

Corporate Ethical Dilemmas during Global Expansion: Lessons for Corporate Governance and IT Professionals

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Abstract

This paper analyzes the ethical challenges that multinational enterprises (MNEs) face in the socio-cultural-legal context while operating in a cross-cultural business environment. The focus of this research is to examine how globalization, especially when enhanced or enabled by the corporate use of Information Technology (IT), has meaningfully influenced and changed corporate codes of conduct in US-based MNEs. The primary research question addressed by this study was, “How does globalization with catalysed by IT impact corporate codes of conduct?” Using detailed case study analyses of three large US-based MNEs with operations in Malaysia, we found that MNEs are likely to encounter a greater degree of difficulty in creating and implementing effective codes of conduct in a culturally diverse market. As far as corporate codes of conduct are concerned, one size does not appear to fit all for all markets. Codes need to address the social and cultural values and traditions of the region for to be effective. The study provided extremely interesting and culturally diverse viewpoints and attitudes toward existing corporate codes of conduct.

Key words: Role of Local Cultures, Global Institutions, Cross-Cultural Management, Social Issues, Corporate code of conduct, Information Technology Ethics.

Introduction

In an increasingly global business environment, multinational enterprises (MNEs) continually seek sources of competitive advantage. During this process, their business arms expand into new regions and countries, often with very diverse cultural backgrounds. It is our contention that the ethical capabilities of MNEs should also be counted as an important source of sustainable advantage, in addition to the traditionally acknowledged strategic, technological, financial, and organizational capabilities that they may possess. In general, a thorough understanding of the cultural bases for ethical behavior in both

origin and host countries can enhance a business’s ability to succeed in a cross-cultural business environment. However, the alteration and reduction of both geographical and political borders as well as the growing interdependence of countries that are socially, politically, economically and legally diverse, have caused MNEs to revise many of their existing policies. If an MNE wishes to

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operate effectively in a culturally diverse region it must first comprehend and consequently operate within the legal and moral frameworks of the host region. Many MNEs have their own ethical codes of conduct and these codes have often evolved within the socio-cultural background of the 'origin' nation, where the term origin in this instance refers to the MNE's country of 'belonging' as perceived by the general public. While operating in a more diverse or culturally different region, it may not always be possible to follow the same practices – the more culturally diverse the region, the greater the challenges that MNEs are likely to encounter in the process of expanding their business footprint.

The objective of this paper is to analyze the ethical challenges that MNEs usually face in the socio-cultural-legal context while operating in cross-cultural business environment, and also to explore the impact of these challenges on operational efficiency. These challenges have been exacerbated by the rapid proliferation of Information Technology and its use a prime mover to bring about rapid globalization. It is argued in the paper that the cross-cultural differences create contradictions and paradoxes in several operational areas, particularly if the MNE fails to integrate local values and culture into its business practices – either in formal or informal ways. This, in turn, has the potential to create instability in its operations and can cast a shadow over long term sustainability. Case studies of three large US-based MNEs operating in Malaysia are used to support these arguments.

Brief Background

Ethics are an important aspect of doing business as it is commonly acknowledged that for the most part, globally responsible organizations do not exist solely for the purpose of making a profit or creating value for their shareholders. They also have responsibilities that are directed to a broader audience. 'Corporate social responsibility' is increasingly an area of concern for all organizations, whether they operate domestically or globally. Businesses that ignore ethical issues to expedite expansion of their operations may quite possibly face serious repercussions in the future. The problem assumes added significance for MNEs that operate in a cross-cultural scenario, where a diverse spectrum of ethical considerations needs to be accommodated.

Fisher and Bonn (2007) analyzed the tensions and challenges faced by the head office and the subsidiaries of MNEs when they operated in international markets. They observed that an organization's approach to ethics depended on its own internal level of ethical behavior as well as the type of international strategy adopted. These two dimensions have the potential to create tensions between the head office of the organization and its subsidiaries, which in turn could influence the organization's ability to achieve its strategic goals. Payne et al. (1997) reviewed four international codes of conduct in an attempt to develop a single international uniform code that might be applicable to any business, in any country or culture. Schwartz (2005) suggested six universal moral values for corporate codes of ethics – trustworthiness, respect, responsibility, fairness, caring, and citizenship.

