; it can help a group band together and survive in the face of outside threats. Nevertheless, high levels of ethnocentrism can lead to reduced contact with outsiders, racial slurs, insensitivity to strangers, pressure on other groups to conform, justification for violence and war, and other negative outcomes.<sup>6</sup> (Contemporary Issues in Organizational Ethics 12.1 describes the controversy surrounding one form of ethnocentric behavior.)

A number of the ethical communication competencies introduced earlier in the text can be used to confront ethnocentrism. Pursue dialogue in cross-cultural conversations by treating members of other cultures as equal partners and by trying to understand their points of view. Mindfulness is particularly important in diverse cultural settings because the scripts we follow in our own groups don’t work when we find ourselves in other cultures. Adopt a pluralistic perspective that acknowledges the legitimacy of other groups and customs in order to avoid moral exclusion. (See the next section for more information on an ethical approach that greatly expands the circle of moral inclusion.)

Personal virtues can help undermine ethnocentric attitudes and at the same time lay the groundwork for meeting the challenges of globalization and ethical diversity. Philosopher and theologian Michael Novak identified four cardinal or hinge virtues essential to encouraging global cooperation: cultural humility, truth, dignity, and solidarity.<sup>7</sup>



Cultural humility means acknowledging the shortcomings of our own cultures as well as our personal biases. A commitment to truth allows for reasoned argument based on evidence and logic. Recognition of human dignity forbids using others as a means to an end. Solidarity is being aware that each individual lives in communion with others and has responsibility for their welfare.

## CONTEMPORARY ISSUES IN ORGANIZATIONAL ETHICS 12.1

### CULTURAL APPROPRIATION: WHEN DOES BORROWING BECOME EXPLOITATION?

The term “cultural appropriation” describes the unauthorized use of ideas, dress, medicine, food, music, symbols, and other elements taken from another culture. Recently, accusations of cultural appropriation have been levied against

—the Boston Museum of Fine Arts for sponsoring “Kimono Wednesdays,” where visitors were invited to try on the kimono Claude Monet’s wife wore for the impressionist painting *La Japonaise*.

—the two white, middle-class owners of Kooks Burritos food cart in Portland, Oregon, for “stealing recipes” during a visit to Mexico to start their own business.

—curators of the Whitney Museum for displaying the painting *Open Casket* by white artist Dana Schutz that depicts the body of Emmett Till, a black lynching victim. (Till’s murder helped spark the civil rights movement.)

—Victoria’s Secret for featuring a Caucasian runway underwear model wearing a “sexy Indian” costume made up of a fringed suede bikini, feathered headdress, and turquoise jewelry.

Cultural appropriation as exploitation has its origins in colonialism. Rich white nations would steal or appropriate the artworks and other cultural

elements of oppressed peoples to assert domination and/or to eradicate the local culture. Cultural appropriation often benefits the borrower at the expense of the culture of origin. For example, white entertainers made millions from performing in a “black” music style at the same time African American vocalists faced segregation and discrimination. Then, too, use of some cultural symbols like blackface and Indian headdresses reinforce demeaning stereotypes. Nonetheless, cultures have always borrowed from one another. According to columnist Cathy Young:

Peoples have borrowed, adopted, taken, infiltrated and reinvented from time immemorial. The medieval Japanese absorbed major elements of Chinese and Korean civilizations while the cultural practice of modern-day Japan includes such Western borrowings as a secularized and reinvented Christmas. Russian culture with its Slavic roots is also the product of Greek, Nordic, Tatar and Mongol influences—and the rapid Westernization of the elites in the 18th century. America is the ultimate blended culture.<sup>1</sup>

Since cultures constantly take from one another, the question then becomes When does borrowing become unauthorized stealing or



exploitation? Making this determination is not always easy. While Victoria's Secret crossed into exploitation, many observers believe that the Boston Art Museum did not. The kimonos for the museum exhibit were created in Japan with the support of Japanese museums. (The Japanese don't appear bothered when people from other cultures wear the garment.) Those protesting Kimono Wednesdays were met by counterprotesters holding signs saying, "I am Japanese. I am not offended." The Kooks Burrito owners, who closed their business after receiving death threats, didn't actually steal their recipe but developed it after returning home from their vacation. (When a group of ethnic restaurateurs in Portland were interviewed, they noted that they often "borrow" food items from other regions and see no problem with the practice.) Whitney artist Dana Schutz said that while she isn't black, she is a mother and could relate to the suffering of Emmett Till's mother. She based her painting on photographs of Emmett released by his mother to spur outrage.

Arguments over what constitutes cultural appropriation will continue. These disputes raise further questions. Should some elements of culture, like sacred symbols, be off limits to those of other cultures? Is someone from one culture automatically disqualified from writing about, speaking about, or otherwise communicating about the experiences of another culture? How can we share cultural symbols in a way that benefits the originating culture while giving proper credit? Can members of one ethnic group wear the clothing and styles of another group? (Whites have been criticized for wearing dreadlocks and Africans have criticized African Americans for wearing African dress and tribal symbols.) Can they sell the food of another culture? How should we in the West respond to significant works of art and music, like those created by Picasso, Matisse, and Puccini, that were inspired by Africa or the Far East?

## Note

1. C. Young (2015).

Sources: Arewa (n.d.). Avins (2015). Friedersdorf (2017). Korthage (2017). Malik (2017). Moreno (2017). Valk (2015).

## Becoming a World Citizen

A number of scholars argue that *cosmopolitanism* is the best way to meet the ethical challenges of globalization while avoiding ethnocentrism. Since we live in a global society, they argue, we should consider ourselves citizens of the world (cosmopolitans) rather than of one particular nation-state. This approach acts as an "ethics of strangers" in a world where we increasingly interact with those outside our cultural group.<sup>8</sup>

*Cosmopolitanism* has a long history in Western philosophy, stretching back to the ancient Greek Stoic philosophers who believed that our responsibilities extend to strangers as well to acquaintances. Immanuel Kant proposed the creation of an international legal authority to regulate relations between nations. He encouraged hospitality toward foreigners.<sup>9</sup> Modern cosmopolitans take a humanistic approach to globalization based on the fundamental premise that every human being has dignity and value, regardless of their location, status, or background. They have a strong sense of global justice and work to ensure human rights. Their sense of care or empathy for the needs of others extends well beyond their immediate group to helping the "distant needy"—the less privileged who are often found in the world's developing nations. Cosmopolitans believe that they have a moral obligation or duty to act on that concern by providing assistance to others around the world. In particular, cosmopolitans argue that affluent businesses and nations

are responsible to give to less fortunate people and nations.<sup>10</sup> Some other values and norms underlying ethical cosmopolitanism include the following:<sup>11</sup>

1. Limitations on patriotism and the sovereignty of countries
2. Opposition to nationalism
3. Commitment to aid those suffering from natural or human-made disaster, which includes extreme poverty
4. Liberalization of immigration and refugee policies
5. Quest for lasting world peace
6. Prosecution of crimes against humanity
7. Submission to the rule of international law
8. Religious and cultural tolerance
9. Dialogue and communication across cultural and national boundaries
10. Viewing the world as single polity and community

Acting as a global citizen takes certain attitudes and skills, what British political and social theorist William Smith calls cosmopolitan “worldliness.”<sup>12</sup> Worldliness means, first off, being self-reflexive. To be self-reflexive, we need to step back from (create distance from) our relationships and culture in order to offer criticism and reform. Next, worldliness involves compassion for the world’s people and working to create institutions and laws that will protect the less fortunate. Worldliness does not mean feeling pity for others, however, but having a sense of solidarity with them. Third, worldly individuals have the necessary skills to bring about change through setting strategy, persuading others, working with governments and nonprofits to promote global initiatives, and so forth.

