

**ETHICAL ISSUES IN INTERNATIONAL MARKETING****Jagdish R. Deshmukh,**

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**Abstract:**

*Individual companies further commit themselves to their own ethical standards as embodied in a code of ethics which lays down standards for employees and for the company as a whole in business dealings. Still other companies have built up reputations for ethical behavior without recourse to published codes of good practice. By strengthening the role played by the developing countries in international trade, the globalization of the economy has also encouraged greater awareness of the commercial importance of the respect or non respect of basic standards relating to human rights. It is no longer possible for the developing countries that want to increase or maintain their penetration of the markets of industrialized countries to ignore the existence of various kinds of pressure existing in this sphere.*

**Key words:-**

*Globalization, International Trade, Industrial Culture, Ethical System, Cultural Environment.*

**Introduction:-**

Academics and researchers have never been to agree on a simple definition of culture. In the 1870s, the anthropologist Edward Taylor defined culture as “that complex whole which includes knowledge, belief, art, morals, law, custom, and other capabilities acquired by man as a member of society. As other capabilities, we can include economic and political philosophy, religion, language and education systems.

Especially, religion is very important in shaping ethical systems refer to a set of moral principles, values, that are used to guide and shape behavior. Most of the world's ethical systems are the product of religions. Dutch Management Professor Geert Hofstede refers to culture as the "software of the mind" and argues that it provides a guide for humans on how to think and behave.

Business consultant E. Hall gives a better definition for international marketers: "The people we were advising kept bumping their heads against an invisible barrier...We knew that what they were up against was a completely different way of organizing life, of thinking and of conceiving the underlying assumptions about the family and the state, the economic system, and the man himself".

Most traditional definitions of culture center around the notion that culture is the sum of the values, rituals, symbols, beliefs and thought processes that are learned, shared by a group of people, and transmitted from generation to generation. Values mean abstract ideas about what a group believes to be good, right, and desirable. If we put it differently, values are shared assumptions about how things ought to be. On the other hand, values are rules and guidelines that prescribe appropriate behavior in particular situations.

#### **ETHICAL PERCEPTIONS & CULTURE:-**

A research conducted by Armstrong reveals that there is a relationship between the cultural environment (Australia, Singapore and Malaysia) and the perceived ethical problems. In another study, Armstrong finds out the most frequently cited problem of Australian International Business Managers is gifts/favors/entertainment and that this problem may be related to the culture where the international business is being conducted. And the most important ethical problem to Australian international managers is large-scale bribery (Armstrong, 1992). Although, different cultural environments result in different ethical perceptions in international marketing, for the sake of ethical consistency, it is necessary to generate internationally applicable ethical rules and regulations. As a matter of fact, a finding of an empirical research conducted by Armstrong proposes that "The Australian general managers disagreed that it is necessary to compromise one's ethics to succeed in international marketing".

#### **INTERNATIONAL BUSINESS ETHICS: - STRATEGIES & RESPONSIBILITIES**

International codes of conduct analyzed in four entities:

- (1) Organization for Economic Cooperation and Development (OECD), which is the primary policymaker for industrialized nations,

- (2) International Chamber of Commerce (ICC), which is concerned with fair treatment among multinational corporations,
- (3) International Labor Organization (ILO), which is concerned with direct investment in developing countries, and
- (4) Center for Transnational Corporations (CTC), whose objective is to maximize the contributions of transnational corporations to economic development and growth and to minimize the negative effects of the activities of these corporations.

These various codes were developed in order to establish order among multinational corporations; although, some organizations refuse to abide by these codes, mainly because national governments have not sanctioned them completely. Without uniform and full enforcement, multinational organizations could have rampant choice in international ethical issues. Underlying this lack of consensus is the issue of national as well as corporate culture. Every nation is different and every multinational organization is in one way or another distinct in the way they do business, especially in other countries. In addition to these codes, the moral corporation should address human rights and whistle blowing and the international ethics code under which it operates. These issues are not very new. In a survey of 300 multinational corporations, 80 percent agreed with seven items being ethical issues for business:

- 1) Employee conflict of interest,
- 2) Inappropriate gifts to corporate personnel,
- 3) Sexual harassment,
- 4) Unauthorized payments,
- 5) Affirmative action,
- 6) Employee privacy; and
- 7) Environmental issues.

