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Exploring the Role of Management in Implementation of Workplace Ethos in Global IT Firms

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ABSTRACT

When business is conducted across information technology firms, the operationalization of an enterprise's ethics program takes on added layers of complexity. In particular, questions about the existence of universal ethical standards and global values are raised. This is especially problematic when multinationals operate in host countries that have different standards of business practice, are economically impoverished, whose legal infrastructure in inadequate, whose governments are corrupt and where human rights are habitually violated. The question of ethical relativity arises not only in the context of different home and host-county employment practices but also in the central operations and policies of multinationals. In this paper we overview developments in four important areas of information technology related ethics and the challenges they raise for management professionals: global values, international corporate codes of conduct, the criminalization of bribery and the emerging role of HR in operationalizing corporate ethics programs.

KEY WORDS: Workplace ethics, HR professional, PCN, TCN, HCN

INTRODUCTION

Ethical relativism or global values?

Global organizations face a challenge: should they apply their own values everywhere they do business, irrespective of the cultural context and standard of local practices? To appreciate the dilemma, take the situation of a multinational that has assigned a PCN(parent country national) to manage its operations in a host country where bribery is commonly practiced, child labor is used and workplace safety is wanting. Whose standards should prevail? – those of the multinational's parent country or the host country? There are three main responses to this question. The first involves ethical relativism, the second ethical absolutism and the third ethical universalism.

For the *ethical relativist,* there are no universal or international rights and wrongs, it all depends on a particular culture's values and beliefs. Thus if the people of Indonesia tolerate the bribery of their public officials, this is morally no better or worse than the people of Singapore or Denmark who refuse to accept bribery. For the ethical relativist, when in Rome, one shoul do as the Romans do. While ethical relativism may be appealing to those who fear cultural imperialism, it is a logically and ethically incoherent theory.

Unlike the relativist, the *ethical absolutist* (or imperialist) believes that when in Rome, one should do what one would do at home, regardless of what the Romans do. This view of ethics gives primacy to one's own cultural values. Opponents of this view argue that ethical absolutists are intolerant individuals who confuse respect local traditions with relativism. It must be noted that while some behaviors are wrong wherever they are practices (e.g. bribery of government officials), other behaviors may be tolerated in their cultural context (e.g. the practice of routine gift giving between Japanese business people). When PCNs discover too late that the political-legal environment in which their home country policies were formulated is significantly different from that of the host countries in which they operate, the results can be extreme. Kelly cites an example of a US expatriate bank manager in Italy who was appalled by the local branch's recommendation to under-report grossly the bank's profits for income tax purposes and insisted the bank's earnings be reported in the same way as they would in the USA- accurately Later at the bank's tax hearing, he was told by the Italian Taxation Department that the bank owed three times as much tax as it has paid. This reflected the Italian Taxation Department's standard assumption that all firms under-report their earnings by two-thirds. The new assessment stood despite the expatriate's protests.

In contrast to the ethical relativist, the *ethical universalist* believes there are fundamental principles of right and wrong which transcend cultural boundaries and that multinationals must adhere to these fundamental principles or global values. However, unlike the absolutist, the universalist is careful to distinguish between practices that are simply culturally different and those that are morally wrong. But what are these shared global ethical values and principles?

Studies have identified honesty, compassion, responsibility, freedom, respect for life and nature, fairness, tolerance and unity (family or community) as core global values to which people subscribe irrespective of race, culture, gender or religion. The challenge for business lies in how to incorporate them as core business values and, having done so, how to align staff to these values. For example, the value of respect might include valuing differences (gender, sexual orientation, race, religion, etc.), sexual harassment prevention and understanding stero types as well as workplace safety product safety and environmental protection. The challenge for managers operating in diverse cultural environment is that different cultures will prioritize core ethical values differently and will translate values into specific behaviors differently. This is the main reason why cultures clash and is the essence of a true ethical dilemma. For example, in the USA, freedom is regarded as the most important global value whereas in Asia, family or community unity is selected as the most important value. Europe, representing a range of cultures, includes fairness, honesty and responsibility along with freedom and unity as top ethical values.

The existence of universal ethical principles can also be seen in the agreements that exist among nations who are signatories to the United Nations Declaration of Human Rights and a number of international accords such as the *Guidelines for Multinational Enterprises* adopted by the Organization of Economic Cooperation and Development (OECD) and the *Caux Roundtable Principles of Business* Frederick discusses the moral authority of transnational codes and suggests that they indicate the emergence of a transcultural corporate ethics and provide guidelines that have direct applicability to a number of the central operations and policies of multinationals including the HRM activities of staffing, compensation, employee training and occupational health and safety. However, the claim that there are global values and universal principles that should be followed in international business is not inconsistent with the view that there are a wide range of situations where variations in business practice are permissible. Donaldson and Dunfee refer to *moral free space* in a world of universal moral norms.

