




1989

# The Global Corporation

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## **Abstract**

This chapter will offer an introductory sketch of the theory and practice of the multinational firm. Of necessity it will be a still image of a moving, elusive phenomenon. The sketch will be drawn, moreover, from a moral angle; it highlights the vast powers of multinationals, the existing codes and laws influencing their activities, and the rare theoretical attempts that have been made to understand their ethical responsibilities. Yet it attempts almost no moral analysis. Its aim is descriptive; it is to serve as a preliminary for the moral analysis that will follow.

## **Disciplines**

Business Law, Public Responsibility, and Ethics | Business Organizations Law | International Business | International Law | Law | Legal Theory | Organizational Behavior and Theory | Organizations Law

# 3

## The Global Corporation

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(The multinational corporation has been defined as “a national company in two or more countries operating in association, with one controlling the other in whole or in part.”<sup>1</sup> The definition suggests correctly that although global companies are multinational in doing business in more than one country, their composition and character reflects significant uninationality. They are chartered in a single country; typically a majority of their stock is owned by citizens of their home country; and their top managements are dominated by citizens of their home country.)

The modern multinational is a product of the post-World War II era. Its dramatic success has stemmed from, among other factors, spiraling labor costs in developed countries, increasing importance of economies of scale in manufacturing, improved communication and transportation systems, and rising worldwide consumer demand for new products.<sup>2</sup> A host of ethical issues has dogged the evolution of the multinational. These fall in at least eight major categories: bribery and corrupt payments, employment and personnel issues, marketing practices, impact on the economy and development of host countries, effects on the natural environment, cultural impacts of multinational operations, relations with host governments, and relations with the home countries.<sup>3</sup>

Such issues are often subtly distinct from similar issues arising in domestic contexts and require global rather than domestic solutions. Consider the issue of bribery and the specific controversy surrounding the United States Foreign Corrupt Practices Act (S.305). The FCPA was passed in 1977 in the wake of the Lockheed bribery scandal, in which Lockheed officers bribed Japanese government for a lucrative plane contract. The FCPA prohibits U.S. corporations from offering or providing payments to officials of foreign governments.<sup>4</sup> Yet whatever U.S. corporate officers happened to think of the ethics of bribery (or "sensitive payments"), they were quick to recognize upon the passing of the FCPA that if they refrain from bribery while their West German, Japanese, and English competitors persist, they are saddled with a stark competitive disadvantage. Legislators who drafted the act hoped that other countries would follow the U.S. lead and establish antibribery acts of their own. But years after passage of the act their hope remained a dream, and U.S. industries continued to suffer from "less ethical" competition. The point is simply that for multinational problems of this kind, effectiveness and fairness require global, not domestic, solutions.

We should not be surprised that multinational activities often spawn ethical controversy. The usually reliable backdrop of national law, the local legal order which tends to ensure a minimum level of compliance for domestic corporations in domestic markets, is missing in the international scene. Domestic law is usually less effective in regulating the activities of home-chartered corporations abroad than at home, and often also is less effective—especially when it is the law of a small, developing country—at regulating the activities of large, foreign multinationals.

Then there is the fact of corporate power. Philosophers note that enhanced power confers enhanced responsibilities, and for this reason it is significant that both critics and defenders of the multinational corporation view it as one of the world's formidable repositories of power. Richard Barnet and Ronald Muller, well-known critics of multinationals, have remarked that the global corporation is the "most powerful human organization yet devised for colonizing the future."<sup>5</sup> And in the same vein, business analyst P. P. Gabriel, writing in the *Harvard Business Review*, has characterized the multinational as the "dominant institution" in a new era of world trade.<sup>6</sup> Such claims reflect the fact that, with the exception of a handful of nation-states, multinationals are alone in possessing the size, technology, and economic reach necessary to influence human affairs on a global basis. National boundaries themselves are often merely doorways to trade for multinationals: IBM operates in 126 countries, communicates in 30 languages, has twenty-three overseas plants, and

since 1970 the U.S.-based company has received over one half its total net income from overseas business.

