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INTERNATIONAL BUSINESS ETHICS: SELECTED PROBLEMS OF ITS BEING

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Declaration of Originality

I, the undersigned Andrea Šimonovičová, solemnly declare that the thesis "International Business Ethics: Selected Problems of its being" is the result of my own independent research and was written solely by myself using the literature and resources listed in Bibliography.

I am aware of the legal consequences in case the data are not true and correct to the best of my knowledge.

Nitra, May 6, 2010

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ABSTRAKT

Predmetom mojej bakalárskej práce bola podnikateľská etika v medzinárodnom podnikateľskom prostredí a vybrané problémy s ňou súvisiace. V prvej kapitole sú vysvetlené pojmy súvisiace s témou bakalárskej práce: manažment, medzinárodný manažment, etika, podnikateľská etika a medzinárodná podnikateľská etika. Podnikateľská etika patrí medzi významné súčasti podnikania, pretože v podnikaní je dôležité nielen samotné dosahovanie zisku, ale zároveň je potrebné brať ohľad aj na sociálne, politické a ekonomické hodnoty v spoločnosti. Vplyvom globalizácie sa mnoho podnikov rozhodlo rozšíriť svoje podnikateľské aktivity z domácich trhov na trhy medzinárodné a tak začali vznikať multinacionálne korporácie. S ich vznikom však súvisí aj mnoho problémov. Štvrtá kapitola sa venuje problému dopadu podnikateľských aktivít v medzinárodnom podnikateľskom prostredí na prírodné prostredie. Vplyvom týchto podnikateľských aktivít vzniká mnoho environmentálnych problémov, ktoré som vo svojej práci opísala. Celosvetové konferencie zaoberajúce sa týmito problémami by mali pomôcť nášmu prírodnému prostrediu a ochrániť ho pred nepriaznivými vplyvmi ľudských aktivít.

Kľúčové slová: etika, podnikateľská etika, medzinárodná podnikateľská etika, environmentálne problémy

ABSTRACT

The subject of my bachelor thesis is business ethics in the international business environment and selected problems of its being. In the first chapter I shall explain the terms "management", "international management", "ethics", "business ethics" and "international business ethics". Business ethics is an important part of business because achieving a profit is not the most important thing, we have to consider also the main social, political, and economic values in society. Globalization is the result of companies deciding to make a business not only on the domestic market but also internationally. Consequently many multinational corporations have arisen. However, there are many problems which are connected with them. I have analyzed problems with the environment in the fourth part of this work. There are many environmental problems which are connected with business activities in the international business environment. Worldwide summits oriented on these problems try to defuse or remove them. We can only hope these summits help to make our environment healthier.

Key words: ethics, business ethics, international business ethics, environmental problems

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INTRODUCTION

Since time immemorial, there has been a need to keep some rules, which can control order in society and also help to organize people. These rules can be written, such as the laws we find in the constitutions of the countries, but on the other hand, there exist some unwritten rules of how to behave in society. We can sum up these rules in one term- Ethics. Ethics is a philosophical discipline with the central aspect "good life", which deals with good and bad decisions and values. The subject of ethics is human action. Ethics relates with theoretical issues of human action and its practical realization and determines the frontier where these issues are still right and where they start to be wrong. Therefore, ethics is also called the "moral philosophy"- the discipline concerned with what is morally good or evil, right or wrong.

Business ethics, as a part of ethics, came into being because it is important to implement the main social, political and economical values into everyday business process to maintain the right relationships in the business environment. In the economy, which is a significant component of the society, it is important to respect human values and also the values in society. Achieving a profit is not the most important thing. There are many other values which should be maintained, making a balance between the economy and other departments in society. Good managers know that fact, therefore they try to behave and to manage their employees in the right -ethical- way.

Nowadays, globalization as a worldwide phenomenon affects the markets of all countries in the world. There exists something like an elimination of the borders of the states in the world. Therefore many companies start to operate not only on the domestic market but also on the foreign markets. That is also the reason many multinational corporations start to exist and operate on the international markets.

Globalization is the natural development of the world's business activities. People decided to trade not only with the companies in their own country but also with the firms from foreign countries. This leads to the internationalization of all rules, laws or treaties which companies use for making their business activities. Internationalization of these principles can interfere in the principles of the business ethics. Therefore international business ethics came into being. There are many issues which affect the behavior of the people in companies. It can be cultural differences, different religions, political views or differences in education. All of these factors influence our relations in the workplace. International business ethics is just the internationalization of business ethics in the global business environment.

However, there are not only such secondary problems related with the globalization, there exist also more significantly problems related with the existence of the multinational corporations. Among them belong the problems with the pollution of the Earth also named as environmental problems. Among them belong for example the problems: air pollution, water pollution, noise pollution, energy consumption and carbon emission, toxic waste, oil spills, soil erosion and depletion of ozone layer. All of these problems affect whole environment and can cause environmental changes. Therefore, multinational corporations have to implement some arrangements to protect the environment from negative impacts of their business activities.

I have decided to analyze problems related with business ethics, specifically environmental problems because the changes in the environment affect not only some parts of the Earth but the whole planet with all the people who live there.

1 THEORETICAL BACKGROUND

1.1 Management

Management is a very important part of civilization. We meet management in everyday life therefore we are affected by it. **M. SEDLÁK (2008)** describes that management could have several meanings:

- management as a practical activity- activities which are used to achieve the goals of the firm
- management as a branch of science- a set of knowledge about the principles, methods, and practices of leading, etc. which we can learn, teach and apply in the process of management
- management as a group of people (managers)- managers are primarily responsible for the right fulfillment of the work in organization

There is no universal definition of "management". In the specialized publications, we can find many definitions of "management" from various authors. But, according to **MIŽIČKOVÁ - UBREŽIOVÁ (2009)**, there are some common characteristics in different works such as, for example, people and their activities, functions of the leading, functions of the managers, and the creative process of the leading. Management is one of the most important social activities and it is a process when there is a change of sources (inputs) to the required outputs (products or services). Managers try to make this transformation in the most effective way.

