

BUSINESS ETHICS

by

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Introduction.

The theme of this year's meeting of the Asian Forum of Business Education, Business Ethics, is a highly pertinent and appropriate subject for discussion and study by Business School teachers. It is an interesting topic for debate and discernment for the undergraduate and graduate students alike. It may be useful to start our discussion and study by defining the word 'Ethics.' Gordon F. Shea, an expert in management training, advises us to turn to the meaning of the Greek root of the word: *ethos*, which means 'the character and sentiment of the community.' So when we speak of 'Ethics' we speak about a set of values, beliefs and practices of a community, a

profession, a nation, perhaps any identifiable community regardless of its size or complexity just so long as it holds certain standards of conduct in common.

Some definitions of Ethics.

The American Heritage Dictionary of the English Language defines Ethics as follows:

1. *The discipline dealing with what is right or wrong or with moral duty and obligation.*
- 2 a. *A group of moral principles or set of values.*
b. *A particular theory or system of moral values.*

- c. *The principles of conduct governing an individual or a profession; standards of behavior.*
3. *The character or the ideals of character manifested by a group of people.*

Ethical: Self-position, one's own condition or place, custom. Being in accord with approved standards of behavior or a socially or professionally accepted code.

The key is: conformity to some code or standard of conduct

Reflecting upon the above definitions, we find that certain standards of conduct varies from culture to culture, often related to religious beliefs. For example, some Muslim countries or communities forbid the taking of interest on loans, whereas it is justified in other religions and legal in many countries. This is so because we deal with what is right or wrong or with moral duty and obligation which are usually deep rooted in religious precepts. And therefore, we may say that in Ethics we are dealing with a subject that is rather subjective in nature. Moreover, when we discuss 'Ethics' we may be tempted to ask whether it is western or oriental ethics since we observe the difference between the two cultures.

Let us start our discussion by presenting problems and thereafter proposing reflections for solution.

The scourge of Worldwide Corruption.

The profusion and proliferation of corruption was clearly foreseen long ago by Charles F. Adams (1807-1886) when he wrote:

"Failure seems to be regarded as the one unpardonable crime, success as the all-redeeming virtue, the acquisition of wealth as the single worthy aim of life. The hair-raising revelations of skullduggery and grand-scale thievery merely incite others to surpass by yet bolder outrages and more corrupt combinations."

To corroborate the assertion that this is a very apt topic for our deliberations I will outline a few instances of flagrant violations of public trust and blatant breaches of ethical conduct to highlight the scope and extent of worldwide corruption. The facts and figures are extracted from published sources such as Time International, the Internet and the daily papers and I am merely putting them together to point out the seriousness of the situation.

India : Probes by the Central Bureau of Investigation have forced the resignation of 25 top politicians including seven cabinet ministers who have been accused of taking bribes. The tainted image of the Congress Party brought down the government of Prime Minister Narasimha Rao and now he is himself facing corruption charges in

court. The Supreme Court was instrumental in the exposure, trial and punishment of privileged and seemingly sacrosanct public figures and the top judicial body has won acclaim and admiration from both national and international circles.

Italy : A massive corruption investigation, begun in 1992 put a whopping 3000 politicians and businessmen under investigation. More than 1000 people were jailed and the investigators demanded that an additional 1900 be indicted. Even former Prime Minister Silvio Berlusconi, an avowed corruption fighter faced charges of bribing tax inspectors for lenient audits of his financial empire.

Former Prime Minister Bettino Craxi was sentenced to eight years in prison for corruption connected with the construction of the Milan subway system.

Japan : After a series of scandals and 38 long years in power the LDP government led by Premier Noburo Takeshita was forced to resign in 1993 as a result of the fallout from the Recruit Cosmos scandal.

The Ministry of Finance has been rocked by revelations that banks have made an estimated \$1 trillion in bad loans, a significant portion of which wound up in the hands of Yakuza gangsters -- a heinous collusion of bankers and regulators to defraud the shareholders and the constituents.

