**Lecture 10. *Moral duties of multinational companies***

**The aim:** to determine systemic, corporate, and individual issues in business ethics of multinational companies and identify universal moral values that should be applied in business of multinationals.

**Plan**

1. Systemic, corporate, and individual issues in business ethics of multinational companies.

2. What is to be ethical in business?

3.Universal moral values applied in business of multinationals.

**Keywords:** multinationals,self-interest, natural law,business ethics, corporate responsibility, equity, rights, honesty, corporate power.

**1. Systemic, corporate, and individual issues in business ethics of multinational companies.**

As we know ethics is the field of philosophy that studies systems, norms, and values that distinguish between what is good and bad or right and wrong. The field of business ethics focuses on examining conduct and policies and promoting appropriate conduct and policies within the context of commercial enterprise, both at the individual and the organizational level. Business ethics covers all levels of business activity, including the obligations and responsibilities of businesses to customers, employees, other businesses, national and multinational governments, and the environment. Clearly business ethics is a specialized study of moral right and wrong in doing a business. The scope covers all the operation of business. It focuses on moral standards as they apply to business policy, institutions (corporations) and individuals. Thus, issues covered by business ethics are systemic, corporate, and individual. Systemic issues in business ethics are ethical questions arisen about the economic, political, legal and social system within which the business operates. This include question about the morality of capitalism or of the laws, regulations, industrial structures and social practices within the country operates. While corporate issues in business ethics are ethical questions about morality of the activities, policies, practices of an individual company. In relation to individual issues, business ethics are ethical questions raised about an individual behavior within a company. This includes the morality of a decision, actions or character of an individual who is doing business. Those issues must be evaluated ethically if their system, corporate practices and policies and individual activities observe ethical standards. Since issues covered by business ethics are systemic, corporate and individual, thus the application of business ethics is corporations and individuals.

Corporation and individuals are morally responsible for any moral violations in the corporation. Therefore, a corporation may be called immoral if members of the organization collectively, freely and knowingly pursue immoral objectives. Corporate organizations and their acts depend on choices and actions of human individuals. Thus, individuals are seen as primary bearers of moral duties and responsibilities. Individuals are responsible for what the corporation does. However, human acts are also influenced by corporate policies, structure and practices. Thus, moral responsibilities are on corporation and individuals and they are to be blamed. The application of business ethics is beyond domestic corporations and individuals, it also applies to multinational corporations.

Multinational corporations should also apply moral standards. The issues to be covered are the same as domestic corporations such as systemic, corporate and individuals. Thus, they must determine which systems are ethically appropriate for all countries around the globe and for the business owner. The choice here is: will the business practices favor the host country or its owner’s interest. However, bear in mind that the question of ethics is not a matter of favor or not favor; it is a matter of right and wrong, good or bad for any parties in the transactions. Thus, ethical balance between economic need and interest of the business owner and the interest of the host country and society are taken into considerations. After identifying the demand of the host country, they can determine whether to go along with the many conflicting and morally questionable demand or risk losing their investment. Within those conflicting circumstances, investors may choose either morality or their business interest. Such choices are with certain consequences.

Prioritizing business interest means ignoring the moral issues for the sake of short term profit, but it means losing customers in the long run. Prioritizing moral issues means doing what is good and avoiding what is bad, doing what is right and avoiding what is wrong in doing business related to customer, society and environment or in other words, its social responsibility can improve the image of the company, even if short term profit is reduced. The challenge would be how to strike the balance between the parties that one would not be sacrifice for the sake of one. Discussing on the ethical aspect of business, naturally it will tell us that the center of business attention is not merely profit but also its corporate social responsibilities. Its social responsibilities require business to see its purpose beyond profit which is its concern to the society, to the customers and environment. Thus, the real purpose of business is service for the society, for the customers, for the environment and lastly making profit for the owner.

