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Journal of Economy & Society

A TARTALOMBÓL:

Márk Joób:

Freiheit als Grundlage der moralischen Verantwortung
von Unternehmen und die Frage der Haftung

Joseph Huber:

Monetary and Banking Reform:
Bringing back in the monetary fundamentals of finance

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Festlegung von Lohnuntergrenzen – tariflich oder gesetzlich

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Table of Contents and Abstracts in English: See page 119

STUDIES

Freiheit als Grundlage der moralischen Verantwortung von Unternehmen und die Frage der Haftung

Márk Joób 3

Present Challenges of the International Business Ethics

Gabriella Dubcová 22

Monetary and Banking Reform. Bringing back in the monetary fundamentals of finance

Joseph Huber 38

Festlegung von Lohnuntergrenzen – tariflich oder gesetzlich

Olaf H. Bode – Frank Brimmen – Ute Redeker 54

National Competitiveness of Slovakia in the Context of Global Competitiveness Indexes

Tomáš Dudáš 74

Working but poor – countries with different path in European integration

Emese Bruder – Csilla Obádovics 88

Analysis of Commission Proposal on Direct Payments in 2014 - 2020

Fekete Pál Győző 98

KÖNYVISMERTETÉS – Három új könyv Kulcsár László könyvtárából (ismerteti Kulcsár László)

A társadalom, a jog, az intézmények és a mai problémák eredete 112

[Francis Fukuyama: A politikai rend eredete. Az ember előtti időktől a francia forradalomig, Akadémia Kiadó Budapest. 2012. 688 oldal [ISBN 9789630591935]

Eltérések és hasonlóságok az európai urbanizációs folyamatokban 114

[Viktória Szirmai (ed): Urban Sprawl in Europe. Similarities or differences?, Aula Kiadó, Budapest. 2011. 280 oldal [ISBN 9789633390153]

Minél jobban közeledünk feléje, annál inkább távolodik:

Svájc és Magyarország esete. 117

[Föderalizmus és Decentralizáció. Kézikönyv a svájci struktúrákról és a magyar hasznosíthatóságról. Szerk. Hajdú Zoltán és Kovács Sándor Zsolt. MTA Dunántúli Tudományos Intézet. Genfi Egyetem Európai Intézet. 2012.[ISBN 978-963-9899-58-2] 239. Oldal.

Table of Contents/Abstracts 119

Present Challenges of the International Business Ethics¹²

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ABSTRACT Key Attributes of Ethics Issues in International Environment on the Present. Current Ethics Challenges in International Environment. Analysis of Ethical Standards in Different Cultures. Complicated Assimilation and Globalization Processes between Europe and the USA. Genesis and Status Quo of the Global Business Ethics Development. Supportive System for Improved Functioning of the International Business Ethics.

KEYWORDS Current ethics issues; International business ethics; Ethical standards; Global business ethics.

Introduction

The present economic situation in the globalized world generates very efficient processes in international companies with large profits for managers but with a relevant risk in economic and noneconomic ambit to eliminate any negative impacts of the crisis from one country to another. In this case, it is necessary to enact and apply ethics principles in international companies into their day-to-day practice and above all influence citizens (consumers) and official state institutions of a host country.

In parallel with the still existing danger of crisis, the challenge to behave more ethically in international companies has been more intensive and by more efficiency control of civil society in the world countries. This is the reason why it is important to devote more information and education for the development, important and useful knowledge and practical skills in the area of international business ethics in order to increase social awareness among specialist and no specialist public.

Basic aims of the article are:

- a. To categorize pillar determinants of current ethics issues in an international dimension

¹² Article is processed as one of outputs of the research project VEGA No. 1/0980/12 CURRENT CHALLENGES OF THE ENTERPRISE ECONOMY FOCUSED ON THE ENTERPRISE EFFICIENCY AND PROSPERITY INCREASE (Projects registered with the Grant Agency in the Slovak Republic).