A. MALEJČÍK (2008) also confirms these statements in his work. He defines management as a subjective, systematic, and conscious human activity which results from the social essence of the economic processes and division of labor. This leads to the setting of the right goals and the most suitable ways how to achieve them. People understand that the best way to fulfil these goals is to work in groups, not individually. This process of achieving the goals of the firm needs to have people with the correct qualities to organize people and resources, as could be named the managers. They stand at the head of each group and manage the employees, lead them and organize their work.

1.2 International Management

F. LUTHANS - J. DOH (2009) explain international management as the process of applying management concepts and techniques in a multinational environment and adapting management practices to different economic, political, and cultural environments. Managers try to apply some level of this in increasingly diverse contemporary organizations. International management is distinct from other forms of management because the knowledge and insights about global issues and specific cultures are necessary for success. Today more companies than ever are earning some of their revenue from international operations.

1.2.1 Globalization, Internationalization

Globalization is a new phenomenon in the world. **EUN – RESNICK (2009)** in their publication describe the term "globalization" as a popular buzzword for describing practices in the last few decades. If it continues it will become a key word for describing business management throughout the new century.

The term globalization is closely associated with the term internationalization. We can adopt this word into the many spheres, therefore the most suitable and also the most universal definition of internationalization is that "internationalization is the act of bringing something under international control". It is necessary mainly when the firm's business activities cross the frontiers of its domestic country and start to operate in the global market.

F. LUTHANS - J. DOH (2009) define globalization as the process of social, political, economic, cultural, and technological integration among countries around the world. They also compare terms globalization and internationalization. According to them globalization is distinctive from internationalization because internationalization is the process of a business crossing national and cultural borders, whereas globalization is the vision of creating one world unit, a single market entity. Evidence of globalization can be seen in increased levels of trade, capital flows, and migration. Globalization has been facilitated by technological advances in transnational communication, transport, and travel.

1.3 Ethics

We meet with the need of the moral behavior in everyday life of every man, therefore this need exists also in the business environment. In many situations, managers have to deal with problems and decide what is morally good and what is not. This can help to give overalls a positive image of the company when employees see the moral consequences of their actions. Therefore it is important to ascertain what is meant by "ethics".

The Greek philosopher Aristotle defined ethics as follows: "Human actions are theoretical, practical and creative. Ethical theory is a field distinct from the theoretical sciences. Ethics is practical philosophy, which investigates action that has value in itself. Its methodology must match its subject matter (good action) and must respect the fact that in this field many generalizations hold only for the most part".

We study ethics in order to improve our lives, and therefore its principal concern is the nature of human well-being. Aristotle follows Socrates and Plato in taking the virtues to be central to a well-lived life. Plato considers the ethical virtues (justice, courage, temperance and so on) as complex rational, emotional and social skills. According to Plato, training in the sciences and metaphysics is a necessary prerequisite for a full understanding of our good. What we need, in order to live well, is a proper appreciation of the way in which such goods as friendship, pleasure, virtue, honor and wealth fit together as a whole. In order to apply that general understanding to particular cases, we must acquire, through proper upbringing and habits, the ability to see, on each occasion, which course of action is best supported by reasons. Therefore practical wisdom cannot be acquired solely by learning general rules. We must also acquire, through practice, those deliberative, emotional, and social skills that enable us to put our general understanding of well-being into practice in ways that are suitable to each occasion (**KRAUT**, **2010**).

Ethics is a major branch of philosophy, which deals with values: good and evil. It means that it takes a measure of what is right and wrong behavior. **FIESER (2009)** presents the subject of ethics as a human action in his publication. It concerns the standards by which human actions can be good or evil (right or wrong). The field of ethics involves systematizing, defending and recommending concepts of right and wrong behavior.

It is very difficult to assess a universal ethical standard when the views and norms in one country can vary considerably from others. Ethics, the study of morality and standards of conduct, is often the victim of subjectivity as it yields to the will of cultural relativism or the belief that the ethical standard of a country is based on the culture which created it and that moral concepts do not have universal application (**F. LUTHANS - J. DOH, 2009**).

According to J. KLINE (2005), ethics deals with identification, valuation, and selection of values to be used as standards for judgment and guidelines for action. Values lie at the heart of all decisions, providing the normative basis for choosing among alternative conclusions and courses of action. The term "ethics" is commonly misused to describe some ideal but unrealistic standard that bears little relationship to practical daily decisions. In reality, ethical analysis offers a way to examine the values that guide daily decisions in all aspects of human life. Decisions involve choice, and choice is guided by values. Ethics matter because its methodologies offer a way to identify, understand, and consciously choose from the values embodied in different judgments and actions. The essential importance of ethics springs from the belief that intentional, informed choices produce the best decisions and outcomes.

All societies have ethical rules regarding stealing, lying, deceiving, and harming others, just as they also have ethical rules that approve of honesty, keeping promises, helping others, and respecting the rights of others. Such basic rules of behavior are thought to be essential for the preservation of organized life. Religious beliefs are a major source of ethical guidance and moral meaning for many people. The family institution also imparts a sense of right and wrong to children as they grow up, as do schools and other similar influences. The totality of these learning experiences creates in each person a concept of ethics, morality, and socially desirable behavior.

1.3.1 Three general subject areas of the Ethics

Philosophers today usually divide ethics into three general subject areas:

1. Metaethics- the study of the concepts of ethics. Metaethics investigates where our ethical principles come from and what they mean. When we compare it to normative ethics or applied ethics, the field of metaethics is the least precisely defined area of moral philosophy.

- 2. Normative ethics- the study of how to determine ethical values. Normative ethics is a branch of philosophy which allocates moral standards which regulate right and wrong conduct. It deals with what people consider to be right and wrong.
- 3. Applied ethics- the study of how to use the ethical values. Applied ethics is a discipline of philosophy which tries to apply "theoretical" ethics such as utilitarianism, social contract theory, and deontology to real world dilemmas. This discipline includes medical ethics, legal ethics, environmental ethics, computer ethics, business ethics, etc. (FIESER, 2009).

