Globalization and Its Challenges for Business Ethics in the 21st Century

At the 2008 World Economic Forum in Davos, Switzerland, Bill Gates proposed "creative capitalism," challenging business to "meet the needs of the poor in ways that generate profits." While there have been many successful global ventures, the Gates challenge requires academics, entrepreneurs and managerial leaders to rethink their mind-sets and expand their thinking about what we mean by globalization, poverty, and the multiple dimensions of free enterprise. This is all the more pressing when one considers Thomas Friedman's argument in *The World is Flat*, that "globalization has slipped into warp drive" (Wright, 2005). With this, we must remember: industrialized capitalism does not reach at least half of the counties of the world!

Gates argues, "The challenge here is to design a system where market incentives, including profits and recognition, partnering with governments and NGOs, drive those principles to do more for the poor. And reduce world poverty" (Gates, 2008). What Gates has in mind is for global companies to improve economies, particularly those companies operating in developing counties, while at the same time engaging in profitable ventures- a significant task when one considers the difference in customs and culture. Six of the largest obstacles are poverty, pandemics (disease), pollution (environmental challenges), population, corruption, and peace (security).

How are we to meet Gates' mandate under these conditions? One option is philanthropy, but due to barriers between the giver and recipient, this is not always the most effective solution.

A better model is operating in the difficult environments, which entails taking a "moral risk." Moral risk involves making choices when one is unsure whether the outcome will create more harm than good. This may involve a morally questionable choice and can potentially do some harm, but not engaging is a missed opportunity to do something positive, alleviate some evil, provide jobs, and create a new market.

Some would argue that moral risk can be better measured with the advent of various international voluntary codes of ethics developed by the United Nations, Transparency International, and others, but it only slightly tips the scales. When a huge oil field was discovered in Chad in the late 1990s, the World Bank conducted a 2,000-page report as to how oil could be extracted in the least harmful manner. Partnering with the World Bank and two other oil companies, ExxonMobil began drilling for oil in 2000. To date, Chad's total revenue from royalties from the project has reached $6.3 billion, which the county agreed would be spent on health care, education, and infrastructure. The project also provided thousands of jobs, malaria and AIDS prevention, and a tremendous spike in local spending. But the bad news, and thus the moral risk, is that many of the tribes, some of which had seldom dealt with currency, did not fully understand what they have sold nor the implications of having done so. Worse, Chad's dictator, Idriss Deby, has taken much of the royalties and invested in a stronger army. ExxonMobil's project illustrates both the positive and the negative aspect of global operation in developing, poverty-ridden and corrupt contexts, and its attempt to adopt some of the measures Gates suggests are part of a creative capitalism approach.

But much of what is being discussed here is operating on several questionable generalizations that encourage flawed thinking. The first of these is that our definition of "globalization" is usually concerned with the spread of industrialized capitalism, which leaves out developing countries where, despite industrialization being in embryonic stages, free enterprise is alive and well.

The most famous example of the is the Grameen Bank of Bangladesh, a for-profit bank founded in the 1970s by Mohammed Yunus, which has supported micro-businesses by way of microloans and cottage industries, both with incredible success. Many argue that industrialization alone can solve the long-term aspirations of economic development, but it is not clear that small and medium sized enterprises cannot be the economic engines for growth. Furthermore, the jobs industrialization often creates do not pay a living wage and are often in terrible conditions, and thus value is stagnant in that community.

We also must not assume that the 1.3 billion who live on less that $1.25 a day are a homogenous group. There are countless contexts and cases across this group, and it would be wrong not to address them separately and specifically. These contexts include history, political structure, religion, social customs, civil society, openness to outside influences, and level of economic development.

But why bother? Why make such a risky effort instead of easy philanthropy, why teach this in your classroom, why rethink stakeholder theory?

What is implicit in most of our thinking is that industrialized economic policies, corporate procedures, and Western-framed free enterprise are the best, or least worst, economic models for every country in the world. But, Javier Santiso, formerly a researcher at the Organization for Economic Co-Operation and Development, suggests that the 2008-2010 global economic and financial crisis calls into question the recommendations given by "developed" counties to "developing" countries-lowering debt, financial stimuli, and eliminating unemployment, the opposite of which most large developed nations have recently suffered from. Paired with the emergence of the BRIC countries (Brazil, Russia, India, and China) and their successful trade without developed nations, the economic wisdom of Western countries is called into question.

To acknowledge this data would require developed nations such as the United States and global companies to change their belief that their forms of free enterprise will work everywhere, and acknowledge that developing counties and their small enterprises could succeed without intervention. In the next 20 years, we must all come up with solutions for the future of our enterprises in what may be a new age and changing economic realities.

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