Being totally cosmopolitan may be impossible given the fact that, as we noted earlier, humans naturally band together in local groups. And you might take issue with some of the tenets of cosmopolitanism, such as its rejection of patriotism and promotion of a world government. Nevertheless, cosmopolitans offer an attractive normative framework for living ethically in a global society. They encourage us to be altruistic, becoming compassionate citizens of the world who keep the dignity of all human beings in mind. We do need to be able to step back from, and then critique, our cultural norms and values. If we fail to distance ourselves, we blindly follow our cultural programming no matter how unethical our culture’s practices.

## Understanding Ethical Diversity

Ethical decisions and practices are shaped by widely held cultural values. Every culture has its own set of ethical priorities; however, researchers have discovered that ethnic groups and nations hold values in common. As a result, cultures can be grouped



according to their value orientations. Understanding these orientations helps explain ethical differences and enables us to better predict how members of other societies will respond to moral dilemmas. Four widely used cultural classification systems include Hofstede's programmed value patterns, the GLOBE studies, universal values dilemmas, and moral foundations theory.

## 1. Programmed Value Patterns

Geert Hofstede of the Netherlands argues that important values are “programmed” into members of every culture. To uncover these value dimensions, he conducted the first extensive international investigation of cultural value patterns, surveying more than 100,000 IBM employees in 50 countries and three multicountry regions.<sup>13</sup> He then checked his findings against those of other researchers who studied the same countries. Four value orientations emerged:

*Power distance.* The first category concerns how societies deal with human inequality. While status and power differences are universal, cultures treat them differently. In high-power distance cultures (Malaysia, Guatemala), inequality is accepted as part of the natural order. Leaders are set apart and enjoy special privileges and make no attempt to reduce power differentials. Low-power distance cultures (Israel, Austria), on the other hand, are uneasy with large gaps in wealth, power, privilege, and status. Superiors tend to downplay status and power differentials, and such societies stress equal rights.

*Individualism versus collectivism.* This category divides cultures according to their preference for either the individual or the group. Individualistic cultures (the United States, Australia, Great Britain) put the needs and goals of the person and her or his immediate family first. Members of these cultures see themselves as independent actors and believe that everyone should take care of themselves and their nuclear family. In contrast, collectivistic cultures give top priority to the desires of the larger group—extended family, tribe, community. Members of these societies (Guatemala, Ecuador, Panama) think in terms of “we,” not “I.” They want to fit into the collective, not stand out. (You can determine your level of individualism and collectivism by completing Self-Assessment 12.1.)

*Masculinity versus femininity.* The third dimension reflects attitudes toward the roles of men and women. Highly masculine cultures (Japan, Austria, Saudi Arabia) maintain clearly defined sex roles. Men are expected to be tough and focus on performance; women are to be tender and focus on relationships. Men should be ambitious and assertive, while women are expected to care for the weak. Feminine cultures (Sweden, Norway, Netherlands) blur the differences between the sexes. Both men and women can be competitive and caring, assertive and nurturing. These cultures are more likely to stress cooperation, quality of life, and concern for others.

## SELF-ASSESSMENT 12.1

### Individualism/Collectivism Scale

#### Instructions

This questionnaire will help you assess your individualistic and collectivistic tendencies. Respond by indicating the degree to which the values reflected in each phrase are important to you: "Opposed to My Values" (answer 1), "Not Important to Me" (answer 2), "Somewhat Important to Me" (answer 3), "Important to Me" (answer 4), or "Very Important to Me" (answer 5).

- \_\_\_\_\_ 1. Obtaining pleasure or sensuous gratification
- \_\_\_\_\_ 2. Preserving the welfare of others
- \_\_\_\_\_ 3. Being successful by demonstrating my individual competency
- \_\_\_\_\_ 4. Restraining my behavior if it is going to harm others
- \_\_\_\_\_ 5. Being independent in thought and action
- \_\_\_\_\_ 6. Having safety and stability of people with whom I identify
- \_\_\_\_\_ 7. Obtaining status and prestige
- \_\_\_\_\_ 8. Having harmony in my relations with others

- \_\_\_\_\_ 9. Having an exciting and challenging life
- \_\_\_\_\_ 10. Accepting cultural and religious traditions
- \_\_\_\_\_ 11. Being recognized for my individual work
- \_\_\_\_\_ 12. Avoiding the violation of social norms
- \_\_\_\_\_ 13. Leading a comfortable life
- \_\_\_\_\_ 14. Living in a stable society
- \_\_\_\_\_ 15. Being logical in my approach to work
- \_\_\_\_\_ 16. Being polite to others
- \_\_\_\_\_ 17. Being ambitious
- \_\_\_\_\_ 18. Being self-controlled
- \_\_\_\_\_ 19. Being able to choose what I do
- \_\_\_\_\_ 20. Enhancing the welfare of others

#### Scoring

To find your individualism score, add your responses to the *odd-numbered* items. To find your collectivism score, add your responses to the *even-numbered* items. Both scores will range from 10 to 50. The higher your scores, the more individualistic or collectivistic you are.

Source: Gudykunst (2004). Used by permission.

*Uncertainty avoidance.* This dimension describes the way in which cultures respond to uncertainty about the future. Members of high-uncertainty avoidance societies (Greece, Portugal, Uruguay) feel anxious about uncertainty and view it as a threat. They are less likely to break the rules; they value loyalty to the company, accept directives from those in authority,



and view outsiders and change as threats. In addition, they are reluctant to change jobs or to express dissatisfaction with their current employers. People who live in low-uncertainty avoidance cultures (Sweden, Denmark, Jamaica) are more comfortable with uncertainty, viewing ambiguity as a fact of life. They experience lower stress and are more likely to pursue their ambitions by, for example, starting a new company or accepting a new job in another part of the country. These people tend to trust their own judgments instead of obeying authority figures. As a result, they are more likely to break rules and regulations.

Hofstede argues that the value patterns he identifies have a significant influence on ethical behavior.<sup>14</sup> For instance, countries characterized by masculinity, high power distance, and high uncertainty avoidance are generally more corrupt. Masculine European countries give little to international development programs but invest heavily in weapons. Feminine European nations do just the opposite. High-uncertainty avoidance cultures are prone to ethnocentrism and prejudice because they follow the credo “What is different is dangerous.” Low-uncertainty avoidance cultures follow the credo “What is different is curious” and are more tolerant of strangers and new ideas.

Other researchers have also linked Hofstede’s value patterns to ethical attitudes and behavior.<sup>15</sup> They have discovered that members of feminine cultures are more sensitive to the presence of moral issues. Consumers from societies characterized by low power distance and low uncertainty avoidance generally punish socially irresponsible firms. Corporate governance is better in individualist societies as compared to masculine, high uncertainty societies. Accounting organizations from high individualism/high uncertainty avoidance cultures are less likely to adopt global codes of ethics because they don’t want to submit to the authority of outside, international organizations. Individualistic countries prefer universal ethical standards such as Kant’s categorical imperative. Collectivistic societies take a more utilitarian approach, seeking to generate the greatest good for in-group members.

Individualistic and collectivist societies have different communication patterns, which also shape the ethical behavior of citizens.<sup>16</sup> Individualists use low-context communication in which most of the information in the message is embedded in the message itself. In nations like Germany and Switzerland, communicators directly express their thoughts and feelings as clearly as possible and rely heavily on carefully crafted written messages like contracts. To them, conflict should be faced head on. Collectivists engage in high context communication where most of the information is contained in the situation or context where the message is delivered. Speakers in Japan and other high-context cultures communicate indirectly, rarely expressing direct disagreement, for instance. They are more interested in maintaining harmony in the group than in expressing their true thoughts and feelings and often avoid direct confrontation. As a consequence, followers are much less likely to confront unethical superiors or coworkers or to blow the whistle on corporate misbehavior.<sup>17</sup> They are more willing to sacrifice the truth to save “face” and to protect their group.

Additional examples of how individualism and collectivism affect ethical decisions are presented in Table 12.1.



