Ethics dilemmas in the Taiwanese Multinational Business

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Abstract

According to communication, technology, and transportation have advanced in the world, resulting in a new global economy with globalization of trade and investments, organizations face more and more ethical issues and dilemmas as they make business decisions outside of their own country. Consequently, there is an increasing need to understand cross-national ethic. Therefore, this purpose of study will discuss how to effect ethical dilemmas form national cultural dimensions in Taiwanese multinational business. Also, we will understand how to solve the ethics dilemmas in Taiwanese multinational business.

Key word: Ethics dilemmas, Culture, Codes of Ethics, multinational business

I. Introduction:

Backgrounds:

According to communication, technology, and transportation have advanced in the world, resulting in a new global economy. More countries are attempting to industrialize and complete internationally. Because of these trends, many companies and business do their business transactions outside their home countries. So, global businesses bring together people and countries that have different cultures, values, laws, and ethical standards. The international business leaders must not only understand the vales, culture, and ethics standards of their own country but also be sensitive to those of other
countries. On other hand, national culture plays very important roles of human resource management in multinational companies and also ethics of leadership are mainly guideline for strategies of human resource management in international business. Therefore, there are close relationships between cultures and ethics of leadership in international business. (Langlois and Schlegelmilch, 1990)

● **Purposes:**

Many theorists have tried to establish a set of global or universal ethical standards. A presumption of culture-free ethics management is visible, for example, in the common advocacy and development of formal codes of business by multinational corporations. (Berenbeim 1992). If there is a universal set of ethics, why then do businesses have problems understanding what is ethical and unethical in international business. On other hand, if the culture-free approach exists, ethics of difference cultures will be same; we cannot use culture differences to explain discords among ethics, values and attitudes. Therefore, this purposes of study will discuss how to effect ethics of leadership form national cultural dimensions in multinational business. Also, we will understand how to solve the ethics dilemmas in multinational business.

● **Definition of Term:**

- **Culture:** Culture consists of the commonly held values within a group of people and it is a set of norms, customs, values, and assumptions that guides the behavior of a particular group of people. Based on Hoftsede’s dimensions, there are five cultural dimensions that are power distance, uncertainty avoidance, individualism, and masculinity and Time orientation. (Hofstedede 1996)
- **Ethical dilemmas:** We call that right-versus-right choices are ethical dilemmas. There are four ethics dilemmas which are truth versus loyal, individual versus community, short-term versus long-term and justices versus mercy. (Kidder, 1995)
- **Multinational corporations:** Corporate organizations operate on a global scale without significant ties to any one nation or region. (Gloshal& Bartlett, 1990)

II. Review of Literature

1. **Theory of Ethics:** Three perspectives that are utilitarianism, contractariniam, and pluralism provide a different way of evaluating ethics. (Goodpaster 1982)

   (1) **Utilitarianism** –It based on end-based thinking and means that “do whatever produce the greatest good for the greatest number”. (Mill, 1969) Under utilitarianism, decision-making relies on a systematic comparison of the costs and benefits of all
affected parties. Under this thought, global leaders demonstrate intercity when expectable utility is maximized. (Morrison 2001)

(2) Contractanism-It also call deontological and based on rule-based thinking that means the belief that normative ethics are determined by overall fairness. Fairness happens when all participants are accorded equal respect and deference. (Kent 1961) Under contractanism, ethical decision-making recognizes individual rights that treated very fairly. Under contractarianism, global leaders demonstrate integrity when they reduce or eliminate actions that infringe on the rights of interest groups.

(3) Pluralism-It also calls reversibility and based on care-based thinking that it asks you to test your actions by putting yourself in another’s shoes and imagining how it would feel if you were the recipient, rather than the perpetrator, of your actions. Under this perspective, global leaders demonstrate integrity when they show moral common sense that is independent of extrinsic pressures. (Morrison 2001)

2. Hofstede’s Five Cultural Dimensions: (Hofstede, 1997)

(1) Power distance: The extent to which people accept unequal distribution of power. In higher power-distance cultures, there is a wider gap between the powerful and powerless.