The Ministry of Health has ruefully admitted that its officials knowingly allowed pharmaceutical companies to sell blood products that were contaminated with HIV-- a classic case of connivance which must have involved millions of dollars in bribes.

Spain : The scandal-ridden socialist government of Felipe Gonzalez was voted out of power during elections held in March 1996. A former Interior Minister of the government is facing charges of waging a dirty war in the 1980s and the ex-chief of the Civil Guard has been arrested on charges of fraud, bribery and misappropriation of public funds.

South Korea : Former Presidents Chun Doo Hwan and Roh Tae Woo have been convicted and sentenced to long prison terms in connection with multimillion dollar slush funds largely made up of bribes paid by businessmen for government contracts. And right now the government there is engulfed in an explosive situation brought about by the indictment of the second son of President Kim Young-Sam in connection with tax evasion and bribery charges.

Corrupt as They Come.

Speaking about Commercial Corruption, The Asian Wall Street Journal of January 1997 says, "As enemies go, the global corruption hydra has proven a frustrating one: Lop off one of her heads and dozens more continue

with their hideous damage.” The Asian Wall Street Journal then published the following list.

Corruption rankings in 1996, based on the level of corruption in a country perceived by employees of multinational firms and institutions (1 = most corrupt in survey, 54 = least corrupt)

1. Nigeria	12. Uganda	23. Spain	34. Chile	45. Australia
2. Pakistan	13. Colombia	24. Hungary	35. Belgium	46. Netherlands
3. Kenya	14. Egypt	25. Jordan	36. France	47. Switzerland
4. Bangladesh	15. Brazil	26. Taiwan	37. Hong Kong	48. Singapore
5. China	16. Ecuador	27. Greece	38. Japan	49. Norway
6. Cameroon	17. Mexico	28. South Korea	39. Austria	50. Canada
7. Venezuela	18. Thailand	29. Malaysia	40. U.S.	51. Finland
8. Russia	19. Bolivia	30. Czech Rep.	41. Israel	52. Sweden
9. India	20. Argentina	31. Poland	42. Germany	53. Denmark
10. Indonesia	21. Italy	32. South Africa	43. Britain	54. New Zealand
11. Philippines	22. Turkey	33. Portugal	44. Ireland	

Source : Transparency International, Berlin

From the above statements we may say that no country seems immune from allegations of corruption and even in the United States of America which takes pride in its democratic institutions and which has a most advanced system of checks and balances, the political parties were accused of malpractices in vying indecently if not illegally for campaign finances during the elections in 1996. In

Thailand itself the scandals emanating from the infamous Bangkok Bank of Commerce debacle are still making sensational headlines and the sacking of the central bank’s governor for incompetency in enforcing financial disciplines and for lack of professionalism in land purchase deals have sent stock prices into a tailspin and the markets are still in a state of shock

and disarray. The Marcos era pillagings, the spate of corruption that plagued Latin American countries and the recent ouster of President Mobutu of Zaire point to a great decline in moral and ethical standards. If we fail to turn this tide and deter the deleterious effects of materialism and consumerism, the twin roots of corruption, our world will be heading for social and cultural upheavals of immense proportions.

Ethics On A Personal, Corporate Or State Level.

“Two things fill the mind with ever increasing wonder and awe, the more often and the more intensely the mind of thought is drawn to them:

- the starry heavens above me*
- and the moral law within me.”*

Immanuel KANT

Many years ago, this inner voice, “the moral law within me” inspired a group of Christian businessmen and women of the Philippines, together with university administrators and faculty of graduate and undergraduate schools of business to formulate the following “Concepts” of the Code of Ethics for business:

The Concepts.

