TREADING THE LINES BETWEEN SELF-INTEREST, CULTURAL RELATIVISM AND UNIVERSAL PRINCIPLES: ETHICS IN THE GLOBAL MARKETPLACE

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Purpose: This paper introduces this special issue of Management Decision by exploring the themes of the issue and the contribution of each of the articles in the collection.

Approach: The paper reviews notions of ethics, justice and responsibility. It then uses the framework developed through this review as the basis for an appreciation of the articles that constitute the issue.

Value: This article provides an introduction to, and suggests an overarching framework for, this special issue on questions we ask about ethics in a global marketplace. It is also an important reminder to managers and employees who constitute the entities to which “responsibility” is generally attached, that responsibility, ultimately, is irreducible beyond the individual, who cannot simply “follow orders”.

Keywords: ethics, globalisation, moral development.

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Background

This time last year, I began my editorial introduction to the Management Decision special issue on alleviating poverty through trade by observing that, whether the discussions are rooted in philosophical, legal, political or geopolitical origins, companies and communities alike are paying increasing attention to the idea of corporate social responsibility (CSR) (Lamond, 2007). In so doing, I noted that, on both sides of the Atlantic, companies are seeking to integrate social and environmental concerns in their business operations, investing more in their people, the environment and their relations with stakeholders (Lamond, 2007). On the other hand, as Tom Lee (2008) points out in his Preface to this issue, while terms like “managerial ethics”, “business ethics”, “corporate social responsibility”, “sustainability” roll easily off the tongue, we still have neither a dominant paradigm, nor a body of coherent empirical findings to support such a conceptual framework (see also Carroll, 2004:115). In other words, we know about “doing well by doing good”, but how well do we know the drivers that inform such a notion? Accordingly, we return to the CSR theme again here, but from a different perspective, asking in essence whether, in a global marketplace, we can treat the moral and ethical antecedents of a notion like CSR as homogeneous and taken for granted.

The purpose of this paper is to present an editorial introduction to the theme “Questions we ask about ethics in a global marketplace”, but to do more than simply provide a précis of each of the constituent articles (indeed, in his introduction, John Fernandes (2008) does this wonderfully well in the summary questions he fashions from each of the papers). Instead, I want first to explore some notions of ethics, justice and responsibility, and then use this exploration as a basis for framing my appreciation of each of the papers that have contributed to this issue.

Some observations about ethics, justice and responsibility

I first became interested in the subject of what constitutes ethics, and what constitutes ethical behaviour in different places, as an undergraduate psychology student investigating Kohlberg’s (1981, 1984) theory of moral development. It was here I was first introduced to the concept “cultural relativism” in the guise of Kohlberg’s (1981, 1984) “social contract”. The idea that “right” and “wrong” could be determined by consensus and that that consensus could vary from social group to social group (culture to culture, nation to nation) was, at the time, a novel one for me. In any event, Kohlberg’s theory and its relevance for managerial behaviour is the starting point, the touchstone if you will, for much of what follows.

Following Piaget’s (1954) stage model of cognitive development, Kohlberg (1981, 1984) proposed six stages of moral development, through which, he argued, every person passes. These stages are grouped into three levels: pre-conventional (obedience and punishment orientation; self-interest orientation), conventional
(conformity; authority orientation), and post-conventional (social contract; universal ethical principles). Moral reasoning at level one judges the morality of an action by its consequences for the actor (“it’s wrong if I get punished”, or “it’s right if it suits my interests”). At the conventional level, morality is a function of accordance with the views of society, its laws and conventions (“it’s right (or wrong) because others in authority (or the rules) say so”). Post-conventional, or principled, reasoning reflects the notion that society’s laws and conventions are derived by agreement (cf Rousseau’s (1762/2005) social contract) and, further, that the morality of those laws is determined by the extent to which they are just. It is beyond the scope of this article to explore the full details of Kohlberg’s model. Rather, my interest here is in the latter, post-conventional, level of moral reasoning and its relevance for business and management. That being said, given the corporate scandals to which Tom Lee (2008) and others have referred – Enron, WorldCom, Tyco, Arthur Andersen, and Parmalat – we don’t have to look too far for the firms whose managers would appear to have been operating at the pre-conventional level. I return to the theme of principled moral reasoning later in the paper.