Kaptein (2004) analyzed the 200 largest corporations in the world and found that only 52.5 per cent had a code of conduct at all. More than half of these codes primarily describe corporate responsibilities regarding quality of products and services, adherence to local laws and regulations, and the protection of the natural environment. Many codes also made reference to principles governing stakeholder relations, appropriate conduct among employees and the treatment of company property by employees.

In a culturally diverse market, it is necessary for MNEs to effectively manage political and social forces in conjunction with the management of business forces. It has been argued that when perceived corruption in the business segment increases, MNEs maintain a safe distance from the government while bargaining. At the same time, MNEs that are less focused on ethics have a

greater likelihood of using social connections when dealing with the government (Luo, 2006). The differences between Asian values and Western values translate into ethical practices and translate into differences in business ethics (de George, 1997). A survey of senior managers of American-owned firms in China regarding their experience with China's legal system and with intellectual property rights violations indicated that none of them found the system efficient and few found it fair. However, expatriate managers with experience in China have better insights into the functioning of the Chinese legal system and tend to be more satisfied with it than are less experienced managers (Güvenli & Sanyal, 2003).

Buller and McEvoy (1999) observed that MNEs can develop and sustain ethical capability through the related processes of transformational leadership, organizational learning, and human resource management. Barker and Cobb (1999) emphasized the importance of developing an international code of ethics and training expatriate managers to handle the cultural and ethical issues facing MNEs in culturally diverse regions. Ethics and the expectations within cultures affect all business transactions. It is vital for personnel in western MNEs to understand the expectations of their counterparts around the world (Pitta et al., 1999). This is especially true when many of these organizations have achieved a greatly enhanced global presence primarily through the use of IT, especially since the field of IT ethics is itself often new and yields a constantly evolving ethical landscape.

A number of MNEs have been the focus of intense ethical scrutiny over recent years. There are also instances where ethical violations by organizations in other, 'non-home' regions have been brought under legal scrutiny in their parent country. Olsen (2002) used three examples where oil and gas industry companies were prosecuted under US law for alleged human rights abuses and environmental degradation in places such as Ecuador, Nigeria and Burma. However, such cases are a drop in the bucket in comparison to the actual volume of violations that take place. Collingsworth (2006) further reviewed the effectiveness of such laws in the US and came to the conclusion that that existing legal provisions weren't enough. MNEs themselves needed to take more concrete steps to ensure that their overseas operations were not implicated in human rights abuses.

Similarly, corruption distorts markets, undermines the rule of law, damages government legitimacy, and hurts economic development (Heineman & Heimann 2006). MNEs need to do more to discourage corrupt practices, particularly while conducting operations in developing countries that are hampered with weak corporate governance in the first place. In the long run, corruption is harmful and hinders the growth of host countries. It can also introduce inefficiencies in the system. MNEs that operate in regions where corruption is endemic have an obligation to refrain from illegal practices as defined by the law as well as by ethical standards (Rose-Ackermann, 2002). The OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions also clearly states that corrupt practices such as bribery are no longer an acceptable standard for international competition in any country. MNEs that engage in international business must understand the provisions of the Convention and take steps to comply fully (Apke, 2001).

Interestingly, MNEs can also be victims of corrupt practices within a country. Using the example of Vietnam in its initial stage of liberalization, Maitland (2001) observed that as outsiders, MNEs were easy targets for corruption, along with different ethnic, religious and socio-economic groups.

Methodology

The research methodology used for this study was based on the use of multiple qualitative case studies. Three large US-based MNEs that had operations in South-East Asia were selected as case

study organizations for detailed analysis. Here, US-based essentially meant that the companies were headquartered in the United States and were generally recognized by the public on a world-wide basis to be 'American' companies. Many of these companies actually may have been incorporated in countries like the Cayman Islands, Panama, or other parts of the Caribbean for reasons of an advantageous tax posture. For the purposes of this study, these companies were still be considered to be US-based companies.