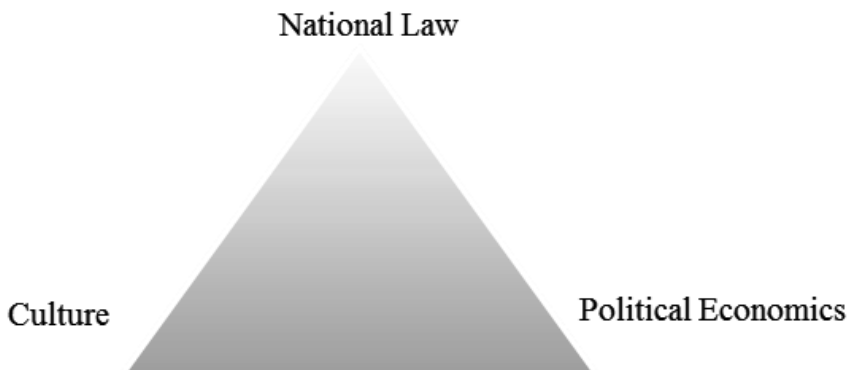
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- b. To define the most critical current business ethics issues in an international environment
- c. To specify ethical standards in different cultures and their influence
- d. To compare principles of business ethics systems in Europe and the USA
- e. To define development and principles of a global business ethics
- f. To identify and estimate relevant sources and functioning supportive systems for international business ethics in praxis.

Key Attributes of Ethics Issues in International Environment on the Present

In each country we can identify the same “more-less” adapted triangle principles of determinants of current ethics issues, as we can see in the following figure. The ethics triangle:

Figure 1 The Ethics Triangle



A) National Law:

- The law sets a minimum level of socially and ethically acceptable conduct; however various sources of the law have been investigated as well. Few have investigated the various sources of law.
- All reality is based on the western law or those standards are constant over period of time. As social, economic, and technological developments change society, the laws change to reflect the needs of those governed.
- For example: Legislation redefining civil rights and sexual equality has made the political system more fair and inclusive. Child abuses brought on by the industrial revolution led to labour laws in industrialized countries like England and the USA. Many Muslim countries practice Islamic law. Courts are bound by Shari’a or God’s rule. This model encourages enterprise owners and managers to develop a sufficient appreciation of differences among the approaches of Roman, English, Communist, and Muslim law.

B) Culture: National law is really a reflection of culture; it embodies society's most important values.

C) Political Economic System: Economic terrain. The circumstance combinations which effect ethical considerations in the first years of this millennium are circumstances caused by hectic changes in environment dimensions (according to Sharp & Richardson, 2001)

Table 1 Changes in Environment Dimensions

THE MOST VISIBLE CHANGES IN ENVIRONMENT DIMENSIONS		
Change Area		Definition
I.	Political environment	<ul style="list-style-type: none"> Regional, national and international The consequent laws and regulations that are established
II.	Social-cultural environment	<ul style="list-style-type: none"> It has been influenced by immigration patterns worldwide and a continued movement of populations from rural to urban areas
III.	Technological environment	<ul style="list-style-type: none"> It has effected communications regionally and globally It has affected the work environment and productivity
IV.	Economic environment	<ul style="list-style-type: none"> It sees currency fluctuations and international NGO's like the IMF and World Bank playing a more significant role in national and regional economies. Stress to maintain corporate economic competitiveness also influences corporate objectives and has consequences for consumer priorities
V.	Competitive environment	<ul style="list-style-type: none"> It is causing companies to make decisions in a global context and resulting in actions which sometimes negatively affect their employees or customers

Source: own edition

There has always been a pressure on companies to behave ethically. But in the last years this pressure was not as intense as it has been in the first years of this millennium. The mistakes of a corporate executive can have international repercussions as they might become a headline story in TV or on internet news sites, as a result millions of people learn about the committed violation.

Definition of International Business Ethics, adopted according to the theory of Scevola (2012) from the International Business Ethics Institute:

- Every individual and every corporate body must outline its ethical values;
- Every individual and company should ensure understanding of ethical values and belief in their effectiveness and importance;
- Employees of every organization must participate in creating a corporate code of conduct, which in this case definitely represents corporate culture, rather than only personal views of a company's leader;

- Every individual and company must monitor compliance with the outlined values at all times;
- All the ethical values must be divided in two categories – rigid and flexible: (1) Rigid - values which cannot be renounced under any circumstances (honesty, integrity, professionalism) and (2) Flexible - those moral principles which may be interpreted in different ways in different situations (will to understand other cultures' values, remuneration policies).