A decade later, now as a management academic in front of one of my first HRM classes on EEO and affirmative action, I was confronted by a number of students, practising managers, that certainly appeared to have taken to heart Milton Friedman’s (1970) view that the only social responsibility of firms is to maximise profits without fraud or deception. By extension, everything else was up for grabs. I was particularly startled by their negative response to the concepts of EEO and affirmative action as I presented them because, naive as I was at the time, I had started from the proposition that the benefits of EEO and affirmative action were self-evident – selecting the best people for the job, and removing the barriers that would prevent the best people getting those jobs, maximised the firm’s performance and, in turn, its profits. Indeed, I was impressed by the elegance of the argument since it satisfied Friedman’s (1970) admonition and, especially for an Australian audience that was all about a “fair go”, it was also “the right thing to do”. From these students’/practising managers’ perspective however, the “best” people did not include women, older employees, or people whose first language was not English, apparently by definition. The “reasoning” underlying these claims was constituted by the usual dissembling about family responsibility, age, and communication induced efficiency reductions.

The way of thinking displayed by these students seems to reflect, in turn, a “macho” tradition that extends into management and the company boardroom, and is an essential element of the executive culture for which Australia is well known (Sinclair, 1994), a culture of physical and emotional toughness and self-reliance to which Sinclair (2005:37) refers as a form of “heroic masculinity”. I have explored the impact of the exclusion of the “voices” of women, of Australia’s Aboriginal and Torres Strait Islander people, and of people from a non-English speaking background, on managerial leadership styles in Australia elsewhere (see Lamond, in press). Suffice it to say that the impact of culture on ideas of justice as they relate to inclusivity and exclusivity is relevant to the discussion here.
By any measure, there has been a significant continuing and increasing interest in “corporate social responsibility” since Bowen (1953) wrote about the social responsibilities of the businessman (sic). Marens (2008) provides an excellent critical review of the earlier CSR scholarship, while Carroll (1979, 1999, 2004; see also Schwartz and Carroll, 2003), provides a series of reviews of the literature at different stages over the last 30 years, as well as making his own significant contribution. Recent Google searches on CSR and related terms reveal over 9 million hits on a combination of “corporate social responsibility”, “corporate responsibility”, and “corporate citizenship” (the equivalent hits on Google Scholar total nearly 70,000). Worthy of note is that these considerations are subsumed in the broader search of “social responsibility” (nearly 12 million hits on Google and 190,000 hits on Google Scholar) and, more broadly, “responsibility” (250 million and more than 4.6 million respectively), since the very notion of corporate social responsibility implies the attachment of “responsibility” to someone or something.

It is very tempting to allocate responsibility to the anthropomorphised legal person of the corporate entity, or to the organisation as praxis, but the irreducible level of attachment of responsibility is, surely, the individuals who constitute the social group of the organisation, whether corporate entity, not-for-profit organisation or government agency. A recent comment by Chris Davis, a British Member of the European Parliament (MEP), regarding problems of financial transparency with the European Parliament (quoted in Charter, 2008:5) is instructive in this regard:

The financial rules in the European Parliament are complicated and even seem designed to discourage ethical behaviour but you would expect British MEPs to know right from wrong

Without totally deconstructing Davis’ statement, responsibility here is clearly attached to the person rather than the institution or its rules – principled behaviour, rather than rule following or adherence to codes of conduct, is what is expected. Is it unreasonable to expect the same of the senior executives of corporate entities?

Given these initial thoughts on ethics, justice and responsibility, I turn now to an appreciation of the articles that constitute this issue. They are broadly divided into theoretical/philosophical works (which appear first), and empirical studies of ethical practices in companies and of the relationship between such behaviour and corporate performance. Taking us beyond good (“best”?) practices and standards, Agatiello (2008) proposes a principle based approach to the management of social, economic and political issues. But such an approach is not unproblematic, and Gates and Steane (2008) point to the ambiguities of “justice” in a global marketplace. Prasad (2008) suggests a Rawlsian (cf Rawls, 1971) solution for a system of global ethics that renders international business practices socially just. Turning to the empirical, Muhr (2008) examines notions of responsibility and justice through a South African case study, while Barin-Cruz and Boehe (2008) explore the concept of sustainable global value chains through a case study of a company that operates in multiple contexts. Looking at ways forward, Dwyer (2008) considers the use of benchmarking as a mechanism for developing trust internationally. Herciu and Ogrean (2008) provide evidence that growing competitiveness of countries can be linked to more socially

