When is different just different, and when is different wrong?

by Thomas Donaldson

When we leave home and cross our nation’s boundaries, moral clarity often blurs. Without a backdrop of shared attitudes, and without familiar laws and judicial procedures that define standards of ethical conduct, certainty is elusive. Should a company invest in a foreign country where civil and political rights are violated? Should a company go along with a host country’s discriminatory employment practices? If companies in developed countries shift facilities to developing nations that lack strict environmental and health regulations, or if those companies choose to fill management and other top-level positions in a host nation with people from the home country, whose standards should prevail?

Even the best-informed, best-intentioned executives must rethink their assumptions about business practice in foreign settings. What works in a company’s home country can fail in a country with different standards of ethical conduct. Such difficulties are unavoidable for businesspeople who live and work abroad.

But how can managers resolve the problems? What are the principles that can help them work through the maze of cultural differences and establish codes of conduct for globally ethical business practice? How can companies answer the toughest question in global business ethics: What happens when a host country’s ethical standards seem lower than the home country’s?

Competing Answers

One answer is as old as philosophical discourse. According to cultural relativism, no culture’s ethics are better than any other’s, therefore there are no international rights and wrongs. If the people of Indonesia tolerate the bribery of their public officials, so what? Their attitude is no better or worse than that of people in Denmark or Singapore who refuse to offer or accept bribes. Likewise, if Belgians fail to find insider trading morally repugnant, who cares? Not enforcing insider-trading laws is no more or less ethical than enforcing such laws.

The cultural relativist’s creed – When in Rome, do as the Romans do – is tempting, especially when failing to do as the locals do means forfeiting business opportunities. The inadequacy of cultural relativism, however, becomes apparent when the practices in question are more damaging than petty bribery or insider trading.

In the late 1980s, some European tanneries and pharmaceutical companies were looking for cheap waste-dumping sites. They approached virtually every country on Africa’s west coast from Morocco to the Congo. Nigeria agreed to take highly toxic polychlorinated biphenyls. Unprotected local workers, wearing thongs and shorts, unloaded barrels of PCBs and placed them near a residential area. Neither the residents nor the workers knew that the barrels contained toxic waste.

We may denounce governments that permit such abuses, but many countries are unable to police transnational corporations adequately even if they want to. And in many countries, the combination of ineffective enforcement and inadequate regulations leads to behavior by unscrupulous companies that is clearly wrong. A few years ago, for example, a group of investors became interested in restoring the SS United States, once a luxurious ocean liner. Before the actual restoration could begin, the ship had to be stripped of its asbestos lining. A bid from a U.S. company, based on U.S. standards for asbestos removal, priced the job.

Values in Tension:
at more than $100 million. A company in the Ukrainian city of Sevastopol offered to do the work for less than $2 million. In October 1993, the ship was towed to Sevastopol.

A cultural relativist would have no problem with that outcome, but I do. A country has the right to establish its own health and safety regulations, but in the case described above, the standards and the terms of the contract could not possibly have protected workers in Sevastopol from known health risks. Even if the contract met Ukrainian standards, ethical businesspeople must object. Cultural relativism is morally blind. There are fundamental values that cross cultures, and companies must uphold them.

they had used with U.S. managers: the participants were asked to discuss a case in which a manager makes sexually explicit remarks to a new female employee over drinks in a bar. The instructors failed to consider how the exercise would work in a culture with strict conventions governing relationships between men and women. As a result, the training sessions were ludicrous. They baffled and offended the Saudi participants, and the message to avoid coercion and sexual discrimination was lost.

The theory behind ethical imperialism is absolutism, which is based on three problematic principles. Absolutists believe that there is a single list of truths, that they can be expressed only with one set of concepts, and that they call for exactly the same behavior around the world.

The first claim clashes with many people’s belief that different cultural traditions must be respected. In some cultures, loyalty to a community—family, organization, or society—is the foundation of all ethical behavior. The Japanese, for example, define business ethics in terms of loyalty to their companies, their business networks, and their nation. Americans place a higher value on liberty than on loyalty, the U.S. tradition of rights emphasizes equality, fairness, and individual freedom. It is hard to conclude that truth lies on one side or the other, but an absolutist would have us select just one.