Many reasons also pointed to Asia as a reasonable choice for the locale for this study. Asian markets have shown remarkable growth in the past two or three decades, and today represent the fastest growing economic region in the world (UNCTAD, 2006). Many US manufacturing companies had their first brushes with the global arena when they first ventured into the largely unfamiliar South East Asian countries since 1970s. From the countries of South East Asia, Malaysia was selected as the focus point for some very significant reasons. First, Malaysia was in the forefront of much of the explosive economic growth witnessed by the South East Asian dragons in the 1970s, 1980s, and 1990s (UNCTAD, 2006). Second, due to some unique measures taken by the Malaysian government Malaysia was largely able to avoid the downturns precipitated by the Asian economic crisis of 1997-98 (Poon, 2000; UNCTAD, 2006). As a result, MNEs continued to do business in Malaysia during that period with very little disruption (Poon, 2000). Third, English is the generally accepted language of business in Malaysia, making it much easier for the researchers to conduct the study. Fourth, the multicultural and multiethnic (Malay, Chinese, and Indian) nature of Malaysian society provides an almost perfect cultural backdrop for this project. Sixty-five percent of Malaysian society consists of ethnic Malays, while 26% are ethnic Chinese and 8% are ethnic Indian. The remaining 1% is made up of other ethnic groups and indigenous peoples (Department of Statistics Malaysia, 2000). No other country in South East Asia (with the possible exception of Singapore) provides this multi-ethnic and multi-cultural demographic to such an extent.

Flexibility and diversity were the keys to the selection of organizations for case studies. Detailed research for the purposes of this study was conducted from 2005 – 2008 at three organizations operating in Malaysia. In each case, the researchers were required to sign confidentiality agreements that expressly forbade the use of the real name of the organization or any of its participants.

The first of these organizations (Company A) was involved in providing technology solutions and services to its customers worldwide. It possessed a long history of developing and selling innovative technology products and enjoyed a largely well deserved reputation for bringing quality products to market. In business in the United States for several decades, it possessed a well established corporate code of conduct and had close to three decades of operations in Malaysia with a substantial country presence in terms of employees.

The second organization (Company B) was a consulting company with clients in over 70 countries. The services provided by this company included the implementation of leading-edge technologies and the use of extensive business experience in order to assist customers identify new opportunities and seek improvements in business processes. Operations in Malaysia had been in existence for about 30 years and the country workforce was well over 500 employees

The third organization (Company C) provided insurance and financial services to its customer base in over 100 countries. This company served its commercial, institutional and individual customers through extensive worldwide property-casualty and life insurance networks. The organization also provides retirement services, financial services and asset management services worldwide. Corporate operations in Malaysia were about 25 years old and it had over 1,000 employees in country.

Following Stake (1995) and Yin (2003) and their discussion of the best practices extant in qualitative case study analysis. The data collection for this research consisted of a combination of

methods outlined such as, documents, archival records, secondary sources such as company websites, and interviews. Documents and archival records included items such as the company's internal policy and procedure manuals and Human Resources documents, as well as records of code of conduct violations.

Detailed face-to-face interviews were conducted with senior and middle-level executives of the three case study organizations. The numbers of respondents interviewed in the three companies were 12, 5 and 6, respectively. The initial interviews as well as several follow-up interviews and conversations were carried out over a period of two and a half years, during several visits to Malaysia by the researcher. The research made use of structured and unstructured interviews, conducted mostly face to face and to a small extent by telephone – the latter mostly when small points of additional clarification were sought. In most cases data obtained from preliminary interviews appeared to be the most revealing. A lot of information regarding the companies that were studied was readily available through secondary published sources such as annual reports and company websites. Companies that possess codes of conduct often tend to view them as public relations tools and make them readily available on their websites as well as through other published material. Information that could not be collected from secondary sources was sought from the source – the companies themselves.

Results and Findings

Observed Business Practices with Respect to Code of Conduct

Both Company A and Company B had an explicitly stated goal of good corporate citizenship in Malaysia. This was clearly presented on their local websites, as well as appropriate local company documents. Both companies also had detailed and comprehensive codes of conduct and underlying corporate philosophies that detailed company beliefs regarding conduct and ethics. Company A's code, along with ancillary documents and policies, ran into well over a hundred pages and appeared to attempt to cover almost every contingency. Company B's code, while not quite as long, was also very comprehensive and appeared to address most relevant areas (Kolk & van Tulder, 2005; Sethi, 2003). Interviewees in both Company A and company B were also largely of the opinion that their company's philosophy toward conduct and ethics was sound, clearly stated, and detailed.

On the other hand, there was no mention of corporate citizenship on Company C's local website, nor did the respondents at the company indicate that this was a clearly stated goal. In fact, many felt that their company did not possess a clearly stated and comprehensive philosophy towards conduct and ethics. By and large, they did not consider their company's code to be particularly detailed or comprehensive and many considered it to be hurriedly put together, perhaps to serve as a public relations instrument.