#### **ETHICAL CLIMATE & ETHICAL PROBLEMS:-**

Strategies, such as these codes of ethics, are only one means of achieving the ultimate goal of having ethical international responsibility in the engagement of business worldwide. As stated above,

there are many ethical responsibilities faced by multinational organizations. Theorists generally agree that situational variables such as organizational climate can affect ethical behavior of individuals. However, there have been no attempts to study the relationship of ethical climate of an organization and ethical behavior of its members.

Ethical climate, it must be emphasized, is not the same as culture is commonly perceived, but rather a broader concept of culture. Culture is believed to be more associated with deeper beliefs, values and assumptions. Therefore, just as one can value an individual's culture by his or her actions and personal activities, ethical climate can be observed on a larger scale; in this case, the organization. Ethical climate is, in essence, the employee's perception of the norms of an organization.

As Bartels and others have shown, organizations with a strong ethical climate experienced few serious ethical problems, and were more successful coping with such problems. Their research suggests that it is imperative for managers to consider developing strong ethical climates if they aim to provide organizational members the ability to handle ethical dilemmas and to avoid any inherent liabilities. Managers must create and maintain a clear and strong set of norms to promote good ethical behavior. In this approach, a person's own beliefs and values and their influence on his/her perception and behavior are not taken into account.

Nonetheless, ethical climate is a very potent tool in steering the behavior of an organization's members. As Mahdavi has shown (2003, 2005), an organization's codes of ethics and enforcement of rules go a long way to control and direct behavior of social entities. Based on the above discussion, global corporations must recognize the need for a uniform code of business ethics since without such a code, behavior of actors in this arena remains unpredictable.

Furthermore, national governments must realize that probably the most effective means of protecting their citizens, their national interests, and the global environment against the ravages of the over-reaching global business rest in the development, adoption and enforcement of such a code. Until then, it is not realistic to hope for any such international agreement to be adopted. However, a growing momentum for such a movement is observable. As stated in previous pages, international organizations, especially those involved in international business, finance, labor, economics and environment are developing rules and policies that can be regarded as the building blocks of a universal code of business ethics. Until such a uniform body of rules is drawn, signed and enforced, global corporations and organizations will be doing well to develop their own codes of conduct, applicable to all of their officers regardless of location.

Examination of the recent development in the international trade and the far-reaching expansion of global entities lead the authors of this paper to the inevitable conclusion that ethical issues and concerns facing business entities are no longer related to the limited frameworks of national or even regional arenas. These issues have assumed global dimensions and as such require global solutions.

To that end, it is postulated that probably an international organization is the best vehicle through which a code of ethics covering all aspects of business can be developed. Once- on the basis of such a code- an international treaty is drafted, signed and ratified; it may be prudent to leave the implementation of the treaty to the member nations subject to regular audit by an independent international body. WTO may eventually take on this role. Meanwhile, global organizations need to develop and enforce their own codes of ethics specifically directed at the issues related to a multicultural, multinational business environment.

### **THE ROLE OF ETHICS IN INTERNATIONAL BUSINESS**

How and whether it is possible to act ethically at international level.

International business ethics has a number of open questions and dilemmas. Today it is characterized by the following elements:

- Every culture and nation has its own values, history, customs and traditions, thus it has developed own ethical values and understanding of ethical principles;
- There is no international ethical code of conduct, accepted and followed by all the countries;
- There is a lack of governments' initiative to create ethical cooperation framework and thus to enhance ethical behavior in international business;
- It is hard to outline those ethical values which would be understandable, acceptable and important for representatives of all the continents simultaneously within different types of international cooperation projects.

