Ethical challenges in international business operations

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Abstract

As business becomes increasingly global with more and more companies penetrating oversea markets where culture and traditions vary, ethical consideration become more and more complex to handle. Differences in business customs and practices among nations of the world account for the reason why managers in organizations operating in an international context are confronted by complex ethical challenges. The business customs and practices revolve within the circumference of the peoples moral and cultural values. Some of the challenges facing the international business manager are sundry situations where there are no local laws, local practices that condone a certain behavior, an organization willing to do what is right is favoured over the organization that fails to engage in wrong business practices. In conclusion, being ethically correct is not a simple task for the international business manager because of diversity in cultural values. It is therefore imperative that governments establish a moral minimum as a guide for proper behavior or to draw the line to control unethical behaviours.

Introduction

Ethical challenges refer to tile considerations of moral beliefs about what is right or wrong. In most societies, lying, stealing, deceiving and harming others are considered to be unethical and immoral while honesty, keeping promises, helping others and respecting the rights of others are considered to be ethically and morally desirable behaviour. In business, the issue of ethics is not a different matter. According to post, et al (2000), business ethics is not a special set of ethics but the application of general ethical ideas to business behavior. For example, if dishonesty is considered to be unethical, then anyone in business who is dishonest with its stakeholders – customers, suppliers, employees or shareholders, is acting unethically. If protecting others from harm is considered to be ethical, then a company that withdraws a dangerously defective product from the market is acting in an ethical way.

Managers and employees often admit that they feel pressure at work which may lead to unethical behaviour. According to Nwaeke (2005), a natural study released by the Ethics Officer's Association in the U.S. claimed that over half of the workers felt some pressure to act unethically on their jobs. About 48 percent reported that they had engaged in unethical or illegal actions during the past years and attributed their actions to workplace pressure. The factors that contributed to pressure to act unethically as reported in the study are- balancing work with family demands, poor leadership, poor internal communications, excess work load, lack of management support, little or no recognition of achievement, need to meet desired goals, organizational politics, incompetent subordinates, insufficient organizational resources and downsizing effects on employees.

Therefore, the objective of this paper is to x-ray the challenges facing a Nigerian international business manager.

Theoretical Framework

There are three different models used to determine whether a business action is ethical or not. These models according to Jones et al (2000) are utilitarian, moral rights and justice models.

(i) Utilitarian model- The utilitarian model is of the view that any business action that produces the greatest good for the greatest number of people in a given society, is said to be ethical. This implies that organizational managers whether in domestic or international operations should compare and contrast alternative courses of action based on the benefits and costs of those alternatives for different stakeholder groups. They should choose the course of action that provides the most benefits to stakeholders. The problem of this model for managers leads to a number of questions;

i. How do managers decide on the relative importance of each stakeholder group?
ii. How are managers to precisely measure the benefits and costs to each stakeholder group? (Nweake, 2005).

The Moral Rights Model - This model suggests that a business action that best maintains and protects the fundamental rights and privileges of the people affected by the action is ethical. For example, ethical decisions protect people’s rights to freedom, life and safety, privacy and freedom of expression. This model requires managers to compare and contrast alternative courses of action based on the effect of those alternatives on stakeholders’ right. They should choose the action that best protects stakeholders’ right. For example, decisions that involved significant harm to the safety or health of employees or customers is unethical.

The problem of this model for managers is that if an action protects the right of some stakeholders and hurt the rights of others, how managers choose which stakeholder’s rights to protect (Nwaeke, 2005).

The Justice Model- This model is of the view that any business decision that distributes benefits and costs in a fair and equitable manner among stakeholders is an ethical decision. Managerial implications of this model require manager to compare and contrast alternative courses of action based on the degree to which the action will promote a fair distribution of outcomes. For example, employees who are similar in their level of skill, performance and responsibility should receive the same kind of pay. The allocation of outcome should not be based on arbitrary difference such as gender, race and religion. According to Nwaeke (2005) problems of this model to managers requires that managers must learn not to discriminate between people because of observable differences in their appearance or behaviour. Managers must also learn how to use fur procedures to determine the distribution of outcomes to organizational members.