Principles of International Business Ethics modified from scientific approaches of the International Business Ethics Institute (2012):

Table 2 Principles of International Business Ethics

PRINCIPLES OF INTERNATIONAL BUSINESS ETHICS		
Principle		Definition
I.	Integration	<ul style="list-style-type: none"> • Business ethics must permeate all aspects of organizational culture and be reflected in key management systems. • Companies start by integrating ethics into goal setting and hiring practices. • When promoting workers to higher levels within the company, ethical principles guide incentive programs.
II.	Implementation	<ul style="list-style-type: none"> • Ethical conduct is not just an idea, but requires the implementation of a plan of change in specific areas of work in the company. • Some examples are efforts to modify personnel appraisal processes, promotion of improved environmental practices, and referrals to specialists, when needed.
III.	Technological environment	<ul style="list-style-type: none"> • Increased internationalization is necessary to all successful business in the 21st century. • Internationalization is achieved through the formation of international partnerships, trading blocs, and implementation of GATT and other free trade agreements. • Clarification of an organization's own definition of integrity that transcends national borders is necessary. • A resulting program is not culturally defined and requires little or no modification when applied in global contexts

Resource: own edition

Petrick & Quinn (1997) identified different orientations to business ethics - they have developed a model which creates a typology of organizations, using two variables – flexible/control oriented and internal/externally focused. This enabled them to define four types of businesses which coincide with four orientation models to business ethics:

- Flexible and internally focussed virtue ethics

- Control oriented and internally focused deontology
- Control oriented and externally focused teleology
- Flexible and externally focused systems ethics

In my opinion, the most understandable characteristic of the international business ethics is explained by the following definition of the business ethics in an international context – it is a branch of applied ethics that deals with the relationship of what is good and right in business. This definition can be extended to cover global business ethics. It requires that business decisions should not be made exclusively from the narrow, economical perspective, but also the global social and ecological concerns should be taken into account (see Donaldson, 2006).

This means that people who work in business should consider how their economical decisions affect other people, environment or the society as a whole, not only in their home country but also in the host country. In other words, it means that the interests of all the relevant parties, or “stakeholders” should be acknowledged and respected. Having defined the term theoretically, it should be made clear that a uniform set of standards of business ethics, applicable to the global community as a whole, is yet to be defined. One common approach in international business ethics is to refer to or to construct lists of norms that ought to guide transnational business conduct (according to the Caux Round Table principles, 2012).

Current Ethics Challenges in International Environment

Business takes place in an increasingly global environment, crossing political and cultural boundaries, and ethical dilemmas arise consequently. According to Kline (2010) the central focus of each ethics decision-making lies in how to make “best choice” judgments in international business situations:

- Search for universal values as a basis for international commercial behaviour
- Comparison of business ethical traditions in different countries
- Comparison of business ethical traditions from various religious perspectives
- Cultural and social discrimination
- Ethical issues arising out of international business transactions; e.g. bioprospecting and biopiracy in the pharmaceutical industry (testing and pricing of HIV-AIDS drugs); the fair trade movement; transfer pricing
- Issues such as globalisation and cultural imperialism
- Varying global standards - e.g. the use of child labour

- The way in which multinationals take advantage of international differences, such as outsourcing production (e.g. clothes) and services (e.g. call centres) to low-wage countries
- The permissibility of international commerce with pariah states
- Export of hazardous products
- Advertising tobacco, alcoholic beverages and infant formula
- Deceptive marketing techniques and bribery
- Cultural impacts from “music, movies and malls”
- Environmental issues, including oil spills, rain forest preservation, global warming and genetically modified foods.