Financial crisis of 2007-2008 underlined importance of ethical behavior. It is no longer enough to be knowledgeable and experienced in a particular domain, in order to act professionally. Professionalism also consists in ethical behavior, honesty, compliance and integrity. How to ensure such a working style at all times in long-term and why it is necessary to do so?

First of all, ethical behavior combined with skills and professionalism is able to ensure sustainable development, rather than a short-term profit, which brings disastrous results after a certain

period of time. Ethical behavior ensures awareness and concern for the future and for the right way of action in each particular situation. Secondly, ethical behavior establishes a healthy and pleasant cooperation climate for all the parties involved in a deal, making them feel comfortable with each other. Thirdly, acting in accordance with moral values is crucial for deserving clients' attention and support and achieving a significant competitive advantage in a particular market segment.

So, after having identified that ethics is a must in international business, let us pass to a more complicated domain – how to implement ethical behavior in practice in long term. Should an individual follow one's own ethical convictions, in order to act ethically in international business? Should every company create its ethical code of conduct and monitor its employees' compliance at all times? If so, how to achieve it? And what happens when two individuals or two companies with different codes of conduct meet for cooperation? How to ensure ethical behavior, in case ethical values and principles do not coincide?

These are very important questions, which business and academic world participants have been trying to answer for long years. As anything else in business, it is not always possible to find out a single 100% right answer to every question. Everyone proposes its personal point of view, based upon research, perception, understandings, experiments and experience.

Having read a significant number of books and academic articles on this topic, having cooperated with individuals and corporate bodies from different countries of all the world's continents, I suggest the following approach to international business ethics:

- Every individual and every corporate body must outline its ethical values;
- Every individual and company should ensure understanding of ethical values and belief in their effectiveness and importance;
- Employees of every organization must participate in creating a corporate code of conduct,
- Which in this case definitely represents corporate culture, rather than only personal views of a
- Company's leader;
- Every individual and company must monitor compliance with the outlined values at all times;

- All the ethical values must be divided in two categories – rigid and flexible. Rigid are those values which cannot be renounced under any circumstances, and flexible ones, which are those moral principles which may be interpreted in different ways in different situations.

In such a way, when foreign bodies with different ethical codes of conduct meet, they are able to create an effective common ethical cooperation framework, keeping rigid values unchanged and adapting flexible moral principles. Such an approach is able to ensure every involved party's accord and satisfaction with the created ethical cooperation framework for that particular project without violating personal convictions.

I strongly believe that it is one of the most effective ways of ensuring ethical behavior in international business, which is effective at individual, corporate, state and supranational levels.

### **ETHICS AS AN INNOVATIVE APPROACH TO BETTER INTERNAL MARKETING**

Need and significance of the study Johan J. Graafland (2002) highlights the importance of ethical practices in the textile sector in the context of severe international competition. He discusses how Code of conduct for organizations' employees, is implemented to achieve organizational objectives. The code specifies detailed requirements related to fair dealings with all employees and employment conditions.

Alice G. Lewthwaite (1998) brings out the relevance of ethical considerations among the textile and clothing industry retailers in the United Kingdom. She addresses issues like, what ethical considerations are relevant as major clothing suppliers are being forced by competition to cut costs. The best companies have detailed codes of ethics which inform employees how the company expects them to act.

### **Conclusion:-**

Ethics present solutions to overcome these dilemmas and concerns. Ethics is an important aspect in life of individuals as well as businesses. It attempts to distinguish right from wrong and good from bad. It constitutes desirable conduct in a particular set of social circumstances, prescribes moral codes, norms, beliefs and practices. Business or corporate ethics is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It is a specialized area of moral right and concentrates on application of moral standards to business institutions and organizations. It applies to all aspects of business conduct and is relevant to the conduct of individuals and business organizations as a whole.

A global organization must not only understand the values, laws, and culture and ethical standards of its own country but should also be very sensitive to other countries where its subsidiaries are operating.

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