1.3.2 Ethical aspect of the free market

Milton Friedman described economic freedom as "an extremely important component of total freedom which is a necessary condition for political freedom. Centralized control of economic activities was always accompanied with political repression. Voluntary character of all transactions in a free market economy and wide diversity that it permits are fundamental threats to repressive political leaders and greatly diminish power to coerce. Through elimination of centralized control of economic activities, economic power is separated from political power, and the one can serve as counterbalance to the other".

Competition in the economy is rivalry in supplying or resumption an economic service or good. Sellers compete with other sellers and buyers with other buyers. In its perfect form, there is competition among many small buyers and sellers, none of whom is too large to affect the market as a whole. In practice, competition is often reduced by a great diversity of limitations, including copyrights, patents, and governmental regulation, such as fair-trade laws, wage and price controls. Competition gives motives for self improvement. If two watchmakers are competing for business, they will lower their prices and improve their products to increase their sales. If birds compete for a limited water supply during a drought, the more suited birds will survive to reproduce and improve the population (SHIELY, 2008).

1.4 Business Ethics

With the increasing expansion of business and its impact on society, there is a need to make these business practices in the right (ethical) way. As **ABRAMOV** – **JOHNSON** (2004) mention, businesses are at the strategic center of a civil society, and they have a stake in their communities. They depend on free markets and good public image for their growth and success, but they are also authors of their own destiny. Through responsible business conduct, they contribute to the essential social capital of trust and fairness that makes good governance and free markets possible.

Responsible business conduct includes the actions of the owners, managers, and employees that are within their authority, well informed, intended to pursue the enterprise purpose and meet reasonable stakeholder expectations, and sustainable over time. Responsible business conduct allows an enterprise to improve its business performance, make profits, and contribute to the economic progress of its community. Businesses around the world are designing and implementing business ethics programs to address the legal, ethical, social, and environmental issues they face. By addressing these issues in a systematic way, enterprises can improve their own business performance, expand opportunities for growth, and contribute to the development of social capital in their markets. They can realize specific business benefits, such as:

- Enhanced reputations and goodwill
- Reduced risks and costs
- Protection from their own employees and agents
- Stronger competitive positions
- Expanded access to capital, credit, and foreign investment
- Increased profits
- Sustained long-term growth
- International respect for enterprises and emerging markets

Enterprises that excel in these areas create a climate of excellence for their employees, shareholders, and communities, and contribute to the economic wellbeing of their countries. Good business ethics should be a part of every business. But **G. CRYSTAL (2010)** in his work *What is Business Ethics?* claims that there are many factors to consider. When a company has business with company considered unethical, this could make the first company unethical too, since the first business has a responsibility to society and it is now a link in the chain of unethical business. Many global businesses, including most of the major brands that the public use, can be seen not to think too highly of good business ethics. Many major brands have been fined millions for breaking ethical business laws. Money is the major deciding factor.

Social responsibility and business ethics are often regarding as the same concepts. **J. SHIELY (2008)** mentions that the social responsibility movement is one aspect of the overall discipline of business ethics. The social responsibility movement arose during the 1960's, when increasing public consciousness about the role of business in helping to cultivate and maintain highly ethical practices in society (and particularly in the natural environment) started.

By business ethics, we do not mean only commercial business, but also government organizations, not-for-profit businesses, charities, and other organizations. Therefore, it is worth stressing that by right and wrong we mean only morally right and wrong as oppose to, for example, strategically, or financially right or wrong.

Business ethics is currently a very prominent business topic, and the debates and dilemmas surrounding business ethics have tended to attract an enormous amount of attention from various quarters. Consumers and pressure groups appear to be increasingly demanding firms to find more ethical and ecologically ways of doing business. Additionally, the media constantly seems to be keeping the spotlight on corporate abuses and malpractices. And even firms themselves appear to be increasingly recognizing that being ethical may actually be good for business. Ethical issues confront organizations whatever line of business they might be in.

There are many reasons why business ethics might be regarded as an increasingly important area of study. Here are some main reasons why it is important to study business ethics:

- 1. The power and influence of business in society is greater than ever before.
- 2. Business has the potential to make a major contribution to our societies, in terms of producing the products and services that we want, providing employment, paying taxes, and acting as an engine for economic development.

- 3. Business malpractices have the potential to inflict enormous harm on individuals, on communities and on the environment.
- 4. The demands being placed on business to be ethical by its various stakeholders are constantly becoming more complex and more challenging.
- 5. Few businesspeople in Europe and elsewhere have received formal business ethics education and training.
- 6. Ethical infractions continue to occur in business.
- 7. Business ethics can provide us with the ability to assess the benefits and problems associated with different ways of managing ethics in organizations.
- Finally, business ethics are also extremely interesting in that they provide us with knowledge that transcends the traditional framework of business studies and confronts us with some of the most important questions faced by society (CRANE MATTEN, 2007).

1.4.1 Historical development of the Business Ethics

In the work *Medzinárodný manažment a podnikanie* (**UBREŽIOVÁ**, **2008**) this development is divided into four periods:

1. 1900-1920

- This period was named as "a process of finding ethics in the business". This process was connected with the development of the management as an "art", and also with the effort to make a favorable impression of business.

2. 1921-1950

- The second period introduces "a process of the development of business ethics". In this period there were published ethical codes and there also arose many occupational associations.

3. 1951-1970

- This period was "an era of growth in the complexity of business ethics". This period saw a fast expansion of businesses connected with the reconstruction of the economies in the countries of Western Europe after the World War Second.

4. 1971-present

- This is a period in which business ethics started to be an independent branch, and today there is an increasing interest in business ethics in society.

1.4.2 The levels of Business Ethics

Business ethics has several levels:

- Global ethics This level covers all the following levels of the business ethics.
- Ethics of the system Models of the social, political, and economic powers which define the values of the individuals and the firms within the market economy or other systems in the international scene.
- Ethics of the organization Ethical responsibility which every organization has in doing its business activities, or in achieving the goals of the firm.
- Ethics of the individual Values through which personal needs get into the balance with motives inside or outside of the organization. These values are values of bravery and public wealth.

