# Australian managers' experience of global human rights issues

**ABSTRACT**

**Purpose**

This paper explores the experiences of Australian managers in relation to human rights issues and corporate responsibility inherent in their international business operations.

**Design/Methodology**

The paper reports findings from a qualitative research study; data were gathered from seventy (70) face-to-face interviews with managers in the mining, textile and information technology (IT) industries who conducted international operations. The research method used was the Critical Incident Technique, allowing interviewees to recall their observations and anecdotes in dealing with their perceived ethical dilemmas when operating offshore.

**Findings**

Human rights issues represented a serious dilemma for the Australian managers participating in this research. Findings in this study suggest that such issues, and resultant perceived dilemmas around their management, included child labour, hazardous working conditions, discrimination and exploitation of workers. The issues present self-reported major dilemmas for managers as they challenge human rights concepts that underline their own ethical values in relation to the treatment of others in work environments. Respondents in this study report perceived

limitations in dealing with cross-cultural ethical issues, driven by economic and social reliance on such practices by their international business counterparts.

**Originality/value**

Understanding the nature of problems faced by Australian business managers in confronting perceived breaches of human rights may assist private and public sector organisations, both inside and outside of Australia, working in international environments. The paper reports insights and solutions offered by respondents encountering global human rights issues in the business context.

**Key words:** Research paper**;** Human Rights; Ethics; Labour; Business relationships.

**Introduction**

This paper reports on findings from a qualitative research study that investigated perceived cross-cultural ethical dilemmas reported by Australian managers operating in the mining, textiles and information technologies (IT) industries in international markets. Data were gathered using the Critical Incident Technique developed by Flanagan (1954). Breaches of human rights issues were reported across all three industry groups as one of the most common perceived ethical dilemmas facing Australian managers. Understanding the nature of this problem faced by Australian business managers may assist business or the public sector when working in an international environment.

**Literature Review**

Human rights are defined by Jefferies (1997; 885) as the "conditions in life which allow us to realise our full potential and to develop our human qualities of intelligence, conscience and spirituality". There are, however, widely recognised differences between cultures regarding human rights, and their importance in relation to employment practices, as well as honouring of agreements and the social and environmental impact of business (Pedigo *et al*., 2006; Hendry, 1999).

Such rights have extensive bodies of international declarations (Gordon and Miyake, 2001). The *United Nations* (1948) adopted the Universal Declaration of Human Rights on December 10, 1948 in recognition of human dignity and the equal and inalienable rights of all humans to freedom, justice and peace. This Declaration

was based on many different cultural and religious values (Donaldson and Werhane, 1996), and aspired to acknowledge and support them. For example, under Article 23 of the Declaration, everyone has the right to work in just and favourable conditions, without discrimination, with fair remuneration ensuring existence and human dignity and the right to join trade unions for the protection of their interests (United Nations, 1948).

Further to the Declaration, the United Nations developed two international covenants dealing with civil and political rights, and economic social and cultural rights. Together with the Declaration, these covenants form the International Bill of Human Rights (Australian Department of Foreign Affairs, 2002). There are also a number of treaties dealing with specific issues including freedom from torture and racial discrimination, and the rights of women and children. Examples of such treaties include the Convention on the Elimination of All Forms of Racial Discrimination, the Convention on the Elimination of All Forms of Discrimination Against Women, the Declaration on the Elimination of All Forms of Intolerance and Discrimination Based on Religion or Belief (Jefferies, 1997).

Australia is a signatory to all key international covenants and conventions in the field of human rights and continues to place great importance on these and other international human rights instruments that form the basis of international human rights law (Australian Department of Foreign Affairs, 2002). In doing so, Australia seeks to engage in human rights agreements, contributing to setting standards,

encouraging compliance with existing human rights instruments and ensuring effectiveness. An example of such commitment includes Australia's contribution to the international effort in seeking reform to the six United Nations human rights-related treaty committees.

*Working conditions*

The International Labour Organisation (ILO), established by the Treaty of Versailles after World War I (Burtless, 2001), is the specialised agency of the United Nations tasked with creating international standards of labour conditions to overcome problems associated with injustice, hardship and privation (International Labour Standards, 2002). The ILO created standards comprised of 180 conventions and 185 recommendations (International Labour Standards, 2002). These standards contribute to the areas of development, market competition and peace (International Labour Standards, 2002) and are formulated by governments, employers and employees throughout the world (International Labour Standards, 2002).

The ILO has identified eight core standards essential to basic human rights (Burtless, 2001). These core International Labour Standards include the Freedom of Association and Protection of the Right to Organize Convention, 1948; Right to Organize and Collective bargaining Convention, 1949; Forced Labour Convention, 1930; Abolition of Forced Labour convention, 1957; Discrimination (Employment and Occupation) Convention, 1958; Equal Remuneration Convention, 1951; Minimum Age Convention, 1973 and the Worst Forms of Child Labour

Convention, 1999 (International Labour Standards 2002). Proponents of labour standards also seek to expand this core list to incorporate workplace safety, working conditions and wages (Burtless, 2001). Of the 175 member countries of the ILO, an overwhelming majority have ratified most of the eight standards (Burtless, 2001). Australia has ratified six of the eight core labour standards, with the Minimum Age Convention and Worst Forms of Child Labour Convention still to be ratified (International Labour Standards, 2002).