Profits come after doing a good service to the customers, society and environment. Keeping balance between its social responsibilities and profit will lead to ethical business. Thus, the modern idea of business is against the view of Friedman, the father of Capitalism. Milton Friedman advocates the classical theory of business, which essentially holds that businesses should be solely devoted to increasing profits as long as they engage in open and free competition devoid of fraud. Managers and employees, then, have a responsibility to serve the company they work for by striving to make money for it. The very act of seeking profits is, according to Friedman, a moral act. Clearly Friedman looked at profit as the sole objective of business. He argued that corporate officers have no obligation to support such social causes as hiring hard-core employed to reduce poverty or reducing pollution beyond mandated by law. Their sole task is to maximize profits for the company subject to the limits of law and rules of the game that ensure open and free competition without deception and fraud. For Friedman, if it operates within the bound of law, no deception and fraud, it is alright. Social concern and environment are not going to be the concern and to limit the movement of business. For Friedman, capital and free market is the rule of the game and profit is the reason for its existence. Following his logic would be ignoring corporate social responsibilities. Ignoring corporate social responsibilities would lead to bankruptcy.

**2. What is to be ethical in business?**

Some argued that in the perfectly competitive free market, the pursuit of profit will by itself ensure that the members of the society are served in the most socially beneficial ways. They further argue that corporate managers have no right to do anything other than maximize profit. They have no rights to spend other people’s money on social welfare projects. Business owners can spend their money in a way they want, since it is their money. If they contribute money to social development, it must be with the eye to increasing profit. By doing so, the company’s image improves and attracts more customers and makes more money. Such argument assumes that any steps taken to increase profits will necessarily be socially beneficial for people. Looking for profit and ignoring social responsibility is self-interest. Self-interest is the main motivation of going into business and making profit as it has been emphasized by Friedman. Such attitude is nothing new. It has been long argued that human beings act from self-interest. It has long been the dominant view in psychology and in much of Western thought.

Doing well toward others is just an instrument to achieve his/her own interests. Ethics as traditionally conceived is supposed to override self-interest: if we have a moral obligation to do something, we ought to do it even when it's not in our own interests to do so. It makes no sense, however, to tell people that they ought to act contrary to self-interest if they can act only in terms of self-interest. Moreover, an important traditional element in ethical decision-making is an impartial consideration of the interests of others. The moral point of view goes beyond self-interest to a standpoint that takes everyone's interests into account. It is not only the interest of business owners but interest of everyone. Ethics, then, assumes that self-interest is not the basis for all human behavior, although some philosophers, e.g., Hobbes, have tried to base ethics on self-interest. Their efforts, however, have not been widely accepted. While egoism may be a strong motivator of human behavior, ethics traditionally assumes that human beings are also capable of acting from a concern for others that is not derived from a concern for their own welfare.

Other group also argued that to be ethical is enough to obey the law. In their mind, ethics and law are the same. It is true that some laws require behaviors that are the same as the behavior required by moral standards such as laws that prohibits murder, rape, theft, fraud and so on. In such case, law coincides with moral laws. However, laws and morality do not always coincide. Some laws have nothing to do with morality and even violate moral values. What is moral is not always legal and what is legal is not always moral. In this case, business is not enough just to follow the law but also moral considerations. Since ethics is to govern all voluntary human activities, and since business is a voluntary human activity, thus, business ethics should also govern the business. No business exists without ethics. Business bankrupts if business does not adhere to moral standards. If the business is doing good and honest service to customer, people will patronize the product and service and profit will come. Business is service to the humanity. If business is so, it must be conducted in ethical manner. If the purpose is noble, then the way how it is done must be noble too. Business that conducts its transaction ethically will stay long in the business and can increase shareholder value in return.

**3. Universal moral values applied in business.**

Universal morality argues that some system of ethics, or a universal ethic, applied universally that is, for «all similarly situated individuals» regardless of culture, race, sex, religion, nationality, gender or other distinguishing feature. Moral universalism is opposed to moral nihilism and moral relativism. Universal morality is always contrary to moral relativism. If the relativism morality claims that morality is individual and culturally dependent, but universal morality is not individual and culturally independent, it applies to all rational human beings and beyond culture. The application of the universal morality would be: «if an action is right or wrong for others, it is also right or wrong for us». «If something is right for you and if it is wrong for you then it is right or wrong for me». Within this concept, all rational being has the same concept of what is good and bad, right and wrong and thus it is easier to judge other people’s behavior and other culture.

