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Ethics and Corporate Social Responsibility in International Management,



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# **1.0 Introduction**

Any firm that wants to trade internationally must have some knowledge of how to do business in this global space. This decision to trade internationally can be for various reasons but with the concept of globalization, it is no longer the norm for companies to operate only in the domestic market. Entering the global market has its advantages and disadvantages which must be evaluated by the company wishing to enter the global space.

A firm wanting to enter a new market, especially globally, must find as much information as possible on the market itself and its environment. Information can be gathered from journals, patent reports, and news articles. Management may also seek advice from researchers and academic organizations. The information gathered must give a complete environmental scan to include the culture of the country, the demographics, the political environment, the economic environment, the social climate, the technological environment, the legal framework, the climate itself and any other factor that may influence operations in a different market or country.

 An important aspect of doing business internationally is to ensure that the firm is socially responsible and operates ethically. A firm should, whether operating in its own country or in an international space, be ethical and work toward ensuring the sustainability of the environment in which it operates.

For this paper, I will seek to explore the relationship between ethics, social responsibility, and international management.

# **2.0 Description**

The Economic Times sees business as an entity that engages in activities whether professional, commercial, or individual, which may be for profit or not for profit (Economictimes.indiatimes.com, n.d.), while HRZone sees it as an entity that exchanges goods and services, for money and can be for profit and non-profit, (Hrzone.com, n.d.)

Business Management as defined by the University of Cincinnati involves the functions of Management which are planning, organizing, directing, and controlling as it relates to the activities of the business (Online.uc.edu, n.d.). The day-to-day operations of the business which helps it achieve its set objectives are of vital importance.

Activities of a business may include human resources, production, sales, marketing, research and development, logistics, accounting, investing, franchising; just to name a few. This requires keen processes and dependable staff to carry out the functions. The same is true for business that are done in an international space.

When we speak of International Business, we are looking at businesses that are operating in a global space. It means that the business has crossed borders and is operating in other countries other than its country of origin. International Management or International Business Management therefore looks at how the business is managed in the international arena. It is defined by Learn.org as understanding changes in international corporation, global strategies, and economics, (Learn.org, n.d). International Management according to IGI Global refers to trading in goods and services, capital or knowledge, technology, or anything worth trading but on a global level, (igi-global.com, n.d.).

Any business entering the international market must be aware of the differences in an international space versus the domestic space. It must also be aware of the laws, culture and many more that will affect its operations or enhance it, while positioning it to be successful in the global market. The firm must also aim to make a difference in the lives of the citizens of that country and to be a beacon in the chosen industry.

# **3.0 General Analysis**

## **3.1 What Is International Business**

International Business involves different aspects of business operations and there are distinct differences between a domestic business and an international business, the firm must also understand the factors that may affect or influence its operations.

The investment or entry into a foreign market must be properly assessed. Conducting an analysis is one avenue to help. There are several tools which are used to conduct such an analysis and a PESTLE is one which the acronym stands for Political, Economic, Social, Technological, Legal and Environmental, this means that all these areas are assessed in relation to the host country. Having done such an analysis, the firm will be able to make some assessment as to how it can ensure that it is socially and ethically responsible in its operations.

## **3.2 International and Domestic Business**

A domestic business operates within the borders of the country, while international business operates across different borders. This is however not the only difference between the two as they differ in scope, market size, cultural and legal aspects, risk and uncertainty, logistics and supply chain, business strategies and well as the competitive landscape.

* **Scope**: The scope of domestic business is focused on business activities within the borders of a single country and serves only the local market. On the other hand, the scope of international business caters to business activities across national borders and deals with partners, suppliers, and customers from different countries.
* **Market Size:** The market size for a domestic business operates in a specific market, which may vary in size depending on the country’s population and its economic conditions, while the market size for international business grants access to a much larger market space because it is global and provides opportunities for growth and expansion.
* **Cultural and Legal:** With domestic business the firm operates in a familiar culture and legal framework which makes it easier to understand and be in compliance with the local laws, regulations, customs, and business practices, with international business the firm has to learn the laws of the different countries it operates in and also understand them, it has to adapt to diverse cultures, languages, business norms and legal system. Each aspect may vary from country to country.
* **Risk and Uncertainty**: Going into business is a risk, but with domestic business the risk is considerably less than with international business. This may be due to the firm’s familiarity with the local market, the local regulations, customs, business operations and customer preferences. The additional risk involved in international business includes but is not limited to the difference between currency and the exchange rate, the political environment, trade barriers and cultural misunderstandings.
* **Logistics and Supply Chain:** Domestic business typically has a simpler logistics and supply chain network, as it operates with a single country. International business involves complex logistics as it considers transportation, shipping or air freight, customs, international trade regulations, and the global supply chain of different countries.
* **Business Strategies**: Domestic business strategies focus on meeting the demand of the local market and therefore the product or service range may be narrow, but with international business strategies, the focus is on satisfying a wider market. The firm will consider factors such as market entry, localization, global marketing and adapting products and services to fit the different cultural preferences.