A high profile aspect of working conditions is that of the sweatshop, where employees work excessive hours in intolerable conditions for a remuneration below the living wage (Radin and Calkins, 2006; Scherer and Smid, 2000). Roddick (2001) describes conditions she witnessed when visiting a factory manufacturing jeans in Nicaragua in what is referred to as a Free Trade Zone. Here 20,000 workers, mainly young girls, worked six days a week, 10 hours a day for approximately $130 a month. The basic living wage in Nicaragua is $200 a month. A worker from a similar factory in Taiwan described working 12 to 14 hour shifts each day, and sometimes 24 hours if there was an urgent order (Roddick, 2001). In Indonesia in the Nike sneaker manufacturing factory, it was reported at one point that a worker received the meagre wage of $2 a day (Singam, 2000). While Nike attempts to recover from adverse media exposure in relation to its corporate governance, it continues to address its own dilemma in achieving profits of $15 billion in 2006 on one hand, and achieving a company label as supporter of child slave labour on the other (Hill, 2009).

The anti-sweatshop movement has been prominent and outspoken resulting in key sweatshop monitoring systems now in place (Waddock, 2004; Bernstein, 1999). Applebaum and Dreier (1999) report on the momentum of the movement across university campuses in the United States. The anti-sweatshop movement has generated a large wave of student activism, demanding workers be paid a living wage, an end to discrimination against women workers, public disclosure of the locations and independent monitoring of factories (Arnold and Bowie, 2003; Applebaum and Dreier, 1999). Reebok in Indonesia and Liz Claibourne in Guatemala have subsequently allowed independent audits of their factories (Bernstein, 1999).

Writers Scherer and Smid (2000) comment on how lower international labour costs have affected the manufacturing sector, including the textile industry. Many companies in industrialised countries have experienced closures to branches of their industry because of lower manufacturing costs in industrialising nations (Maitland, 1997; Scherer and Smid, 2000). Developing countries with emerging economies have lower production costs due to non-existent health and safety regulations, trade union activities and environment protection, their industries provide wages below subsistence levels and use child labour (Margolis and Walsh, 2003; Scherer and Smid, 2000).

*Child labour*

In 1996 the ILO estimated that there were at least 120 million full-time child workers between the ages of five and fourteen worldwide, with over 250 million children having work as a secondary activity (Hindman and Smith, 1999; *Child Labor,* 2002). The use of child labour is mainly concentrated in the developing regions throughout Asia, Africa and Latin America (Hindman and Smith, 1999). A child is defined by the *Convention on the Rights of the Child* (1990), as any person below the age of eighteen, unless the law applicable to the child declares that majority is attained earlier. Article 32 of the Convention states that a child has the right to be protected from economic exploitation and performing work that is hazardous or harmful to their health, physical, mental, spiritual, moral or social development or interferes with their education.

Worst forms of child labour such as forced and bonded child labour are particularly alarming to the Children's Rights Division at Human Rights Watch (*Child Labor,* 2002). Estimated millions of children, with 15 million in India alone, work extensive hours in dangerous and unhealthy conditions. For example, incidents are reported where young children working at looms have resultant disabilities such as eye damage, lung disease, stunted growth and susceptibility to arthritis (*Child Labor,* 2002).

Bonded labour occurs when a family receives an advance payment to hand a child over to an employer (*Child Labor*, 2002). Inevitably, the child finds it difficult to work off the debt and the family cannot raise the money to buy back the child. The

employer usually deducts expenses and interest from the child's wages so that it is almost impossible for the child to repay the debt. The U.N. Supplementary Convention on the Abolition of Slavery, the Slave Trade, and Institutions and Practices Similar to Slavery (*Supplementary Convention on the Abolition of Slavery the Slave Trade and Institutions and Practices Similar to Slavery, 1957*) sought to outlaw debt bondage or debt peonage in 1956. All countries apart from the U.S.A. and Somali have ratified the Convention on the Rights of the Child (*Questions and answers on the UN special session on children,* 2006).

The *International Labour Organization* (2002) reports that more than 100 nations have ratified International Labour Organization (ILO) Convention No. 182, which calls for immediate action to ban the worst forms of child labour. Each member is required to ratify the Convention and take immediate action to prohibit the worst forms of child labour as a matter of urgency (Convention, 182; 1999). Australia has yet to ratify the ILO Convention, waiting on response from its State Governments (International Labour Organization, 2002).

