



is Back...

But it should never have gone away

Ethics, Big Business, and the MBA

Bert Wolfs

Whether you watch the news on TV or you read it online, you would be forgiven for thinking that the world consists only of cheating multinational or transnational corporations. The global automobile industry is only the newest victim of disregarding fundamental codes of ethics. VW Group has publicly admitted that it installed software to manipulate CO2 emissions in millions of cars! The banking industry has manipulated the LIBOR rates and helped wealthy clients to hide their money from tax authorities! We could go on and on.

Why are multinational corporations acting in such a way? What is the motivation of such behavior?

In 1999, we, at SBS Swiss Business School, introduced an MBA course called Business Values and Ethics. At that time, many of the stakeholders were opposed to such a course and suggested that teaching ethics was “boring” and should be divided among the different subjects –

“You should teach two hours of ethics in the accounting course and two hours in finance, and that will suffice,” they told us. But the reality has proved that there is a pressing need for this course.

The main question is this: Can ethics and big business go together? The Milton Friedman approach; that the corporation’s only duty is ROI, is valid but outdated. Ethical and socially responsible conduct of a multinational corporation (MNC) is an important concern in strategic management, and proper conduct leads to a sustainable competitive advantage. The core ethical values and priorities may be of greater concern for the MNC headquarters for a broad global scope.

Ethics are defined as the process of distinguishing the right and good from the wrong and bad, and they imply a moral duty to pursue the right and the good. Business ethics are concerned with the right and good, and bad and wrong behavior in a business context. International business ethics apply to the varying business ethical issues in diverse countries and cultures.

American MNCs have a tendency to impose their rules and regulations across the entire company, including their subsidiaries around the world. Through working with our MBA students in Kazakhstan, I’ve witnessed that when the American oil giant declares their rules and regulations to be followed by all, the subsidiary gets upset. The Kazakh partners are given rules on how to deal with diversity, gender differences, bribery and discrimination at work. Students always respond that these rules are too specific and not applicable in their country, while the company wants to ensure that the same rules apply across the different countries of operations. So after having a great many discussions with the MBA students, they understand that ethics are usually thought to be universal. It is suggested that MNC headquarters should take a greater lead in

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coordinating, integrating and communicating the overall core ethical and social responsibility values to their employees worldwide. A process should be set in place, and top management must be actively involved in an on-going review and evaluation of the core values. This should also include local changes and trends as well as industry norms.

Another example can be drawn from E-commerce. The fastest growing market in the retailing sector is the online segment. Realising this, Coop Genossenschaft, a Swiss supermarket chain with 28 billion CHF in turnover, decided to experiment with differential pricing on their website. As Coop soon found out, all strategies should be online-offline-inline these days. Coop wanted to create a model where the price of an item was determined based upon the device you use and the location where you are. People living in a richer area of a city, they argued, should pay more than people living in a poorer area. People using an Apple device might pay more than Samsung users. Our MBA students found this approach very unfair. Perceptions of fairness matter, and this is also true in marketing. Coop decided to stop the experiment after a couple of weeks.

The Internet has changed the world. Openness and transparency make it more difficult to hide so-called “secret” transactions. If continents negotiate free trade agreements, it should be a win-win situation and not one where only the multinationals benefit, or one where farmers don’t have enough income to pay for the education of their children. We do lack a culture of European Whistleblowers. The main reason for that is that most whistleblowers ultimately end up worse off, after sharing malpractices, than before. This does not encourage people to speak up and indicate wrongdoings. Here is an urgent need for politicians and lawmakers on the continent to establish a proper legal framework.

In the wake of the influx of refugees in Europe, a challenging topic will be the integration and education of these refugees into our European society. The different cultures and backgrounds pose management issues, such as styles of supervision, creation of policies, decision-making processes, and communication styles. As a whole, they pose interesting challenges on how to effectively manage the workforce and this should be of central focus of the headquarters in a MNC.

Finally, I understand that plenty of challenges make our world more volatile and

complex. We have a tendency, usually after a scandal, to overregulate a similar situation so that we avoid a repetition of the incident in the future. I strongly recommend making rules, but there is enough academic research available that proves that rules alone do not work. Ethical behavior begins in the mind of the people. The VW scandal was only able to happen because of ambitious top managers who wanted the group to become the world’s largest auto manufacturer, and who were willing to pay any price for that goal. Engineers and employees were living in a culture of fear, and that is never good thing when you want to reach common objectives. We always remind MBA students that remaining humble is a beauty in business, and is a universal value!

What is acceptable and what is unacceptable is a matter of opinion. Or, as Henry V Shakespeare once said; “There is nothing good or bad, but thinking makes it so.”

Biography

➤ Bert Wolfs is Academic Dean of SBS Swiss Business School, Zurich, Switzerland.

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