These four levels of business ethics are closely connected. However, relations between these four levels and their interactions are difficult to define. However, it is clear that ethics of the individual are influenced by social ethics and also by the ethics of the organization. Ethics of the organization is the function of the ethics of the system- social ethics. Social ethics is a result of the history and traditions of a given society and it is influenced by the ethics of institutions and citizens who are members of that society. Finally, global ethics are influenced by social ethics and also by the ethics of the organizations (LUKNIČ, 1994).

1.4.3 Reasons for the creation of Business Ethics

As **I. UBREŽIOVÁ** (2008) presents in her work, modern managers appreciate that not only measurable economic indicators are important for the development of the economy, but it is also important to pay attention to their immeasurable qualitative attributes. The main reasons for the creation of business ethics are ecological and social problems. Doing business nowadays is connected not only with the economic structures but also with the environment and social environment which exist in the background. The negative impacts of business activities on the environment exceed the frontiers of one state and endanger the ecological system of the planet as a whole. Social problems connected with the creation of business ethics are follows:

- Unemployment the problem with the unemployment of millions of people is a big problem for the whole of society. Increasing unemployment leads to the social convulsions and to political instability. The social consequences of unemployment are predominant problems for the governments of many countries.
- Poverty and wealth this problem is tragic nowadays because the differences between poor and rich people are still increasing.
- Migration this problem is connected with the exploitation of foreigners as cheap labour. This exploitation exists not only between the developing and developed countries but also between countries with stronger and weaker economies.
- Social justice it is important to put more justice not only to the nature but also into the economic sphere. There is a question if the world economy is able to absorb the principles of moral responsibility and solidarity.

1.4.4 Business Ethics and the Law

According to **CRANE** – **MATTEN** (2007), having defined business ethics in terms of issues of right and wrong, one might quite naturally question whether this is in any way distinct from the law. It is true that the law is also about the issues of right and wrong and there is indeed considerable overlap between ethics and the law. In fact, the law is essentially an institutionalization or codification of ethics into specific social rules, regulations, and proscriptions. Nevertheless, the two are not equivalent. The terms ethics and law are two intersecting domains. The law might be said to be a definition of the minimum acceptable standards of behavior. Many morally contestable issues, whether in business or elsewhere, are not explicitly covered by the law.

1.4.5 The relevance of Globalization for Business Ethics

Globalization in term of deterritorialization of economic activities is particularly relevant for business ethics and it is, according to **CRANE – MATTEN (2007)**, evident in three main areas:

- Culture as business becomes less fixed territorially, so corporations increasingly engage in overseas markets, suddenly finding themselves confronted with new ethical demands. Moral values, which were taken for granted in the home market, may get questioned as soon as corporations enter foreign markets.
- Law the more economic transactions lose their connection to a certain regional territory, the more they escape the control of the respective national governments. The power of a government has traditionally been confined to a certain territory (French laws are only binding on French territory, UK laws on UK territory, etc.).
- Accountability taking a closer look at global activities, one can easily identify multinational corporations as the dominant actors on the global stage. These corporations own the mass media which influence much of the information and entertainment we are exposed to, they supply global products, they pay people's salaries, and they pay much of the taxes that keep governments running.

1.5 International Business Ethics

1.5.1 Multinational Corporations as the main subject of the International Business Ethics

Globalization is the main reason that many firms try to operate not only on the domestic market, but also in the international business environment, and consequently many multinational corporations have been created. **F. LUTHANS - J. DOH (2009)** interpret multinational corporations as firms which operate in more than one country, make international sales, and the nationality of their managers and owners is mixed. **EUN – RESNICK (2009)** present multinationals as business firms incorporated in one country that has production and sales operations in several other countries. The term suggests a firm obtaining raw materials from one national market and financial capital from another, producing goods with labor and capital equipment in a third country, and selling the finished product in yet other national markets.

Multinational corporations are confronted with many ethical issues by the domestic companies. These accusations can be divided into macroeconomic and microeconomic reflections and we can classify them according to the following eight categories:

- 1. bribery
- 2. employment and staffing problems
- 3. marketing practices
- 4. impact to the economics and development of the host countries
- 5. effect on the environment
- 6. cultural impact of the multinational corporations
- 7. relations with the governments of the host countries
- 8. relations with the domestic countries (UBREŽIOVÁ, 2008)

D. SHARP (2006) has another explanation as to why multinational companies have so many problems. He states that no other type of corporate entity has attracted so much shame for its shortage of morality as the multinational corporation. Multinational companies are large, and therefore conspicuous, and often operate in industries fraught with ethical problems. Whether they are in fact less moral than other organizations is an interesting question. They face the complexity of moral dilemmas because they operate in many countries which have different ethical norms and legal system.

CH. JONES (2010) also deals with the definition of multinational corporations. He claims that a multinational corporation is the result of a business operating in several countries when clear managerial coordination and control, together with some element of ownership, exceed the frontiers of the domestic country. Multinational corporations became common only from about 1890. These companies perform generally in developed industrial economies; they developed because the barriers of international trade were relaxed, and also partly in response to market forces.

On the other hand, multinationals have also negative aspects and a bad effect for domestic countries as well as for host countries. Multinationals have been held to be offenders of states, or of the state system, because of a few examples of corporate meddling in the politics of host states, but mainly because of their ability to move capital across frontiers, and to manipulate the transfer prices at which their component firms exchange goods and services internationally. Multinationals have also been criticized for undermining national cultures through intensive use of advertising to achieve substitutions of synthetic and standardized goods for natural and distinctively local alternatives.

1.5.2 The social responsibility of companies

The social responsibility of companies, mainly multinational corporations, is a form of business ethics. Multinational corporations often behave ineptly on the market where they work. It is very important to keep human rights and ecological norms when the business is expanding. But what is socially and ethically acceptable in Europe don't need to be acceptable, for example, in America. There are factors such as religion, cultural habits and many others which can affect the opinions of what is right and what is wrong (UBREŽIOVÁ, 2008).