**Table 12.1**

Issue	Individualistic	Collectivistic
Bribery	Seen as a form of corruption	A way to meet community obligations, more common
False information	Lie to protect privacy	Lie to protect the group or family
Expressing disagreement	Direct	Indirect; save face
Intellectual property	Protected by copyright laws	Knowledge is to be shared
Gender equality	Promote equal opportunity	Women seen as an out-group; need to protect status quo
Nepotism	Hire based on qualifications	Hire based on connections (family and friends)
Privacy	Right to privacy	Public interests take priority over privacy
Wealth	Wealth distributed more equally	Large differences in wealth
Human rights	High human rights ratings	Low human rights ratings
Laws	The same for all	Vary according to tradition and status

Source: S. J. Carroll and Gannon (1997). Copyright © 1996, SAGE Publications, Inc. Used by permission.

## 2. Project GLOBE

Project GLOBE (Global Leadership and Organizational Behavior Effectiveness) is an ongoing international effort. To date, 200 researchers from around the world have gathered data from more than 17,000 managers in 62 countries. The goal of the project is to identify the relationship between cultural values and effective leadership behaviors. This information can help managers become more successful in cross-cultural settings. The GLOBE researchers incorporate into their study Hofstede's dimensions of power distance, uncertainty avoidance, gender differentiation (masculinity and femininity), and individualism versus collectivism. However, they also extend Hofstede's list by identifying four additional values patterns:<sup>18</sup>

*Performance orientation.* This is the "extent to which a community encourages and rewards innovation, high standards, and performance improvement."<sup>19</sup> Places such as Hong Kong, Singapore, and the United States are results focused. Citizens value competition and materialism and want to be rewarded for individual achievement. In countries such as Russia, Italy, and

Argentina, people put loyalty and belonging ahead of performance. They are uncomfortable with competition and merit pay and put more weight on someone's seniority, family, and background than on his or her performance.

*Future orientation.* This is the extent to which a society fosters and reinforces such future-oriented activities as planning and investing (Singapore, Switzerland, the Netherlands) rather than immediate rewards (Russia, Argentina, Poland).

*Assertiveness.* Assertiveness is defined as the extent to which a culture encourages individuals to be tough, confrontational, and competitive, as opposed to modest and tender. Spain and the United States rate high on this dimension; Sweden and New Zealand rate low. Those in highly assertive societies have a take-charge, can-do attitude and value competition. They admire the strong and assertive and are not particularly sympathetic to the weak and less fortunate. Members of less assertive cultures place more value on empathy, loyalty, and solidarity. They have empathy for the weak and want to live in harmony with the environment rather than control it.

*Humane orientation.* Humane orientation refers to the extent to which a culture encourages and honors people for being altruistic, caring, kind, fair, and generous. Support for the weak and vulnerable is particularly high in such countries as Malaysia, Ireland, and the Philippines. Members of society care for one another and rely much less on the government. In contrast, power and material possessions are more likely to motivate people in the former West Germany, Spain, and France; self-enhancement takes precedence. Individuals are to solve their own problems, and the state provides more support for the less fortunate.

The GLOBE values dimensions have also been linked to ethical diversity. People oriented toward the future save and invest. They will condemn those who live in the moment and spend all they earn. Future-oriented organizations are also more likely to engage in practices that benefit society. Competition, direct communication, power, and personal advancement are applauded in assertive, performance-oriented, less humane groups. These elements are undesirable to people who put more value on harmony, cooperation, family, and concern for others. Those living in assertive, performance-oriented cultures are tempted to engage in unethical activities in order to succeed. The businesses they create are more likely to be focused on shareholders, profits, and results instead of on stakeholders and social responsibility (including care for the environment).<sup>20</sup> Countries high in uncertainty avoidance and future orientation are more likely to protect intellectual property than cultures high in humane orientation and in-group collectivism.<sup>21</sup>

### 3. Universal Dilemmas

Cross-cultural experts Fons Trompenaars and Charles Hampden-Turner are convinced that humans the world over face the same set of values choices they call universal dilemmas. Cultures differ in how they respond to these dilemmas, which accounts for cultural diversity. Trompenaars and Hampden-Turner identify the following six



dimensions of cultural diversity based on their surveys of 50,000 managers from over 40 countries.<sup>22</sup>

*Universalism* (focus on rules, codes, laws, and generalizations across situations) or *particularism* (focus on exceptions, special circumstances, and unique relations between individuals and groups). Universalist societies: Norway, Switzerland, Finland, Austria. Particularist societies: Yugoslavia, South Korea, Russia, Nepal.

*Individualism* (emphasis on personal freedom, human rights and competitiveness) or *communitarianism* (emphasis on social responsibility, harmonious relationships, and cooperation). Individualist societies: Czech Republic, Canada, United States, Denmark. Communitarian societies: Egypt, Nepal, Mexico, India.

*Specificity* (reality is viewed through a atomistic, reductive, objective lens) or *diffusion* (reality is viewed through a holistic, elaborative, relational lens). Specificity societies: United States, United Kingdom, Netherlands, Australia. Diffuse societies: Venezuela, Japan, South Korea, Philippines.

*Achieved status* (social standing is based on what you've done—your track record) or *ascribed status* (social standing is based on who you are, your potential and connection to others). Achieved status societies: United States, Canada, Great Britain, Australia. Ascribed status societies: South Korea, Japan, France, Singapore.

*Inner direction* (virtue is found within; in conscience, will, core beliefs, principles) or *outer direction* (virtue comes from outside through natural rhythms, beauty, nature and relationships). Inner-directed societies: Canada, United States, Germany, Australia. Outer-directed societies: China, Indonesia, Singapore, Japan.

*Sequential time* (time is viewed as a race along a set course) or *synchronous time* (time is seen as a involving ongoing coordination). Sequential time societies: Turkey, India, United States, Brazil. Synchronous time societies: Israel, South Korea, Sweden, China.

Trompenaars and Hampden-Turner urge us to view the ends of each dimension as part of the same circle, not as not as opposites. That's because we need elements of both no matter what culture we live in. For example, completing a project like a major term paper takes both specificity (breaking the paper into parts and researching subtopics) and diffusion (developing an overall structure for the paper that puts the sections in a logical order). Each end of the continuum has its strengths, but focusing on one value to the exclusion of the other not only reduces an organization's chances of success but also encourages unethical behavior. For example:

—Universalist cultures strive to treat everyone equally and welcome diversity. However, universalists are tempted to treat people as objects. Particularistic cultures highlight the uniqueness of individuals and relationships but are often hostile to human rights and engage in favoritism and moral exclusion.

—Individualism promotes dissent and individual freedom but, at the same time, encourages greed and over consumption. Communitarianism promotes cooperation and leaves a legacy for future generations. Taken too far, though, communitarianism leads to collusion and can undermine attempts at self-improvement.



—Achieved status promotes excellence and persistence but can lead to a “winner take all” society. Ascribed status fosters trust and encourages those of high status to give back to the community but inhibits personal achievement and can produce dictatorships.

—Inner directness fosters courage and moral identity. Yet inner directedness also produces driven individuals. Inner directed cultures like the United States too often honor “tough,” inner directed bosses who do it their way without concern for others. Outer directedness fosters care for the environment and recognition of others. Nevertheless, outward focus can lead to pessimism and a willingness to give in and go along with immoral behavior.

Since there are ethical dangers at both extremes, Trompenaars and Hampden-Turner urge us to strive for reconciliation, integrating elements of each value perspective.<sup>23</sup> They use the example of a California oil company to illustrate this process. The firm (operating in a culture that honors achieved status) employed ascribed status to improve safety. Managers wanted unionized truck drivers to drive more carefully and to report “unsafe acts,” near accidents or unsafe conditions that could lead to accidents. Such a procedure greatly reduces the chances of mishaps as steps are taken to eliminate the danger. And safety was a major concern given that each company truck carried enough gasoline to incinerate cars three hundred yards away as well as entire neighborhoods. However, teamster truck drivers, who viewed themselves macho “Cowboys,” resisted the safety push, refusing to “snitch” on their union colleagues. Management decided to help the drivers redefine themselves as “Knights of the Road” who provide a public service to the community. Instead of using their CB radios to warn other truckers about speed traps, they were encouraged to warn other drivers of rock slides, ice, and other road hazards. Drivers also pointed out poorly designed entrance ramps and areas prone to black ice. Once a year they made a presentation to the California Highway Authority about how to improve hazardous highways. In the first twelve months of the program, accidents were cut in half and fleet insurance rates dropped.