Human Rights Watch (*Child Labor,* 2002) reports that children's work is sometimes beneficial to their families; however, this may depend on the working conditions and whether it is prohibitive to the child's education. Often the cause of child labour is not due to greedy employers, but poverty (Becker, 1999). Indeed, the good intentions associated with reducing child labour resulted in plunging many impoverished children even further into poverty. In 1993 approximately 70,000

children in Bangladesh lost their jobs when the United States introduced the *US Child Labor Deterrence Act of 1992* (Murshed, 2001). A subsequent study by UNICEF found that deprived of their income, many children were driven into dangerous jobs and sexual abuse increased for girls (Murshed, 2001).

If child labour was placed in historical perspective the past practices of Great Britain and the United States reveal that the use of child labour was extensive during their industrialisation phase (Hindman and Smith, 1999). For example, one of the first laws to be passed in Massachusetts was to prohibit children working below the age of fifteen (Basu, 1999). Hindman and Smith (1999) state that emerging economies will follow the same processes of high levels of child labour but discontinue the practice once the country is industrialised. They argue that a culturally relativist approach is more appropriate than a universal one that condemns child labour. Donaldson (1996) refers to this as a conflict of relative development where ethical standards reflect differing levels of economic development. If developing nations are to attract outside investment, practices such as child labour are viewed as necessary. As emerging economies become richer, the conflicting practice tends to cease (Donaldson, 1996), with resultant attachment to self-regulation to promote corporate social responsibility through strategies such as codes of conduct (Kolk and Tulder, 2002).

Becker (1999) argues that the only way to resolve the issue of child labour and poverty is to pay parents to send their children to school. The World Bank supports

this initiative, providing financial incentives to poor families (How the World Bank is fighting child labor, 1999); in Brazil and Mexico payments to poor families have been successful (What Becker calls bribery we call a scholarship, 1999).

*Discrimination*

The ILO adopted the C111 Discrimination (Employment and Occupation) Convention in 1958 (International Labour Organization, 2002). Under the terms of this Convention discrimination includes any distinction, exclusion or preference made on the basis of race, colour, sex, religion, political opinions, national extraction or social origin which impairs equality of opportunity or treatment in employment or occupation. In total, 154 countries have ratified the C111 Convention including Australia, which endorsed the Convention in 1973 (International Labour Organization, 2002).

The International Convention on the Elimination of All Forms of Racial Discrimination (CERD) in Human Rights Watch (*Racial discrimination and related intolerances* 2001:1) defines Racial Discrimination as:

> *any distinction, exclusion, restriction or preference based on race,*
> *colour, descent or national or ethnic origin which has the purpose or*
> *effect of nullifying or impairing the recognition, enjoyment or exercise,*
> *on an equal footing, of human rights and fundamental freedoms in the*
> *political, economic, social, cultural or any other field of public life.*

A report from the Human Rights Watch (*Racial discrimination and related intolerances,* 2001) states that race and religion have shaped many of the human rights abuses around the world. In addition, many world leaders have exacerbated this intolerance for their own political purposes. Combined with the widespread fear generated after the September 11, 2001, terrorist attacks, racism and xenophobia have proliferated worldwide (*Racial discrimination and related intolerances,* 2001).

Discrimination experienced by women globally has also contributed to human rights breaches in terms of equality and fundamental freedoms in political, economic, social, cultural or civil fields (Office of the High Commissioner for Human Rights, 1981; *Discrimination in retraining,* 1994). The Committee on the Elimination of Discrimination Against Women was established in 1979 under the terms of the Convention to undertake constructive discussions and formulate recommendations to the United Nations (Office of the High Commissioner for Human Rights, 2000). The Convention on the Elimination of All Forms of Discrimination Against Women was entered into force in 1981 (Office of the High Commissioner for Human Rights, 1981). The Convention confirms the fundamental human rights for women such as dignity and worth in terms of equal rights.

Reports from the Human Rights Watch continue to identify many countries where basic human rights for women are constantly challenged (*Human rights developments,* 1999). For example in 1998 fourteen (14) countries, that had agreed

to eliminate sex discrimination, were still continuing to deny women the right of full citizenship in their own country. In 2000, Human Rights Watch reported on several governments failing to enforce international and national discrimination laws protecting women seeking work or while they were at work (*Labor rights,* 2001).

In Australia the Human Rights Equal Opportunity Commission (HREOC) was established by the *Human Rights Equal Opportunity Act* in 1986 (Jefferies, 1997). Human rights under the Act are defined in line with those expressed in the various international declarations and conventions (Jefferies, 1997).

*Exploitation*

The OECD has developed three practical guidelines for Aid agencies on issues of poverty reduction, sustainable development and conflict prevention. They seek to increase coherence in debt relief, trade, investment, agriculture, environment, migration, health research, security and arms sales (Rising to global development challenges, 2001).

Sustainable development refers to integration of the economic, social and environment objectives of society so as to improve the well-being of people living now without compromising the ability of future generations to fulfil their needs (Rising to global development challenges, 2001).