LUKNIČ (1994) claims, that opinion on the social responsibility of the companies are diversified. Some specialists consider social responsibility toke the duty of the entrepreneur, to minimize the negative aspects of his or her business activities. It could be, for example, something like the agreement of a firm with society, where business ethics covers the moral principles, norms and standards.

1.5.3 International Business Ethics

I. MAHDAVI (2009) in his publication describes that the importance of ethics in the business world is remarkable and global. New trends arise on a daily basis which may create an important ballast to organizations and consumers. The need for proper ethical behavior within organizations has become necessary to avoid possible lawsuits. The recent expansion of global business and the fall of trade barriers in various markets have further underlined the interest in the topics of ethical behavior and social responsibility. Human rights and environmental conservation are gaining more recognition in both academic and commercial settings. As multinational companies expand globally and enter foreign markets, the ethical conduct of the officers and employees has added importance since the very cultural diversity associated with such expansion may undermine the much shared ethical and cultural values observable in the mores homogeneous organizations. Although understanding of other cultures and distinction of differences among them will improve the cross-cultural communication, it may not be sufficient to provide viable guidelines of proper ethical behavior in organizations.

J. KLINE (2005) analyzed ethical contracts with a global society in his work *Ethics for International Business*. International enterprises operate in an increasingly global economy that is still essentially governed by laws. Globalization has increased public awareness and concern regarding conditions and events in other countries, resulting in greater scrutiny of associated business activities. A global social contract appears to be emerging wherein international enterprises are held increasingly responsible for upholding ethical standards that go beyond, and may even conflict with, prevailing norms in a particular nation. Although the emerging consensus on global norms may not yet support international legal agreements, business faces the practical reality that appealing to ethical relativism no longer offers effective protection against the consequences of adverse public judgments in other nations.

1.5.4 Basic principles of International Business Ethics

As **CH. MITCHELL (2009)** mentions in his work *International Business Ethics* a codified set of international business ethics has become the Holy Grail of commerce. Most proponents of international business ethics agree that an international code of ethical practice, and not a code based on each individual culture's unique norms and practices, would be an important tool for multinationals in the 21st century. The International Business Ethics Institute provides multinational corporations with these three basic principles to get started:

- Integration Business ethics must permeate all aspects for organizational culture and be reflected in key management systems. Companies start by integrating ethics into goal settings and hiring practices. When promoting workers to higher levels within the company, ethical principles must guide incentive programs.
- Implementation Ethical conduct is not just an idea, but requires the implementation of a plan of change in specific areas of work in the company. Some examples are efforts to modify personnel appraisal processes, promotion of improved environmental practices and referrals to specialists when needed.
- Internationalization Increased internationalization is necessary to all successful businesses in the 21st century. Internationalization is achieved through the formation of international partnership, trading blocs and implementing some free trade agreements.

2 AIMS OF THE THESIS

The aim of this work is to evaluate the topic "International Business Ethics" in terms of selected problems of its being. I decided to describe environmental problems as one of the problems associated with the International Business Ethics, in particular, how business activities affect the natural environment.

In addition to these aims, there are several specified partial aims:

- to obtain theoretical knowledge about a given topic from literary sources and from other sources
- to analyze the contemporary situation of the problems related with the business ethics, specifically environmental problems

This bachelor thesis is divided into several parts:

- 1. The chapter is centered on the review of the contemporary situation of the subject of the work.
- 2. The chapter presents the aim of the bachelor thesis.
- 3. The chapter is oriented on the description of the operational processes used for the working out of the work.
- 4. The chapter is focuses on one of the problems associated with business ethicsenvironmental problems. The core of this chapter discusses the impact of the international business activities on the natural environment.
- 5. The chapter presents the results of the work in relation to the set aims.
- 6. The chapter is the resume of the bachelor work in Slovak language.
- 7. Bibliography

3 MATERIALS AND METHODS

The object of this work is International Business Ethics, the theoretical facts about this topic, and the contemporary situation. This is covered in the first chapter. I shall also evaluate a problem with environment in relation to this subject in the fourth chapter.

Operational processes appear from material and information which were obtained from the literature in the theoretical part of this work and by the reading through Internet sources and journals, and the elaboration of the statistical data in the results of the work.

The data necessary for the working out of this bachelor thesis were obtained from these primary sources:

- studying literature which is relevant to the topic
- Internet sources

Additionally, these secondary sources were used:

- statistical data
- journals related with the topic of the work
- pictures of the environmental problems

4 RESULTS OF THE WORK- CHOOSEN PROBLEM RELATED WITH INTERNATIONAL BUSINESS ETHICS

4.1 Environmental problems

Each of the phenomena- the development and expansion of business activities, and the creation of greater numbers of multinational corporations, and therefore massive pollution of the planet - threaten us with extensive pollution of the earth. There is an interaction between business and society because the main reason business exists is to serve the economic needs of the society. Business activities can improve our lives and develop our societies, but on the other hand, have an adverse effect on the environment. However, businesses cannot solve social problems like damage to the environment, but it is clear, when business activities cause damage to the environment, then they are morally responsible to repair that harm.

According to **M. KUTÍLEK (2008)**, there are many factors which can cause climate changes. Some of them affect our climate and environment over a longer time, and these are geographically older and natural. On the other hand, other factors exists which affect the environment immediately and come from human activities. The most significant of them, specifically, come from business activities.

4.1.1 Types of the environmental problems

The following problems are closely associated with the expansion of business activities and with the operations of the multinational corporations:

- Air pollution
- Water pollution
- Noise pollution
- Energy consumption and carbon emission
- Toxic waste
- Oil spills
- Soil erosion
- Depletion of the ozone layer

4.1.1.1 Air pollution

Air pollution is caused by release of chemicals, or biological materials, which can harm all living organisms, or damage the natural environment in the atmosphere. The industrialization of society, the introduction of motorized vehicles, and the explosion of the population, are factors contributing toward the growing air pollution problem. In the **figure 1**, it is clear, that the most polluted air is in the East, in China, Russia, etc. At this time it is urgent to find methods to clean up the air.