In theory, each model offers a different and complementary way of determining whether a decision or behaviour is ethical and all three models should be used to sort out the ethics of a particular course of action. Ige (2008) and Tse (2006) argue that ethical issues are seldom clear-cut, and the interests of different stakeholders often conflict so frequently. It is therefore practically difficult for a decision maker to use these models to ascertain whether a business action is ethical or unethical. For this reason, many ethics professionals propose a practical guide to determine whether managerial behavior is ethical. A behavior is probably acceptable on ethical grounds if a manager can answer “yes” to each of these questions; Does my action fall within the accepted values or standard that typically applies in the organizational environment? Am I willing to see the decision communicated to all stakeholders affected by it, for example, by having it reported in the media?

Would the people with whom I have a significant personal relationship such as family members, friends or even managers in other organizations approve of the decision? (Ige, 2008; Tse, 2006; and Nwaeke, 2005).

Azai (2011) states that businesses are expected to always exhibit high level of ethical performance. Failure to do so means that they would be spot-lighted, criticized and punished with undue consequences. He further argue that business should be relatively ethical in order to fulfill public expectation For business, prevent harming others in public, improve business relations and employee productivity, reduce penalties under their country's corporate sentencing guidelines, protect business from undue competition by others, protect employees from their employers; and promote personal morality in society. Managers in organizations operating in an international context are confronted by especially complex ethical challenges. These challenges occur as international managers do business in other societies and nations where ethical issues differ from those at home.

Nwaeke (2005) opine that as business becomes increasingly global, with more and more corporations penetrating oversea markets where cultures and ethical tradition vary, ethical considerations become more and more complex to handle.

Cateora and Graham (2005) argue that the problem of business ethics is infinitely more complex in the international market because value judgments differ widely among culturally diverse groups. That which is commonly accepted as right in one country may he completely unacceptable in another. Giving business gifts of high value, for example, is generally condemned in t United States, but in many countries of the world, gifts are not only acceptable but also expected. Differences in business customs and practices among nations of the world account for the reason why managers in organizations operating in an international context are confronted by complex ethical challenges. The business customs and practices involve within the circumference of the people's moral and cultural values. Hofstede (1996), classified culture in four dimensions and explained it degree of influence in business at each dimension. These are power distance, individualism/collectivism, uncertainty avoidance and masculinity and femininity.

Power Distance: The power distance measures the tolerance of social inequality that is power inequality between superiors and subordinates within a social system. In other words, these cultural values deals with the way people in a culture accept the power inequality or gap among themselves in regard to allocation of authority. Cateora and Graham (2005) revealed that cultures with high power distance index (PDI) tend to be hierarchical with members citing social role, manipulation and inheritance as sources of power and social status. Those of low power distance index tend to value equality and cite knowledge and respect as sources of power. Thus people from cultures with high (PDI) are more apt to have a general distrust of others (not in their group) because power is seen to rest with individuals and is coercive rather than legitimate. High PDI scores tend to indicate a perception of differences between superior and subordinate and a belief that those who hold power are entitled to privileges. A low index reflects more egalitarian views.

Individualism/Collectivism: This refers to the degree of importance between individual's interests against that of the group. In individualism culture, there is preference for behaviour that promotes one's self-interest and it reflects an "1" mentality which tend to reward aid accept individual initiative. Individualism pertains to societies in which lies between individuals are loose; everyone is expected to look after him/her and his/her immediate family. Collectivism pertains to societies in which people from birth onward are integrated into strong, cohesive groups, which throughout people's lifetimes continue to protect them in exchange for unquestioning loyalty. It is important to note that the interest of the group is of utmost priority than that of an individual in the collectivism society. In this culture people value being seen from the concept and opinion of a group with the group taking care of them in return for loyalty.

Uncertainty Avoidance: This centers on how people in a society accent or perceive treats of a new situation and its uncertainties. It measures the tolerance of uncertainty and ambiguity among members of a society. Cultures with high uncertainty avoidance are highly intolerant of ambiguity and as a result tent to be distrustful of new ideas and behavior. They tend to have a high level of anxiety and stress and a concern with security and rule following.

Accordingly they dogmatically stick ID historically tested patterns of behaviour, which in the extreme become inviolable rules. Those with very high uncertainty avoidance index thus accord a high level of authority to rules as a means of avoiding risks. Cultures with low uncertainty avoidance are associated with a low level of anxiety and stress, a tolerance of deviance and dissent and a willingness to take risks.