In my opinion, according to the fervently published researches common issues of the international business ethics, which have existed for a long period of time, can be identified:

Table 3 Common Issues of the International Business Ethics

COMMON ISSUES OF THE INTERNATIONAL BUSINESS ETHICS		
Issues		Definition
I.	Employment practices	<ul style="list-style-type: none"> • When work conditions in a host country are clearly inferior to those in a multinational's home country, companies must decide adequate level and quality of applied standards as a combination of the home country standards and of the host country standards – the minimum of acceptable standards that safeguard the basic rights and dignity of employees and audit the foreign subsidiaries and subcontractors on a regular basis.
II.	Human rights	<ul style="list-style-type: none"> • Basic human rights taken for granted in the developed world such as freedom of association, freedom of speech, freedom of assembly, freedom of movement, political expression and so on, are by no means universally accepted.
III.	Environmental pollution	<ul style="list-style-type: none"> • It is often argued that inward investment by a multinational firm can be a force for economic, political, and social progress that ultimately improves the rights of people. • But there is a limit to this argument because some governments are so repressive that investment cannot be justified on ethical grounds.
IV.	Corruption	<ul style="list-style-type: none"> • When environmental regulations in host nations are far inferior to those in the home nation, ethical issues arise. • The tragedy of the commons occurs when a resource held in common by all, but owned by no one, is overused by individuals resulting in its degradation. • Ethical issues arise when environmental regulations and/or enforcement are inferior to those in the home nation. • This might result in higher levels of pollution from the operations of multinationals than would be allowed at home.

COMMON ISSUES OF THE INTERNATIONAL BUSINESS ETHICS		
Issues		Definition
V.	Moral obligation of multinational enterprises	<ul style="list-style-type: none"> • In the United States, the Foreign Corrupt Practices Act outlawed the practice of paying bribes to foreign government officials in order to gain business. • The Organization for Economic Cooperation and Development (OECD) adopted a Convention on Combating Bribery of Foreign Public Officials in International Business Transactions in 1997 which obliges member states to make the bribery of foreign public officials a criminal offense. • Some economists suggest that the practice of giving bribes might be the price that must be paid to do a greater good. • These economists believe that in a country where pre existing political structures distort or limit the workings of the market mechanism, corruption in the form of black-marketeering, smuggling, and side payments to government bureaucrats to “speed up” approval for business investments may actually enhance welfare • Other economists have argued that corruption reduces the returns on business investment and leads to low economic growth. • Corruption has been a problem in almost every society in history and it continues to be one today. • Some international businesses can and have gained economic advantages by making payments to government officials.

Source: own edition

Analysis of Ethical Standards in Different Cultures

Very important is answer to a frequent question - which ethical standards are different in different cultures (Jennings, 2010; Treviño & Nelson, 2010; Ferrell & Ferrell, 2012). One way to answer this question is to think of four categories:

A) Universal standards

- Certain ethical standards are universally accepted.
- For example, the prescriptions “thou shalt not kill” and “thou shalt not steal” are universal.
- The Golden Rule “do unto others as you would have them do unto you” appears in teachings of every major religion.
- According to the analyses of a well-known author Snarey (1985) also, research on cognitive moral development suggests that Erickson’s and Kohlberg’s stages of moral development are universal. People follow similar developmental patterns in all cultures. On this basis, we might argue that there is fairly strong common ground for international business ethics.

B) Comparable values

- When it comes to interpretation and practices, the situation becomes more complex and ambiguous.
- For example, honesty is valued in most cultures, but meaning of honesty may differ across cultures.
- In general, USA executives see the USA, Canada and Northern Europe as being comparable with regards to ethical business practice because Canada and Northern Europe are culturally most similar to the USA, sharing comparable values.

C) Values in tension

- Southern Europe developing countries, particularly those with autocratic governments, are viewed as having the greatest challenges because these cultures and their values are different.
- In currently functioning transnational corporations a combination of values -politics, law and culture- is typical but also a phenomenon of corruption and nepotism exemplifies values in tension, especially in countries with a less developed economics.
- According to the scientific work of Behrman (2001) many US and EU enterprises have adopted rules (code of conduct, code of ethics...) against nepotism based on a belief that hiring and supervising one's family members presents an inappropriate conflict of interests (Figure 2).
- In cultures that have a deeper tradition of extended family and clan loyalty, nepotism is not only approved, it is expected.

