

Ethics of Business in the Age of Globalization

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Abstract

The world has seen tremendous change in almost everything and the so-called change is not something which is confined within a particular geographical circle but its permeating force of change is seen globally. Globalization has led to increased competitions in the global business in terms of production, marketing, providing service, up gradation of technologies, adaptation to fast changing business marketing, etc. The ongoing globalization has impacted on businesses in almost all aspects and this has given rise to many issues including ethical. Many famous and well established global corporations such as Enron, World Com, TYCO, Satyam and many more have lost their positions in the world of business because of their unethical business practices. These recent corporate failures have strongly indicated the need to appraise business behavior not only from the economic aspect but more on the ethical aspect in business behavior. Integration of ethical aspect as an integral part of business behavior will not only bring maximization of return but it will also strengthen business firm which possibly will bring sustainability to business transaction. This paper examines globalization and its impact on business by highlighting some ethical issues consequent upon increasing impact of globalization in business.

Key Words : *Ethics, Business Ethics, Globalization.*

1. Introduction

Business world is now characterised by free trade, free market capitalism, and open globally competitive market. The endeavor in this paper is particularly aimed at finding a desirable relevance of ethics in the affairs of business behaviour in this particular globalized age. But before foraying into any further discussion it is required of this paper to discuss something about the meaning of globalization. Globalization is the process of growing interdependence of countries resulting from the increasing business on integration of economies, people, and ideas around the world. Globalization is, thus, a complex and controversial process of the building of the world as a whole by creation of global institutional structures and global cultural forms, i.e. the forms that have been produced or transformed by globally accessible means. It is disclosed as:

1. The free market-economic unification of the world with uniform patterns of production and consumption.
2. Democratic integration of the world based on common interests of humankind, such as equality, human rights protection, rule of law, pluralism, peace and security.
3. Moral integration of the world concerning some central humanistic values, essential for sustainable development of humanity.¹ Anthony Giddens² defines globalization as the intensification of

¹ M. Kukoč, (1/2009) Philosophy and Globalization I, *SYNTHESIS PHILOSOPHICA*, 47. P. 3–5

worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa. Paul James defines globalization as the extension of social relations across world-space, defining that world-space in terms of the historically variable ways that it has been practiced and socially understood through changing world-time.³ Globalization can be stated as something that refers to fundamental changes in the spatial and temporal form of social existence. It is a process that offers a complex network of forces and factors that bring people, cultures, markets, beliefs and practices into increasingly greater proximity to one another.⁴

At micro level two factors can be identified as driving force behind globalization –

1. Removing restriction on trade barriers to ensure the free flow of product, capital and services, which was started after the Second World War. Many international organizations such as World Trade Organization (WTO), General Agreement on Tariffs and Trade (GATT) were established to revive the world economy.

2. Rapid technological changes especially in the area of communication and information play a facilitating role behind the process of the globalization. Revolution in communication technology breaks down the national barriers and enables firms to operate their business beyond national borders. Changes in information technology can provide relevant information about any product in a very short time, such development of technology creating an environment for international investment.

2. What ethics is and what ethics is not -

Ethics is a system of moral principles and attitude that examines one's moral standards or the moral standards of a society. Though morality and ethics are two interchangeable word but philosophers often distinguish ethics from morality. According to them morality is a study of human behavior and values and ethics is the study of human character and behavior, it is a study that defines the nature of morality and distinguish what is morally right from what is morally wrong. According to Manuel G. Velasquez, ethics is a study of moral standards whose explicit purpose is to determine as far as possible whether a given moral standard (or moral judgement based on that standard).⁵ People generally think that if someone believes that it is wrong to lie, cheat, steal etc. and does not do any of these are maintaining the ethical standards and live an ethical life, but those people who do not believe that it is wrong to lie, cheat and steal are also maintaining and living according to ethical standard if they are able to defend or justify their action. And on the other hand people who can't justify or defend their action fail to claim that they are living according to ethical standards.

Ethics should be judged from a universal point of view because it is something that is bigger than individual person, but it does not mean that a particular ethical judgement will be always universally applicable; but rather it means that in making ethical judgement individual must go beyond their likes and choices. It is also important to distinguish what ethics is from what ethics is not –

Peter Singer in his book, “*Practical Ethics*”⁶ distinguished between what ethics is from what ethics is not. According to him, ethics is not a set of prohibitions, nor is it a mere ideal that is noble in theory

²Giddens, Anthony. (1991) *The Consequences of Modernity*, Cambridge: Polity Press, P. 64.

³ James, Paul (2005) “*Arguing Globalizations: Propositions Towards an Investigation of Global Formation*”, *Globalizations* 2 (2), P. 193–209.

⁴ Sorrells, Kathryn. (2012), *Intercultural Communication Globalization and Social Justice*. Thousand Oaks: Sage Pubs.

⁵ Velasquez, Manuel, G.(2002) *Business ethics concept and cases*, P. 13

⁶ Peter Singer (1993) *Practical Ethics*, Cambridge University Press, p. 1-15

but no good in practice, nor is ethics intelligible only in the context of religion nor is it relative and subjective. Ethics for him is not just a mere ideal good only in theory but it is an ethical challenge for anyone who wants to dedicate some serious thinking into how she or he ought to live. Ethics is not a kind of system that is only ideal for theory but not good for practice. Ethics is not just about short and simple rules like 'Don't lie', 'Don't Steal', 'Don't Kill' which is of little help in a complex situation.