Universal morality is taken from its normative sense of morality. When morality is taken from its normative sense, then it is possible that morality in its normative sense has never been put forward by any society or group or individuals. All rational adult has the capability to know what is good and bad, what is right and wrong. Such kind of morality is known to all because all rational adult individual has the reason and conscience to know what is good and bad, right and wrong. Thus, judging behavior is based on natural law. Natural law does not depend on our interpretation or feelings, but they exist independently.

Morality must be based on absolute truth, not relative truth. Relative truth will tell us that an act is relative to the context, situation, culture and the person. According to Universalists, morals are inherent in the law of nature, the nature of humanity. They regard actions as inherently or inarguably moral or immoral. It does not need another person to tell someone that certain act is immoral or moral because from the act alone can be judged whether it is immoral or moral and all adult rational moral agent know whether it is moral or immoral. The advantages of universal morality are that it assures us of certainty, security, harmony and protection. The position of one or a group embodies that truth. Within these moral standards, all persons, society beyond boundaries of culture can be one and judge actions against humanity as immoral.

Thus, all people across culture can condemn certain act if it is moral or immoral. Morality which is based on natural law is not determined by outside forces, but it is coming from within a person. Thus, when we talk about universal morality, then it means we have a moral system that applies to all advanced civilizations in the universe. They are basic principles that would apply to every individual member and every subgroup of every rational agent and advanced civilization in the universe.

The principles of right and wrong and good and bad cannot be just applied to a certain culture, race, religion or individual but it is applied to all. The understanding of good and bad, right and wrong cannot be just applicable to one place, to a certain person or culture but it inherent in human nature through reason and conscience that all adult people are capable of understanding of what good, bad, right and wrong are. The application of those concepts is for all human act including business transactions. Thus, business practices must follow a certain common business ethics principle. Universal business ethic is an attempt to formulate common business ethic principles that are acceptable by all rational agents and applied to all countries beyond religion, culture, and race.

There are universal moral values that are applied everywhere in human relationships beyond culture, group, religion and individuals. Lying, cheating, bribing, unfairness, injustice, dishonesty is immoral. Whether or not they are observed or enforced, these values hold good everywhere including in business transactions. Thus, the primary ethical concerns of businesses fell into four categories: *equity, rights, honesty, and the exercise of corporate power.*

*Equity* is referring to general fairness which includes transactions that benefit both parties, not only for one party. Beyond that, fairness refers to the effect of business transaction outside of the parties involved which include society and environment. The ethical question here is: is the transaction fair to parties, the society and the environment? The same true with the theory of rights. The theory of *rights* covers entitlements of business partner, customers, communities, and other parties as established by laws, court rulings, and social conventions. Rights generally protect these various parties from activities by businesses that can limit their freedom and safety. While *honesty*, the broadest category, refers to the truthfulness and integrity of businesses' actions and policies, including corporate conduct as well as employee conducts done in the name of the company. Furthermore, issues of honesty pertain to advertising content, financial procedures, bribes and gifts, fraud, and wastefulness. In addition, honesty also includes employee obligations, such as not disclosing confidential information to a company's competitors. The key issue surrounding *exercise of corporate power* is whether companies ethically can fund and support certain political action committees whose efforts may benefit their businesses but cause social harm. This category also covers worker, product, and environmental safety concerns and raises questions about employers' responsibilities for workplace equipment that may cause injuries after prolonged use, products that may harm consumers, and conduct and products that may contaminate the environment.

The challenge for multinational companies is how to formulate universal business ethics that are acceptable by all beyond country, religion, culture, gender, race or ethnicity. Just like universal morality, business must have common moral principles that should be applied everywhere. By holding a common universal moral principle, business practices or transactions can avoid practices that are harmful to parties, society and environment. Beyond that, business transactions can be easier and faster.