Masculinity and Femininity: This refers to the traditional way in which ambition, goal and achievements are valued in a society or culture. In many cultures, the way achievements are mane and accessed between traditional male orientations and traditional female orientations differ and culture differs in what motivates people toward achieving a certain goal. Masculinity cultures are characterized with passive goal behaviour, high value for social relevance, preference for high standard and quality of life, and show great concern for welfare of others in the society. A survey on masculinity and Femininity by Hotstede shows that African has Feminine culture while United States is a Masculine Cultures.

Other business etiquettes that pose ethical challenges to the international business manager include:

Time Management: Time is a very important fact when it comes to doing business. A widely acclaimed adage says: "Time is money" but the concept of time management or orientation is perceived differently in many cultures. Time in Africa is seen as a composition of past events, those that is happening at that particular time and the events that are inevitable, in traditional Africa, time is perceived to be of two dimensions covering the past, present and with no consideration about the future which is in conflict with the Western orientation where time has infinite future, present and indefinite past. The Western ideology of time is practically strange to African mentality. In African perception, the future cannot constitute time because the events in it have not yet manifested, therefore time only covers the past and present.

Man is meant to create and control time and not time to control man. In this case time needs to be created and viewed from the point of convenience to man and his social and cultural activities (Unwubiko 1991). This simply means that African culture; do not actually view time from "Clock Tine" rather from the convenience perception. Time is very important to finish and punctuality is a virtue, it means same as the 'Clock Time' to Finns. Finns have respect and value for time and expect you to reciprocate (Sabaath, 1999).

In Africa, time is seen to be flexible and people come first before time. When a person is being too conscious of time, he is viewed with suspicion and distrust. Considering the fact that trust is very important in business practice in general, people who are very conscious of time record little success in Africa owing to the suspicion and distrust on them. Africans like to spend and control time and don't see it as a limited commodity (Moran, Harris and Moran, 2007).

Business Meetings and Dressing: The manner with which people respond to business meetings and their mode of dressing is an ethical challenge that must be understood by the international business manager. For example the mode of dressing in Nigeria is based on the culture and the quest to exhibit the African style. The former President of Nigeria Olusegun Obasanjo never puts on a suit any day during his tenure and in all Head of State meetings he attended. His successors Umaru Musa Yar' Adua and Goodluck Jonathan who is the current president followed, always dressing in native attire in all occasions. Nigerian likes to be addressed by their titles (Chief, Eze, Oba, Obong, Alahaji, Dr, Engr.) and when addressed in their simple name it is seen as disrespect. In negotiation Nigerians like to talk and pressure a lot unlike Finns and "Yes" does not really mean yes when negotiating with a Nigerian partner (Ogbonna, 2010).

Women in Business: Finland is one of the countries in the world where women have a lot of independence; they have closed the gap between the men and women. Survey reveals that more than 75% of Finnish women work out of their homes (Sabath, 1999). Unlike in Nigeria, women rarely work as they are traditionally bound to take care of domestic activities in the household. It is important to note that when doing business in Nigeria, never expect to see many women as they are still seen to be inferior to the men especially among the Muslims in the Northern part of Nigeria.

The international business manager must realize that in some countries, decision making in organizations is participatory as in the case of Finland. This is because Finland is low power distance culture (Ogbonna, 2010). Hofstede study shows that Germany is an individualistic culture and high uncertainty avoidance with low power distance while the United States is an individualism culture and low power distance with low uncertainty avoidance.

Conclusion and Recommendations

To behave in an ethical manner should be the hallmark of every business executive whether domestic or international. It requires little thought for most managers to know the ethically correct response to questions about breaking the law, harming the environment, denying someone his or her rights, taking unfair advantage or behaving in a manger that would bring bodily harm or damage. Unfortunately, the difficult issues are not the obvious and simple right or wrong ones. In many countries the international manager faces the challenges of responding to sundry situations where there is no local law, where local practices condone a certain behaviour or where an organization willing to do what is necessary is favoured over the organization that refuses to engage in practices that are not ethical. In short, being ethically correct is not a simple task for the international manager because of diversity in cultural values.

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