Nonetheless, countries which provide foreign aid to assist emerging economies can be viewed as being self-fulfilling in their interests. For example, the official web site for USAID's claims that the principle beneficiary of America's foreign aid has always been the United States. The program cost around $13billion in 2000, creating new markets for US goods and thousands of jobs for US citizens (Dobbs, 2001).

**Background to the Research**

This research was conducted in an Australian context in order to develop findings applicable to Australian international business managers, Government legislators, industry bodies and overseas managers seeking to trade with Australian organisations. A study by Buller, Kohls and Anderson (1997) reported that there was insufficient research available on how managers actually respond to cross-cultural ethical dilemmas. Overall there appears to be limited qualitative and descriptive data available on the ethical issues confronting managers and what managers are actually doing about ethical dilemmas (Kavali *et al*., 2001).

Research conducted by Buller and colleagues (1997) suggests a need for substantial investigation into what managers are actually doing about cross-cultural ethical dilemmas. They also contend that there is a need to examine how the managers' actions will relate to the various global codes being developed by governments, institutions and organisations. To date there has been no research undertaken

providing an insight into how managers actually respond to cross-cultural ethical dilemmas and whether these responses are congruent with their intended actions.

**Research Method**

Senior Australian managers operating internationally form three diverse industry groups (mining, textile and IT) were interviewed. Seventy (70) face-to-face interviews were conducted throughout Australia to ascertain the critical incidents of ethical dilemmas confronting Australian managers in their international operations.

The research method used was the Critical Incident Technique (CIT). The CIT is a process of collecting observations or anecdotes to aid in finding solutions to various issues, within a specific situation (Flanagan, 1954). This approach allowed data to emerge according to the values of the respondents rather than the values of the researcher. The primary research question asked of respondents centred on their experiences with ethical dilemmas when operating offshore. Respondents were asked:

> *Can you tell me about a recent incident or experience where you felt*
>
> *there was an ethical dilemma because of cross-cultural differences?*

Respondents were encouraged to tell their stories or anecdotes about ethical dilemmas they had confronted. In this study an ethical dilemma is defined as a

situation that challenges the organisations' normal practices and therefore requires special consideration in dealing with it. Ronan and Latham (1974) suggest that an incident should have occurred within six to twelve months of the interview to ensure accuracy of recall. For this reason emphasis was placed on documenting incidents identified by the participants as having occurred within twelve months of the data collection interviews.

*Sample*

Seventy (70) senior Australian managers operating internationally in the mining, textile and IT industries were interviewed for this research. The data was collected from Western Australia, South Australia, Victoria, Canberra, New South Wales and Queensland providing experiences from a broad spectrum of organisations from across Australia. The diverse group of participants provided a rich source of information based on their authentic experiences. Each of the participants provided multiple examples of critical incidents that affected their business operations.

*Data Analysis*

Analysis of data collected in this research was based on content analysis methods using coding and categorisation processes as described in Holsti (1969). Data were transcribed verbatim then coded using categories in an index tree structure developed with the aid of NUD.IST software. NUD.IST is an acronym for Non-numerical, Unstructured, Data in qualitative research supported by Indexing, Searching and Theorising (Qualitative Solutions and Research, 1997). NUD.IST

software was used to code data and references in categories organised in an index system (a hierarchical system called trees), that facilitated exploration of emerging ideas and themes (Richards and Richards, 1993).

The qualitative data were further assessed on the number of responses in each category, namely, those categories that achieved a response rate greater than seventy-five percent (75%) were classified as 'most' respondents, between seventy-five percent (75%) and twenty-five percent (25%) were referred to as 'many' respondents and less than twenty-five percent (25%) were cited as 'some' respondents.

## Research Findings

The ethical dilemmas associated with human rights emerged across the three industry groups as four key categories: child labour, working conditions, discrimination and exploitation. Respondents cited multiple examples of situations that they believed violated basic human rights. The most frequently occurring ethical dilemma from the four sub-categories was the issue of child labour. Working conditions, discrimination and exploitation were also considered important but were not of the same magnitude in terms of the number of respondents citing incidents of child labour.

*Child Labour*

Child labour was an ethical issue that was prevalent particularly in the textile industry, respondents directly experienced situations where international operators employed child labour. The incidents regarding child workers usually referred to child labourers aged between six and ten working in textile mills or factory type environments.

Respondents described instances where they were gravely concerned by incidents of very young children being employed, often in appalling conditions. The following comment from one respondent in the textile industry provides a typical example of the situation confronting respondents when deciding to trade with an international organisation.