Multinational power is not a wholly new phenomenon. We are reminded of the British East India Company, which hundreds of years ago deployed over forty warships, possessed the largest standing army in the world, was lord and master of an entire subcontinent, had dominion over 250 million people, and even hired its own church bishops.<sup>7</sup> In more recent history, the U.S. company ITT purchased a significant interest in the Focke-Wulf Company a few years before the outbreak of World War II. The Focke-Wulf Company turned out bombers for Hitler's war machine which were used to attack Allied forces shipping throughout the war. Some thirty years later ITT was able to collect 26 million dollars from the U.S. government as compensation for damage done to the Focke-Wulf Company by Allied bombing.<sup>8</sup>

Attributing power to multinationals is not the same as attributing immorality. Power itself is morally neutral. Great power enhances the possibility of effecting great evil, but similarly enhances the possibility of effecting great good. Indeed, it is from the latter perspective that many observers, including the liberal economist John Kenneth Galbraith, see the multinational as the most potent force for world peace and cooperation. This perspective extends the insight of William Robertson in the eighteenth century that "commerce softens and polishes the manners of men."<sup>9</sup> Power may define and enhance certain responsibilities, but it does not decree moral outcomes. In the end, the multinational corporation is probably something less than a savior, and less than a corruptor, but, as mentioned earlier, determining the multinational's worth is not an aim of this book.

Let us analyze multinational power by drawing a distinction between what might be called "first-order" and "second-order" power. First-order power is direct, exercised through a multinational's political or financial strength. Second-order power, in contrast, is indirect, derived from a multinational's organizational know-how, technological prowess, and status as a representative of cultural values or dominant market ideology.

One reason for the extent of first-order multinational power is the relative weakness of national power in certain spheres. George Ball, himself a frequent employee of multinationals, once remarked that the nation-state unfortunately "is a very old fashioned idea and badly adapted to our present and complex world."<sup>10</sup> Nation-states are linked necessarily to specific geographic locations; multinationals are not. Nation-states, especially those with democratic political regimes, are often unwitting victims of the disorganization brought about by attempting to answer a plurality of domestic voices, and their decisions

reflect international issues only with difficulty. The multinational firm, in contrast, can plan centrally and act globally. It acts unrestricted by the messy considerations of equity and democracy. Money, not political ideology, empowers its decisions. The power of money in an international environment was recognized by both Adam Smith and Karl Marx.

When we remember that in the United States more than 25 percent of the employees of its largest firms work outside the United States, we realize that even the power of the U.S. government to effect a stable overall employment policy is severely limited. Even attempts by the government to institute monetary policy have been weakened in a multinational economy. In 1986 the U.S. government in concert with the other leading developed nations agreed to devalue the dollar, and it was assumed that the U.S. trade balance would improve because U.S. goods would be relatively cheaper. But by 1988 the value of the dollar relative to a basket of foreign currencies had lost over a third of its value even as the trade balance refused to shrink. This unpredictable result occurred largely because multinationals outside the United States failed to raise the price of goods entering the United States because of their desire to retain market share.

World financial organizations such as the International Monetary Fund (IMF) and the World Bank are disposed to reflect multinational concerns and interests, which also enhances first-order impact. Since the most successful multinationals are based in the countries that shape the voting of the IMF and World Bank, those companies are in the position of having their interests reflected in the very mechanism of the organizational voting process.