Many firms venture into international business but maintain a strong presence in the domestic market. They learn to operate in both markets therefore leveraging the advantages and opportunities in both markets (Chatgpt, 2023).

## **3.3 Ethics and Social Responsibility in International Business**

Ethics is defined by the Collins Dictionary as the moral rules that govern what is right or wrong. (Collinsdictionary.com, n.d) This can be related to personal, social, societal, business or otherwise. They are acceptable principles of what one deems morally right. Ethics in international business involves adhering to moral principles and values, such as honesty, fairness, and respect for human rights. It means conducting business in a transparent and accountable manner, avoiding corruption, bribery, and unethical practices. Companies should also ensure that their supply chains are free from exploitative labor practices and environmental harm.

Corporate Social Responsibility, according to the Corporate Finance Institute, is the strategy or strategies that companies implement as a part of their corporate governance initiative, with a view to ensure the operations of the company is ethical and benefits society, (Corporate finance institute, n.d). It is a self-regulating mechanism aimed at making companies socially accountable, (Schooley, 2021).

Social responsibility in international business goes beyond legal obligations and encompasses the voluntary actions taken by companies to contribute positively to society. This can include initiatives to promote sustainable development, support local communities, and address social issues like poverty, inequality, and access to education or healthcare.

Ethics and social responsibility play a crucial role in international business. When operating in a global context, businesses must consider the impact of their actions on various stakeholders, including employees, customers, local communities, and the environment.

By embracing ethics and social responsibility, businesses can enhance their reputation, build trust with stakeholders, and create long-term sustainable growth. It is important for companies to develop and implement ethical codes of conduct, establish robust compliance programs, and engage in dialogue with stakeholders to understand and address their concerns.

Both ethics and social responsibility are integral to international business, ensuring that companies operate ethically, respect human rights, and contribute positively to society and the environment.

Regulations play a crucial role in guiding socially responsible conduct in business. Governments and international organizations have developed various laws and regulations to ensure that businesses operate in an ethical and socially responsible manner. Here are some key regulations that guide socially responsible conduct, these include labor and employment, environmental, consumer protection, anti-corruption and bribery, and human rights.

Businesses should be aware of and comply with these regulations to ensure socially responsible conduct. Additionally, businesses should also consider voluntary standards and certifications, such as ISO 26000 (Social Responsibility) or the UN Global Compact, which provide guidance on ethical and responsible business practices.

According to Nicole Morrissey in her article on Corporate Social Responsibility there are six steps that a business should take to develop a sustainable CSR Plan. These steps should be combined with the firm’s objectives to create an actionable CSR Plan, (Morrissey, 2020). The steps outlined are:

***1. Build your strategy around your company’s core competence***

The firm must examine its vision and mission and ensure that the CSR strategy being developed is closely tied to what it is already doing well.

***2. Recognized issues that matter to your customers***

The firm should make a careful selection of suppliers as well as the goods or services, keeping in mind the environmental concerns of the customers and the thrust of the firm in relation to CSR.

***3. Develop CSR initiatives that make your employees proud***

The firm should aim to create a more motivated staff. The inclusion of recycling internally and the involvement in sustainability projects and community activities will make employees proud. Other participatory activities should be explored.

***4. Measure your ROI of your CSR efforts for the C-Suite and your investors***

Because the aim of businesses is to make a profit, there must be a system in place to measure the returns on any CSR plan. The profits may not be immediately identifiable, but CSR’s long-term activities generally create loyalty, and some buy-in, which eventually results in increased operations, hence increased profitability. Investors and management need to buy into the plan for it to be effective.

***5. Expand your company’s definition of CSR***

It should be established that a CSR Plan is more than just sponsoring activities or participating in a clean-up exercise. The firm should firm should be aware of the full scope of CSR and therefore create ethical guidelines for operations. These guidelines should conform to those set by the Global Reporting Initiatives (GRI), which will be used in the reporting process, and encourage employee buy-in.

***6. Be prepared for rapid response to current events and social movements***

The change in the social environment demands quick response to issues, and the firm must therefore put itself in a position to respond to the demand of social media and the positives and negatives that come with it. Incorporating CSR in the daily operations and being informed on current affairs will help the communications manager at the firm to respond to these demands.