(2) Uncertainty avoidance: The extend to which the culture tolerates ambiguity and uncertainty. Higher uncertainty avoidance leads how to low tolerance for uncertainty and to a search for absolute truths.

(3) Individualism: The extend to which individuals or closely knit social structure, such as the extended family (Collectivism), are the basis for social systems. Individualism leads to reliance on self and focus on individual achievement.

(4) Masculinity: The extent to which assertiveness and independence from others is value. High masculinity leads to high sex-role differentiation and focus on independence, ambition, and material goods.

(5) Time orientation: The extent to which people focus on past, present, or future. Present orientation leads to a focus on short-term performance.
III. Methodology Method

1. Research framework:

<table>
<thead>
<tr>
<th>National Culture</th>
<th>Ethics of Leadership</th>
<th>Ethical Dilemmas</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Individual/Collectivism</td>
<td>Utilitarianism</td>
<td>Truth/loyal</td>
</tr>
<tr>
<td>(2) Power Distance</td>
<td>Contractarianism</td>
<td>Individual/community</td>
</tr>
<tr>
<td>(3) Uncertainty avoidance</td>
<td>Pluralism</td>
<td>Short-term/long-term</td>
</tr>
<tr>
<td>(4) Masculinity</td>
<td></td>
<td>Justice/mercy</td>
</tr>
<tr>
<td>(5) Time Orientation</td>
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</tbody>
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2. Research methods:

This study uses document analysis and case study analysis as follows:

1. Document analysis: The author analysis literature about relationships among culture and ethics of leadership in multinational companies.
2. Case study analysis: The author use case study analysis to discuss how to make an ethical decision of ethical dilemmas in multinational companies.

IV. Analysis

1. Document Analysis:

To examine the complexities of ethical decision making in international business, culture will be most difficult concept to apply in ethics of leadership. Also, ethical issues arise form international business activities often differ from those that evolve from domestic business activities. According to culture-structure contingency approach (Enz, 1986), we can analyze the potential influence of historical, cultural and institutional factors on the efficacy of ethics management project. We can find that a culturally inappropriate ethics program may be ineffective and people will neither use nor abide by the program. Right now, we can use those examples to describe how culture affects ethics of leadership. From Hofstede study (2004), we can compare American, Taiwan Germany, Japan, China and Mexico as fellow:

Table 4-1 Cultural Characteristics among Taiwan, USA, Germany, Japan, China and Mexico as fellow:
Mexico

<table>
<thead>
<tr>
<th>Cultural characteristic</th>
<th>Power Distance</th>
<th>Collectivism</th>
<th>Masculinity</th>
<th>Uncertainty Avoidance</th>
<th>Long-Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan</td>
<td>52</td>
<td>12</td>
<td>40</td>
<td>65</td>
<td>85</td>
</tr>
<tr>
<td>USA</td>
<td>38</td>
<td>95</td>
<td>59</td>
<td>40</td>
<td>22</td>
</tr>
<tr>
<td>Germany</td>
<td>30</td>
<td>61</td>
<td>61</td>
<td>61</td>
<td>25</td>
</tr>
<tr>
<td>Japan</td>
<td>50</td>
<td>40</td>
<td>90</td>
<td>90</td>
<td>75</td>
</tr>
<tr>
<td>China</td>
<td>85</td>
<td>10</td>
<td>50</td>
<td>32</td>
<td>95</td>
</tr>
<tr>
<td>Mexico</td>
<td>81</td>
<td>30</td>
<td>69</td>
<td>80</td>
<td>------</td>
</tr>
</tbody>
</table>

- The higher scores have, the more degree have.