The second problem with absolutism is the presumption that people must express moral truth using only one set of concepts. For instance, some absolutists insist that the language of basic rights provide the framework for any discussion of

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Ethics Away from Home

At the other end of the spectrum from cultural relativism is ethical imperialism, which directs people to do everywhere exactly as they do at home. Again, an understandably appealing approach but one that is clearly inadequate. Consider the large U.S. computer-products company that in 1993 introduced a course on sexual harassment in its Saudi Arabian facility. Under the banner of global consistency, instructors used the same approach to train Saudi Arabian managers that

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ethics. That means, though, that entire cultural traditions must be ignored. The notion of a right evolved with the rise of democracy in post-Renaissance Europe and the United States, but the term is not found in either Confucian or Buddhist traditions. We all learn ethics in the context of our particular cultures, and the power in the principles is deeply tied to the way in which they are expressed. Internationally accepted lists of moral principles, such as the United Nations' Universal Declaration of Human Rights, draw on many cultural and religious traditions. As philosopher Michael Walzer has noted, "There is no Esperanto of global ethics."

The third problem with absolutism is the belief in a global standard of ethical behavior. Context must shape ethical practice. Very low wages, for example, may be considered unethical in rich, advanced countries, but developing nations may be acting ethically if they encourage investment and improving standards by accepting low wages. Likewise, when people are malnourished or starving, a government may be wise to use more fertilizer in order to improve crop yields, even though that means settling for relatively high levels of thermal water pollution.

When cultures have different standards of ethical behavior—and different ways of handling unethical behavior—a company that takes an absolutist approach may find itself making a disastrous mistake. When a manager at a large U.S. specialty-products company in China caught an employee stealing, she followed the company's practice and turned the employee over to the provincial authorities, who executed him. Managers cannot operate in another culture without being aware of that culture's attitudes toward ethics.

If companies can neither adopt a host country's ethics nor extend the home country's standards, what is the answer? Even the traditional litmus test—What would people think of your actions if they were written up on the front page of the newspaper?—is an unreliable guide, for there is no international consensus on standards of business conduct.

Balancing the Extremes: Three Guiding Principles

Companies must help managers distinguish between practices that are merely different and those that are wrong. For relativists, nothing is sacred and nothing is wrong. For absolutists, many things that are different are wrong. Neither extreme illuminates the real world of business decision making. The answer lies somewhere in between.

When it comes to shaping ethical behavior, companies must be guided by three principles.

1️⃣ Respect for core human values, which determine the absolute moral threshold for all business activities.

2️⃣ Respect for local traditions.

3️⃣ The belief that context matters when deciding what is right and what is wrong.

Consider those principles in action. In Japan, people doing business together often exchange gifts—sometimes expensive ones—in keeping with long-standing Japanese tradition. When U.S. and European com-
Companies started doing a lot of business in Japan, many Western businesspeople thought that the practice of gift giving might be wrong rather than simply different. To them, accepting a gift felt like accepting a bribe. As Western companies have become more familiar with Japanese traditions, however, most have come to tolerate the practice and to set different limits on gift giving in Japan than they do elsewhere.

Respecting differences is a crucial ethical practice. Research shows that management ethics differ among cultures; respecting those differences means recognizing that some cultures have obvious weaknesses—as well as hidden strengths. Managers in Hong Kong, for example, have a higher tolerance for some forms of bribery than their Western counterparts, but they have a much lower tolerance for the failure to acknowledge a subordinate’s work. In some parts of the Far East, stealing credit from a subordinate is nearly an unpardonable sin.

People often equate respect for local traditions with cultural relativism. That is incorrect. Some practices are clearly wrong. Union Carbide’s tragic experience in Bhopal, India, provides one example. The company’s executives seriously underestimated how much on-site management involvement was needed at the Bhopal plant to compensate for the country’s poor infrastructure and regulatory capabilities. In the aftermath of the disastrous gas leak, the lesson is clear: companies using sophisticated technology in a developing country must evaluate that country’s ability to oversee its safe use. Since the incident at Bhopal, Union Carbide has become a leader in advising companies on using hazardous technologies safely in developing countries.

Some activities are wrong no matter where they take place. But some practices that are unethical in one setting may be acceptable in another. For instance, the chemical EDB, a soil fungicide, is banned for use in the United States. In hot climates, however, it quickly becomes harmless through exposure to intense solar radiation and high soil temperatures. As long as the chemical is monitored, companies may be able to use EDB ethically in certain parts of the world.

Defining the Ethical Threshold: Core Values

Few ethical questions are easy for managers to answer. But there are some hard truths that must guide managers’ actions, a set of what I call core human values, which define minimum ethical standards for all companies. The right to good health and the right to economic advancement and an improved standard of living are two core human values. Another is what Westerners call the Golden Rule, which is recognizable in every major religious and ethical tradition around the world. In Book 15 of his Analects, for instance, Confucius counsels people to maintain reciprocity, or not to do to others what they do not want done to themselves.