Figure 1

[Deaths from urban air pollution]

4.1.1.2 Water pollution

Water pollution can come from a number of different sources and there are various types. It can be the contamination of ground water, surface water pollution, pollution of the suspended flow and many others. In **figure 2**, we can see industrial water pollution- metric tons per day of industrial water pollution per million people: the darkest areas are more than 10, red areas are from 5-10, orange from 2,5-5, yellow from 0-2,5 and the blue parts have no data available.

The causes of this pollution include: sewage and wastewater, industrial waste, oil pollution, marine dumping, radioactive waste, fertilization, atmospheric deposition, underground storage leakages, etc. Pollution can affect the immediate area surrounding the source. But sometimes the pollution may affect the environment hundreds of miles away from the source.



Figure 2

[Industrial water pollution]

4.1.1.3 Noise pollution

Noise pollution is a disagreeable human, animal or machine-created sound that can cause discomfort in human or animal life. It is a type of energy pollution in which distracting, irritating, or damaging sounds are freely audible. There can be a problem with the definition of the noise pollution, because there is no clear border as to which sounds may constitute noise pollution. The most severe outdoor noise worldwide is transportation systems, including motor vehicle noise, aircraft noise, and rail noise, and also the building industry and factory machinery. Other sources of indoor and outdoor noise pollution are car alarms, emergency service sirens, office equipment, construction work, grounds keeping equipment, barking dogs, appliances, power tools, lighting hum, audio entertainment systems, loudspeakers, and noisy people. Sounds are considered noise pollution if they adversely affect wildlife, human activity, or are capable of damaging physical structures on a regular, repeating basis.

4.1.1.4 Energy consumption and carbon emission

Carbon dioxide forms approximately 0.04% of the nominal 5,000,000 gigatonnes of gas and aerosols that comprise the Earth's atmosphere. It is essential to photosynthesis in plants and other photoautotroph, and is also a minor greenhouse gas. Carbon dioxide emissions from human activities are acidifying the oceans and threaten a mass extinction of sea life, a top ocean scientist warns. In figure 3, we can see the responsibility for current anthropogenic carbon dioxide in the atmosphere. The atmosphere's energy, which determines weather and climate, is derived primarily from visible solar radiation absorbed by the Earth's surface and atmosphere. The absorption of that energy tends to raise the temperature at the surface. The Earth's surface maintains its thermal by radiating energy back to space at longer wavelengths. Carbon dioxide in the atmosphere absorbs incoming visible radiation, but in amounts too small to have any appreciable effect on the radiation reaching the lower atmosphere and the earths surface. However, carbon dioxide is virtually opaque to some long-wave radiation that is emitted by the earth's surface. Thus, when carbon dioxide concentrations increase, heat loss through radiation from the surface is reduced- the greenhouse effect. Carbon dioxide is emitted in a number of ways. It is emitted naturally through the carbon cycle and through human activities like the burning of fossil fuels.



Figure 3

[Carbon emission]

4.1.1.5 Toxic waste

Hazardous wastes are the products of manufacturing, farming, city septic systems, construction, automotive garages, laboratories, hospitals, and other industries. The waste may be liquid, solid, or sludge and contain chemicals, heavy metals, radiation, dangerous pathogens, or other toxins. Even households generate hazardous waste from items such as batteries, used computer equipment, and leftover paints or pesticides. The waste can harm humans, animals, and plants if they encounter these toxins buried in the ground, in stream runoff, in groundwater that supplies drinking water, or in floodwaters. Some toxins, such as mercury, remain in the environment and accumulate. Humans or animals often absorb them when they eat fish. The most wasteful are developed countries, **figure 4**, in Europe and the USA.



Figure 4

[Global toxic waste]

4.1.1.6 Oil spills

The short-term effects of oil spills are: polluted beaches, dying wildlife, damaged fisheries, contaminated water supplies. In the long-term, toxic materials from oil can remain in the water and on the land for many years. They can build up in the food chain to lethal levels, and destroy or disrupt an area's ecosystem. Petroleum is used as a vehicle fuel, heating source for homes and industry, for electricity generation, and as a feedstock for the chemical industry. Because of the huge demand for oil, enormous quantities are moved from production areas to where the oil is used. Oil is pumped from the ground, refined, transported and stored. There are many steps in this process during which oil can spill from well heads, drill rigs, tankers, pipelines and storage tanks. Oil may leak from ocean-going ships during accidental and deliberate spills. Spills can happen on land or water when oil is incorrectly handled, there are railway or truck accidents, tankers or barges collide, the insides of tankers are washed, and when natural oil deposits seep.

4.1.1.7 Soil erosion

Soil erosion by water, wind and tillage affects agriculture and also the natural environment. Soil loss is one of the most important of today's environmental problems. Soil is naturally removed by the action of water or wind. In general, background erosion removes soil at roughly the same rate as soil is formed. But accelerated soil erosion is a far more recent problem. It is always a result of mankind's foolish actions, such as unsuitable cultivation practices. These leave the land unprotected and vulnerable. Then, during times of erosive rainfall or windstorms, soil may be detached, transported, and deposited. In some part of the world, the use of powerful agricultural implements have led to damaging amounts of soil moving down slopes merely under the action of gravity. In **figure 5**, the soil erosion risk in Europe is portrayed. As we can see, the most endangered area is Italy.





[Soil erosion risk in Europe]

4.1.1.8 Depletion of the ozone layer

The Earth is protected from ultraviolet rays sent from the sun by the ozone layer. If the ozone layer is reduced by human action, the effects on the planet could be catastrophic. Ozone is situated in the top of the stratosphere which reaches 48 km above the Earth. Ozone absorbs the sun's rays in the stratosphere and therefore they do not reach the Earth. Ozone is a bluish gas that is formed by three atoms of oxygen. When found on the surface of the planet, ozone is considered a dangerous pollutant and it is one substance responsible for producing the greenhouse effect. In recent years, the ozone layer is a very popular topic and it has been the subject of much discussion, because the ozone layer protects both plant and animal life on the planet. The fact that the ozone layer was being depleted was discovered in the middle of the 1980s. The main cause of this is the release of chlorofluorocarbons. A massive hole in the ozone layer right above Antarctica's melting icecaps. In the future, the ozone problem will have to be solved so that the protective layer can be conserved.