Almost by definition, the multinational firm seeks an optimum allocation of its resources on a worldwide basis.<sup>11</sup> This means utilizing all economic advantages, which often includes playing off tax and salary expectations in one country against those in another. Whereas domestic firms must pay for capital and labor at the prevailing national rate, the multinational, other things being equal, pays the lowest rate it can find in the international market.<sup>12</sup> In turn, the restraints that the labor movement once could place on domestic industries have significantly weakened, since multinationals can simply move their manufacturing capacities abroad. Moreover, multinationals are sometimes able to utilize tax havens and to shift income from high-tax to low-tax countries. Bizarre events can occur as a result. In 1971 a loan of 120 million dollars was made to the Nassau Branch of the Fidelity Bank of Philadelphia. It was made despite the fact that the Nassau Branch of the Fidelity Bank of Philadelphia was nothing more than a desk and a telephone.<sup>13</sup>

In addition to its direct, first-order power, a multinational corporation may be said to wield significant second-order power. This power is indirect, related to its technology, organizational skills, and status as a representative of the dominant market ideology. For example, it was the organizational skills of the multinational which in Brazil made U.S. executives the leading sponsors of the Businessmen's Council Brazil-U.S., an organization that was said to have been the principal representative for many years of the total Brazilian private sector.<sup>14</sup> Similarly, the accounting know-how of the multinational firm allows it to maintain complex records, and to respond effectively to host country tax initiatives.

But the multinational is more than a locus of specialized skills and information. It is also, to use Barnet and Muller's memorable phrase, an "exporter of dreams." From the standpoint of a developing country, the multinational serves as the legitimate representative of the ideal life-style. By the beginning of the 1970s, the two leading advertising agencies in the United States, J. Walter Thompson and McCann Erickson, were earning well over 50 percent of their profits outside the United States.<sup>15</sup> It is said that shoe-shine boys in Beirut save their piasters to buy the real thing, Coca-Cola, instead of the other brands that sell for half the price.<sup>16</sup>

Most evidence suggests that both the first- and second-order power of the multinational will continue to increase. One reason is that multinationals often benefit from economic incentives offered by home governments, such as the foreign tax credit.\* Moreover, forces at work in the international economy push multinationals toward geocentricity. "The ultimate modal form of multinationalism if it is allowed to take its own course unhampered by the parochial intervention of nation states," writes Terutomo Ozawa, "is geocentric, the final stage being one in which the multinational corporation has no country to which it owes more loyalty than any other, nor any country where it feels completely at home."<sup>17</sup>

The very life cycle of a product helps explain this evolution. In the beginning a new piece of technology, such as the home computer, is the product of research and development in a developed economy. Then domestic latecomers enter the market, competing with the original group of companies. Concurrently, an export market develops in which competing producers are forced to seek other geographic areas where profit margins are higher. Still later, as profit margins begin to shrink again, it is necessary to reduce labor costs by tapping cheaper labor markets in developing countries. Compa-

\*In the United States the foreign tax credit serves to relinquish U.S. tax on income earned abroad up to the amount of the foreign tax.

nies such as Zenith simply cannot remain competitive by manufacturing radios and television sets in the United States and avoiding multinationalism. Rather, they are driven to multinationalism by the very forces that underlie the product life cycle.

### INTERNATIONAL LAWS, CODES, AND GUIDELINES

The formal responsibilities of multinationals as defined in domestic and international law as well as in codes of conduct are expanding dramatically. While many codes are nonbinding in the sense that noncompliance fails to trigger sanctions, these principles taken as a group are coming to exert significant influence on multinational conduct.)

A number of specific reasons lie behind the present surge in international codes and regulations. To begin with, some of the same forces propelling domestic attempts to bring difficult-to-control activities under stricter supervision are influencing multinationals.<sup>18</sup> Consider, for example, hazardous technology, a threat which by its nature recognizes no national boundaries yet must be regulated in both domestic and foreign contexts. The pesticide industry, which relies on such hazardous technology (of which Union Carbide's plant in Bhopal, India, is one instance), in 1987 grossed over \$13 billion dollars a year. Pesticide industries are mushrooming, especially in the developing countries.<sup>19</sup> It is no surprise, then, that the rapid spread of potentially dangerous technology has prompted the emergence of international codes on hazardous technology, such as the various UN resolutions on the transfer of technology and the use of pesticides.