Although no single list would satisfy every scholar, I believe it is possible to articulate three core values that incorporate the work of scores of theologians and philosophers around the world. To be broadly relevant, these values must include elements found in both Western and non-Western cultural and religious traditions. Consider the examples of values in the insert “What Do These Values Have in Common?”

At first glance, the values expressed in the two lists seem quite different. Nonetheless, in the spirit of what philosopher John Rawls calls overlapping consensus, one can see that the seemingly divergent values converge at key points. Despite important differences between Western and non-Western cultural and religious traditions, both express shared attitudes about what it means to be human. First, individuals must not treat others simply as tools; in other words, they must recognize a person’s value as a human being. Next, individuals and communities must treat people in ways that respect people’s basic rights. Finally, members of a community must work together to support and improve the institutions on which the community depends. I call those

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**What Do These Values Have in Common?**

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<tr>
<th>Non-Western</th>
<th>Western</th>
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<tbody>
<tr>
<td>Kyosei (Japanese): Living and working together for the common good.</td>
<td>Individual liberty</td>
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<td>Dharma (Hindu): The fulfillment of inherited duty.</td>
<td>Egalitarianism</td>
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<td>Santutthi (Buddhist): The importance of limited desires.</td>
<td>Political participation</td>
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<tr>
<td>Zakat (Muslim): The duty to give alms to the Muslim poor.</td>
<td>Human rights</td>
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three values respect for human dignity, respect for basic rights, and good citizenship.

Those values must be the starting point for all companies as they formulate and evaluate standards of ethical conduct at home and abroad. But they are only a starting point. Companies need much more specific guidelines, and the first step to developing those is to translate the core human values into core values for business. What does it mean, for example, for a company to respect human dignity? How can a company be a good citizen?

I believe that companies can respect human dignity by creating and sustaining a corporate culture in which employees, customers, and suppliers are treated not as means to an end but as people whose intrinsic value must be acknowledged, and by producing safe products and services in a safe workplace. Companies can respect basic rights by acting in ways that support and protect the individual rights of employees, customers, and surrounding communities, and by avoiding relationships that violate human beings’ rights to health, education, safety, and an adequate standard of living. And companies can be good citizens by supporting essential social institutions, such as the economic system and the education system, and by working with host governments and other organizations to protect the environment.

The core values establish a moral compass for business practice. They can help companies identify practices that are acceptable and those that are intolerable – even if the practices are compatible with a host country’s norms and laws. Dumping pollutants near people’s homes and accepting inadequate standards for handling hazardous materials are two examples of actions that violate core values.

Similarly, if employing children prevents them from receiving a basic education, the practice is intolerable. Lying about product specifications in the act of selling may not affect human lives directly, but it too is intolerable because it violates the trust that is needed to sustain a corporate culture in which customers are respected.

Sometimes it is not a company’s actions but those of a supplier or customer that pose problems. Take the case of the Tan family, a large supplier for Levi Strauss. The Tans were allegedly forcing 1,200 Chinese and Filipino women to work 74 hours per week in guarded compounds on the Mariana Islands. In 1992, after repeated warnings to the Tans, Levi Strauss broke off business relations with them.
Conflicts of Development and Conflicts of Tradition

Managers living and working abroad who are not prepared to grapple with moral ambiguity and tension should pack their bags and come home. The view that all business practices can be categorized as either ethical or unethical is too simple. As Einstein is reported to have said, "Things should be as simple as possible - but no simpler." Many business practices that are considered unethical in one setting may be ethical in another. Such activities are neither black nor white but exist in what Thomas Dunfee and I have called moral free space. In this gray zone, there are no tight prescriptions for a company's behavior. Managers must chart their own courses - as long as they do not violate core human values.

Consider the following example. Some successful Indian companies offer employees the opportunity for one of their children to gain a job with the company once the child has completed a certain level in school. The companies honor this commitment even when other applicants are more qualified than an employee's child. The perk is extremely valuable in a country where jobs are hard to find, and it reflects the Indian culture's belief that the West has gone too far in allowing economic opportunities to break up families. Not surprisingly, the perk is among the most cherished by employees, but in most Western countries, it would be branded unacceptable nepotism. In the United States, for example, the ethical principle of equal opportunity holds that jobs should go to the applicants with the best qualifications. If a U.S. company made such promises to its em-

Many activities are neither good nor bad but exist in moral free space.
ployees, it would violate regulations established by the Equal Employment Opportunity Commission. Given this difference in ethical attitudes, how should U.S. managers react to Indian nepotism? Should they condemn the Indian companies, refusing to accept them as partners or suppliers until they agree to clean up their act?