Questions and answers about ethics in the global marketplace

The central thesis advanced by Hofstede (2001, 2005) and Trompenaars (1994; 1997) is that nationality-based cultural differences influence differences in work values, beliefs and orientations held by organisational members in different countries. These differences are also reflected in the diversity of laws and social conventions in those nations, determined ostensibly in context of the social contracts referred to by Rousseau (1962/2005) and later by Kohlberg (1981, 1984). In his exploration of the early scholarship of corporate social responsibility, Marens (2008) notes that constructs such as “social contract” and “stakeholder management” were first introduced to the field by academics trained in ethics.

Carroll (1979, 1991, 1999, 2004) is one author who takes the stakeholder approach to business ethics and corporate social responsibility, writing early about CSR in a community (cf Carroll, 1979) and more recently in a global multi-community context (Carroll, 2004:114), where “the community is the community of host nations in which the firm is doing business, and the government represents all the separate sovereign nations that serve as "hosts" to investing MNCs”. Starting with a basic definition of CSR as encompassing “the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time”, Carroll (2004:116) has applied his CSR model (cf Carroll, 1979, 1999) to attempt to account for the global element, proffering a four-level pyramid that incorporates economic responsibility (to be profitable), legal responsibility (obey the law), ethical responsibility (be ethical), and philanthropic responsibility (be a good global corporate citizen).

We live in a global marketplace constituted by a collection of societies, cultures and experiences that are, on the hand, disparate but, on the other, are increasingly interwoven. This is evidenced, at least in part, by the fact that firms are no longer merely multinational but transnational and, indeed, half of the largest “economies” in the world are firms (cf Anderson and Cavanagh, 2000). But is it simply a matter of identifying on a contingency/stakeholder basis, “the various mixtures or combinations of home- and host-country standards that a business operating in the global sphere might adopt” (Carroll, 2004:115)?

Carroll (2004) talks about ethics in the context of societal expectations and prohibitions that are not codified by law, but doesn’t engage the issue from a “principles” perspective (are the laws “just”?), although he does acknowledge the distinction between moral relativism and moral universalism in relation to the interests of less advantaged stakeholders in developing countries without articulated ethical standards, and suggests that the ethical standards encapsulated in, for example, the U.N. Global Compact, may be instructive regarding an approach to universalism.
Agiatello (2008) takes both the stakeholder concept and the notion of a moral universalism as his starting points in his advocacy for a principles-based approach to public and private sector governance that moves beyond bureaucratic standards and codes of conduct. Detailing what he calls “the universe of stakeholders” (ranging from peers, family and friends at the personal level to the business and social systems at the meso- and macro- levels), Agiatello (2008) says that such an approach is necessary in an era when corporate decisions affect a plurality of people, groups and institutions, sometimes entire countries and regions, well beyond the present interests of a corporation, its investors and partners. He offers some “steps in the right direction”, a collection of ethical initiatives that can be seen as the exercise of the will to have a conscience, and concludes by observing that it is in the enactment of answers to Kant’s perennial questions about what they can do, what they ought to do and what they can hope for, that corporations (and by extension the people who govern them) will effectively exercise their social responsibilities.

Gates and Steane (2008) are less certain about the universality of notions of justice, suggesting significant ambiguities when “justice” is applied to a particular situation or in a particular community. They point to theologian Paul Tillich’s explication of these ambiguities as they relate to inclusion/exclusion of community members, to competition and equality, to leadership and to legal form, and explore their relevance for corporations operating in the global marketplace. One example of the ambiguities that exist is when elected representatives seek to separate government policy from personal morality, as in the case of a former Australian minister who insisted that economic policy is a question of prudential judgement rather than one of morality, and went on to argue that church representatives should concentrate on encouraging virtue in others rather than demanding it of governments. Gates and Steane (2008) argue that, even if one accepts the claim that economic policies developed through prudential judgement are not subject to a moral or ethical code, it does not absolve individual participants in the policymaking and administrative processes from ethical and moral responsibility if the outcomes of the policies are deemed to be selfish and unjust. Again, they remind us of the irreducible nature of personal responsibility.