All these environmental problems are urgent and the activities of companies can make these problems worse. In a world where earning money is seen as a healthy activity it is complicated to solve these problems in an effective way. But companies do everything for a good public image and now it is popular to make business activities which have a less negative effect on the environment. Firms have implemented several ethical codes which instruct the employees how to behave with regard to the environment (e.g. waste recovery, energy savers, etc.). But if this is actually effective, and not only for the good image of the companies, remains to be seen. More effective are the environmental summits, which have the power to compel states to consider the environment in all their activities.

4.2 Environmental Summits

Nowadays, environmental problems have started to be serious and they can significantly affect the lives of the people on our planet. Therefore, representatives of the developed countries are trying to make some arrangements to protect the environment. In the last few years the most important summits concerned with these topics have been summit for reducing greenhouse gas emissions in Kyoto, Japan and the recent Copenhagen Climate Council.

4.2.1 Kyoto Protocol

T. FLANNERY (2007) claims in his work, that this protocol is the most controversial international treaty in spite of the fact that it has been made in order to help our environment. There are followers of this protocol who consider it to very beneficial but on the other hand, there are also people who contest it, due to economical or ideological reasons.

The Kyoto Protocol is an international agreement connected with the United Nations Framework Convention on Climate Change. The main feature of the Kyoto Protocol is that it sets binding targets for 37 industrialized countries and the European community for reducing greenhouse gas emissions. The major difference between the Protocol and the Convention is that while the Convention encouraged industrialized countries to stabilize greenhouse gas emissions, the Protocol commits them to do so. High levels of greenhouse gas emissions in the atmosphere are a result of industrial activities in developed countries.

The Kyoto Protocol was adopted in Kyoto, Japan, on 11 December 1997 and entered into force on 16 February 2005. 184 Parties of the Convention have ratified its Protocol to date. The detailed rules for the implementation of the Protocol were adopted at COP in Marrakech in 2001, and are called the "Marrakech Accords. "

The Kyoto mechanisms help stimulate green investment and help Parties use their emission targets in a cost-effective way. The Kyoto mechanisms are:

- Emissions trading "the carbon market"
- Clean development mechanism
- Joint implementation

This protocol is something like a first step towards the reduction of global emissions which can help our environment and possibly stop climate changes.

4.2.2 Copenhagen Climate Council

In 2012 the Kyoto Protocol which was established to prevent climate changes and global warming runs out. There was a need for a new climate protocol to keep the process on the line. At the conference in Copenhagen 2009, there was a hard effort in making the meeting a success which ended up with a Copenhagen Protocol to prevent global warming and climate changes. This conference was essential for the world's climate, and also important for the Danish government. The Danish Government decided that conference itself was as important as the subject of the conference. The conference centre was placed near the Copenhagen airport, Kastrup.

The objective of the Copenhagen Climate Council was to create global awareness of the importance of the United Nations Climate Summit in Copenhagen, December 2009. The Copenhagen Climate Council presented innovative solutions to climate change and what is required to make a new global treaty effective. The Council discovered constructive dialogue between government and business, so the world's political leaders and negotiators in Copenhagen were armed with the very best arguments for establishing a treaty that can be supported by global business. By promoting and demonstrating innovative, positive, and meaningful business leadership and ideas, the Copenhagen Climate Council aimed to demonstrate that achieving an effective global climate treaty is necessary. The strategy was built on the following principles:

- Creating international awareness of the importance of the Copenhagen UN Climate Summit and the successor treaty to the Kyoto Protocol
- Promoting constructive dialogue between government, business, and science
- Inspiring global business leaders by demonstrating that tackling climate change also has the potential to create huge opportunities for innovation and economic growth

5 CONCLUSIONS

In conclusion, it can be stated that it is very beneficial to maintain the principles of business ethics in the international business environment. A world without state borders means more tolerance and acceptance of diverse cultures are necessary. But it also means more industrial activities and more problems with the pollution of the Earth. Therefore, one of the problems related to business ethics is how to care for the environment. Because all cultures in the world have the same home -this planet- it is important to protect it from the destructive activities of man.

The probability is that all the environmental problems which affect the being of our planet are the consequences of human actions. After the industrial revolution, people began to use machinery for the simplification of everyday activities. At the time, people were satisfied with that and they didn't realize that the simplification of common working activities could lead to the pollution of our planet.

Nowadays, the Earth's contamination by pollutants such as chemicals, carbon emissions, biological material or other toxins, are destroying the natural environment insomuch that our future generations will know about our green nature only from books or old films. This process is irreversible and it is only the matter of time, until it breaks out on a large scale and cause catastrophic environmental changes.

It is amazing, that the simplification of ordinary actions can affect our natural environment on such as scale. Many multinational companies know about this fact, therefore they have introduced an action plan for making our environment healthier, which enables the companies to market themselves as "eco-friendly". Companies which try to behave "environmentally friendly" have a better image, but this also leads to bigger profit, what is still the biggest aim of all companies. It depends on the business ethics of given company, as to how these arrangements look. It could be, for example, the sorting of waste or economization of energy usage, but small steps such as these have the potential to encourage companies to sign up to the international treaties, which deal with more significant environmental problems. These international treaties can be the result of the multinational summits of countries which try to maintain or to save the natural environment. The summit in Kyoto in 1997, which determined emission quotas for each country, was very important for reducing greenhouse gas emissions in the atmosphere. The result of this multinational summit was that countries started to trade carbon emissions, something which was unimaginable before. The less developed countries, which have less industrial activities and therefore less carbon emissions, sell their unused emission quotas the more developed countries, which have more industrial activities, and therefore expel more emissions into the atmosphere.