Furthermore, just as a multiplicity of state regulations and laws generates confusion and inefficiency and stimulates federal attempts to manage conduct, so too a multiplicity of national regulations stimulates international attempts at control. Precisely this push for uniformity lies behind, for example, many of the international codes of ethics, such as the World Health Organization (WHO) Code of Marketing Breast Milk Substitutes. A well-known case illustrates the need for uniformity. This incident involved the collision of French and U.S. law in the sale of equipment by U.S.-based Dresser Industries to the Soviets for the planned European pipeline. United States law forbade the sale of such technology to the Soviets for reasons of national security while French law (which affected a Dresser subsidiary) encouraged it in order to stimulate commercial growth. It was neither to the advantage of Dresser Industries, nor to the advantage of the French or the U.S. governments, to be forced to operate in



an arena of conflict and inconsistency. For months the two governments engaged in a public standoff while Dresser and Dresser's public image were caught in the middle.

National laws, heretofore unchallenged in authority, are now being eclipsed by regulatory efforts. As Lee E. Preston has shown, these efforts fall in four categories: interfirm, intergovernment, cooperative, and world-organizational efforts.<sup>20</sup> The first category of "interfirm" standards reflects initiatives from industries, firms, and consumer groups, and it includes the numerous interindustry codes of conduct for international business, such as the Sullivan Standards for fair business practice in South Africa, the WHO Code on Pharmaceuticals and Tobacco, and the World Intellectual Property Organization's Revision of the Paris Convention for the Protection of Industrial Patents and Trademarks. The second category of "intergovernment" efforts includes specific-purpose arrangements between and among nation-states, such as the General Agreement on Tariffs and Trade (GATT) the IMF, and the World Bank.<sup>21</sup> "Cooperative" efforts, the third category, involve governments and industries in reciprocal arrangements that regulate international commerce. The European Community (EC) and the Andean Common Market (ANCOM) are two notable examples of such cooperative efforts.<sup>22</sup>

Finally, the fourth or "world-organizational" category includes efforts from broad-based global institutions such as the World Court, the International Labor Organization (ILO), the Organization for Economic Cooperation and Development (OECD), and the various subentities of the United Nations. This category is exceptionally varied. For example, OECD guidelines are directed at both private businesses and governments, and the OECD published its *Declaration on International Investment and Multinational Enterprise* in 1976, in which it laid down the so-called national treatment principle which insists upon equal treatment for all businesses in a given nation, regardless of home country. Another world-organizational entity, the International Labor Organization, is, like the World Court, an outgrowth of the defunct League of Nations, although since 1946 it has been formally affiliated with the United Nations. The ILO has 150 member nations and informs its activities through the maintenance of groups of delegates drawn from government, management, and labor. It has over the years generated hundreds of declarations of policy—more than 300 of which remain in place today—and is responsible for more than 5,000 ratifications by governments.<sup>23</sup> Among its more notable contributions are two principles from the ILO's "General Policies" section of the *Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy* (1977): namely, its endorse-

ment of "host-country" authority as the locus of legal control and the final arbiter in conflicts between host and home country; and its application of the "national treatment" principle to multinational issues, a principle which, like that promulgated by the OECD, demands equal, noncountry-specific treatment of businesses within a host country context.

Nonetheless, controversy is a hallmark of world organizational efforts, and disagreement constantly arises over the proper interpretation of regulatory principles. The interpretation of the "national treatment" principle is a good example. Some countries complain that a strict interpretation deprives them of the flexibility necessary to construct effective domestic policy. Others defend a strict interpretation as essential for fairness and economic efficiency.

