Chapter 7
A Global Approach towards Teaching Ethics in International Business

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ABSTRACT

The areas of ethics and social responsibility have increasingly become important in the study of international business and are now covered at the undergraduate and postgraduate levels. While the introduction of ethical theories and responsibilities of corporations within the subject matter has helped create awareness of ethical issues faced by managers in the global marketplace, the current body of knowledge focuses mainly on the Western perspective. This chapter extends the ethical perspective to non-Western philosophies and covers the teachings and ideologies of Confucianism, Gandhism and Islam. These philosophies describe the ethical and moral values that help can explain the decision-making behavior of managers in China, India and many Muslim countries. These suggested codes of ethics are relevant for both students and academics, especially in light of the increasing number of acquisitions by firms from emerging economies.

INTRODUCTION

The globalization of business activities has been built on the standardization of regulations and procedures that govern the international trade and investment environment. The establishment of the World Trade Organization (WTO) and other international trade and investment bodies has resulted in a general consensus on the rules that dictate the terms of global business. Despite this level of convergence, the business and academic communities acknowledge that there remain differences in the national business environments which reflect the cultural and social values of each country. The higher education institutions in developed and developing countries offer undergraduate and postgraduate courses in cross-cultural management and international trade and investment that provide a comparison on management practices. However, the teaching of ethics

and social responsibility in international business courses has traditionally been limited in scope and tends to cover theories that are commonly associated with the developed Western world. Taking this approach to teaching ethics limits the ability of both international and domestic students to grasp the various ethical beliefs that influence the decision making process of managers from developing countries and transitional economies. The chapter addresses this concern and covers three non-Western ethical perspectives used in business in China, India and the Muslim world. These three perspectives are: Confucianism, Gandhism and Islamic theocracy. The remainder of the chapter is structured as follows. The next section reviews the ethical theories and philosophies covered in international business textbooks followed by a detailed description of the three non-Western ethical perspectives. The chapter concludes with a discussion on how the three perspectives influence the business environment and its implications for education and practice.

REVIEW OF CURRENT PRACTICE

The International business discipline is an emerging area of knowledge. Today many educational institutions globally offer students the option to major in international business or study the courses as part of the general undergraduate and postgraduate degrees. These offerings are particularly attractive for international students from developing countries who wish to obtain a globally recognized education. Many of the topics covered in the international business course focus on trade and investment policies, which tend to be quite similar globally. Therefore the textbooks used to teach international business are standardized and do not need much adapting. The US and European based textbooks tend to dominate the market (see for example Wild, Wild and Han, 2008; Hill, 2010; Cavusgil, Knight and Riesenberger, 2012) and include a chapter, or at least a detailed section,

on international business ethics. Although these books compare management practices around the world and highlight the different cultural values and norms, this comparison does not necessarily extend to ethical theories and perspectives. Even in a country like Australia where many of these international business books are adapted to suit the Asia-Pacific region (for example see Wild, Wild, Han and Rammal, 2007; Dowling, Liesch, Gray and Hill, 2009), the content of the ethics chapter follows the US and UK text and only covers ethical theories and philosophies proposed by Western philosophers. Some of these theories are briefly summarized here[1]:

The *Friedman doctrine* states that the primary purpose of the management is to maximize shareholders' return as long as they do so within the rules of the law. This doctrine is seen to be outdated and is generally covered in the textbooks to highlight the changing nature of business ethics.

The *Utilitarian approach* to ethics states that a decision is ethical and appropriate if the benefits of the decision outweigh the costs of implementing it. This approach can help explain why in some instances decisions like downsizing are taken by managers where a small number of workers lose their jobs in order to keep the company operational and the majority of the workers employed.

The *Kantian approach* to ethics advocates treating human with dignity and respect and not merely as input for production. This approach is relevant to our understanding of issues related to the use of sweatshops and bonded labor.

The *Rights Theory* is often explained with reference to the United Nations Universal Declaration of Human Rights. The theory states that all humans are born with fundamental rights that need to be protected and respected. This includes the right of individuals to fair remuneration for their labor and freedom to join unions to protect and advocate their rights.

And finally the *Justice Theory* states that managers should make their decisions with a veil of ignorance on so that they cannot discriminate on

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