Like Agiatello (2008), Prasad (2008) is concerned to see the development of a system of global ethics that can be used to govern international business practices, at the same time, suggesting some solutions for the ambiguities identified by Gates and Steane (2008). Prasad (2008) proposes the insights of John Rawls’ (1971) theory of justice as a basis for doing so, For Rawls (1971:4), while society is a “cooperative venture for mutual advantage, it is typically marked by a conflict as well as by an identity of interests”. According to him (Rawls, 1971:14-15), it is two principles of justice that allow for resolution of this conflict and the determination of advantages:

The first requires equality in the assignment of basic rights and duties, while the second holds social and economic inequalities ... are just only if they result in compensating benefits for everyone, and in particular for the least advantaged members of society.

From his critique of Rawls’ work, Prasad (2008) proffers three ethical considerations to guide international business - international business practices are socially just only
to the extent that the lives of the affected individuals (especially the least advantaged) are improved (here is the difference between obeying regulations versus materially improving lives); international business ought to grant employees the most extensive basic liberties available in either the host country or the home country; and international business functioning in the developing world has an ethical obligation to aid sustainable development projects. By incorporating these considerations into their business practices, says Prasad (2008), firms can continue to pursue gain, but not at the expense of perpetuating global and local inequality.

It is worth noting at this point that Rawls’ (1971) account of “justice as fairness” (see also Rawls, 2001) is reflected in Kohlberg’s post-conventional stage (cf Kohlberg, 1984:301-303). Indeed, Kohlberg’s (1981) first volume of essays on moral development was on the philosophy of moral development and the idea of justice, as a foundation for his later examination of the psychology of moral reasoning (Kohlberg, 1984). It should also be pointed out that what Prasad (2008) proposes is not some moral equivalent of “one best way”, with each scenario having one ideal solution. Rather, there can be a variety of “right” answers, to the extent they are consistent with the principles. In the same way, Kohlberg (1981) was not interested in answers to the moral dilemmas he posed, so much as in the reasoning behind the answers. In the famous “Heinz Dilemma” (Kohlberg, 1981), for example, about a man, Heinz, whose wife is dying of cancer and who steals a drug to save her, respondents are asked whether it was right to steal the drugs or not. “Yes” and “no” answers consistent with principled reasoning would be that rights to human life are more important than property rights and others may need the drug and their lives are equally significant, respectively.

Muhr (2008) provides a useful “crossover” from the theoretical to the empirical, by way of a single person case study of a Danish Institute of Human Rights consultant working in South Africa to build a new justice department following the election of Nelson Mandela. Using a narrative methodology and the results of a series of in-depth interviews with the consultant, Muhr (2008) argues that the personalised ethics of Emmanuel Levinas might represent a more suitable ethical theory than that of bureaucratic ethics for the global marketplace. While ethical rules are important, Muhr (2008) maintains that they need to be accompanied by a sense of moral responsibility for the Other. For example, in relation to approach to international aid, Muhr’s (2008) consultant observes that

> International donors have of course an international agenda. And this agenda is all about telling a “receiver country” what they internationally think is right and wrong; in fact often without considering the context in the given country, or what that given country wants politically

Muhr’s (2008) argument then, is that ethical decision-making should be underpinned more by a personal response to the Other rather than by appeal to rational rules.

Barin-Cruz and Boehe (2008) utilise a case study of Jobek do Brasil, a Brazilian hammock company, to consider the role of sustainable development practices in global value chains. According to its website at least, Jobek do Brasil is conscious of its social responsibility, providing examples such as its support for a small native
Indian community in the backlands of Brazil, where probably the oldest way of hammock manufacturing – the technique of “thread tying in wood lattices” – still exists (www.jobek.com, 2008). Jobek do Brasil has suppliers, producers, distributors and certification agencies in 40 different countries, covering the range of activities necessary to bring their products from conception to market. It is this set of activities that constitutes Jobek do Brasil’s global value chain, and Barin-Cruz and Boehe (2008) set about explaining the value of symmetrical trust relationships rather than the bargaining power of the players in introducing elements of CSR into the company’s global value chain strategies. In doing so, Barin-Cruz and Boehe (2008) provide a further reminder, if one is necessary, that trust exists between people, rather than between corporate entities per se.