#### 4. Moral Foundations Theory

Hofstede, the GLOBE researchers, and Trompenaars and Hampden-Turner treat ethical diversity as just one of the outcomes of cultural diversity. In contrast, moral foundations theory was developed specifically to account for the ethical differences between cultures. University of Virginia moral psychologist Jonathan Haidt and others believe that to understand ethical diversity we first need to understand the psychological systems or foundations of morality. These mental foundations, which are part of our genetic makeup, enable humans to successfully live together in groups. Cultures shape how these systems are used, emphasizing one or more values over the others. Haidt compares these moral systems to taste buds. Nearly everyone is born with the same set of taste receptors, but each culture develops its own cuisine, which highlights different tastes.

Haidt identifies five foundations for our moral intuitions.<sup>24</sup> They include the following:

*Harm/care.* All species are sensitive to suffering in their own offspring, but for primates and humans, sensitivity to suffering extends beyond the family.

We can also feel compassion for outsiders. Attuned to cruelty and harm, we generally approve of those who prevent or alleviate suffering. Kindness and compassion are therefore important human virtues. However, the other moral foundations described below temper the amount of compassion that individuals in different cultures display.

*Fairness/reciprocity.* Reciprocity—paying back others—is essential for the formation of alliances between individuals who are not related to each other. As a result, all cultures have virtues related to justice and fairness. Individual rights and equality are highly prized in the West. However, many traditional societies put little value on personal autonomy or equal treatment.

*In-group/loyalty.* Trust and cooperation have been critical to human survival. Individuals need to work effectively with others in their group while being wary of outsiders. As a result, they value those who sacrifice on behalf of the in-group while despising members who don't come to their aid in times of conflict. They are disturbed when fellow citizens challenge symbols of group unity, like the pledge of allegiance to the national flag.

*Authority/respect.* Hierarchy is fact of life in primate as well as human groups. Dominant individuals get special perks but are expected to provide services (e.g., protection, food) in return. Primates rely on brute strength to assert their authority; people use such factors as prestige and deference. Followers in many cultures feel respect, awe, and admiration for leaders and expect them to act like wise parents. Many of these same societies make virtues out of duty, obedience, respect, and other subordinate behaviors.

*Purity/sanctity.* Only humans appear to feel disgust, which helps to protect the body against the transmission of disease through corpses, feces, vomit, and other possible contaminants. Disgust has a social dimension as well, becoming associated with those who are diseased or deformed or with certain occupations (gravediggers and those who dispose of excrement, for example). Members of most cultural groups admire those who are spiritually minded or pure and disapprove of individuals who seem to be ruled by lust, gluttony, greed, and uncontrolled anger. For instance, in the United States, one of the most materialistic societies in the world, most citizens still look down on those who regularly “shop until they drop.”

The United States and many other Western nations largely focus on reducing harm and promoting autonomy. But as Haidt points out, that is not the case in much of the rest of the world. In Brazil, morality is based on loyalty, family, respect, and purity in addition to care. Confucian and Hindu value systems emphasize authority and stability. Muslim societies place a high priority on purity, which is reflected in the segregation of men and women and separation from infidels. Haidt urges us to keep all five moral systems in mind when dealing with diverse groups. Purity and authority may not be important to us, but they are to a great proportion of the world's population. Our ethical appeals will be most effective if they speak to loyalty, authority, and purity in addition to care and fairness. (Complete Self-Assessment 12.2 to determine which moral intuitions are most important to you.)



# SELF-ASSESSMENT 12.2

## Moral Foundations Questionnaire

### Part I. Moral Relevance

When you decide whether something is right or wrong, to what extent are the following considerations relevant to your thinking? Please rate each statement using this scale:

0 = not at all relevant, 1 = not very relevant, 2 = slightly relevant, 3 = somewhat relevant, 4 = very relevant, 5 = extremely relevant

1. Whether or not someone suffered emotionally.
2. Whether or not someone cared for someone weak or vulnerable.
3. Whether or not some people were treated differently from others.
4. Whether or not someone acted unfairly.
5. Whether or not someone's action showed love for his or her country.
6. Whether or not someone did something to betray his or her group.
7. Whether or not someone showed a lack of respect for authority.
8. Whether or not someone conformed to the traditions of society.
9. Whether or not someone violated standards of purity and decency.
10. Whether or not someone did something disgusting.

### Part II. Moral Judgments

Please read the following sentences and indicate your agreement or disagreement.

0 = strongly disagree, 1 = moderately disagree, 2 = slightly disagree, 3 = slightly agree, 4 = moderately agree, 5 = strongly agree

11. Compassion for those who are suffering is the most crucial virtue.
12. One of the worst things a person could do is hurt a defenseless animal.
13. When the government makes laws, the number one principle should be ensuring that everyone is treated fairly.
14. Justice is the most important requirement for a society.
15. I am proud of my country's history.
16. People should be loyal to their family members, even when they have done something wrong.
17. Respect for authority is something all children need to learn.
18. Men and women each have different roles to play in society.
19. People should not do things that are disgusting, even if no one is harmed.
20. I would call some acts wrong on the grounds that they are unnatural.

### Scoring

Add up the scores on each moral foundation (range 0–20). The higher the score, the more important that foundation is to you.

Harm: Items 1, 2, 11, 12 \_\_\_\_\_

Fairness: Items 3, 4, 13, 14 \_\_\_\_\_

Ingroup/Loyalty: Items 5, 6, 15, 16 \_\_\_\_\_

Authority: Items 7, 8, 17, 18 \_\_\_\_\_

Purity: Items 9, 10, 19, 20 \_\_\_\_\_

Source: J. Graham et al. (2011). Copyright © 2016 by the American Psychological Association. Reproduced with permission.



Professor Haidt developed his theory to explain moral differences between cultures, but he soon discovered that moral foundations explain the differences between liberals and conservatives in the United States.<sup>25</sup> Contrasts between these political philosophies further demonstrate how the moral foundations shape ethical attitudes. Haidt believes that the purity/sanctity dimension is the best predictor of positions on abortion, for example. American liberals who value autonomy want to preserve the woman's right to choose, and conservatives want to preserve the sanctity of the fetus. Authority predicts competing attitudes toward gay marriage. Liberals believe that individuals have a right to do as they choose if they don't hurt anyone else. In their minds, opposition to gay marriage is homophobic. Conservatives, on the other hand, see gay marriage as a threat to the family, which serves as the foundation of society. Those on the political left and right are also divided by their attitudes toward loyalty. Liberals believe that citizens can protest against a war while at the same time supporting the soldiers fighting in the conflict. This argument offends conservatives, who believe it is unpatriotic to protest when the country is at war.

### Finding Moral Common Ground

Some organizations and their members respond to ethical diversity by practicing ethical relativism, which is conformity to local customs. Ethical relativism avoids the problem of ethnocentrism while simplifying the decision-making process. We never have to pass judgment and can concentrate on fitting in with the prevailing culture. However, this approach is fraught with difficulties. Without shared standards, there is little hope that people of the world can come together to tackle global problems. There is no basis upon which to condemn the actions of governments, such as Sudan and Myanmar, that are engaged in genocide and torture or to criticize businesses that exploit their employees and the environment. Cultural relativism obligates us to follow (or at least not to protest against) abhorrent local practices like female genital mutilation. Without universal rights and wrongs, we have no grounds for contesting such practices.