## **3.4 Social Audit**

Once a CSR Plan is implemented it is important to measure/evaluate its success. It is therefore best for the firm to perform a Social Audit to assess whether it is socially responsible or not and if the CSR Plan is effective and efficient.

According to the Food and Agriculture Organization (FAO) training module on Social Audit, it is a way to measure, understand, report, and improve organization’s ethical and social performance, by helping to narrow the gap between the company’s vision and its reality. It reports on the improvement in the overall social performance of the company, (Fao.org, n.d.).

The areas involved in the measurement of the social commitment of a company include Social Balance, Accountability, Financial Auditing and Social Auditing. It is recommended that the firm could adopt a hybrid of the Social Balance, Accountability and Financial Auditing measuring tools.

**Social Balance** –Social balance is a tool to measure and evaluate the results of a company’s social policy. The areas valued in social balance are:

➢ Human Rights,

➢ Rights of the Workers,

➢ Environmental Protection,

➢ Relationship with the social environment,

➢ Relationship with suppliers,

➢ Rights of stakeholders

The firm must work towards ensuring these values are scored highly.

**Accountability** – The is the act of taking responsibility for one’s actions and being accountable for that action. The company must implement definitive functions and roles for personnel and a system of reporting and documenting. It must be able to take responsibility for successes and well as failures. Communication with stakeholders and transparency is important in this area.

**Financial Auditing** – This area looks at the operations and profitability of the company and focuses on three main activities:

➢ Control of errors and irregularities – the control of information

➢ Control of the activities of the management of the organization – separation of management and ownership

➢ Opinion on the financial information provided by the organization- interpretation of information presented

The recommendation for a hybrid of these tools will help to improve in specific areas, especially those of focus in the social balance tool which includes the human rights and the rights of workers. It is also important that the firm is accountable and is improving in its operations and in the public space. The Social Auditing tool, while important, would be a part of the others as the inclusion of the stakeholder etc. is already a part of the social balance measuring tool.

## **3.5 Ethics in International Business**

The discussion of Ethics in International Management must begin with the definition of what really is “Ethics”? The idea of what it means to be ethical can be subjective, so too can the definitions given. Most definitions make references to “right” or “wrong” or the idea of morality but the subjectivity comes from determining what is the individual’s definition of right, wrong or moral. One definition from the Collins Dictionary, sees ethics as the moral rules that govern what is right or wrong (Collinsdictionary.com, n.d.), while an IGL Global article on Ethics in Higher Education sees it as “well-founded standards of right and wrong. It goes on to explain that these are expressed through the rights, obligation, and benefits to the society.” (Igi-global.com, n.d.). Velasquez (2016) defines Business ethics as ‘a specialized study of moral right and wrong that concentrates on moral standards as they apply to business institutions, organizations, and behavior’.

The commonality of the three definitions, while not exhaustive, still refers to right or wrong. There are several theories that have been developed over the years to speak to this topic. Three of the main theories are Deontological, Utilitarian and Virtue, (Velasquez, 2016).

* Deontological – This theory was formulated by Immanuel Kant, which focuses on duty. It looks at the action itself in a moral context rather than the end results (Opentectbc.ca, n.d.).
* Utilitarian – this theory focuses on the end results. It looks at the choice which will produce the best results for the most persons (Ethicsunwrappedutexas.edu, n.d)
* Virtue – this theory looks at the virtue of the individual or the morality rather than the duty or end results, (Velasquez, 2016).

These theories only explain some of the considerations for ethics. People are judged based on what the 'judge’' believes and people will act based on their own belief. Societal expectations are based on what society sees as socially acceptable behaviour when ethical issues are present.

## **3.6 Ethics and Social Responsibility in International Business**

In an article by Pratiwi (2021) titled the “Importance of Ethics and Social Responsibility in International Business, the author examines ethics and social responsibility on their own and also as they relate to international business. It is observed by the author that some firms may move production from their home country across borders mainly to benefit from cheaper labour cost, but that this may come with the matter of human right issue, especially in cases where it can be determined that child labour is used or workers are treated less than fairly. One of the issues raised by the article is based on the context of right or wrong as it relates to child labour. This is because in some developing countries child labour is not seen as unethical but rather it is expected, while in some developed countries this may seem unethical. This bears the question of “whose right” or who determines right or wrong?

Another area of concern as pointed out by the author is the matter of the difference in legal system from country to country and the possibility of firms from countries with a well-developed legal system, taking advantage of countries with a less developed system and regulations.

The article looked briefly at the ethical theories to include the three already mentioned in this paper and added Right theory to the list.

