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INTRODUCING CORRUPTION-RELATED DECISION-MAKING IN THE MULTINATIONAL BUSINESS CONTEXT

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Abstract

Multinational business decisions and their impact on the stakeholder community have increasingly come under scrutiny of various stakeholder groups both in host and home countries. The involvement in any corrupt act on part of a multinational company could result in negative stakeholder consequences, if discovered. Two such significant examples of multinational companies and their complicity in corrupt acts that lead to accusations of human rights violations by Human Rights Watch (NGO) are, Shell in Nigeria and Enron’s Dabhol power project in India. In both these cases, the decision-making managers relied on economic rationality alone to guide them in their actions, although some of these actions were perceived as corrupt and resulted in human rights abuse. In both cases, the company managers operated from a position of ‘positional objectivity’ as Amartya Sen calls it. Sen (1993) believes that what one can observe depends on one’s position vis-à-vis the object of observation.

Multinational business managers encounter corruption at different times, in different situations at home and overseas, across different cultures. Most times, when stakes are large they face hard decisions-whether to participate or not; whether to gain or lose business; whether to risk reputation and company image; whether to think of shareholder commitments, ignoring stakeholder issues. These questions are both legal and/or ethical in nature. Decisions are context specific and decision-makers operate from a position of ‘positional objectivity’. Practical rationality therefore, “implies both determining the correct means for achieving the desired ends and aiming at those ends which promote what Aristotle calls flourishing (eudaimonia)” (Klein, 2002). The ends and outcomes of any rational decision-making process should necessarily lead to human well being and not human suffering, therein lies the challenge for any decision-making manager.

My research addresses this challenge in decision-making. It has introduced a new domain in strategic management termed as Corruption-related decision-making (CRDM) for multinational business managers with a proposed CRDM model that incorporates protection of human rights, issues of the environment and sustainable development. The model is grounded in ethical theory based on Integrative Social Contracts Theory (Donaldson & Dunfee, 1999) and draws on the conceptual distinction between ‘active’ and ‘passive’ corruption (Roy, 2001). The model has found support in the result of a survey of 41 multinational companies in India conducted by me, during 2002 and 2003. My research aims to encourage internal self-restraint mechanisms within the hearts and minds of decision-making executives as a stronger commitment and incentive for them to honour not only their stakeholder obligations but commitment to their own self, their families and their conscience. Engaging and eliminating corruption has so far been seen as a legal process (eg: OECD anti-bribery convention, 1999) at international and national levels, however it is essential that elimination of corruption be seen as a process of conscience in terms of honouring basic stakeholder rights at individual managerial level. Democratic societies cannot function on legal processes alone, but to thrive need ongoing commitments from business managers at the helm of affairs who are custodians of our societal wealth. My thesis aspires to convey this message to decision-making managers.

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