There appears to be a growing consensus that ethical common ground can be found. In fact, the existence of common moral standards has enabled the world community to punish crimes against humanity in Germany, Serbia, and Rwanda. Responsible multinational corporations like Starbucks, The Body Shop, and Procter & Gamble adhere to widely held moral principles as they do business in a variety of cultural settings. Activist groups use these same guidelines to condemn irresponsible firms.

One group of researchers used the "trolley problem" to determine if there are similarities in cross-cultural reasoning.<sup>26</sup> In the trolley problem, an out-of-control trolley threatens to kill five people unless immediate action is taken. In one case, the trolley operator is incapacitated, and a passenger has to decide whether or not to throw a switch that will divert the vehicle to safety on a side track (and save the five passengers) but will kill a pedestrian who happens to be standing on the rails. In the other case, someone standing by the tracks must decide whether or not to directly intervene by throwing another bystander into the path of the trolley to slow it down and save the five passengers.

Responses to the trolley problem from 30,000 subjects in 120 countries revealed widespread agreement across all groups, regardless of nationality, educational level, or religion. By a significant margin, participants said it was justified to throw the switch to save the trolley passengers but not to throw someone onto the tracks to accomplish the same goal. Respondents reported that throwing a switch is an impersonal act, and they saw the death

of the pedestrian as an unfortunate consequence. On the other hand, throwing a bystander onto the track is a deliberate, highly personal act that makes the victim a means to an end.

The hypothetical trolley problem has parallels in real life. For example, most of us would allow terminally ill patients to refuse treatment and thus die sooner than they would have with the additional care. (This approach is similar to throwing the trolley switch.) However, it is illegal in most states to give a drug overdose to hasten a terminally ill patient's death (which raises the same concerns as throwing a bystander onto the trolley track).

Universal standards provide additional evidence that members of diverse societies can find moral common ground. Such global standards have enabled members of the world community to punish crimes against humanity and to create the United Nations. I'll describe three different approaches to universal ethics, any one of which could serve as a worldwide standard. You'll note a number of similarities between the lists. Decide for yourself which approach or combination of approaches best captures the foundational values of humankind. (See Application Project 4 at the end of the chapter). Apply one or more of the standards to evaluate the actions of Goldman Sachs and other financial institutions in Case Study 12.2.

### The United Nations Universal Declaration of Human Rights

Human rights are granted to individuals based solely on their status as persons. Such rights protect the inherent dignity of every individual regardless of background. Rights violations are unethical because they deny human value and potential.<sup>27</sup>

The most influential list of basic human rights was adopted by the United Nations immediately following World War II, a conflict fought in large part to protect human freedoms. Among the key rights spelled out in the universal declaration are the following:<sup>28</sup>

*Article 4.* No one shall be held in slavery or servitude; slavery and the slave trade shall be prohibited in all their forms.

*Article 5.* No one shall be subjected to torture or to cruel, inhuman, or degrading treatment or punishment.

*Article 9.* No one shall be subjected to arbitrary arrest, detention, or exile.

*Article 13.* Everyone has the right to freedom of movement and residence.

*Article 17.* Everyone has the right to own property alone as well as in association with others.

*Article 19.* Everyone has the right to freedom of thought, conscience, and religion.

*Article 25.* Everyone has the right to a standard of living adequate for the health and well-being of him[her]self and of his [her] family, including food, clothing, housing and medical care and necessary social services.

*Article 26.* Everyone has the right to education.

In 2000, the United Nations launched a program called the Global Compact (GC) to encourage multinational corporations to honor human rights, labor rights, and the



environment. Members agree to the principles outlined in Ethical Checkpoint 12.1 and specify how they are complying with these guidelines. Nonprofit watchdog groups meet regularly with corporate representatives to talk about their firms' performance. Membership in the Global Compact has grown rapidly. It is now the largest voluntary corporate citizen group in the world. Nonetheless, there is considerable debate about the effectiveness of this organization. Critics argue that the UN leaders have weakened the Compact's standards in order to attract new members and they claim that there is little evidence that the GC has improved the conduct of member firms. GC staff and supporters argue, on the other hand, that the Global Compact has contributed to growing consensus about moral norms for global business. They point to the contrasting responses of Nike and Apple to mistreatment of overseas workers as evidence of that fact. It took Nike 20 years to take responsibility for the behavior of subcontractors after initial criticism in the 1970s. Apple responded immediately in 2012 to reports that Foxconn, a major contract supplier in China, was forcing employees to work long hours for low wages in unsafe conditions, all while living in overcrowded dormitories. The Global Compact has also sponsored initiatives to reduce bribery in India, Brazil, Nigeria, Egypt, and South Africa.<sup>29</sup>

## ETHICAL CHECKPOINT 12.1

### United Nations Global Compact: The Ten Principles

#### Human Rights

*Principle 1:* Businesses should support and respect the protection of international human rights within their sphere of influence; and

*Principle 2:* make sure that they are not complicit in human rights abuses.

#### Labour

*Principle 3:* Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

*Principle 4:* the elimination of all forms of forced and compulsory labour;

*Principle 5:* the effective abolition of child labour; and

*Principle 6:* the elimination of discrimination in respect of employment and occupation.

#### Environment

*Principle 7:* Businesses should support a precautionary approach to environmental challenges;

*Principle 8:* undertake initiatives to promote greater environmental responsibility; and

*Principle 9:* encourage the development and diffusion of environmentally friendly technologies.

#### Anti-Corruption

*Principle 10:* Businesses should work against corruption in all its forms, including extortion and bribery.

**Source** United Nations Global Compact: The ten principles. Retrieved from <http://unglobalcompact.org>.

## The Global Business Standards Codex

Harvard business professor Lynn Paine and her colleagues argue that outstanding (“world-class”) corporations base their codes of ethics on a set of eight universal, overarching moral principles.<sup>30</sup> Paine’s group came to this conclusion after surveying a variety of global and corporate codes of conduct and government regulations. They offer the following Global Business Standards Codex as a benchmark for those who want to conform to universal standards of corporate conduct.

- I. *Fiduciary principle.* Act on behalf of the company and its investors. Be diligent and loyal in carrying out the firm’s business. As a trustee, be candid (open and honest).
- II. *Property principle.* Respect and protect property and the rights of its owners. Don’t steal or misuse company assets, including information, funds, and equipment. Avoid waste and take care of property entrusted to you.
- III. *Reliability principle.* Honor all commitments. Keep promises and follow through on agreements even when they are not in the form of legally binding contracts.
- IV. *Transparency principle.* Do business in a truthful manner. Avoid deceptive acts and practices and keep accurate records. Release information that should be shared in a timely fashion but maintain confidentiality and privacy as necessary.
- V. *Dignity principle.* Respect the dignity of all who come in contact with the corporation, including employees, suppliers, customers, and the public. Protect their health, privacy, and rights. Avoid coercion. Promote human development instead by providing learning and development opportunities.
- VI. *Fairness principle.* Deal fairly with everyone. Engage in fair competition, provide just compensation to employees, and be evenhanded in dealings with suppliers and corporate partners. Practice nondiscrimination in both employment and contracting.
- VII. *Citizenship principle.* Act as a responsible member of the community by (a) obeying the law, (b) protecting the public good (not engaging in corruption, protecting the environment), (c) cooperating with public authorities, (d) avoiding improper involvement in politics, and (e) contributing to the community (e.g., economic and social development, giving to charitable causes).
- VIII. *Responsiveness principle.* Engage with groups (neighborhood groups, activists, customers) that may have concerns about the company’s activities. Work with other groups to better society while not usurping the government’s role in protecting the public interest.