International summits are one of many possible dealing with how to defend the environment from the negative influences of multinational companies. When countries link together and try to think more ecologically, it can be beneficial for our planet. On the other hand, it is a shame that only strict rules, which are the result of international summits, can compel companies and people in general to think not only about the profit they can reach, but also to try and make all their business activities in an ecological way.

To sum up, business ethics are also very significant in the sense of protecting the environment. Companies have to improve and upgrade the rules which affect not only relations inside the firm (among the employees and managers) but also outside the firm, particularly their relationship to the environment. It is important to force companies to have respect for nature, to act more responsibly, and not only try for their own benefits. Ultimately, we only have one life and one Earth, and we must strive to protect them.

6 RESUMÉ

Vo svete bola odnepamäti potreba uviesť do písomnej podoby pravidlá, vďaka ktorým by sa dal kontrolovať poriadok v spoločnosti a tiež by pomohli pri správnej organizácií ľudí v spoločnosti. Tieto pravidlá existujú v písomnej forme ako zákony, ktoré sú spísané v ústavách jednotlivých národov. Na druhej strane, existujú aj určité nepísané pravidlá, ktoré radia, ako by sme sa mali v spoločnosti správať. Tieto pravidlá môžeme zhrnúť do jedného pomenovania- etika. Etika je filozofická disciplína, ktorá sa zaoberá dobrými a zlými rozhodnutiami a hodnotami. Predmetom tejto disciplíny je ľudský čin. Etika rieši teoretickú stránku ľudských činov a ich praktickú realizáciu a určuje hranicu, do ktorej sú tieto činy považované za správne a odkiaľ sa už stávajú "zlými". Preto sa o etike hovorí ako o "morálnej filozofii"- disciplíne, ktorá popisuje, čo je morálne správne alebo nesprávne, dobré alebo zlé.

Podnikateľská etika, ako súčasť etiky, vznikla preto, lebo je dôležité zaviesť do každodennej podnikateľskej činnosti hlavné sociálne, politické a ekonomické hodnoty, pre udržiavanie dobrých vzťahov v podnikateľskom prostredí. V ekonomike, ktorá je dôležitou súčasťou spoločnosti, je potrebné rešpektovať spoločenské hodnoty, nie brať ohľad len na samotné dosahovanie cieľov a zisku. Tieto hodnoty podporujú udržiavanie rovnováhy medzi ekonomikou a ďalšími oblasťami spoločnosti.

Globalizácia je prirodzený vývoj podnikateľských aktivít vo svete a ovplyvňuje trhy všetkých krajín. Keď sa ľudia rozhodli, že už nebudú obchodovať len s domácimi podnikmi, ale začnú rozvíjať svoje podnikateľské vzťahy aj v zahraničí, bol to prvý krok ku vzniku multinacionálnych korporácií.

V medzinárodnom podnikateľskom prostredí je taktiež dôležité dodržiavať princípy podnikateľskej etiky. Svet bez hraníc znamená aj väčšiu mieru tolerancie a akceptácie druhých kultúr. Na druhej strane, znamená to aj viac aktivít, ktoré ubližujú našej planéte a znečisťujú prostredie, v ktorom žijeme. Práve preto sú jedným z problémov súvisiacich s medzinárodnou podnikateľskou etikou aj environmentálne problémy. Keďže všetky kultúry a národy máme spoločný domov, kde žijeme- našu planétu, je dôležité ju aj spoločne chrániť pred všetkými ničivými aktivitami nás samých.

Je viac ako isté, že všetky environmentálne problémy, ktoré ničia našu planétu sú výsledkami ľudskej činnosti. Po priemyselnej revolúcii ľudia začali používať techniku pre zjednodušenie každodenných aktivít. V tej dobe s tým boli ľudia spokojní a neuvedomovali si, ako môžu časom tieto aktivity viesť k znečisťovaniu prírodného prostredia.

Paradoxom je, že práve zjednodušovanie bežných činností vo veľkej miere ovplyvňuje prostredie, v ktorom žijeme. Mnoho multinacionálnych korporácií o tomto fakte vie, preto sa snažia zavádzať opatrenia, ktoré môžu ozdraviť našu planétu. V súčasnosti to však môže byť len ďalší z marketingových ťahov spoločností. Firmy sa snažia správať priateľsky k prostrediu len kvôli lepšiemu menu spoločnosti čo to vedie k zvýšeniu profitu a to je stále hlavný cieľ ich podnikania. Záleží na podnikateľskej etike daných spoločností, ako takéto opatrenia vyzerajú. Môže sem patriť obyčajné šetrenie energiou v kancelárskych priestoroch alebo triedenie odpadu, ale tiež to môžu byť opatrenia, ktoré spoločnosti zavádzajú na základe medzinárodných dohovorov o dôležitých environmentálnych problémoch.

Medzinárodné dohovory o environmentálnych problémoch sú výsledkami medzinárodných summitov krajín, ktoré sa snažia zachrániť prírodné prostredie na našej planéte. Dôležitým bol summit v Kjóte v roku 1997, kde boli zadefinované podmienky pre krajiny v produkovaní emisií z priemyselných aktivít kvôli redukcii plynov vyvolávajúcich skleníkový efekt v atmosfére. Výsledkom tohto summitu bolo, že krajiny začali s emisiami obchodovať, čo bolo predtým nepredstaviteľné. Menej rozvinuté krajiny s menším objemom emisií, vypúšťajúcich do atmosféry, predávajú tieto imaginárne emisie rozvinutým krajinám, ktoré ich produkujú viac, pretože u nich prebieha viac priemyselných aktivít.

Podnikateľská etika je v tomto prípade veľmi dôležitá súčasť podnikania. Spoločnosti by mali stále sprísňovať nie len pravidlá správania sa na pracovisku, medzi zamestnancami a manažérmi, ale aj vzťahy s vonkajším prostredím, s prírodou. Je dôležité prinútiť spoločnosti, aby mali snahu rešpektovať prírodu a chrániť ju, nie len zarábať peniaze. Zmeny v prírodnom prostredí totiž môžu ovplyvniť životy všetkých ľudí na našej planéte.

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