Ethics is not religion. However all priests generally talk high ethical standards but they do not address all ethical problems that people face today. Today many people do not subscribe to any religious doctrines but ethics applies to all the people irrespective of their religion.

Ethics is not law. Different country may have different law sometimes depending upon its social, religious and cultural beliefs. In United States bribery is illegal but in some country it is legal, similar things happen about the child labor law, environment protection law, discriminate practice, work hour and employees health and safety law. There are some laws that have no relation with ethics because these do not involve any serious matters such as parking laws, dress codes etc.

Ethics is something which is different from our feelings. Our choice for ethical behavior is based on our feelings. We feel bad when we do something wrong or unethical but many people especially hardened criminal may not feel bad even though they do something which is morally wrong.

3. Importance of Ethics in globalized business

Ethics is the study of moral principles and values that govern the behaviour of people as well as the behaviour of the society. Integration of ethical aspect as an integral part of business behavior will not only bring maximization of return but it will also strengthen business firm which possibly will bring sustainability to business transaction. Ethics in business is required for a healthy and fair trade practice. We can sum up that:

Ethics should be brought in to business because:

1. Ethics can develop a strong relationship between a corporation and their stakeholders.
2. Ethics can create a good image for the company which is important for the survival of any business.
3. Ethical ways of doing business is expected in order to improve the consumer's confidence about quality, quantity, price etc.

What is the requirement of Business organizations in our society?

Every society has some common requirements and their activities are being operated by some organizations which are designed to achieve and fulfil those needs. These requirements include production and distribution of goods on which the life of people can be dependent upon, try to create and preserve societies' cultural values such as art, knowledge, religious, etc. People are enabled to achieve these needs by establishing some institutions such as political, legal, educational and economic.

The most significant institution among them is the economic institution through which the following two ends can be achieved –

1. Production of goods according to the wants and needs of the society.
2. Distribution of such goods among all the members of society according to their wants and needs. Thus, an economic institution decides who and how will the production and distribution of goods will be carried out and organized.

Business organizations are the primary economic institutions through which members of the modern societies can manufacture and distribute goods and services, manufacturing, banking, marketing, retailing, advertise insuring, transportation are the different aspects of our modern business organizations.

4. Ethical consequences of Market Globalization

Business world is now characterized by free trade, free market capitalism, and globally open competitive market. The objective of global economy is to bind country into a single economic chain and create a single geographic market with single trade rules. This globalized economy brings tremendous opportunity for the business but at the sometimes it creates numerous ethical challenges regarding work culture, labour standard, environment protection, poverty, privacy right and other social welfare. But this new technical changes creates many ethical issues. The most important among them is related to our privacy. With the help of information technology in the form of computer (internet) we are able to gather important information about any individuals including their cash transaction, details of credit and debit card, bank account, email and etc. and easily share this to other person that harm our right to privacy. Information technology raised another ethical issue about the property right when any kind of data, computer system, software program and sound picture which are encoded into computer file are copied without changing the original. It is true that Globalization creates thousands of job opportunity, offers greater economic growth and high standard of living world-wide. But these growths are mostly limited only in developed country and some of the developing countries. Unequal distribution of good, capital, wages, creates unemployment and poverty in poor countries. As a result the income gap between develop countries and less developed countries become wider. Some global company operate sweatshops where employees may work for long hours with minimum wages, often in an unhealthy condition. Sweatshops also employ child labor which is illegal. Globalization can harm the environment by promoting increased manufacturing and economic activity that result in pollution, habitat destruction and deterioration of the ozone layer.

Globalization can threaten national sovereignty in different ways. MNE activities can interfere with the sovereign ability of governments to control their own economies, social structures, and political systems. They often lobby their government for say, devaluation of the home currency which gives them greater price competitiveness in exports markets. Globalization is associated with off shoring, the relocation of value-chain activities to foreign locations where they can be performed at less cost by subsidiaries or independent suppliers. Off shoring has resulted in job losses in many countries.

5. Conclusion

In my opinion globalization is a complex phenomenon which has both positive and negative impact on business. But to raise standard of living worldwide, today it is important for us to highlight the positive side of this process and try to overcome the avoidable difficulties that globalization may bring. Every country wanted to achieve rapid economic growth and seek to reduce poverty and this will be best achieved through globalization. Because in an open economy, economic growth, employment, standard of living all are higher rather than in a closed economy. Companies have to be global because of several reasons sometimes domestic markets are not so large and rich enough to absorb whatever was manufactured. Through globalization small firms also can participate more and more in the larger markets because with the help of globalization they can easily access modern technology, goods, more capital flows and cheaper labor. So, we are in an economy where countries have no choice but accept globalization to find better technology, cheaper imports and larger exports markets. Though it is true that these benefits through globalization are not equally shared among the countries and as a result the increasing income gap between the developed countries and poor countries has grown wider which is a serious matter of concern. Some policies must be embraced by the countries to derive positive effect of the globalized economy. In the case of poor country strong international trade policy and the help of international community is very much required in order to improve their situation and help them to integrate with the global economy. This way every country can able to access the equal benefits of globalization. Being ethical is the hallmark for doing international business with honesty and fairness. Issues related to international market is not a simple right and wrong ones. We should be ethically responsible before destroying environment, tax evasion in host country, and taking unfair advantages of wage, price and consumer in foreign market.

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