C) Incompatible values are determined with international limits:

- Prohibition of child labour
- Agreed working hours
- Mandate safe working conditions
- Environmental responsibility

All steps to the functioning ethical behaviour in an international company might be the establishment of creating core universal moral values by which the International Business Ethics can carry out the whole institutionalisation process of ethical behaviour and they can be a target that is ethically constructed and evaluated – with ethical standards based on the convergence of the six universal moral values for corporate codes of ethics: (1) Trustworthiness; (2) Respect; (3) Responsibility; (4) Fairness; (5) Caring; (6) Citizenship. Relying on the proposed set of universal moral values, implications are discussed as to what the content of corporate codes of ethics should consist of (Schwartz, 2005).

Vogel (2005) argues that a substantial “ethics gap” exists between the USA and the rest of developed world by reasoning that the level of public, business and

academic interest in business ethics is much higher in the USA than in any other advanced post-capitalist country.

He attributes the greater importance of American public institutions, private corporations and NGOs on business ethics to a number of sources including:

- The legal and regulatory environment
- Public expectations
- Business values
- Emphasis on the individual versus the corporation

The comparable value development in the international business ethics is verifiable and measurable in the EU founder countries, according to the "Analysis of the National and EU Policies Supporting Corporate Social Responsibility and Impact (<http://ec.europa.eu/enterprise/policies/sustainable-business/>, 2012).

Complicated Assimilation and Globalization Processes between Europe and the USA

According to Vogel (2005), I focus to comparison of differences between the most comparable functioning business ethics systems - in Europe and in the USA.

Table 4 Differences between Europe, the United States and Asia

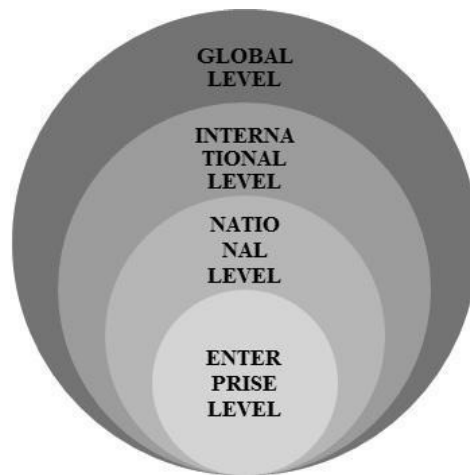
DIFFERENCES IN THE BUSINESS ETHICS PERSPECTIVE				
Responsibility Area		United States	Europe	Asia
I.	Who is responsible for ethical conduct in business?	The individual	Social control by the collective	Top management
II.	Who is the key actor in business ethics?	The corporation	Government, trade unions, corporate associations	Government, corporations
III.	What are the key guidelines for ethical behaviour?	Corporate codes of ethics	Negotiated legal framework of business	Managerial discretion
IV.	What are the key issues in business ethics?	Misconduct and immorality in single decision situations	Social issues in organizing the framework of business	Corporate governance and accountability
V.	What is the dominant stakeholder management approach?	Focus on shareholder value	Multiple stakeholder approach	Implicit multiple stakeholders approach, benign managerialism

Source: Crane & Matten (2007). *Business Ethics*. Oxford University Press, Inc. ISBN 9780199284993, p.32

- Rather than selecting either one or the other – both, the individual decision-maker and the corporation itself, are considered responsible for ethical conduct:
 - Although it is clearly individuals in organizations who ultimately make business ethics decisions - the European tradition suggests that we also have to look at the context that shapes those decisions
 - Moreover, most of us quite naturally regard corporations as significant actors in business ethics
 - If there is an incident of industrial pollution or it is revealed that children are being used in an overseas factory, it is usually the company as a whole that is criticized rather than a specific manager(s);
- Focusing on the corporation in its relations with other key factors such as government, pressure groups, and trade unions;
- Providing a critical perspective on both individual level ethical guidelines, such as codes of conduct, and broader forces shaping ethical decision-making such as product and financial markets, supply chains, civil society, and systems of governance;
- The morality of single business situations will be considered in the context of the organizing framework of business;
- A multiple stakeholder approach that includes shareholders as a particularly important constituency will be taken into account. This assumes some intrinsic rights for stakeholders rather than focusing only on their role in affecting shareholder's value.