Both the Company A and Company B codes purported to be 'principles-based codes; i.e., they aimed to guide employee behavior based on principles that were appropriate for the circumstances, including location, culture, and other similar factors. This was intended to permit a contingency approach to employee conduct. On the other hand, Company C's code was a straight 'rules-based' code, which did not permit any flexibility. In reality, however, neither the Company A nor the Company B codes can truly be considered to be principles-based, since the sheer comprehensiveness of the code as well as the very large number of ancillary rules effectively makes them rules-based codes as well.

Both the Company A and Company B codes of conduct were available in multiple language versions, while the Company C was available only in English. It is only fair, however, to point out that while both Company A and Company B codes were available in several languages other than

English, neither were available in Bahasa Malaysia, the language of the majority Malays in Malaysia.

Of the three companies, only Company B had a separate code of conduct specifically for Malaysia; however, respondents at Company B were quick to point out that the code for Malaysia was nothing other than the global code with a few cosmetic, and largely meaningless, add-ons. Thus, for all intents and purposes our conclusion was that none of the three companies studied had a true country-specific code.

All three companies required some sort of internal training and certification that their employees have read the code of conduct and that they understand it. In each of the three cases, this training and certification was administered using self-paced instructional software and had to be refreshed periodically or whenever there was a substantial modification of the code. To further lend credence to the conclusion above that the local Malaysian version of Company B's code of conduct was in fact just a cosmetic adaptation of the global code, this training and certification at Company B in Malaysia was carried out only on the global code, and not on the local version.

All three company codes mandated penalties and sanctions for violations of the code. In all cases, these consequences, penalties, and sanctions were held to be confidential.

All three companies also provided secure and anonymous channels for employees as well as other stakeholders to report violations of the company's code of conduct. In every instance, when such a report was made in good faith, the company codes of conduct made a promise to protect and to hold the reporters harmless from any adverse consequences that might result from making such a report. Respondents at all three companies indicated that the procedures that handled code violations did not take place internally within the Malaysian operations, but were instead handled by a global team.

There was general agreement among respondents at all three companies that little input, if any at all, had been sought from local employees to be used in the development or modification of the corporate code of conduct. Some employees at Company A had been surveyed regarding some aspects of the code of conduct, apparently with the stated intention of incorporating these viewpoints in future version of the code, but nothing along these lines had taken place to date. While Company B actually had a separate version of the code for Malaysia (largely dismissed by respondents as cosmetic) according to those interviewed within the company, none of the employees at Company B's Malaysia operations had actually ever made any contribution to its development, which certainly makes the development of the separate version somewhat suspect. At Company C's Malaysian operations, no input had ever been sought from local employees regarding any aspect of code development. In the case of every company, this was the cause of some resentment among many of those that were interviewed.

However, respondents at both Company A and Company B were generally favorable in their overall assessment of their company's global code of conduct, describing it in largely positive terms such as 'good' or 'fine.' These reactions, although somewhat vague, have been reported verbatim, and seem to indicate the respondents didn't appear to have a strong negative attitude toward the code. Reactions at Company C, however, were largely negative, with respondents often seeing the code as nothing more than a public relations ploy by the company. In line with these reactions, respondents at A and B also considered their codes of conduct to be more effective than ineffective, barring inadequacies in dealing with local culture and constraints; while respondents at C considered their code to be mostly ineffective. Respondents in all three companies, however, considered that their codes generally did a poor job of handling conflicts or dilemmas that arose from specific differences between cultures.

When questioned about the training and certification process with respect to the code, respondents in all three companies considered many aspects of the training, especially some of the situational questions, to be irrelevant or out of context. Consistent with what appears to be a generally more critical attitude among its employees, respondents at Company C were somewhat more severe in their assessment of the ethics training scenarios that were in use at their company.