> *I mean there are some terrible practices in some of those places and I have been to some of those places. I went to this place in particular where they were using child labour and it was just awful, it was appalling. The children where quite young some of them. And it's not just the children it is the condition they are working in, it is absolutely terrible.*

The incident of using child labour was not restricted to a small number of disreputable firms but was endemic in some regions. The following comment was quite typical of many respondents who were deeply concerned and disturbed by the exploitation of child labour:

*I spent many years working and living in China and I can say that I*

*have not been in one factory where there hasn't been child labour.*

A number of respondents were philosophical about the high incident of child labour and provided some insight as to why they thought this situation prevailed. Respondents explained the importance of a child's wage to some families and indeed believed that restricting child labour may result in poorer families suffering financial hardship. The comment below illustrates this dilemma for respondents:

*I talked to the manager and said "I didn't think they'd have people*

*working so young" but he said "they are sort of happy to work there*

*because if they didn't they'd be out in the gutter".*

Some respondents believed that restricting child labour may result in poorer families suffering financial hardship. The comment below illustrates this dilemma for respondents:

*In most occasions those kid's incomes is a very important part of the*

*family income.*

One respondent did comment that the pressure placed on overseas operators to cease employing child labour was resulting in some change of attitude. Mostly, the

dilemma of child labour and how best to deal with this issue is a major problem for respondents operating in the textile industry.

### *Working conditions*

Working conditions was an ethical dilemma that emerged related directly to situations arising from working conditions in these factory type environments. Indeed, respondents regarded the working conditions and environments as appalling and an issue of deep concern. Most respondents' concern was levelled at workers being exposed to unreasonable health and safety risks within their working environment. One respondent described the working condition of a textile mill, which was typical of many similar comments:

> *The spinning mill which included a number of second hand shuttleless looms which didn't work properly was as low tech as a mill can be. It was almost impossible to breathe in the spinning section due to the cotton fibres in the air.*

This was followed by many other examples where respondents reported conditions that they considered unbearable for workers to sustain in the overseas factory. The incident below followed on from the many similar experiences of textile industry respondents:

*I have been in Pakistan a number of times and to walk into lets say a cutting room and what a cutting room does is sort of combs the cotton and there are sorts of little bits of minute pieces of cotton floating in the air and you can walk into a cutting room and the air will be blue just because of fibres in the air (pointing to a photograph) ... the life expectancy of someone working under those conditions is obviously reduced.*

The safety risks many people were exposed to while working in some factory and mill environments also came under scrutiny and represent an ethical dilemma for respondents trading with some foreign companies. For example the concern about safety standards is illustrated in the following statement:

*I remember there was one person who was dipping actually an element in some acid before it was processed and one of my colleagues said "well why hasn't that person got rubber gloves on".  The answer from the factory was, "well if she had rubber gloves, then they would all want rubber gloves".*

### Discrimination

Discrimination emerged where there is inequality, more frequently based on gender or racial backgrounds. There was some subtle reference to religion but the main emphasis focused on the former areas.

Some respondents also reported difficulty in accepting the blatant discrimination that occurs within some cultural groups. Predominantly the discrimination relates to inequities experienced by female employees in some cultures. The other form of discrimination concerning respondents as an ethical issue of some significance was based on racial background. Discrimination was targeted at particular races being either excluded or treated unfairly in the work environment.

*Exploitation*

Exploitation was an important category that focused on the impact of third world debt and the role played by the world aid system. One respondent made the following comments that typified the views of some Australian managers:

> *The aid world is ... all about massive capital injection and then huge debt forever after.*

There were specific incidents provided where the infrastructure of a country could not support or sustain the technology implemented but projects were continuing to be funded. The dilemma predominantly centred on the disparity of funding between sustainable versus popular projects.

> *That then turns into a problem with the way the world aid system is structured. I swear you could get 100 million dollars to build a dam*

*easier than you could get fifty thousand dollars a year for the next 10*

*years to actually employ a group of people on some long term projects*

*and get them up with basic supplies and pens and paper.*

The following specific incident was indicative of the experiences respondents were

confronted with that they found unethical:

*They wanted a system to send readings from the reservoir down to their*

*office, you know, and they got quotes for 200, 150, 200 thousand dollars*

*and we came in with 50,000 dollars. And I asked him what they*

*currently did and they said that they have a guy that goes up reads this*

*board, he rides his bike down to the board and gives us the reading. I*

*said how much is he on, he was on a thousand or fifteen hundred*

*Australian dollars per year, was his salary.*

*Which was installed, $50,000s worth of equipment but they couldn't*

*even afford the batteries to replace.... It would have been better to give*

*them $50,000 or at least instalments of $1,000 a year and you could ...*

*of had that guy for 10 years.*

Another aspect of exploitation considered unethical is the political or financial

impetus driving the world aid system. Respondents reported their concerned about

the emerging trend by wealthier nations to assist the third world in return for
political or financial favours.

## Reponses to ethical dilemmas

There were two main approaches that emerged from the data indicating what
actions respondents say they take when confronted with breaches in human rights.
Many reported refusing to engage in practices that they deemed to be unethical
whereas others were willing to comply.