Business, which embraces commerce and industry, is not an

accidental human activity but an integral element of the social order. Its primary purpose is to meet society’s human needs by providing goods and services as efficiently as possible. Those engaged in business should, therefore, recognize the following basic concepts:

- All business is essentially an expression of human relationships; not only with those who work in the enterprise, but also with those who own and provide financial resources, with those who supply it with materials and services, with those who buy its products or services, with the government, and with the wider public whose lives are affected by the business activity. The interests of all those members of society must be taken into account in formulating business policy. These interests, in themselves legitimate, will at times conflict. While conflict and tension can of themselves be constructive, the aim of business must always be to reconcile opposing interests in a balance of justice and mutual concern.
- The owners, management, the work force, the suppliers and subcontractors, the customers, and government contribute to the performance of the business enterprise, and are therefore entitled to receive the proper worth of their contributions.

• The resources employed by a business enterprise are financial, technological and human. The human resources have a unique quality and should be employed in a manner consistent with personal dignity. The individual should be given an opportunity to use and develop his faculties in his work. His contribution to the success of the enterprise should be properly recognized and rewarded.

• Business enterprise has a public responsibility to use all its resources efficiently. Profit in a system of free enterprise is recognized as a fundamental incentive, and is necessary for the maintenance and growth of the enterprise, for raising the quality of life, and for helping meet the broader needs of society.

• Competition and inventiveness are essential for the maintenance and continuing improvement of the quality of goods and services, for growth and for technological progress. However, to guard against unfair forms of competition, a consistent standard of business behavior must be established and observed.

• In business, as in any other institution of society, any right or authority enjoyed by or entrusted to business presupposes, and is justified by, corresponding duties,

responsibilities, and performance.

The above concepts as formulated have been based on the belief that man has a dignity that must be respected, and that all the resources of the earth have been created for his growth and development.

Conclusion.

We can envisage the age of transparency and accountability all along the information superhighway with newshounds and public interest groups out on the prowl to measure and gauge the impact of our decisions and actions on society and the environment. Where news and information are concerned there will be no such things as boundaries and barriers and the tide and momentum of their free flow and diffusion will sweep away the pockets of resistance to change that subsists now here and there in some parts of the world. In such an atmosphere and on such a stage it becomes imperative to conduct ourselves and our business operations on sound ethical and moral principles. If business managers employ child labour to pare down costs and achieve higher profit ratios they will surely be sniffed out by the media and the non-governmental organisations working to protect the rights and welfare of children. If a government or state authority attempts to use forced labour to build infrastructure or undertake specific projects or achieve special objectives, rights groups will cry foul and expose the

fiendish exploitation of human resources. The observance of and compliance with ethical ideals will assume a mandatory basis in the future and as individuals, corporate managers and state leaders we must prepare ourselves for changes in our operational modes and the looming shifts in power and values. Those who are not willing to face scrutiny, who refuse to be accountable and avoid the limehighlight of the information superhighway are likely to be stigmatised and hounded out by the new forces of thought and enlightenment created, fuelled and propelled by advances in the fields of science and technology.

for protectionism in trade. Other factors include the liberalization and privatisations in Asia, Latin America and in Central and Eastern Europe, which have opened up new markets for FDI, especially during the 1990s.

These developments were accompanied by a change in most governments' attitudes regarding foreign investments. While in the sixties and seventies the presence of multinational corporations was regarded as a threat to national borders, today it is generally accepted that direct investments are advantageous to that country.

It can be expected that direct investments will continue to increase in the coming years, especially in the less developed countries, where it can speed an increase in its capital stock, technological improvements and growth in employment. In some cases, especially in the least developed countries, these expected advantages have not yet materialized, partly because of increasing competition from international "hot money" capital (Gall, 1995).

The aim of this paper is to present an overview of the global flow of foreign direct investment (FDI), its purpose is to explore factors facilitating FDI, its perceived benefits as well as the global competition for the location of investment. The paper also briefly examines FDI in terms of regionalisation and trading blocs.

Increasingly, Foreign Direct Investment is playing an important role in the process of integration and globalization of the world economy. Introduction of Foreign Direct Investment (FDI) is an investment which is made to acquire