Cross-Cultural Friction Relating to Codes of Conduct

Criticisms of company codes of conduct that related largely to differences in cultural and national values were widespread at all three organizations that were studied. In every case respondents pointed out various aspects of their company's codes of conduct that were inappropriate or ill-suited for circumstances in Malaysia. Some of the more important concerns that were voiced include the following:

- The code was a foreign (or western) code, developed by westerners for westerners and imposed willy-nilly on the local employees
- Local input was not sought, and if it was, it was generally ignored
- The code made no attempt to adequately handle differences arising from culture, location, or nation.
- Local entities were not permitted to handle code violations themselves, or locally
- The code made no allowances for the fact that Malaysia possessed a heterogeneous rather than a homogenous population
- The training used ethical scenarios that were inappropriate, out of context, or incomprehensible
- Local values and personnel were considered to be inferior; a 'colonial' outlook prevailed
- The importance of local customs was ignored
- The code was based entirely on 'foreign' values; local values did not play any part in its formulation
- The importance of meals, entertainment, and gift giving in Asia was either not understood or ignored
- Local holidays and festivals and their importance and significance were not taken into account
- IT related ethical violations formed a large segment of the incidents reported
- The code often was weakest in the area of IT governance

Code Effectiveness

The study also addressed the ability of company codes of conduct to effectively address certain specific issues. These issues were selected in accordance with findings from several researchers, including Kolk, van Tulder, and Welters (1999), Kolk and van Tulder (2005), Sethi (2003), and Jenkins (2001), who considered them necessary for effective codes of conduct in MNEs. Some modifications were made in order to align the questions to the specific needs of this study.

Based on secondary sources, all three companies appeared to have codes that effectively addressed employment related issues within their organizations. Respondents at all three companies supported this conclusion during the interview process, with only minor critical comments at A and B. At A, the company's code of conduct regarding employment related policies were extended to cover employment agencies as well, and as a result some agencies refused to do business with A. Respondents at both A and B also mentioned the fact that the code made it difficult to employ or recommend friends and relatives for positions within the company. However, in general, respondents at all three organizations felt that their company's code of conduct was effective in this area.

The codes of conduct of both A and B addressed employee training extensively – both code related and career related. Responses from interviewees at both organizations supported this view. Company C's code of conduct, on the other hand, addressed code related training, but not career related training. Nevertheless, employees at C indicated that they were largely satisfied with the career related training they received at their organization.

Issues relating to working conditions were explicitly addressed in all three codes, and respondents at all three companies expressed their satisfaction with how these items were dealt with within their companies.

Company A, as the only manufacturing company in this study, did address the issues of industrial relations within its code of conduct. Neither Company B nor Company C, with their non-unionized workforces made any mention of this within their codes. Both A and B also addressed the issues of forced labor and child labor within their codes of conduct and related policies, whereas C did not do so. Respondents at C did not, however, consider this a major problem, since they felt that local Malaysian legislation addressed these issues, and C did have an explicitly stated requirement in their code regarding compliance with local laws.

A and B have extensive sections in their code regarding the environment and corporate environmental policy, while the code at C did not explicitly address these concerns. Respondents at all three companies, however, indicated that there was an atmosphere within their companies that encouraged environmental stewardship, although the emphasis appeared to be strongest at A and weakest at C.

All three codes, to a greater or lesser extent, made mention of the health and well-being of their employees. Some respondents at A considered A's code in this area to be intrusive or irrelevant to the local context, or to be excessively zealous. Company B employees were quite satisfied with their code in this area, while some Company C employees considered that their code only did the bare minimum in this area.

The area of stakeholder relations was addressed quite extensively by all three companies in their codes of conduct. Respondents at A and B acknowledged that the mechanisms for communication with stakeholders were quite stringent, but did not have any complaints regarding the procedures. Employees at Company C found the procedures to be overly restrictive, and some respondents put forth the suggestion that recent scandals in the company's US operations might be the reason for the excessive caution.

The area of consumer interests elicited the largest number of comments at all three companies, indicating that in this area, respondents at all three companies considered their code of conduct to be inadequate. This was also seen in the last section, where many of the elements that caused concern among the respondents related to this area. Almost all the responses in this area related to customer relationship management and the importance of local culture and customs in this area. Respondents at all three companies were uniformly critical of their companies' codes of conduct and their handling of gifts, meals, entertainment, and the overall management of customer relationships.

Respondents at all three companies expressed varying levels of dissatisfaction with their organizations in the area of community interest. While the codes of A and B explicitly addressed this area, the code at Company C did not. However, respondents at A and B did not appear to be any more satisfied than their counterparts at C, since they felt that there was a substantial difference between what the code set forth and what was actually achieved.

To deal with the area of global development, A and B have created extensive sections in their codes of conduct. In addition, both these companies have signed the United Nations Global Compact. Company C's code of conduct does not explicitly address the area of global development,

but does mention it in its statement on corporate governance as a means for increased business opportunity. Company C is not a signatory to the UN Global Compact.