Similarly, controversy has plagued the United Nations and allowed it to achieve only mixed success in international business regulation. On the one hand, insofar as it has contented itself with smaller issues and matters of technical clarification, it has been surprisingly successful. Consider, for example, the many General Assembly actions such as the Law of the Sea Treaty (1982), the Resolution of Restrictive Business Practices (1980), and the Moon Treaty (1980). Projects emanating from its many agencies also have successfully established guidelines in the areas of safety, environmental pollution, ocean shipping, and consumer protection. Yet more ambitious and radical U.N. attempts to regulate international business have failed, largely because they have tended to pit the developed against the developing countries, and to promulgate policies upon which no clear coincidence of interest and ideology exists. The call for a "new international economic order," which demanded substantial transfers of wealth from developed to developing nations, and which has been broadly supported by developing countries since its formal appearance in 1974, serves as the best-known case in point. The developed countries, as might be expected, have staunchly opposed significant transfers of wealth, while the developing countries have demanded them in the name of justice. Similarly, a conflict of ideology and interests has been chiefly responsible for the failure of the United Nations to approve or finalize its long-projected "UN Code of Conduct for Transnational Corporations."<sup>24</sup>

Most world-organizational policies also depend almost exclusively on national government implementation, and this constitutes a serious and sometimes fatal weakness in their application. As the actions of the United States in the conflict during the mid 1980s with the World Court over Nicaragua prove, countries sometimes thumb their noses at international rules when the rules lack the power of sanction. Virtually all of the guidelines of the OECD and the ILO rely

exclusively upon the discretion of individual governments (which do possess the power of sanction) for their adoption and implementation. Because of this, even if the United Nations had been successful in adopting its much-touted code for transnational corporations, it is doubtful how extensive international compliance would have been.

Without sanctions and an effective means of interpreting and imposing them, certain types of disputes have lessened chances of resolution. Take, for example, the case investigated by the OECD at the behest of the Belgian government involving a U.S. corporation, Badger, Inc. Badger decided to shut its doors without paying compensation to terminated Belgian employees as required by Belgian domestic law, asserting in its defense that it lacked sufficient funds. Yet Badger (U.S.) is a subdivision of the much larger Raytheon, Inc., a company with a deeper pocket. The Belgian government used Raytheon's deeper pocket as its key argument in making its case against Badger to the OECD. Negotiations between the Belgian government and Raytheon-Badger under the auspices of the OECD finally did lead to small compensation payments from Badger, but most believe that it was political and moral suasion, not the authority of the OECD, that prompted the resolution.

The question of sanctions has affected the definition as well as the application of "law" in international contexts. Because sanctions are regular accompaniments of domestic law, but not of "international law," some critics have come to regard "international law" as a misnomer. For example, the well-known legal theorist of the nineteenth century, John Austin, defines "law" so as to exclude principles without sanctions, and a number of respected twentieth-century theorists have followed suit. A similar issue arises regarding international guidelines affecting multinational corporations: the question is whether those guidelines qualify as "laws" or merely moral "obligations."

From one perspective, the dispute in both its commercial and political manifestation is trivial—a mere matter of words. That is to say, it makes little difference whether one uses the word "law," "obligation," "precept," or whatever, so long as one understands by the concept what other language users understand. Moreover, it is important to note that precepts can often be effective in securing compliance even without explicit sanctions. One of the more important sets of norms governing international conduct, diplomatic protocol, is typically backed neither by sanction nor by formal decree. Its norms include rules governing the treatment of ambassadors and of embassies; they are unconnected even to what the World Court decrees or what signed international documents specify.<sup>25</sup> They concern, rather, what nations operating in the international arena regard as reasonable practice. And, notably, they command almost universal compli-

ance (although exceptions, such as Iran's treatment of U.S. diplomatic hostages in 1979, sometimes occur).

### INTERPRETATIONS OF MULTINATIONAL CORPORATE RESPONSIBILITY

Although little writing by business academics confronts issues of international ethics directly, some writers deal with such issues obliquely. The area of research known as "business strategy" intersects frequently with questions of moral relevance. The intersection is predictable since, as one might expect, strategy forces one to prescribe action in a comprehensive and integrated manner, and causes one, in turn, to confront ethical claims.

