5. ETHICS, SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY
Read chapter 5
Learning Objectives

1. Ethics in international business
2. Corporate social responsibility
3. The role of sustainability in international operations
4. Corporate governance and its implications for managers
5. A framework for making ethical decisions
Agenda

- Corporate Governance
- Ethical Behavior
- Corporate Social Responsibility (CSR)
- Sustainability
Corporate Governance

- Ethical Behavior
- Corporate Social Responsibility (CSR)
- Sustainability
The system of procedures and processes by which corporations are managed, directed, and controlled.

Implementing appropriate conduct is challenging for MNEs, especially when operating in many countries.

A complicating factor is the use of third-party suppliers and contractors, some of whom may behave badly.

More firms incorporate ethics and CSR into their mission, planning, strategy and everyday operations.
Example: The Walt Disney Company

Corporate Governance Guidelines

- Composition of the Board of Directors
- Functions of the Board of Directors
- Director Independence
- Business Relationships with Directors
- Stock Ownership by Directors
- Director Compensation
- Board Leadership
- Management Succession and Review
- Board Meetings
- Board Committees
- Committee Membership
- Committee Meetings
- Board Materials
- Board Conduct and Review
- Selection of New Directors
- Board Tenure Policy
- Social Responsibility
- Implementation of the Guidelines

Source: [http://thewaltdisneycompany.com/content/corporate-governance-guidelines](http://thewaltdisneycompany.com/content/corporate-governance-guidelines)
Inappropriate Corporate Conduct Abroad

Firms may:

- falsify or misrepresent contracts or official documents
- pay or accept bribes, kickbacks, or inappropriate gifts
- tolerate sweatshop conditions or abuse employees
- do false advertising or other deceptive marketing
- engage in deceptive or discriminatory pricing
- deceive or abuse intermediaries in the channel
- undertake activities that harm the natural environment
Definition: The abuse of power to achieve illegitimate personal gain.

Main forms:

- Bribery (also called grease payments) -- small inducements intended to expedite decisions and transactions, or gain favors
- Fraud -- any act of deception carried out for the purpose of unfair, undeserved and unlawful gain
- Red tape -- needlessly time-consuming procedure
- Nepotism -- the favoring of relatives or personal friends
- Extortion -- obtaining something from someone, especially money, by using force or threats

Results:

More than 30 percent of MNEs believe corruption is a major or severe concern in their global activities.
Corruption Perceptions Index 2015

http://www.transparency.org/cpi2015

More on https://www.pinterest.com/drkardes/ch-5-ethics/

Dr. Ilke Kardes

BUSA 3000
Corporate Governance

Ethical Behavior

Corporate Social Responsibility (CSR)

Sustainability
Ethics: Moral principles and values that govern the behavior of people, firms, and governments, regarding right and wrong.

Ethical behavior:

- is often prescribed within laws and regulations.
- is demanded by customers, governments, and the news media.
  -- Unethical firms risk attracting unwanted attention.
- enhances corporate reputation.
  -- The firm with a strong reputation is advantaged in hiring and motivating employees, partnering, dealing with foreign governments and high selling prospects.
Ethical standards vary from country to country.

- **Relativism**: Ethical truths are not absolute but differ from group to group.
  -- “When in Rome, do as the Romans do.”

- **Normativism**: Ethical behavioral standards are universal.
  -- Firms and individuals should seek to uphold them consistently around the world.
How to Establish an Ethical Corporate Culture?  
- Examples

- Exhibits and week-long speaker series on the bank’s principles,
- Memos sent from Chairman and Chief Executive that focused on how the bank does business, ranging from compensation practices to appropriate feedback to keeping one set of books.
  - A committee on “ethics and culture,” telling shareholders that it’s aware “of the pervasive public perception on ethics,”
  - Videos on its internal website of top executives recounting ethical dilemmas they’ve faced.
- “Boot camps” where managers brush up on regulations and work through sample scenarios.

Corporate Governance

Ethical Behavior

Corporate Social Responsibility (CSR)

Sustainability
**Definition:** Manner of operating a business that meets or exceeds the ethical, legal, commercial, and public expectations of customers, shareholders, employees, and communities.

A strong CSR helps:

- recruit and keep good employees.
- differentiate the firm and enhance its brands.
- cut costs, as when the firm takes steps to minimize packaging, recycle, economize on energy usage, and reduce waste in operations.
- the firm avoid increased taxation, regulation, or other legal actions by local government authorities.
Example: Samsung

**Building Libraries**  Transforming neglected schools and community centers into children's libraries at sites all around the world since 2012.

**Book Donation**  Donating books in the names of guests who visit Samsung Engineering's corporate promotion center located at the head office in Seoul, South Korea.

**Technical School**  Training local men and women in basic technical skills, such as welding and carpentry. Employment opportunities to graduates. Thus, creating jobs and securing a global network of qualified human resources.

**Disaster Resource Partnership**  Supporting communities damaged by natural disasters for temporary housing and materials as well as financial contributions.

Source: http://www.samsungengineering.com/sustainability/corporate/project/suView
Agenda

- Corporate Governance
- Ethical Behavior
- Corporate Social Responsibility (CSR)

Sustainability
Global goals for sustainable development

1. No Poverty
2. No Hunger
3. Good Health
4. Quality Education
5. Gender Equality
6. Clean Water and Sanitation
7. Renewable Energy
8. Good Jobs and Economic Growth
9. Innovation and Infrastructure
10. Reduced Inequalities
11. Sustainable Cities and Communities
12. Responsible Consumption
13. Climate Action
14. Life Below Water
15. Life on Land
16. Peace and Justice
17. Partnerships for the Goals

Source: http://www.globalgoals.org/

More on https://www.pinterest.com/drkardes/ch-5-ethics/

Dr. Ilke Kardes
BUSA 3000
**Definition:** Meeting humanity’s needs without harming future generations.

**Economic interests**
The firm’s economic impact on the localities where it does business:
-- job creation, wages, and public works.

**Social interests**
How the firm performs relative to social justice:
-- avoiding the child labor, sweatshops, and providing employee benefits.

**Environmental interests**
The extent of the firm’s impact and harm to the natural environment.
Apple said: "Underage labor is never tolerated in our supply chain and we are proud to have led the industry in pioneering new safeguards."

It conducts rigorous audits on its supply chain and any supplier found hiring underage workers is forced to: fund the worker's safe return home; finance the worker's education at a school chosen by the worker or his/her family; continue to pay the worker's wages; offer him or her a job when he or she reaches legal age to work. (Source: BBC 2016, “Apple, Samsung and Sony face child labour claims,” Jan 19)
### Key Takeaways: Chapter 5

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