Despite the obvious tension between nepotism and principles of equal opportunity, I cannot condemn the practice for Indians. In a country, such as India, that emphasizes clan and family relationships and has catastrophic levels of unemployment, the practice must be viewed in moral free space. The decision to allow a special perk for employees and their children is not necessarily wrong—at least for members of that country.

How can managers discover the limits of moral free space? That is, how can they learn to distinguish a value in tension with their own from one that is intolerable? Helping managers develop good ethical judgment requires companies to be clear about their core values and codes of conduct. But even the most explicit set of guidelines cannot always provide answers. That is especially true in the thorniest ethical dilemmas, in which the host country's ethical standards not only are different but also seem lower than the home country's. Managers must recognize that when countries have different ethical standards, there are two types of conflict that commonly arise. Each type requires its own line of reasoning.

In the first type of conflict, which I call a conflict of relative development, ethical standards conflict because of the countries' different levels of economic development. As mentioned before, developing countries may accept wage rates that seem inhumane to more advanced countries in order to attract investment. As economic conditions in a developing country improve, the incidence of that sort of conflict usually decreases. The second type of conflict is a conflict of cultural tradition. For example, Saudi Arabia, unlike most other countries, does not allow women to serve as corporate managers. Instead, women may work in only a few professions, such as education and health care. The prohibition stems from strongly held religious and cultural beliefs; any increase in the country's level of economic development, which is already quite high, is not likely to change the rules.

To resolve a conflict of relative development, a manager must ask the following question: Would the practice be acceptable at home if my country were in a similar stage of economic development? Consider the difference between wage and safety standards in the United States and in Angola, where citizens accept lower standards on both counts. If a U.S. oil company is hiring Angolans to work on an offshore Angolan oil rig, can the company pay them lower wages than it pays U.S. workers in
the Gulf of Mexico? Reasonable people have to answer yes if the alternative for Angola is the loss of both the foreign investment and the jobs.

Consider, too, differences in regulatory environments. In the 1980s, the government of India fought hard to be able to import Ciba-Geigy’s Enterio Vioform, a drug known to be enormously effective in fighting dysentery but one that had been banned in the United States because some users experienced side effects. Although dysentery was not a big problem in the United States, in India, poor public sanitation was contributing to epidemic levels of the disease. Was it unethical to make the drug available in India after it had been banned in the United States? On the contrary, rational people should consider it unethical not to do so. Apply our test: Would the United States, at an earlier stage of development, have used this drug despite its side effects? The answer is clearly yes.

But there are many instances when the answer to similar questions is no. Sometimes a host country’s standards are inadequate at any level of economic development. If a country’s pollution standards are so low that working on an oil rig would considerably increase a person’s risk of developing cancer, foreign oil companies must refuse to do business there. Likewise, if the dangerous side effects of a drug treatment outweigh its benefits, managers should not accept health standards that ignore the risks.

When relative economic conditions do not drive tensions, there is a more objective test for resolving ethical problems. Managers should deem a practice permissible only if they can answer no to both of the following questions: Is it possible to conduct business successfully in the host country without undertaking the practice? And is the practice a violation of a core human value? Japanese gift giving is a perfect example of a conflict of cultural tradition. Most experienced businesspeople, Japanese and non-Japanese alike, would agree that doing business in Japan would be virtually impossible without adopting the practice. Does gift giving violate a core human value? I cannot identify one that it violates. As a result, gift giving may be permissible for foreign companies in Japan even if it conflicts with ethical attitudes at home. In fact, that conclusion is widely accepted, even by companies such as Texas Instruments and IBM, which are outspoken against bribery.

Does it follow that all nonmonetary gifts are acceptable or that bribes are generally acceptable in countries where they are common? Not at all.

What makes the routine practice of gift giving acceptable in Japan are the limits in its scope and intention. When gift giving moves outside those limits, it soon collides with core human values. For example, when Carl Kotchian, president of Lockheed in the 1970s, carried suitcases full of cash to Japanese politicians, he went beyond the norms established by Japanese tradition. That incident galvanized opinion in the United States Congress and helped lead to passage of the Foreign Corrupt Practices Act. Likewise, Roh Tae Woo went beyond the norms established by Korean cultural tradition when he accepted $635.4 million in bribes as president of the Republic of Korea between 1988 and 1993.