The codes of A and B are both particularly strong in the areas of ethics and fundamental human rights and freedoms, while that of C is considerably weaker. Respondents at A and B had strong positive feelings regarding this area in their companies' codes, considering it to be a significant company asset. Employees at C felt that their code only minimally addressed this area.

Although all three company codes addressed the area of technology and its use, this was one of the weakest areas of the code. The codes at A and B addressed this area in a fragmented fashion, with items and issues scattered throughout the code, while the code at Company C consolidated all technology related items essentially into a single section.

Finally, all three codes of conduct addressed the legal obligations of the company and its employees. Respondents at all three companies were of the opinion that their codes of conduct adequately addressed this area.

Analysis

The information and findings presented above allow us to perform an analysis based on several dimensions, with significant implications for practice.

It certainly appears that MNEs tend to transplant their 'home' developed codes of conduct to other global locations. Extant literature had already indicated that this was possibly the case. The work of Sethi (2003), Jenkins (2001), Kolk (2005), Kolk, van Tulder, and Welters (1999), Kolk and van Tulder (2005) all indicate in greater or lesser degree that corporate codes of conduct are often developed in the 'home' country of the MNE and then either deployed verbatim or with minor cosmetic changes to most of the countries or regions that the company operates in. While they do not specifically single out US-based MNEs in these conclusions, there is certainly no reason to exclude them from these conclusions.

Responses from the interviewees in all three companies provide substantiation to these conclusions. The terms 'foreign' or 'alien' were often mentioned in the context of the codes of conduct, and sometimes terms as strong as 'colonial' were used. The latter is perhaps not surprising given Malaysia's past history as a colony. Anecdotally, it appeared that the negative reactions were stronger among respondents who were (or appeared to be) older. Fewer of the younger respondents used the terms 'foreign' or 'alien' and none of them used the term 'colonial.' A possible reason for this could be that perhaps that the younger, educated respondents are more 'connected' to a more homogenous global society.

The literature is relatively silent on the issue of seeking local input in the development of codes of conduct, although some mention is made by Sethi (2003) and Kolk and van Tulder (2005) regarding the importance of seeking such input if one is desirous of developing effective codes. However, responses from participants in this study would indicate that seeking local input is critical if the organization seeks a corporate code of conduct that is both effective in local situations as well as easily accepted by the people it is intended to guide. The latter is essential if the organization is to achieve the former, so the conclusion to be drawn here has great significance for organizations.

In this study, it was found that such input is either absent or minimal. The respondents at all three companies stated, and in many instances complained, that their input was either not sought at all, or, when it was sought, it was not used in the development or modification of their company's code of conduct. Among many respondents, this was cause for resentment, and a sense that their input, opinions, and perhaps even their customs and culture were not considered important enough for consideration. The labels of 'colonial' mentioned in the previous answer relate directly to sentiments expressed by some respondents in this area.

The implication for MNEs is significant, since previous research indicates that effectiveness and acceptance are tied to the degree of local input sought in the development of codes of conduct.

A similar answer was reached with regard to implementation and enforcement of the code. Since extant literature does not address this issue, the answer to this question is derived entirely from responses elicited in the case studies. The evidence from the case studies strongly indicates that stripping local employees of the responsibility for implementing and enforcing the code of conduct (including the imposition of sanctions) causes resentment among employees and the furtherance of the view that the code is a 'foreign' instrument that has been 'imposed' on them without their consent.

In all three cases, the mechanics for handling code violations were carried out largely outside the Malaysian organization. Also in all three cases, the first steps in the process took place within the organizations, but only the very basic procedures were performed locally. These included the completion of Initial Incident Reports and in some cases, a preliminary investigation, but in all cases, the bulk of the process was handled by an external (usually US-based) team. The anonymous reporting process was also handled outside Malaysia, although in all three companies, employees did have the opportunity and facility to report violations and concerns to someone locally as well. However, once this was done, the process was then taken over by the external handlers. The answer to this question, therefore, is in the negative. Once again, the implication for the MNEs is significant, since the research indicates that effectiveness and acceptance are also linked to the degree of perceived autonomy in terms of implementation and enforcement by the local employees. This is another potential area for improvement for many MNEs.