We may distinguish "nonpolitical" from "mixed" strategic theories. Nonpolitical strategies emphasize economic advantage through the use of economic concepts. Michael Porter's well-known three generic strategies of overall cost leadership, differentiation, and focus fit the "nonpolitical" niche nicely, and much of the debate over international business strategy is cast in precisely such a mode.<sup>26</sup> In contrast, the "mixed" theories entail explicit political strategies and possess greater relevance for moral issues than purely economic ones. As it happens, the "mixed" strategic advice given by business academics to multinational corporations ranges from humanely motivated attempts to incorporate moral thinking into multinational decision making on the grounds of its long-term competitive payoffs, to blatant endorsements of political "hardball." Almost all the "mixed" literature tends to assume that multinational managers are well aware of the existence of political risks of operating in host countries, but that such managers often fail to approach risks systematically.<sup>27</sup> In other words, the assumption is that managers realize that once a company locates in a developing country the rules of the game may be changed, but the managers are confused about what to do about it. This assumption appears justified, and examples of rule switching abound. A well-known example occurred in India when corporate board membership requirements were suddenly altered in the wake of the Bhopal chemical disaster. By changing board membership requirements, the Indian government made it more difficult for Union Carbide and other U.S. companies to predict and limit their potential liability. Representatives of U.S. corporations in India were caught unawares; they were accustomed to the relatively constant pattern of the Securities and Exchange Commission in the United States. With such uncertainties in mind, the "mixed" strategic literature helps executives "manage" risk by isolating relevant variables and proposes

methods for anticipating and responding to risk in practice. Sometimes considerations of an obviously moral nature, such as "good citizenship" requirements, are advanced on the nonmoral basis that they will reduce eventual political risk.

In a few instances, however, just the reverse occurs. In what might be called "crassly political" theories of political strategy, obviously questionable practices are endorsed on the grounds of competitive efficiency. For example, J. J. Boddewyn, a professor of international business at the City University of New York, has asserted that a "winning strategy of influencing public opinion, lobbying, entering into alliances with other firms, bribing officials, and other forms of 'political action' . . . is probably legitimate under certain circumstances."<sup>28</sup> In discussing what he calls an "International Political Strategy" Boddewyn boldly asserts that the guiding principle of such a philosophy is that "if a firm cannot be a cost, differentiation, or focus leader, it may still beat the competition on another ground, namely, the non-market environment." Specific examples of political behaviors that presumably may attain legitimacy are offered, including an aerospace company bribing foreign government leaders to secure an order, and a tractor company investing in a less developed country to obtain a monopoly market position from the government in return.<sup>29</sup>

The analysis used to support Boddewyn's perspective is distressingly inadequate for anyone trained in moral theory (and, if my intuition is correct, it would shock the moral intuitions of most business academics as well). For example, while granting that the ordinary conception of "legitimacy" includes law-abiding behavior as well as conformity to either local values and customs or home country morality, Boddewyn proceeds to observe that "law obedience is to a considerable extent a matter of costs and benefits," and that problems of cultural relativity make value judgments difficult if not impossible. Boddewyn does grant that the ethical issues surrounding the "political" strategy he outlines deserve further, and rigorous analysis. But the style of his own analysis is less than rigorous and frequently relies on suggestion and innuendo. At one point, for example, when speaking of business dealings with centrally planned economies, Boddewyn merely asks rhetorically, "How can protectionism be fought if not through political action—fire with fire—or even through such illegal marketing behavior as smuggling?"<sup>30</sup>

Most "mixed" strategic literature, however, wisely avoids this approach and offers help in understanding the international backdrop against which moral problems arise. One well-known study, for example, deftly divides multinationals into three separate strategic

stances, which characterize three distinct kinds of multinational corporations.<sup>31</sup> Properly understood, these stances can be used to derive morally useful insights. The first such stance, employed by the so-called *Multidomestic Multinational*, uses plants in a number of host countries to service the markets that exist in those countries. The vicissitudes of the host country's economic and political environment demand considerable tailoring of the company's activities, and of its product, to the local context, so that significant decision-making authority must be retained at the local level. Often, the company headquarters serves primarily as a financial umbrella for what is, in fact, a series of separate operations.<sup>32</sup> The second, employed by the *Global Multinational*, contrasts with the first by utilizing standardization, economy of scale, and volume to compete in a global competitive environment. Subsidiaries in various countries specialize in production, and each subsidiary obtains from the others what it needs but does not produce. Typically, the overflow from one subsidiary is transferred to another. This form of management requires considerable coordination and hence is integrated and global. Finally, *Administratively Controlled Multinationals* reflect a mixture of the *Multinational* and *Global* strategies. In such a corporation both local and broader economic factors play a role in decision making, without the presence of an explicit, integrating strategy.<sup>33</sup>