Genesis and Status Quo of the Global Business Ethics Development

Development of Corporate Guidelines and Policies for Global Business Ethics generates a wide diversity (in structure of the Figure 2) of opinion among managers, ambiguity of legal requirements, and continued existence of cultural differences and corruption. Enterprises doing business abroad have a responsibility to develop guidelines and policies to guide their employees' ethical conduct. As I know from theory of several authors, continuators of Donaldson's school (Donaldson, 1991; Treviño & Nelson, 2010; Sage Brief Guide To Corporate Social Responsibility, 2011; Longenecker & Petty & Palich, 2011; Peng, 2012), huge problem is current intensive pressure of existing dynamic relation of both extreme ethical limits - ethical relativism and ethical imperialism:

Figure 2 Levels of Global Business Ethic Level

Source: own edition

First, a multidomestic strategic approach cannot be applied by ethically behaving companies in situations of high ethical certainty, because once one accepts universal ethical principles, those must be operative everywhere. Ethical relativism allows companies to violate those few big principles by which they aspire to operate.

Second, ethical imperialism is also eliminated, because a globally integrated approach requires those identical practices to occur everywhere a company does business. This can be dysfunctional because it fails to recognize and respect legitimate differences in practice that do not violate principles, and it, therefore, creates stresses and hostilities where it is not necessary.

Therefore, Global Business Ethics theory must balance relativism and imperialism. Companies can develop rules and codes for their international operations based on universal core human values. Multinationals wishing to develop global standards of ethical conduct should think carefully about their core values and then take cultural differences into account if they want these standards to be effective with all of their employees. Movements from adherents of the theory “a transcultural corporate ethics” (e.g., Frederik, 1991; Schwartz, 2004; Logsdon & Wood, 2005; Mitchell, 2009; De Jonge, 2011; Etc.) towards “a transcultural corporate ethics” have occurred as a result of intergovernmental agreements reached during the last half of previous century. These combine to set out normative guidelines for business conduct of multinational corporations. The guidelines that emerge from these six agreements cover the areas of: (1) Employment practices and policies; (2) Consumer protection; (3) Environmental protection; (4) Political payments and involvement; (5) Basic human rights; (6) Fundamental freedoms.

They are based on four principles:

Table 5 Principle of Normative Guidelines

PRINCIPLE OF NORMATIVE GUIDELINES FOR BUSINESS CONDUCT OF MULTINATIONAL CORPORATIONS		
Responsibility Area		Principle
I.	The inviolability of national sovereignty	<ul style="list-style-type: none"> Multinationals are expected to respect the “host country’s economic and social development and its cultural and historical traditions.”
II.	Social equity	<ul style="list-style-type: none"> Pay scales are expected to insure equity between genders, as well as racial and ethnic groups.
III.	Market integrity in business transactions	<ul style="list-style-type: none"> Restrictions on political payments and bribes assume that these “inject non-market considerations into business transaction”.
IV.	Human rights and fundamental freedoms	<ul style="list-style-type: none"> This principle is based on belief in inherent worth and dignity of every individual and equality of rights of all human beings. However, this principle often competes with other principles, especially the first, national sovereignty.

Source: own proposal

For the first time, DeGeorge (Kline, 2010) has proposed seven moral guidelines designed specifically to help multinational corporation (MNCs) make more ethical business decision:

- MNCs should do no intentional direct harm
- MNCs should produce more good than bad for the most country
- MNCs should contribute to the host country’s development
- MNCs should respect employees’ human rights
- MNCs should pay their fair share of taxes
- MNCs should respect the local culture to the extent that it does not violate moral norms
- MNCs should work with the local government to develop and enforce just institutions such as taxes, and health and safety standards.

Donaldson (1991) completes the moral guidelines with minimal duties of MNCs:

- Negative harm principle
- MNCs have an obligation not to add to deprivation or suffering
- Rational empathy test – put yourself in the shoes of the foreigner

Supportive System for Improved Functioning of the International Business Ethics

Out of a large existing network of supporting institutions dealing with business ethics in international companies I would recommend using the following sources and supportive systems to encourage efficient and successful usage of business ethics in day-to-day praxis:

A) The International Chamber of Commerce's tools for acceleration of business ethics behaviour (<http://www.iccwbo.org/>, 2012): Ethical Code Guides Marketing Communications Worldwide, ICC International Code of Direct Selling, ICC International Code on Sponsorship, ICC International Code of Advertising Practice, Faith and Ethics-Based ICC Commitments/Statements.