Would Malaysian employees of US based MNEs be comfortable with a single universal code of conduct and would they consider such a code to be adequate for all the company's worldwide operations? There was some degree of ambivalence in responses to this question, especially among the respondents from Company A and Company B. In both these organizations, employees were generally satisfied with many aspects of the code, and their overall impression was positive rather than negative. On the other hand, employees at Company C had a generally unfavorable impression of their company's code of conduct, and many viewed it as more of a public relations tool used by the company to heal their battered image in the US rather than a true statement of intent. In all three companies, however, respondents did feel that the code was either inadequate, or poorly handled certain issues that related specifically to local customs, local culture, or the local population in terms of ethnic mix and other factors.

The logical conclusion to be drawn here would be that employees seek a code that has a commonality in the areas where such a commonality is appropriate, but one which is also tailored to accommodate differences brought about through culture, customs, language, and ethnicity. However, employees must perceive the code to be a true statement of intent, rather than a public-relations tool in order to respect it. This implies that the views of many researchers regarding this issue may have to be rejected, since most of them call for a single code of conduct for MNEs, to be deployed across all countries of operation (Radin, 2004; Sethi, 2003). These researchers believe that separate codes of conduct for each country would lead to public relations nightmares and eventually to a loss of profitability, market share, and reputation.

Yet, this study indicated that such separate codes of conduct appear to be achievable with a relatively moderate effort, and would certainly lead to instruments that would be more accepted and consequently, more effective.

Respondents in all three companies reported that they were provided with adequate training on the codes of conduct. The frequency and breadth of the training was also considered adequate by the majority of respondents in all three organizations, although a few respondents felt that the frequency could be lessened. A common thread in all three organizations was that respondents

found certain aspects of the training to be inappropriate, irrelevant, or out of context. The cause, in each case, was attributed to the fact that the training tools, questions, and scenarios were developed for a US, or western setting. Thus, some of the context or questions were unfamiliar or irrelevant to the Malaysian employees.

It would appear that this situation could be easily rectified if local employees had greater input into code formulation and design, since the development of the training tools are also part of this same process.

Another perhaps surprising conclusion from the study indicates that, contrary to conventional wisdom, cultural differences in fact *do not* constitute a large obstacle in the creation and implementation of effective and appropriate codes of conduct.

As mentioned earlier, respondents at both A and B had a largely positive opinion regarding their codes of conduct. Company C employees didn't have a positive opinion, but the negative opinion related to the entire code – they thought it was a bad code everywhere, not just in Malaysia. But irrespective of whether they considered the overall code in a good or a bad light, among respondents at all three organizations there was significant common ground in terms of the items that they thought should be changed in the code.

Most of the changes desired were rooted in local culture and customs and recognition and respect for differences that are found in these areas. Conduct and ethics are relative concepts and there is a huge body of work that supports this, including Hofstede's classic work, researched and written over a quarter of a century ago (1980). It is our contention that it would be difficult indeed to have a single code of conduct that can be applied across all cultures and regions. Conduct, after all, relates to value systems, and those are not constant across the globe. Many of the issues listed above, therefore, could be addressed relatively easily by seeking local input and incorporating this input into locally implemented codes of conduct. Human values across the globe also have tremendous similarities, so these codes would of necessity have large areas of commonality. However, they could then be different where they needed to be.

The last item addressed here relates to national governance and legislative structures and their ability, or lack thereof, to keep pace with the rapid changes in the ethical and legal environments precipitated to a great extent by the process of globalization. We concluded from the case studies that in fact national governance and legislative structures *are not* able to keep pace. The literature is quite conclusive in that generally national governance and legislative structures are not able to keep pace with the rapid changes in the ethical and legal environments (Phukan, 1995; Phukan & Dhillon, 2000). Thus, it appears to be a continual case of closing the stable door after the horse has bolted. In all fairness, however, new ethical and criminal dilemmas and scenarios arise with such rapidity as globalization increases, that it is well nigh impossible for even the most dedicated and hard-working legislative bodies to keep abreast of the situation.

In this study, this was supported by the responses of the interviewees at all three companies. In almost every instance, respondents at all three companies felt that their corporate code of conduct did a better job of addressing relevant issues than current Malaysian legislation, a view supported by the research on local Malaysian conditions (Haniffa & Cooke, 2002; Yeoh & Mohd Razali, 2006).