In low power distance societies, such as the U.S., we can expect organization employee to be more likely to take their ethical cues form a variety or persons. In higher power distance societies, such as the Taiwan, it should be more common for persons to take cues from superiors. (Vitell, 1993) Therefore, we suggest that companies that are located in American need a broad-based, cultural approach to manage ethics. Subsidies of companies that are located in Taiwan, we suggest that focus attention more narrowly on persons in formal positions of status and influence. Persons in masculine, for example U.S., views a decision in terms of its contribution to profit or material advancement. On other hand, persons in a feminine culture may be more likely see it in terms of its impact on human relations and a broad concept of welfare. (Vitell, 1993) A U.S. firm may need to do more to develop its employees’ awareness of ethical issues than a subsidy in Taiwan. However, the combination of relatively high level of collectivism and power distance in Taiwan society, suggests that ethics management practices will need to be very different form those in the U.S.A. This kind of cultural setting, characterized by collectivism, power distance, masculine, uncertainty avoidance has important implications for any effort to encourage of ethics of leadership. On the positive side, the strong tendency to respect and obey persons in leadership position and it will be relatively easy to bring along subordinate (Weaver, 2001) Finally, cross cultural ethical conflicts are a major challenge for managers of multinational
corporations when a multinational business practice and a host country’s practices differ. Culture will become an important factor to help leaders deal with those conflicts.

2. Case Study Analysis:

Assume that a multinational company has two managers: Manager A is based in a parent country that is a developed country (EX. U.S.) and also has very strict legal laws of pollution control. Manager A makes $300,000 per year. Manager B works in oversea subsidies that is a developing country (EX. Taiwan) and also has loose legal laws of pollution control. Because costs of standard of living are low than host country, Manager B makes $150,000 per year.

● Ethics of leadership Analysis:

If we use utilitarianism thoughts, employee compensation would ultimately be equalized worldwide and customers would pay same prices, irrespective of local market conditions. In practice, the company that based on utilitarianism will cut manager A’s salaries and therefore will happen a major problem how to assess welfare maximization in multinational business. On other hand we use contractarianism to recognize rights, it is difficult to come to an agreement on whose right to embrace when national borders are crossed and legal jurisdictions are straddled. Also, we use pluralism to address duties that can be context-dependent.

● Ethics Dilemma Analysis:
1. Short-term/long-term: According to Utilitarianism, Manager B faces an ethical dilemma as fellows:
   (1) Short-term: Manager B can adapt used machines that import form host country and low standards of pollution controls by legal requirements. Therefore, subsidies of oversea can earn more profits so that manager B can make more salaries that are same as manager A. So, the company does not cut salaries of manager A.
   (2) Long-term: Manager B can use new equipments that owe high standards of pollution controls. Therefore, subsidies of oversea could not earn more profit in short term it can keep good reputation in host country. So, the company will reduce salaries of manager A. On other hand, according to good reputations, market shares of goods and services will increase gradually so that the company earns more profits in long-term.
2. Individual /Community:
   (1) Individual: From Rule-bases thinking, manager B can use old machines that have
low efficiencies of pollution control by legal environments and also earn more profits in subsidies of host country. In addition, he (or she) can make more salaries per year.

(2) Community: Owing to low efficiencies of pollution control systems, environments will be destroyed gradually and communities of host will meet health problems. So, manager B ought to use new machines that owe high efficiencies of pollution control system to protect environments but he (she) cannot make more salaries per year.

V. Conclusion

From this study, we can understand that culture plays very important factor of ethics of leadership in multinational business. When leaders set codes of ethics in multinational business, they should consider culture differences between parent country and host country. It means that ethics of code are based on end-based thinking in parent company but ethics of code are based on rule-based thinking in subsidies of host country. Leaders ought to have strong cross-culture training to avoid cultural shock. We think that it is a best way to decrease cross-cultural ethical conflicts that are a major challenge for leaders of multinational business. On other hand, we consider that differences of codes of ethics between parent company and subsidies of host country. Therefore, solutions of ethical dilemmas will be differences between parent company and host subsidies.

Reference

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臺灣跨國企業倫理決擇探索性研究

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摘要
由於通訊科技、數位科技和運輸科技的興起，導致於跨國貿易和跨國投資的興起。當跨國企業在全球化的商業活動中，常常會面臨日益增加跨文化的倫理議題和倫理決擇。所以，了解跨國的倫理議題就產生必要的需求性。本研究的目的
是探討台灣跨國企業在其跨國經營中如何面對倫理選擇。同時，本研究在了解台灣跨國企業在如何解決其倫理選擇。
關鍵字：倫理選擇，文化，倫理規範，跨國企業