## The Caux Principles

The Caux Round Table is made up of corporate executives from the United States, Japan, and Europe who meet every year in Caux, Switzerland. Round Table members believe that



businesses should improve economic, social, and environmental conditions and hope to set a world standard by which to judge business behavior. Their principles are based on twin ethical ideals. The first is the Japanese concept of *kyosei*, which refers to living and working together for the common good. The second is the Western notion of human dignity, the sacredness and value of each person as an end rather than as a means to someone else's end.<sup>31</sup> The Caux Principles for Business, perhaps because they were written by corporate executives from around the world, have gained widespread support. Business schools in Latin America, Asia, Europe, and the United States have endorsed them, and a number of international firms have used them as a guide when developing their own mission statements and ethics codes.

*Principle 1. Respect stakeholders beyond shareholders.* Businesses should have goals that extend beyond economic survival. Corporations have a responsibility to improve the lives of everyone they come in contact with, starting with employees, customers, shareholders, and suppliers, and then reaching out to local, national, regional, and global communities.

*Principle 2. Contribute to economic, social, and environmental development.* Companies operating in foreign countries not only should create jobs and wealth but should also foster human rights, better education, and social welfare. Multinational corporations have an obligation to enrich the world community through the wise use of resources, fair competition, and innovation.

*Principle 3. Build trust by going beyond the letter of the law.* Businesses ought to promote honesty, transparency, integrity, and keeping promises. These behaviors make it easier to conduct international business and to support a global economy.

*Principle 4. Respect rules and conventions.* Leaders of international firms must respect both international and local laws in order to reduce trade wars, to ensure fair competition, and to promote the free flow of goods and services. They also need to recognize that some behaviors may be legal but still have damaging consequences.

*Principle 5. Support responsible globalization.* Firms should support international trading systems and agreements and eliminate domestic measures that undermine free trade.

*Principle 6. Respect the environment.* Corporations ought to protect and, if possible, improve the physical environment through sustainable development and by cutting back on the wasteful use of natural resources.

*Principle 7. Avoid illicit activities.* Global business managers must ensure that their organizations aren't involved in such forbidden activities as bribery, money laundering, supporting terrorism, and drug and arms trafficking.<sup>32</sup>

After spelling out general principles, the Caux accord applies them to important stakeholder groups. Corporations following these standards seek to (1) treat customers

and employees with dignity, (2) honor the trust of owners and investors, (3) create relationships with suppliers based on mutual respect, (4) interact fairly with competitors, and (5) work for reform and human rights in host communities. The Caux Round Table has also developed principles for moral governments and nongovernmental organizations (NGOs). Integrity is the fundamental principle for NGOs, which must serve the common good while remaining true to their mission. NGO staff members should not abuse the public trust or use their positions for personal gain. Grounded in integrity, NGOs need to retain their independence, respect international and local laws, take care to be truthful when advocating positions while recognizing the potential impact on governments and corporations, and be accountable by regularly reporting on their activities and finances.<sup>33</sup>

## Resolving Ethical Cross-Cultural Conflicts

So far, we've established that (1) there are significant differences between cultures in how they respond to ethical issues, and (2) there are universal moral principles that apply across cultural boundaries. Reconciling these two facts when making ethical decisions is not easy. How do we respect ethical diversity while remaining true to global moral principles, for example? What do we do when two competing ethical perspectives appear to be equally valid? What set of standards should have top priority—those of the host nation or those of the international organization? Business ethicists Thomas Donaldson and Thomas Dunfee developed the integrated social contracts theory (ISCT) to help us answer questions like these.<sup>34</sup>

ISCT is based on the notion of social contracts, which are agreements that spell out the obligations or duties of institutions, communities, and societies. The model is integrative because it incorporates two kinds of contracts. The first kind of contract (*macrosocial*) sets the groundwork or standards for social interaction. Examples of ideal contracts include the requirement that governments respect the rights of people and help the poor. The second type of contract (*microsocial*) governs the relationships between members of particular communities—nations, regions, towns, professions, industries. These contracts are revealed by the norms of the group. Community contracts are considered authentic or binding if (1) members of the group have a voice in the creation of the norms, (2) members can exit the group if they disagree with prevailing norms, and (3) the norms are widely recognized and practiced by group members.

According to ISCT, universal principles (called *hypernorms*) act as the ultimate ethical standard in making choices. Communities have a great deal of latitude, or *moral free space*, to create their own rules, however, as long as these local norms do not conflict with hypernorms. Victim compensation provides one example of norms arising out of moral free space. In Japan (where the victim compensation system is unreliable), airline officials go in person to offer compensation to victims' families after an accident. In the United States (where the compensation system is more reliable), payments are determined through court decisions.

Dunfee and Donaldson offer a number of guidelines for determining which norms should take priority. Three of these rules of thumb are particularly important. One, determine if the local practice is authentic (widely shared) and legitimate (in harmony with hypernorms). If it's not, it should be rejected. Second, follow the legitimate local customs of the host community whenever possible. To return to our earlier compensation example,



a U.S. airline official stationed in Japan should distribute compensation directly to crash victims' families instead of relying on the Japanese court system. Third, give more weight to norms generated by larger communities. A norm embraced by a nation as a whole, for instance, should generally take precedence over the norm of a region. The U.S. government followed this guideline in overturning laws promoting racial discrimination in the South. A similar argument can be made for choosing the norm of gender equality—which has broad international acceptance—over the norms of a particular nation that discriminates against women. (You can test the ISCT model and the one that follows by applying them to one or more of the scenarios in Case Study 12.3 at the end of the chapter.)

University of Louisiana professors J. Brooke Hamilton, Stephen B. Knouse, and Vanessa Hill offer an alternative strategy for resolving cross-cultural ethical conflicts, one specifically designed for use in multinational enterprises (MNEs).<sup>35</sup> They provide six questions (the HKH model) to guide managers in determining whether to follow the values of their firms or to adopt the practices of the host country instead. Decision makers don't have to completely answer one question before moving on to the next. Instead, they can move ahead, returning to reconsider earlier questions as needed in order to clarify the final course of action.

1. *What is the questionable practice (QP) in this situation?* The first question identifies the nature of the problem, which may or may not have an ethical component. To qualify as an ethical conflict, the norms and values of the host country and the business must clash. A firm then has to determine whether to comply with local customs or to follow its own standards, which may mean leaving the host country.
2. *Does the QP violate any laws that are enforced?* Managers need to determine if the contested practice violates either the laws of their home country or the country where they are doing business. For example, as noted earlier, the Foreign Corrupt Practices Act prevents U.S. firms from offering bribes anywhere in the world. Chinese law requires that Internet companies support government censorship.
3. *Is the QP simply a cultural difference, or is it also a potential ethics problem?* A questionable practice qualifies as an ethical issue if it seems to cause harm or violates widely accepted ethical principles like justice or human rights. For example, offering small gifts to show respect is standard business procedure in much of Asia. Gift giving doesn't become an ethical issue unless significant sums are offered to bribe recipients at the expense of other parties.
4. *Does the QP violate the firm's core values or code of conduct, an industrywide or international code to which the firm subscribes, or a firmly established hypernorm?* The answer to this question may differ based on whether a company is interested only in complying with the law or is also interested in living up to its values. For a compliance-only company, an action is ethical as long as it is legal. Managers are interested only in avoiding punishment or harm to the company. Corporations seeking both to comply with the law and to live out their values (compliance/integrity firms) follow a higher standard. They recognize that the law doesn't condemn all forms of unethical behavior, and at the same time they

empower their employees to base their decisions on core values. For instance, workers at Motorola are encouraged to follow the firm's guidelines, called "Uncompromising Integrity and Constant Respect for People." Organizational decision makers can also base their choices on the widely accepted moral standards described earlier in the chapter.

5. *Does the firm have leverage (something of value to offer) in the host country that allows the firm to follow its own practices rather than the QP?* Companies with leverage have greater freedom to follow their own standards or to adapt their practices in a way that doesn't violate their central principles. Leverage comes from contributing to the local economy, offering jobs, supplying currency that can be used for international trade, providing training, purchasing local goods and services, transferring technology to the regional economy, and having an ethical reputation. McDonald's used its leverage to operate in Moscow without engaging in bribery and other forms of corruption endemic to the Russian economy. Of course, compliance-only companies don't have to worry about using leverage, since they automatically follow local regulations.
6. *Will market practices in the host country improve if the firm follows its own practices rather than the QP in the host country marketplace?* This question should be considered only after determining the amount of leverage held by the firm. If the company has significant leverage, it has a responsibility to try to change prevailing practices by refusing to engage in the questionable practice. Improving the way business is done (by not offering bribes, for example) may encourage local firms to follow suit, and local residents will benefit as a result.