*Refusal*

There were many examples where respondents declined business or implemented
policy that guided involvement in business that were deemed to be unacceptable.
This response was the most frequently occurring reaction and was prominent across
all three industry groups investigated. The refusal category was based on corporate
values and respondents' personal integrity and beliefs about right and wrong
behaviour. Organisational commitment or corporate values generated a strong
resistance to what many of the respondents viewed as unethical conduct.

A main aspect of refusal was for respondents to decline business. Australian
managers from the three industry groups were prepared to sacrifice business and
become less competitive rather than compromise their integrity and values. A large
number of actions were cited where respondents lost business rather than

compromise their ethical beliefs. Although there was a sense of frustration when other organisations benefited from taking a less moral position, respondents took the perspective that their organisations and their own cultural values and beliefs had to prevail.

In many cases it was those respondents in more prosperous financial positions that took the position of avoiding particular countries or people that they thought behaved unethically. These respondents had the option to avoid contact with or making contracts with those whom they considered had difficult cultural business practices.

Respondents also reported the development of codes of ethics, regulations or specific policies that guide decision-making processes involving ethical issues. All three industry groups reported the importance of implementing corporate codes and policies to drive ethical behaviour. The following statement was indicative of how positive respondents felt about the fallback position of a company policy relating to ethical issues:

> *We have a strong ethical policy, in conducting our business and we will walk away from business if it means that we have to do something that we class as business unethical.*

In some instances respondents reported that the organisation implemented formal checking procedures to ensure that company policy was being adhered to and followed though by employees. For these respondents the organisation's foresight and long-term perspective far outweighed any short-term gain in reaping financial rewards.

*Compliance*

Respondents also reported taking a 'when in Rome do as the Romans do' position when doing business in other countries. These respondents accepted the cultural morés of the local culture in order to do business. In many cases this was viewed as being part of the business process and personal beliefs and ethics took second place.

The following statements describe situations where respondents often simply complied with questionable requests, as the situation was deemed beyond their control. In many instances respondents appeared resigned to the fact that to do business in certain cultures you needed to adapt to their rules.

> *I guess we are not like a some companies that won't buy from a country because of their human rights situation, I mean we don't go into that ... we never will be in a position to say unless you do that we are not going to buy from you ... and at the end of the day we are out there to make a dollar.*

Respondents defended their decisions to comply with local cultural norms as many of these managers particularly felt pressure from their competitors, claiming that others were doing it so why should they lose business by not complying. For example:

> *But I must admit that wouldn't stop us ... if we weren't doing it somebody else would, our opposition so we would go ahead and do it*

Respondents extended this to incorporate lost business opportunities if they did not comply with local customs and expectations, such as:

> *But we have to bend and stretch and be flexible in that Asia market place because if we stood on the moral high ground all the time, that's good we would be occupying some moral high ground but we would have no business what so ever, none at all.*

Overall many respondents believed that the only option in order for them to continue business was to comply with and respect local customs and cultures. Many respondents believed and supported the notion that if they were not violating overseas law then they were justified in respecting and following the rules and standards of the host culture.

## Discussion

Respondents from the three industry groups of mining, textiles and IT described various human rights issues as ethical dilemmas confronting them in their international operations. These included human rights issues that violated respondents' own ethical values in relation to the treatment of others in their working environments and subsequent economic development. The key concerns related to the use of child labour, detrimental working conditions, discrimination and exploitation of workers. These concerns created perception of a dilemma for managers in relation to business opportunities before them, versus their social conscience about fundamental human rights breaches. Respondents reported the perceived ethical dilemma involved determining whether they should continue trading in those countries that violated what they believed to be the fundamental human rights of others.

Child labour was particularly problematic to those undertaking business associated with offshore factories and textile mills. Asgary and Mitschow (2002) write that when other countries have different work standards such as those in relation to child labour, a moral dilemma is created for the home country when there is an inherent violation of fundamental human rights. Managers in this study reported many incidents of factory operators employing children below the age of sixteen, predominantly between the ages of six and ten. The work situation was often

described as exploitive in terms of remuneration and detrimental to the educational opportunities for the child workers.

Respondents also described a perceived double dilemma in relation to child labour in terms of necessity and poverty. That is, managers believed there would be further hardship and adversity if the additional income from a child were not available. For example, one respondent was informed that without the child's income the family would be 'out in the gutter'. Human Rights Watch (*Child Labor,* 2002) and Becker (1999) point out that a child's work is sometimes necessary to their families and that the cause of child labour is extreme poverty and unavailability of access to other income. Murshed (2001) contends that the good intentions of conventions and treaties to reduce child labour has actually plunged many impoverished children into further poverty. A study by UNICEF found that many children deprived of their income were driven into dangerous jobs and the incident of sexual abuse increased especially for girls (Murshed, 2001). Australian managers were confronted with the ethical dilemma of refusing to participate in trade where there was child labour and possibly subjecting children and their families to further hardship as well as sacrificing business opportunities.