Self-regulations initiatives : international corporate codes of conduct

The need for international accords and corporate codes of conduct has grown commensurately with the spread of international business. A number of mechanisms to facilitate the incorporation of ethical values into international business behavior have been suggested. Predictably, these have centered on regulation, both self-imposed and government decreed, the development of international accords and the use of education and training programmes.

One of the most interesting initiatives in international business self-regulation is the *Caux Roundtable Principles for Business Conduct* developed in 1994 by Japanese, European and North American business leaders meeting in Caux, Switzerland. This was the first international ethics code for business and aimed to set a global benchmark against which individual firms could write their own codes and measure the behavior of their executives. The Caux Principles are grounded in two basic ethical ideals: *kyosei and human* dignity. The preamble to the Caux Principles states that:

The Japanese concept of *kyosei* mans living and working together for the common good-enabling cooperation and mutual prosperity to co-exist with healthy and fair competition. Human dignity relates to the sacredness or value of each person as an end, not simply as the means to the fulfillment of other purposes or even majority prescription.

The Caux Principles aim to operationalize the twin values of living and working together and human dignity by promotion free trade, environmental and cultural integrity and the prevention of bribery and corruption. The general principles clarifying the spirit of *kyosei* and human dignity are presented to Section of 2 of the document while the specific stakeholder principles in Section 3 are concerned with their practical application. The Principles have their origin in the Minnesota principles developed by the Minnesota Center for Corporate Responsibility in the USA. Following thei adoption in 1994, worldwide endorsements have been sought and given.

The need for comprehensive and cohesive codes of conduct for multinationals and smaller firms involved in international business is widely recognized as an important issue. Studies in the USA, UK, Canada and Australia consistently report that 80-95 per cent of companies have codes of conduct which is cohesive and comprehensive in recognizing relationships between the company and its many stakeholders is Johnson and Johnson's Credo, which in part states.

We are responsible to our employees, the men and women who work with us throughout the world. Everyone must be considered as an individual. We must respect their dignity and recognize their merit. They must have a sense of security of their jobs. Compensation must be fair and adequate, and working conditions clean, orderly and safe. We must be mindful of ways to help our employees fulfill their family responsibilities. Employees must feel free to make suggestions and complaints. There must be equal opportunity for employment, development and advancement for those qualified. We must provide competent management, and their actions must be just and ethical. We are responsible to the communities in which we will live and work and to the world community as well. We must be good citizens – support good works and charities and bear our fair share of taxes. We must encourage civic improvements and better health and education. We must maintain to good order the property we are privileged to use, protecting the environment and natural resources.

In addressing the core human values of good citizenship, respect for human dignity, respect for basic rights and justice and using them to define ethical behavior, Johnson and Johnson's Credo meets the standards of the Caux Principles the UN's declaration of fundamental human rights and the OECD *Guidelines for Multinational Enterprises.*

A common difficulty with codes of ethics is enforcement. The attitudes of senior management play a crucial role in developing, implementing and sustaining high ethical standards. HR professionals can help multinationals to institutionalize adherence to ethics codes through a range of HR activities including training and the performance-reward system. The research on corporate ethics programs shows that while most large enterprises have corporate codes of conduct, training in and enforcement of the codes are problematic. For example, a 2000 study of the operationalization of ethics in Australian enterprises reports that while 92 per cent of enterprises had corporate codes of conduct, 66 per cent provided training in those codes, 53 per cent included ethics compliance in their formal performance management programs and 16 per cent included ethics compliance in their formal reward systems. The US, UK and Canadian studies report similar findings. If self-regulatory mechanisms fail to shape the level of socially responsible behavior required of multinationals by society, then firms can expect legislative measures will be called for to resolve conflicts between themselves and host home countries. Such is the case with bribery.

Government regulation: new global developments on the criminalization of bribery

Bribery and corruption top the list of the most frequent ethical problems encountered by international managers. The World Bank estimates that about US $80 billion annually goes to corrupt government officials. Macken uses the following comment by a manager from the Australian multinational, BHP-Billiton, to illustrate the business reality for firms that have a policy of not accepting bribery:

Other companies were moving ahead in leaps and bounds. It took about 18 months for everyone to realize we were not going to buckle, then things started moving ahead. But very few companies can afford to tough it out for that long.