Guidelines for Ethical Leadership

Learning to spot intolerable practices and to exercise good judgment when ethical conflicts arise requires practice. Creating a company culture that rewards ethical behavior is essential. The following guidelines for developing a global ethical perspective among managers can help.

Treat corporate values and formal standards of conduct as absolutes. Whatever ethical standards a company chooses, it cannot waver on its principles either at home or abroad. Consider what has become part of company lore at Motorola. Around 1950, a senior executive was negotiating with officials of a South American government on a $10 million sale that would have increased the company’s annual net profits by nearly 25%. As the negotiations neared conclusion, however, the executive walked away from the deal because the officials were asking for $1 million for “fees.” CEO Robert Galvin not only supported the executive’s decision but also made it clear that Motorola would neither accept the sale on any terms nor do business with those government officials again. Retold over the decades, this story demonstrating Galvin’s resolve has helped cement a culture of ethics for thousands of employees at Motorola.

Design and implement conditions of engagement for suppliers and customers. Will your company do business with any customer or supplier? What if a customer or supplier uses child labor? What if it has strong links with organized crime? What if it pressures your company to break a host country’s laws? Such issues are best left not for spur-of-the-moment decisions. Some companies have realized that. Sears, for instance, has developed a policy of not contracting production to companies that use prison labor or infringe on workers’ rights to health and safety. And BankAmerica has specified as a condition for many of its loans to developing countries that environmental standards and human rights must be observed.

Allow foreign business units to help formulate ethical standards and interpret ethical issues. The French pharmaceutical company Rhône-Poulenc Rorer has allowed foreign subsidiaries to augment lists of corporate ethical principles with their own suggestions. Texas Instruments has paid special attention to issues of international business ethics by creating the Global Business Practices Council, which is made up of
MANAGERS FROM COUNTRIES IN WHICH THE COMPANY OPERATES. WITH THE OVERARCHING INTENT TO CREATE A "GLOBAL ETHICS STRATEGY, LOCALLY DEPLOYED," THE COUNCIL'S MANDATE IS TO PROVIDE ETHICS EDUCATION AND CREATE LOCAL PROCESSES THAT WILL HELP MANAGERS IN THE COMPANY'S FOREIGN BUSINESS UNITS RESOLVE ETHICAL CONFLICTS.

In host countries, support efforts to decrease institutional corruption. Individual managers will not be able to wipe out corruption in a host country, no matter how many bribes they turn down. When a host country's tax system, import and export procedures, and procurement practices favor unethical players, companies must take action.

Many companies have begun to participate in reforming host-country institutions. General Electric, for example, has taken a strong stand in India, using the media to make repeated condemnations of bribery in business and government. General Electric and others have found, however, that a single company usually cannot drive out entrenched corruption. Transparency International, an organization based in Germany, has been effective in helping coalitions of companies, government officials, and others work to reform bribery-ridden bureaucracies in Russia, Bangladesh, and elsewhere.

Exercise moral imagination. Using moral imagination means resolving tensions responsibly and creatively. Coca-Cola, for instance, has consistently turned down requests for bribes from Egyptian officials but has managed to gain political support and public trust by sponsoring a project to plant fruit trees. And take the example of Levi Strauss, which discovered in the early 1990s that two of its suppliers in Bangladesh were employing children under the age of 14—a practice that violated the company's principles but was tolerated in Bangladesh. Forcing the suppliers to fire the children would not have ensured that the children received an education, and it would have caused serious hardship for the families depending on the children's wages. In a creative arrangement, the suppliers agreed to pay the children's regular wages while they attended school and to offer each child a job at age 14. Levi Strauss, in turn, agreed to pay the children's tuition and provide books and uniforms. That arrangement allowed Levi Strauss to uphold its principles and provide long-term benefits to its host country.

Many people think of values as soft, to some they are usually unspoken. A South Seas island society uses the word *mokita*, which means, "the truth that everybody knows but nobody speaks." However difficult they are to articulate, values affect how we all behave. In a global business environment, values in tension are the rule rather than the exception. Without a company's commitment, statements of values and codes of ethics end up as empty platitudes that provide managers with no foundation for behaving ethically. Employees need and deserve more, and responsible members of the global business community can set examples for others to follow. The dark consequences of incidents such as Union Carbide's disaster in Bhopal remind us how high the stakes can be.

1. In other writings, Thomas W. Donaldson and I have used the term *hypernorm* instead of *core human value*.


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"... And then the Food and Drug Administration swooped down on my lemonade stand..."