Working conditions also emerged as an ethical dilemma and was often associated with operations that also used child labour. The most widely cited human rights issue relating to working conditions portrayed in the literature relates to sweatshops, where employees work excessive hours in intolerable working conditions for a

remuneration below the living wage (Maitland, 1997; Applebaum and Dreier, 1999; Bernstein, 1999; Scherer and Smid, 2000; Singam, 2000; Roddick, 2001).

There were many reported incidents in this research where workers in these environments were exposed to hazardous health and safety risks. For example, factory workers exposed to dangerous levels of fibres because of inadequate ventilation. Armstrong and colleagues (1990) also found in their study that working conditions were identified as an important ethical issue for Australian managers in relation to contacts made with overseas organisations exploiting child labour. Asgary and Mitschow (2002) write that the labour law and conditions in developing countries are usually not as favourable as those in developed countries, particularly in relation to people working in hazardous conditions, unprotected and exposed to harmful chemicals and unsafe working practices.

In this research the incidents reported related mostly to safety standards and hazardous working conditions. This included pollutants (unclean air or exposure to hazardous chemicals) and processes used by foreign organisations, violating basic safety standards (unsafe equipment). Production and processing costs were reduced because of the substandard conditions and wages paid in poorer countries. Scherer and Smid (2000) write that developing countries with emerging economies have lower production costs due to non-existent health and safety regulations, trade union activities and environment protection and have wages below subsistence and use child labour. Where some respondents reported ceasing to trade with these

companies, mostly managers considered that there was little opportunity to change the current practices. Nonetheless, managers were unanimous in condemning hazardous working processes and conditions.

Discrimination emerged as an ethical dilemma for the mining and textile industry where incidents of inequality emerged based on gender and race. It was not, however, the centre of a critical incident, but rather a background factor that caused irritation or concern, rather than change of operational strategy. The *International Labour Organization's* (2002) Discrimination (Employment and Occupation) Convention states that discrimination includes, any distinction, exclusion or preference made on the basis of race, colour, sex, religion, political opinions, national extraction or social origin which impairs equality of opportunity or treatment in employment or occupation. Respondents stated they were confronted with the ethical dilemma of conducting business with overseas organisations that discriminated against their workers.

Australian managers had difficulty dealing with gender discrimination that occurred in some cultures, where discrimination against female employees was accepted and was seen to result in those workers being excluded from employment opportunities in management positions. In one incident a Japanese executive stated that they only want to employ male managers. Gender-based discrimination contravenes the Convention on the Elimination of All Forms of Discrimination Against Women (Office of the High Commissioner for Human Rights, 1981). The Convention

confirms the fundamental human rights to women such as dignity and worth in terms of equal rights.

Racial discrimination also emerged where a person belonging to a specific race was excluded or treated unfairly in the work environment. Discrimination impacted on employment opportunities and caused a dilemma for Australian managers when confronted with situations where overseas companies excluded or treated others unfairly. Respondents were confronted with the dilemma of continuing business associations with organisations where discriminatory practices occurred. McNeil and Pedigo (2001) also identified racism as a key ethical dilemma confronting Western Australian managers in their international business. The Australian managers in McNeil and Pedigo's (2001) research were similarly confronted with the ethical dilemma of either working for or dealing with overseas organisations where gender or racial discrimination existed or forgoing business and employment opportunities.

Exploitation was another human rights dilemma. Managers were confronted with the ethical dilemma of tendering for unsustainable projects funded by various world aid institutions such as the World Bank. They perceived they had the choice of tendering for lucrative projects that had no long-term benefit for the developing country or losing business opportunities through such projects to competitive companies. Moreover, managers believed that some projects were unsustainable and the recipient country would gain no real benefit and incur substantial debt. This

is contrary to OECD guidelines on sustainable development which seeks to integrate the economic, social and environment objectives of society in such a way to improve the well-being of people living now without compromising the ability of future generations to fulfil their needs (Rising to global development challenges, 2001).

A more ominous aspect of the world aid system is the exploitation of poorer nations by richer countries. For example, one manager stated that the only people who really benefit from world aid programs are the donor countries. In some cases benefits also included political favours. One manager described an incident encountered where the donor country donated aid contributions in return for fishing rights. Managers viewed countries that provided foreign aid to assist emerging economies as being self-fulfilling and mostly benefiting the recipient country. Indeed, Snyder (2010) posits that the potential for exploitation continues and will continue to remains strong where poverty is prevalent.

*How do Australian managers respond to perceived cross-cultural ethical dilemmas?*

Australian managers from the three industry groups took two opposing actions when responding to human rights ethical dilemmas in their international business operations, namely; refusal and compliance. These two responses aligned with the

ethics literature relating to imperialism and ethical relativism (Donaldson 1996; De George 1993).