Bribery involves the payment of agents to do things that are inconsistent with the purpose of their position or office in order to gain an unfair advantage. Bribery can be distinguished from so-called gifts and facilitating or grease payments. The latter are payments to motivate agents to complete a task they would routinely do in the normal course of their duties. While most people do not openly condone bribery, many argue for a lenient approach based on the view that bribery is necessary to do business (the ethical relativist's argument). However, it is now generally agreed that bribery undermines equity, efficiency and integrity in the public service, undercuts public confidence in markets and aid programs, adds to the cost of products and may affect the safety and economic well-being of the general public.

For these reasons, there has been an internationally wide movement to criminalize the practice of bribery. In 1977, the USA enacted the *Foreign Corrupt Practices Act* (FCPA) to prohibit US-based firms and US nationals from making bribery payments to foreign government officials. In addition, payments to agents violate the Act if it is known that the agent will use those payments to bribe a government official. The Act was amended in 1988 to permit facilitating payments but mandates record-keeping provision to help ensure that illegal payments are not disguised as entertainment or business expenses. The FCFA was criticized for placing US firms at a competitive disadvantage since European and Asian firms did not face criminal prosecution for paying bribes to foreign officials.'8 However, the evidence on the competitive disadvantage of the FCPA is mixed. The FCPA was also criticized by some for being ethnocentric while others saw it as moral leadership on the part of the USA.

In the absence of adequate international self-regulation to control bribery and corruption, the USA lobbied other nation states for almost two decades to enact uniform domestic government regulation to provide a level playing field. Finally, in December 1996, the UN adopted the United Nations Declaration Against Corruption and Bribery In International Commercial Transactions, which commuted UN members to criminalize bribery and deny tax deductibility for bribes. A year later the Declaration was endorsed by 30 member nations and four non- member nations of the OECD adopting the Convention on Combating Bribery of Foreign public Officials in *International Business Transactions (OECD Convention).* Under the OECD Convention, members agreed to establish domestic legislation by the end of 1998 criminalizing the bribing of foreign public officials on an extraterritorial basis. The OECD Convention came into force in February 1999 and by mid-2002 it had been ratified by 34 of the 35 signatory countries. Lath member state is required to undergo a peer review and to provide a report reviewing its implementation of the Convention. Country reports are available on the OECD website? Some non-OECD countries have also moved to curtail bribery and corruption. For example, in Malaysia and Singapore, several foreign firms caught bribing public officials have been declared ineligible to bid on future government contracts. The OECD Convention requires sanctions to be commensurate with domestic penalties applicable to bribery of public officials. Under the FCPA corporate fines can be up to US $2 million and individual penalties up to US$100000 and 5 years' imprisonment.

Given the seriousness of offences against the OECD Convention, it is imperative that enterprises involved in global business take active steps to manage their potential exposure. Also, although the OECD Convention currently addresses the supply side of corruption in the public sector, it is likely that the ambit of the Convention will be expanded to include bribery in the private sector in addition to the demand side of bribery HR professionals have an important role to play in instituting a strategic plan for legal compliance and developing corporate codes for voluntary compliance. They can provide training in understanding the difference between corrupt bribery payments, gifts and allowable facilitation payments and developing negotiation skills to handle problem situations that may arise in sensitive geographical regions and industries. As noted above, they can also implement performance management programs to support efforts to reduce corruption. The debate over payment to foreign officials is likely to continue for many years to come.

The emerging role of HR in operationalizing corporate ethics programs

Recently there has been discussion in the ethics literature about the HR function taking on the role of ethical stewardship, with some writers suggesting that HR has a special role to play in the formulation, communication, monitoring and enforcement of an enterprise's ethics program. The US-based business ethics literature generally presents the view that the HR function along with finance and law is the appropriate locus of responsibility for an enterprise's ethics program.

Empirical studies have begun to investigate whether ethics initiatives and strategies for ethics management should be HR driven. The 2003 SHRMJERC24 survey found that 0 per cent of HR professionals are involved in formulating ethics policies for their enterprises and 69 per cent are a primary resource for their enterprises ethics initiative. However, the SHRM respondents did not regard ethics as the sole responsibility of HR. When asked to indicate the degree to which they thought other units or positions should be responsible for ethical leadership, 96 per cent of HR professionals said the Chief Executive Officer (CEO), 93 per cent functional Vice-Presidents, 90 per cent immediate supervisors, 77 per cent the Board of Directors and 65 per cent legal counsel. An Australian study on the operationalization of ethics in enterprises reports 5imiI2r findings with almost 70 per cent of respondents reporting that the degree to which HR is currently responsible for the formulation of corporate ethics programmes is either 'a large amount' (38.4 per cent) or 'quite a lot' (31.3 per cent).