## CHAPTER TAKEAWAYS

- In addition to providing significant benefits, globalization poses a number of ethical dangers, including increasing the gap between the haves and have-nots and promoting greed and corporate power at the expense of individuals.
- Overcome ethnocentrism—the tendency to see the world from your cultural group's point of view—through dialogue, mindfulness, adoption of a pluralistic perspective, and the practice of personal virtues that promote global cooperation.
- Seeking to be a citizen of the world is one way to address the dangers of globalization while combating ethnocentrism. Cosmopolitanism encourages compassion for those outside our nations, extending aid to the less fortunate no matter how distant from us.
- Understanding the values that ethnic groups and nations hold in common helps explain ethical differences and better equips you to predict how members of other societies will respond to moral dilemmas. Common values orientations include power distance, individualism versus collectivism, masculinity versus femininity, uncertainty avoidance, performance orientation, future orientation, assertiveness, and humane orientation.
- Cultures differ in their responses to universal dilemmas, which produces contrasting values



dimensions. Societies take different positions on universalism/particularism, individualism/communitarianism, specificity/diffusion, achieved status/ascribed status, inner/outer direction, and sequential/synchronous time. Focusing on one value to the exclusion of the other dimension encourages unethical behavior. Instead, integrate or reconcile elements from each end of the continuum.

- Ethical differences between cultures can also be explained by the emphasis that various groups place on one or more of the following: harm/care, fairness/reciprocity, in-group/loyalty, authority/respect, purity/sanctity.
- Resist the temptation to practice cultural relativism. Instead, look for ethical common ground, found in such universal principles as the

UN Universal Declaration of Human Rights, the Global Business Standards Codex, and the Caux Principles for Business.

- When making ethical decisions in global settings, balance universal principles with the need to honor local laws and values. Keep three key decision-making guidelines in mind: local customs must (1) conform to global standards or hypernorms; (2) give priority to the authentic, legitimate norms of the host country; and (3) whenever possible, give more weight to norms generated by larger communities. In cases involving conflicts between your company's norms and those of the host country (questionable practices), empower employees to decide based on corporate values, and look for ways to leverage your firm's influence to change local business practices.

## APPLICATION PROJECTS

1. Do you think the benefits of globalization outweigh its costs? Defend your position.
2. What do you think it means to be a "citizen of the world"? Should you strive to be a cosmopolitan? Why or why not? What would be some of the implications of living as a world citizen? Write up your response.
3. Select a culture, and write an analysis using the Hofstede and GLOBE dimensions. Determine how the culture rates on each dimension, and determine how this cultural profile shapes the ethical attitudes and behaviors of citizens. Write up your findings. As an alternative, select a culture and analyze it based on the six universal dilemmas.
4. Is there a common morality that peoples of all nations can share? Which of the global codes described in the chapter best reflects these shared standards and values? If you were to create your own declaration of global ethics, what would you put in it?
5. What do your scores on Self-Assessment 12.1 and Self-Assessment 12.2 reveal about how your culture has shaped your values and ethical decision making?
6. Develop a case study based on the conflict between the ethical norms of different countries. Identify the values patterns that are contributing to this dilemma. Resolve the conflict using the guidelines provided by integrated social contracts theory or the HKH (questionable practices) model.
7. Create a case study based on a company or other organization that you believe is a good example of a global citizen.
8. Select one of the diversity scenarios in Case Study 12.3, and reach a conclusion based on concepts presented in the chapter.



## CASE STUDY 12.1

### The Right to Be Forgotten

Individual privacy is a fundamental right in both the United States and Europe. However, the two regions define this right very differently. In the United States, privacy is “the right to be left alone,” and this right is often superseded by free press and free speech rights.<sup>1</sup> This view of privacy was illustrated by a California Supreme Court ruling that journalists could publicize the sexual orientation of a gay man who stopped an assassination attempt on former President Gerald Ford. The hero repeatedly asked the press not to reveal this information, which was hidden from his family, but the court ruled that helping to protect the president had made him a public figure. In Europe, dignity underlies privacy concerns. According to Zurich law professor Rolf Weber, Europeans consider “dignity, honor and the right to private life” the most fundamental rights. There is the “right for the [moral and legal] integrity of a person not to be infringed and for a sphere of privacy to be maintained and distinguished.”<sup>2</sup> The European Court of Human Rights ruled, for example, that German papers had violated Princess Caroline of Monaco’s privacy rights by publishing photographs of her and her family. The tribunal noted that the pictures were taken in “a climate of continual harassment” and involved “a very strong sense of intrusion into their private life.”<sup>3</sup>

The European Court of Justice applied the European conception of privacy to the Internet when it ruled that its citizens have the “right to be forgotten.” A Spaniard petitioned the court to force Google to remove information about the auction sale of his repossessed home. He argued that this reference was irrelevant because the matter had been resolved years earlier. He asked Google to remove the pages and to ensure

that news of the auction no longer appeared in search results. The Court of Justice agreed, declaring that individuals have a limited right to ask search engines to remove links with personal information if the information is “inaccurate, inadequate, irrelevant or excessive.”<sup>4</sup> This judgment applies to all current or future Internet providers operating in Europe. Opponents of the decision believe that the right to be forgotten is a form of censorship, comparable to allowing librarians to destroy books they don’t like. Media outlets worry that prominent people and corporations will use the system to delete unfavorable information about them.

In response to the EU ruling, Google, which handles an estimated 85% of Europe’s Web traffic, set up a system to handle data removal requests. Applicants fill out an online form that is submitted to a team within Google’s legal department, which weighs the request against the public interest. If the request is approved, the search engine then checks with the publisher, who may argue that the link be retained. Country data-protection regulators decide in cases where individuals dispute Google’s decision. The company received 431,000 applications to remove 1.5 million links from search results and granted approximately 43% of the requests in the first year after the EU judgment. To illustrate the kinds of requests it accepts and rejects, a company official said Google removed a five-year-old story about an individual cleared in a child pornography case but refused to remove a news article about someone recently convicted of child abuse.

Initially, removal applied to the 28 nations of the European Union as well as to Iceland, Norway, Switzerland, and Liechtenstein. The

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deleted links were still available on Google.com and other search engines. French regulators then ruled that Google must remove the links on all of its databases, thus extending the right to be forgotten beyond Europe. This judgment appeared to violate a basic principle of international law that regulations drafted in one nation apply only to that territory. David Price, senior product counsel for Google, complained, "One country shouldn't get to make the rules for what happens in another country."<sup>5</sup> Google appealed the French decision to the EU but then decided to comply. Now delisting requests made in any European country apply regardless of the search engine domain.

Efforts are under way to extend the right to be forgotten to the United States and Canada. Two New York state legislators proposed a law similar to the EU statute. The California Minor Eraser Law allows state residents under 18 to petition to have information they posted online removed. Many states have laws prohibiting "revenge porn"—sexually explicit pictures posted without the permission of the other party. The Canadian courts and Office of Privacy are beginning to address Internet privacy cases.

**Sources:** Gibbs (2016). "Google Restores Links" (2014). Manjoo (2015). M. Scott (2014a, 2014b). Shackford (2017). Spanier (2014). Toobin (2014).

## Discussion Probes

1. What does the right to privacy mean to you? The right to be left alone or the right to maintain your dignity?
2. What should take precedence—the right of privacy or the right of free speech?
3. What do you think constitutes "inaccurate, inadequate, irrelevant or excessive" information on the Internet? Can you think of any examples?
4. Should American and Canadian citizens "have the right to be forgotten"?
5. What information should never be deleted from the Internet?
6. Should the regulations of one nation or region apply to the global Internet?