Clearly, the strategic status of the multinational, whether it is a multidomestic, global, or administratively controlled corporation, will affect the character of organizational decision making, including decision making with a moral component, undertaken by the company (although to my knowledge no analysis of the moral implications of such strategies has yet been offered). For example, we might infer that a multidomestic firm will not only have a more diverse culture of values than will a global multinational, but it will also receive and process morally relevant information in a different manner. Because a multidomestic firm is forced to adapt more directly to the nuances of the host country environment, one would expect local managers to have a clearer perception of host country cultural values, and, in turn, for the company to have more difficulty formulating a companywide stance on principles for international business. Proctor and Gamble, a multidomestic firm, must have a local management in Nigeria that is in touch with Nigerian attitudes about hair care, eating habits, and hygiene. This demands a more cautious and systematic monitoring of societal habits and mores than would be needed for, say, the motorcycle division of Honda, a global multinational. On the other hand, one would expect Honda to reflect a uniform corporate culture, and a more uniform set of values, than Proctor and Gamble.

Other "mixed" strategy literature is helpful in providing statistical information relevant to ethical issues confronting multinationals. Bribery is a good example. Some research implies that bribery is not only more likely in certain countries, but more likely in certain industries and companies.<sup>34</sup> Other research attempts to predict the likelihood of bribery by determining whether certain managerial philosophies and characteristics are operative in a corporation.<sup>35</sup> Still other research has debated the costs and benefits of bribing in particular circumstances. With regard to the issue of costs and benefits, some researchers assert that the costs of bribery generally outweigh the benefits, citing in support considerations of efficiency in the market, and the backlash of mistrust and cynicism regarding business ethics.<sup>36</sup> Others take the opposite side and claim that red tape, delays, and the prospect of losing multimillion dollar contracts to rival competitors can make bribery cost-effective.<sup>37</sup>

For the moment let us sidestep the substantive issue of bribery (we shall return to this topic in Chapters 5 and 6) to make a critical point about research into ethical issues generally. While enormously helpful, much existing empirical research misses the *normative* dimension. Consider the instance of bribery and the empirical research just discussed. Suppose it should turn out that we could know with certainty that the costs of bribery, at least for some corporations in some situations, fail to outweigh the benefits. Or suppose, instead, that we come upon conclusive evidence showing just the reverse. In either event, would it follow without additional argument that bribery in certain instances is justified? Or that it is *not* justified? No, something more—and of a different sort—would be needed to draw such normative conclusions. What if we could conclusively predict the occurrence of bribery given certain managerial characteristics? Certainly such an ability would be vital in attempting to curb immoral bribery. Yet we should not forget that having such an ability tells us nothing about *what counts* as immoral bribery. This point may be applied broadly to any instance of a purely empirical conclusion. Determining what counts as an immoral practice is a philosophical and normative task that involves, but is not exhausted by, empirical inquiry.

In general, as suggested by the preceding remarks, the research of international business experts succeeds in offering a wealth of strategic and empirical information, but those experts have been somewhat less successful in interpreting the moral implications of their research and in providing an integrated moral view of the multinational. This is not to say that business researchers have failed to do their job, only that empirical research methodology—in which

business researchers are experts—is less than omnipotent. Empirical methodology cannot answer each and every question that humans find worth raising. The first step in augmenting a purely empirical perspective of international business is to analyze the moral foundations of the multinational corporation, a task that is the focus of the next chapter.