A Canadian survey of CEOs provides some support for the US and Australian findings?' When asked which functional areas should have responsibility for the administration of corporate codes of conduct, 37 per cent of CEOs answered HR, 19 pa cent law and 9 per cent senior management In assigning responsibility fix revising -corporate codes of conduct, 40 per cent cited HR, 31 per cent law and 10 pa cent the company Director or President. However; Robertson and Schlegelmilch report that enterprises in the UK are more likely to communicate ethics policies through senior executives than HR departments. Their results show that the CEO and Managing Director have 'primary responsibility' for communicating ethics policies and codes in 69 per cent of the UK enterprises and 42 per cent of the US enterprises. This compares with the HR function which had 'primary responsibility' for communicating ethics policies in 15:7 per cent of the UK enterprises and 33.2 per cent of the US enterprises.

Taken together these empirical findings recognize that HR is well positioned to make an important contribution to creating, Implementing and sustaining ethical organizational behavior within a strategic HR paradigm. HR professionals have specialized expertise in the areas of organizational culture, communication, training, performance management, leadership, motivation, group dynamics, organizational structure and change management - all of which are key factors for integrating responsibility for ethics into all aspects of organizational life. At the same time, the findings suggest that responsibility for ethical leadership should cut across all functions and managerial levels, including line and senior managers.

Challenges for the HR function of the multinational firm

Although people involved in international business açtivjtiçs6cc many of the same ethical issues as those in domestic business, the issues are more complex because of the different rent social, economic, political, cultural and legal environments In which multinationals operate. Consequently, multinationals will need to develop self-regulatory practices via codes of ethics and behavioral guidelines for expatriate, TCN(third country national) and local HCN(host country national) staff. Firms which opt consciously or by default to leave ethical considerations up to the individual not only contribute to the pressures of operating in a foreign environment (and perhaps contribute to poor performance or early recall of the expatriate), but also allow internal inconsistencies that affect total global performance.

When recruiting and selecting expatriates,, their ability to manage with integrity could be a job-relevant criterion. The pre-departure training of expatriates and their orientation program should include an ethics component. This might include formal studies in ethical theory and decision making as well as interactive discussion and role playing around dilemmas which expatriates are likely to encounter. In an effort to sensitize managers to cultural diversity and to accept the point that home practiced are not necessarily the best or only practices, there has been an emphasis in international business training on adapting to the way in which other cultures do business. Insufficient attention is generally given to when doing so results in unacceptable ethical compromises. In designing training programs to meet the challenges of multinational business, HR professionals must raise not only the issue of cultural relativities but also the extent to which moral imperatives transcend national and cultural boundaries.

It is also important for the HR department to monitor the social (ethical) performance of its expatriate managers to ensure chat as managers become familiar with the customs and practices of competition in the host country, they do not backslide into the rationalization that 'everybody else does it'. To avoid the temptation to cut 'ethical corners', expatriates must not be placed under unreasonable pressure to deliver good financial results and they must be given feedback and reinforcement. Performance appraisals, compensation programs and regular trips home are important instruments in developing and maintaining ethical cultures. The HR department must also offer ongoing support to expatriates throughout their assignment. This is made relatively easier via technologies such as e-mail and video conferencing. One can envisage that an expatriate faced with a moral dilemma might have ready access to mentors at home or expatriates in other countries via these technologies.

The development of a truly international community is still in its infancy and there is not yet agreement about what should constitute a global ethic to resolve the conflicts which arise in such a community However there is an emerging consensus about core human values which underlie cultural and national differences and the content of guidelines and codes which help to operationalize the ethical responsibilities of multinationals. Those involved in the management of HR would do well to consider these issues when developing organizational strategies and selecting, training and developing expatriates. The complex world of multinational business demands no less.

CONCLUSION

In conclusion this paper has looked into the possibilities of how a HR professional can intervene in implementing ethical practices in international organizations where parent country nationals, host country nationals and third country nationals work and put challenges in practical sense.

RECOMMENDATIONS

Firstly there is a need to properly understand and define the concept of ethics in IT firms in global context. Secondly the regional and local differences need to be handled rationally and practically. Thirdly the HR professionals should try to strive and make strategies to implement these values in various operations of information technology.

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