This is not an unusual situation – and Malaysia is not alone. However, the relevance and importance of local governance structures in the development and fostering of corporate codes of conduct cannot be overstated. In every country, it is essential for the local legislative and corporate governance bodies to keep pace with the changing business environment in order to provide an adequate and effective framework for the development of corporate codes of conduct.

Conclusions

As we have seen, an ever increasing proportion of the world today is engaged in a globalized society. This conclusion is generally true for people as well as business organizations, large and small. This is not as new a phenomenon as some may think – history indicates that as peoples and cultures have migrated and traded with others, waves of globalization have ebbed and flowed. Trade routes across the Mediterranean, voyages of discovery seeking the fabled ‘spice islands,’ and the hunger for colonial empires, have all played their part in the march towards an increasingly interconnected and globalized world.

But the ‘Hot, Flat, and Crowded’ world of today (Friedman, 2008) is home to a scale of globalization that is greater than any that has been seen before, with a world that is interconnected to a degree and in a manner that would have been absolutely inconceivable to the world’s population perhaps even three or four decades ago. Consider this: Thomas Watson, president of IBM, once said, “I think there is a world market for maybe five computers” (Strohmeyer, 2009). Of course, he can probably be forgiven for this comment since he made it a little over 60 years ago – in 1943, to be exact, when the sum total of computing power in the world was less than what can be found today in a digital quartz wristwatch that costs less than US\$ 10.

Current writing in the field offers considerable insight into globalization and there appears to be little doubt within the literature regarding the conclusions that globalization, with its opportunities and pitfalls, is here and that it is not likely to go away any time soon, if ever (Bhagwati, 2004; Sethi, 2003; Stiglitz, 2002). One important consequence of the process of globalization that does need to be addressed is the emergence of a large number of ethical questions and concerns, with an often bewildering variety in their scope. The literature discussed in the initial stages of this paper also conclusively indicates that MNEs are the primary agents for the globalization process as it currently stands.

The case studies indicate that MNEs that globalize and enter markets with cultural characteristics that are significantly different from their ‘home’ markets are likely to encounter a greater degree of difficulty in the creation and implementation of effective codes of conduct unless they are willing to accommodate local culture and customs in the development of these codes. There is little doubt that employees in all three organizations studies viewed their corporate codes of conduct as ‘foreign’ or ‘alien’ instruments to a greater or lesser degree. Even within the organizations that were viewed favorably by their employees as good corporate national and global citizens, this undercurrent of resentment relating to the imposition of a foreign code still existed. Training on code of conduct issues was also more difficult given the complications resulting from cultural differences. Anecdotally, the resentment appeared to be greater among older employees than among younger employees, but it was there nevertheless.

However, at least among organizations that enjoy a positive corporate citizenship image among their employees, it appears that substantial portions of their organization’s codes of conduct would be readily acceptable to their employees with little or no modification.

A logical conclusion to be drawn here would be that as far as corporate codes of conduct are concerned, one size perhaps does not fit all. Organizations would perhaps be better served by having different codes of conduct for different countries or perhaps different regions. This is contrary to almost everything the extant literature calls for, since most researchers (Sethi, 2003; Radin, 2004) are categorical in their belief that MNEs that operate in several countries cannot have separate codes of conduct for each country in which they operate. They insist that such a situation would be a public relations disaster, ultimately leading to loss of profitability, market share, and reputation. Our research, however, would disagree with such a conclusion. For corporate codes of conduct to be effective, they must be acceptable to the value-systems of those who are to be governed or guided by them. Thus, while corporate codes of conduct must incorporate universally accepted

values such as honesty, trust, fairness, respect for human rights and freedoms, respect for the environment, and adherence to contracts and agreements, they must also ensure that for each differentiated region or country in which they operate, the code addresses issues such as sovereignty of the nation, the economic goals of the country, and the social and cultural values and traditions of the region.

It is also apparent that in most cases changes in national corporate governance structures do not have either the speed or sufficiency to provide a meaningful framework for changes in corporate codes of conduct for MNEs operating within these countries. Respondents in all three organizations agreed that Malaysian legislation and corporate governance had not changed and grown quickly enough to provide a meaningful and employee friendly framework for the development of effective corporate codes of conduct that could be based on the country's legal framework. The research indicates that this is largely true in most countries, although to a lesser or greater extent depending on the country. However, employees were also largely agreed that the codes of conduct of their respective organizations provided a more meaningful and secure system of protections than they might reasonably have expected from a local Malaysian company.

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Biography



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