Refusal was one action taken by Australia managers dealing with human rights issues associated with their international business operations, including refusal to participate in unethical activities that were perceived to violate their own values. In keeping with the strategy of refusal, Australian managers took an imperialist approach (Donaldson 1996; De George 1993a) by applying their own values when determining actions to be taken when confronted with an ethical dilemma. This approach argues that people should apply their own cultural ethical values when operating anywhere around the world (Gopalkrishnan 2001; Donaldson 1996) applying home values and approaches to tackling ethical dilemmas. The implications of refusal resulted in many respondents sacrificing overseas business opportunities because they adhered to their particular ethical values.

There were incidents where managers reported closing down their operations, as they were not prepared to participate in unethical practices. Indeed, respondents lost business opportunities to other companies by refusing to participate in activities that breached their own or their company's values and standards of practice. However, there was a tendency for this to occur in organisations where ceasing to operate overseas was not detrimental to their financial viability. Respondents who reported closing down operations tended to be those in secure financial position to implement such decisions.

Many managers referred to the establishment of a company policy or organisational standards of conduct that specified preferred operating practices and behaviour when operating overseas. The policy statements reflected the companies' values and norms and guided managers in their decision-making process with regard to the ethical dilemmas.

As an approach, refusal represents an imperialist approach in dealing with cross-cultural ethical dilemmas and attracts criticism in the literature. For example, managers are admonished for applying their home-country ethical values when confronted with ethical dilemmas and are considered disrespectful of other cultures (Donaldson & Dunfee 1999; Donaldson 1996; De George 1993a). These writers state that one should not assume one's own ethical values are the only morally correct or permissible ways of conducting business internationally.

However, it could be argued that respondents also portrayed refusal in terms of protecting the rights of others, in line with the ethical philosophy of deontology, rather than made a deliberate choice to impose their ethical values on others. The deontological perspective focuses on protecting individual rights and justice (Ferrell, Fraedrich & Ferrell 2002). That is, what makes an action right is not the final consequences or outcome, but factors associated with moral rights and social justice, such as, equal rights, individual liberties and entitlements (De George 1990). For example, when dealing with organisations that use child labour and

unsafe work practices, respondents were concerned about justice and equity. This was evident in respondents declining business opportunities rather than violate the rights of others in relations to perceived human rights breaches.

The German philosopher, Emmanuel Kant, influenced contemporary deontological thinking about ethical choices through his categorical imperative of "act as if the maxim of thy action were to become by thy will a universal law of nature" (Trevino & Nelson 1999:82; Ferrell, Fraedrich & Ferrell 2002:61). That is, whether a particular approach is suitable to become a universal principle that everyone should follow. For example, with child labour, the imperative would be to ask, whether exploiting children is something everyone should do. What kind of world would it be if everyone acted this way? Indeed, in this study where there were cases of child labour, exploitation and unsafe work practices, respondents considered these behaviours as inherently wrong rather than specific to their own cultural values.

Compliance was another action taken by Australian managers when confronted with a cross-cultural ethical dilemma. To comply with requests that violated their own values and cultural norms refers to a relativist approach (Kohls & Buller 1994:31), the concept of which suggests that one should follow the ethical norms of the country in which they are doing business. Australian managers took the perspective that their organisation's purpose was to do business and not to pass judgement on other cultures. Relativism favours the belief that no culture's ethical beliefs and values are better than any others (Donaldson 1996). However, Ciulla

(1991) and Dobson (1990) write that organisations from wealthier countries sometimes use relativism to justify unacceptable business practices in poorer countries, where the rules and social norms permit questionable practices and behaviours.

Although some Australian managers in this study appeared to be embracing the relativist approach in dealing with ethical dilemmas, for many it was not put forward as a philosophical choice but a business reality. Managers found they were often placed under pressure to comply or lose business to competitive organisations. Managers reported situations where they were abiding by local customs, but had a strong awareness of violating their own values of 'right and wrong'. In these instances, complying with an unethical act did not represent a sense of satisfaction in honouring the cultural values of another country. Managers reported frustration and unease at having to participate in an untenable activity based on purely utilitarian business decisions, such as dealing with overseas organisations where there was child labour or unsafe working conditions. For many respondents who were managers of their own businesses, decisions needed to be based on purely financial considerations and their long-tern viability.

The relativist perspective appeared to relate to those organisations that did not have the financial strength to take the 'high moral ground'. Respondents most affected tended to be those representing the textile industry group where current industry conditions made them vulnerable to market demands. That is, respondents from the

textile industry were operating in a highly competitive global market where other overseas companies were willing to participate in what they considered unethical activities.

**Conclusion**

Human rights issues represented a serious dilemma for the Australian managers participating in this research. The dilemmas issues associated with breaches in human rights consisted of child labour, working conditions, discrimination and exploitation alarmed respondents at what they viewed as breaches of basic human rights. Managers tended to be philosophical about what actions to take when confronted what they believed to be with breaches in human rights. Many refused to participate. However, respondents' sense of dealing with cross-cultural ethical dilemmas appeared to be limited in terms of perceived economic needs for those in more robust financial positions versus social justice, where practices such as child labour and reduced working conditions were deemed unacceptable.

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