## Notes

1. Chow (2013).
2. Ibid.
3. Ibid.
4. European Commission (2014).
5. Bradshaw (2016).

# CASE STUDY 12.2

## Goldman Sachs and Hunger Bonds

Life in Venezuela is tough. The country has the world's highest inflation rate (800%) and suffers from shortages of medicine and, more importantly, food. When oil prices were high, domestic food production dropped as the country imported foodstuffs using oil revenue. When

oil prices dipped, less money was available to pay for food imports. The country's president, Nicolás Maduro, compounded the problem by refusing food shipments from humanitarian organizations and turning over control of the food supply to the corrupt military. The



average citizen is 19 pounds lighter due to the food shortage, and some have been forced to eat kernels of corn and rice that fall off food trucks.

Venezuelans have taken to the streets to demonstrate against Maduro's regime. So far the embattled president has maintained power through repression, murder, and control of the military. According to one estimate, during 60 days of citizen protests, the regime killed 60 people, injured 13,000, and prosecuted nearly 2,000 in military courts.

Desperately short of foreign currency to stay financially afloat, Venezuelan officials offered deeply discounted national oil company bonds. New York investment bank Goldman Sachs purchased \$2.8 billion of these bonds from the national oil company of Venezuela for \$890 million, a 30% discount. Goldman's purchase set off a firestorm of criticism from Venezuelan opposition leaders and others who accused the bank of propping up a murderous dictator. They described these instruments as "blood" or "hunger bonds." They pointed out that Venezuelan authorities pay creditors first, before the needs of the people. Thus, money that could have gone toward feeding the population would go to Goldman Sachs and other bondholders. Julio Borges, the head of Venezuela's opposition-controlled congress, sent a letter to Goldman CEO Lloyd Blankfein accusing the bank of making "a quick buck off of the suffering of the Venezuelan people."<sup>1</sup> He vowed not to pay the debt should he come to power.

Goldman defended the bond purchase, stating, "We believe that the situation in the country must improve over time."<sup>2</sup> Bank officials were careful to point out that Goldman was investing on behalf of clients and didn't deal directly with the Venezuelan government. Instead, the purchase was made on the open market through an intermediary. In a statement, bank officials also pointed out that other banks and hedge funds are invested in Venezuelan securities. Reports are that BlackRock, T. Rowe Price, Fidelity, and other companies hold these oil company bonds. Venezuela bonds are attractive given that their

interest rate is much higher than for most other international bonds. Deep discounts mean that firms can make money even if the country eventually defaults on the debt.

Borges dismissed Goldman's claims that it hadn't dealt directly with the Maduro regime as "putting lipstick on this pig of a deal."<sup>3</sup> Protestors gathered outside Goldman headquarters holding signs reading "Don't Support Venezuela's Hunger Bonds" and "Goldman Sachs Profits Off the Killing of Venezuelans by Maduro\$ Regime." Said a Venezuelan college student: "By giving \$900 million to a dictatorship they are funding a systematic human rights violator, they are funding immorality and for Maduro to stay in power while he keeps killing people."<sup>4</sup>

## Discussion Probes

1. Is Goldman "making money off of the suffering of the Venezuelan people?" Are other bondholders doing the same?
2. Does the fact that Goldman didn't deal directly with the Venezuelan government make any difference in how you evaluate its bond purchase? Why or why not?
3. Is Goldman being unfairly targeted for criticism given that other financial institutions also hold these bonds?
4. Which, if any, of the universal ethical standards outlined in the chapter are foreign Venezuelan bondholders violating?
5. If you were an investment officer, would you recommend that your fund buy Venezuelan bonds? Or, if your fund held these bonds, would you recommend getting rid of them? What do you base your decision on?

## Notes

1. Gillespie (2017).
2. Ibid.
3. "Nomura Admits Part" (2017).
4. Ellsworth and Scigliuzzo (2017).

**Sources:** V. Hernandez (2016). Neumann (2017). The Takeaway (2017). L. Thomas (2017). E. R. Wald (2017). Wigglesworth and Long (2017).



## CASE STUDY 12.3

### Scenarios for Analysis

#### The Branch Manager

You have been appointed as manager of your British manufacturing company's operations in Columbia. The previous manager, also an expatriate, followed local customs when it came to staffing and leadership style. In keeping with the widespread belief in Latin America that "only family can be trusted," the branch hired relatives of current employees. In addition, the previous branch manager acted as "the grand patron," which met cultural expectations of how a leader should behave. As the grand patron, he dispensed cash, time off, and other benefits that ensured the loyalty of an inner circle of subordinates.

**Note:** This scenario is loosely based on a real-life example found in Osland, Franco, and Osland (2000).

#### Real Estate Guanxi

You are a licensed realtor who recently helped a family from Hong Kong find a new home in the San Francisco, California, area. Fortunately for you, locating a suitable property for your clients wasn't hard and didn't require much effort on your part. (It can be difficult to find reasonably priced housing in the Bay Area, which is one of the most expensive regions of the United States.) In two weeks, your clients made an offer that was accepted by the seller. At the home closing, after

Columbian operations consistently meet production targets, but you are bothered by the inefficiencies you see. Some family members lack the qualifications to carry out their duties. You don't believe that as a leader you should be dispensing resources that belong to the organization. The home office will give you the freedom to lead as you see fit, though headquarters bases hiring on merit, and "treating all employees fairly" is enshrined in the company's values statement.

*Should you follow the example of the previous manager or follow the practice of the home office?*

the papers were signed, the father of the family took you aside and gave you \$2,000 in cash as a thank you gift. This money is an addition to your commission, which is a percentage of the home's sale value. You know that gifts are frequently used to cement business relationships in China, part of the practice known as *guanxi*. However, you don't believe that your effort on behalf of these clients merits any special consideration and worry that this "gift" could be seen as a "bribe."

*Will you accept the \$2,000?*

**Note:** For more information on the practice of *guanxi*, see Langenberg (2013).

#### The Warlord Tax

You are the CEO of a small international relief agency. Your group's policy is never to pay bribes in any of the countries in which you operate, no matter how corrupt. The policy has not seriously hampered your operations until now. Severe famine has struck in the Horn of Africa, in an

area controlled by armed warlords. For food to reach the 100,000 starving residents of the region, you must pay a "tax" to the local military commander in the form of money or foodstuffs. This "tax" is clearly a form of extortion and violates your antibribery policy and possibly U.S. law. Other international relief agencies pay the



tax, so you know that food shipments won't be completely cut off if your organization decides to pull out of the area. On the other hand, stopping shipments would significantly reduce food

supplies to the region and could contribute to malnutrition and starvation.

*Will you pay the warlord tax and continue the food shipments?*

**Note:** This scenario is loosely based on actual events.

### **Shutting Down the Internet**

You are in charge of Far East operations for a multinational Internet and cell phone company. Your firm recently became the largest provider for a small country in your region. Over the past month, thousands of citizens have taken to the street to overthrow this nation's repressive regime. Antigovernment forces rely heavily on email, Facebook, Twitter, and phone calls to rally their supporters and to pressure government leaders to step down. To cripple the protest movement, the head of the nation's security forces has demanded that your company shut down all service for a week. You believe the

government has the authority to make this request and, if you don't comply, will cut off service on its own and imprison your local employees. However, shutting off service puts you on the side of an authoritarian government and violates your company's mission, which is to promote the free flow of information. Based on the response to a similar shutdown during antigovernment protests in Egypt, you expect heavy criticism from international human rights groups if you go along with the current government's request.

*Will you shut down Internet and cell phone service for a week?*

**Note:** Thanks to Jonathan Cooley, Portland, Oregon, for bringing my attention to the issues raised in this case.

**Sources:** Beam (2011). Garside (2011).