One of the issues that Jobek do Brasil faced in the paper by Barin-Cruz and Boehe (2008) was how to build these symmetric trust relationships. Dwyer (2008) suggests one approach in proposing benchmarking as a process for demonstrating organisational trustworthiness. Dwyer (2008) starts from the contention that people, and the organisations of which they are part, cannot demand trust, but that they can demand trustworthiness of themselves and others. Drawing on the experience of the relationships between donor and recipient countries as part of a variety of international aid programs, and the demonstrated lack of success of current poverty reduction programs, Dwyer (2008) argues that the development of trust is central to the translation of intention into meaningful action. In turn, the use of benchmarking to demonstrate trustworthiness provides a basis for the development of trust, and Dwyer (2008) maps the various relationships involved in building and maintaining trustworthiness. Dwyer’s (2008) approach reflects notions of stakeholder engagement, personal responsibility, ethical decision-making and so on, that have already been explored in this paper.

Proponents of the requirement for corporations to act responsibly have been confronted by, among others, the neoclassical economists (most famously by Milton Friedman (1978) in his New York Times Magazine article) who argue that there is a negative relationship between CSR and corporate performance, due to cost disadvantages. The final two papers of this issue, one at the national level (Herciu and Ogrean, 2008) and the other at the corporate entity (Prado-Lorenzo, et al, 2008) provide evidence suggesting that at least some facets of the relationship may be positive.

The analysis by Herciu and Ogrean (2008) is at once simple and elegant, and powerful as a result. They present a series of country level correlation analyses between the Global Competitiveness Index (GCI) (the main competitiveness indicator used by the World Economic Forum), Responsible Competitiveness Index (RCI) (a combined index of corporate responsibility and national economic data) and the Corruption Perception Index (CPI) (a composite index of perceptions of corruption within countries). They are able to conclude that, at a national level, the most competitive companies are the most responsible and least corrupt ones, but we cannot say that the most responsible companies are also the most competitive ones.
Herciu and Ogrean (2008) make the point that their results need to be linked to specific behavioural models of enterprises in different countries. Prado-Lorenzo, et al (2008) provide solid evidence of firms “doing well by doing good”, at least in Spain, demonstrating the positive impact of implementing CSR practices (for example, reduction of environmental impact and promotion of workers’ rights) on financial performance, at least in terms of sales revenue growth. On the other hand, the implementation of these practices is not associated with a more efficient use of resources or with a positive reception by Spanish capital markets, in terms of share price (Prado-Lorenzo et al, 2008). In terms of the motivation of firms to engage in CSR practices, Prado-Lorenzo, et al (2008) conclude that the CSR practices in Spanish firms are mainly associated with differentiation with regard to competitors and improving the company image, which lead to performance-linked economic advantages, such as sales increases. The next layer of research then, needs to enquire as to whether that motivation is in addition to, or instead of, notions of principled decision-making among the senior executives of those firms.

From Self Interest to Cultural Relativism to Universal Principles – An Impossibility?

At this point I return to the issue of personal responsibility. Much has been written about corporate social responsibility. Despite best efforts in those writings, we are still without either a dominant paradigm or a supportive body of coherent empirical findings, as noted earlier (Lee, 2008). I wonder if it is for the very reason that, because we try to attach social responsibilities to the corporate entities and the legal persons they embody, rather than to the human persons that constitute the organisations they represent, that this is the case? The ideas of Rawls, Kohlberg, Levinas and others appear to offer useful signposts on the road to a more suitable ethical theory. In asking, and beginning to answer, important questions about ethics in a global marketplace, in a way that has not been attempted before (Fernandes, 2008), it is hoped that this issue can make a contribution to that end. Again, at the sake of labouring the point, if it is principled behaviour that is generally expected of citizens in civil societies, is it unreasonable to expect the same of the members of the governments and administrations that provide the legal and policy frameworks for those societies, or for the members of the corporate entities who transact their commerce within and between those societies?

In closing, I pay a special word of tribute to my co-editor, Rocky Dwyer – working with him on this issue of Management Decision has been an education and a pleasure. Our thanks, in turn, go to John Fernandes, President of AACSB International, and Tom Lee, 2007-2008 President of the Academy of Management, for their respective insights, contributions to, and support for this issue. We also thank the authors who sought to ask, and answer, questions about ethics in a global marketplace, and the reviewers who, through their scholarly quality assurance efforts, enhanced the worth of this issue.
References