B) The OECD's instruments to enhance business ethics (<http://www.oecd.org/>, 2012): OECD Guidelines for Multinational Enterprises, OECD Investment Policy Reviews, OECD Principles of Corporate Governance, OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, National Contact Points for the OECD Guidelines for Multinational Enterprises, OECD Principles for Enhancing Integrity in Public Procurement, OECD Working Group on Bribery in International Business Transactions.

C) The United Nations activities for business ethics improvement (<http://www.un.org/en/>, 2012): UN Global Compact, UN Guiding Principles on Business and Human Rights, UN Code of Conduct for Transnational Corporation, UN Convention against Corruption.

D) Other important world institutions supporting international business ethics and their related activities: World Business Council for Sustainable Development, International Society for Business Economics and Ethics, International Labour Organization, Society of Corporate Compliance and Ethics, Ethics and Compliance Officer Association, Stakeholder Forum for a Sustainable Future, European Multistakeholder Forum on CSR, CSR Europe, European Business Ethics Forum, European Business Ethics Network.

E) The Caux Round Table (<http://www.cauxroundtable.org/>, 2012): is an international network of experienced business leaders, who work with business and political leaders to design intellectual strategies, management tools and practices to strengthen private enterprises and public governance to improve the global community. The Caux Round Table's approach to responsible business consists of seven core principles. The principles are rooted in three ethical foundations for responsible business and for a fair and functioning society, namely: responsible stewardship; living and working for mutual advantage; and the respect and protection of human dignity. The principles also have a risk management foundation: (1) Respect stakeholders beyond shareholders; (2) Contribute to economic, social and environmental development; (3) Build trust by going beyond the letter of the law;

(4) Respect rules and conventions; (5) Support responsible globalisation; (6) Respect the environment; (7) Avoid illicit activities.

F) An Interfaith Declaration: A Code of Ethics on International Business for Christians, Muslims, and Jews, 2014 (<http://ethics.iit.edu/ecodes/node/5106>, 2012): The Declaration on International Business Ethics is built on the precepts of the three religions represented in the dialogues. Christians, Muslims and Jews have a common basis of religions; and moral teaching: they are the People of the Book. Four key concepts recur in the literature of the faiths and form the basis of any human interaction, and are applicable to business relationships. They are: justice (fairness), mutual respect (love and consideration), stewardship (trusteeship) and honesty (truthfulness). Each can be seen as a different expression of the same overall idea.

Conclusion

This article aims to increase social consciousness of specialist and nonspecialist public via information about important and primarily useful knowledge and practical skills in the area of international business ethics. On the basis of analysed and evaluated published scientific sources and functioning supportive systems for international business ethics these results can be deduced:

1. Triangle principles of determinants of current ethics issues: political economics, national law and culture
2. The most critical current business ethics issues in an international environment: employment practices, human rights, environmental pollution, corruption, moral obligation of multinational enterprises
3. General classification of ethical standards in different cultures: universal standards, comparable values, (endangered) values in tension
4. Pillar principles of business ethics systems in Europe and the USA are determined by business ethics attributes: responsibility for ethical conduct in business, the key actors in business ethics, the key guidelines for ethical behaviour, the key issues in business ethics, the dominant stakeholder management approach
5. Principles of a global business ethics: the inviolability of national sovereignty, social equity, market integrity in business transactions, human rights and fundamental freedoms
6. Relevant sources and functioning supportive systems for international business ethics in praxis: can be categorized into 3 segments: institutions (OECD, UNDP, EC...), binding documentations (Interfaith Declaration, etc.), network initiatives (Caux Round Table, etc.)

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Internet Resources

<http://business-ethics.org/>
<http://ec.europa.eu/enterprise/policies/sustainable-business/>
<http://ethics.iit.edu/ecodes/node/5106>
<http://onlinelibrary.wiley.com/doi/10.1111/j.1747-7093.1989.tb00217.x/full>
<http://www.cauxroundtable.org/>
<http://www.hg.org/article.asp?id=7796>
<http://www.iccwbo.org/>
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