In trying to make the connection with social responsibility, the author examines the meaning of “social”, “society”, and “responsibility”. It was concluded that this concept of social responsibility is mainly focused on the protection of labour, environment, consumer, and human rights. Looking at ethics in a cross-cultural context as well as the how organizations treat employees; how employees treat organizations and how employee and organization treat other economic agents, aided the author to conclude that 1. The individual’s moral is not defined by one factor but by many stemming from childhood and society. 2. The CSR can be a bit complex as the approach used in the home country needs to be different in the host country and 3. CSR across border can be based on compliance, or other approaches.

What is clear is that ethics and social responsibility goes hand in hand, as it could be determined that an ethical firm will seek to ensure that it makes positive contributions to any environment in which it operates.

# **4.0 Actualization**

 A multinational corporation (MNC) operating in the technology industry is faced with an ethical dilemma and CSR considerations in an international business context. The MNC has a manufacturing facility in a developing country where labor laws and regulations are less stringent compared to their home country. The company has been accused of exploiting cheap labor, poor working conditions, and violating human rights in its overseas operations.

The MNC must address the ethical concerns related to labor practices and human rights in its international operations. It should prioritize the well-being and fair treatment of its employees, ensuring compliance with local labor laws and international standards. This includes providing safe working conditions, fair wages, reasonable working hours, and respecting workers' rights to organize and bargain collectively.

The MNC should also demonstrate its commitment to CSR by implementing sustainable practices and contributing positively to the local community. This could involve initiatives such as investing in education and skill development programs for local workers, supporting local suppliers and businesses, minimizing environmental impact, and engaging in philanthropic activities that address social issues in the region.

To address the ethical concerns and fulfill its CSR obligations, the MNC should take steps to address the current issues. It could start by:

1. **Conducting a thorough audit:** Assess the labor practices, working conditions, and human rights situation in the overseas facility. Identify any violations or areas of improvement.

2. **Developing and enforcing a code of conduct:** Establish a comprehensive code of conduct that outlines the company's commitment to ethical practices, labor rights, and human rights. Ensure that all employees, suppliers, and contractors adhere to these standards.

3. **Training and capacity building:** Provide training programs to educate employees and managers about ethical practices, labor rights, and human rights. Enhance the skills and knowledge of local workers to empower them and improve their employability.

4. **Collaborating with stakeholders:** Engage with local communities, NGOs, and labor unions to understand their concerns and seek their input in developing sustainable solutions. Foster open dialogue and transparency to build trust and address any grievances.

5. **Regular monitoring and reporting**: Implement a robust monitoring system to track compliance with ethical standards and CSR initiatives. Regularly report progress and address any identified issues promptly.

6. **Continuous improvement:** Continuously review and improve policies, practices, and initiatives to ensure ongoing adherence to ethical standards and CSR commitments. Seek feedback from stakeholders and incorporate their suggestions.

By addressing the ethical concerns and fulfilling CSR obligations, the MNC can contribute to sustainable development, enhance its reputation, and build long-term relationships with stakeholders in the international business space.

# **5.0 Discussions**

Ethics and Corporate Social Responsibility (CSR) play crucial roles in the realm of international business. When conducting business across borders, firms must consider the ethical implications of their actions and the impact they have on the various stakeholders.

Ethics in international business involves adhering to moral principles and values while conducting operations in different countries. This includes respecting local laws, cultural norms, and human rights. It also entails promoting fair trade practices, avoiding corruption, and ensuring transparency in business dealings. The general understand that society gives to ethics and ethical practices create the question of what a ethical person would do in particular circumstances, and since the decisions are made by individuals, those decisions affect the firm in general

CSR, on the other hand, refers to a company's commitment to contribute positively to society and the environment. This can involve initiatives such as sustainable practices, community development projects, philanthropy, and responsible supply chain management, supporting educational, sporting, environmental and healthcare programmes in society. The goodwill created by doing these socially responsible activities will cement the partnership between the organization and the society. Individuals like to be associated with organizations that have a good corporate image and this will eventually aid in the increase in shareholders benefits.

Both ethics and CSR are essential for maintaining a positive reputation, building trust with stakeholders, and mitigating risks in international business. They can also enhance a company's competitiveness and long-term sustainability.

However, navigating ethical challenges and implementing effective CSR strategies in international business can be complex. Companies must consider the diverse cultural, legal, and social contexts in which they operate. Balancing the interests of various stakeholders, including employees, customers, local communities, and the environment, is crucial.

To ensure ethical conduct and effective CSR, companies can establish robust codes of conduct, implement comprehensive training programs, and engage in stakeholder dialogue. Collaboration with local communities, NGOs, and governments can also help address social and environmental issues effectively.

Ethics and CSR are integral to international business. By upholding ethical standards and embracing CSR practices, companies can contribute positively to society while also achieving their business objectives.

# **6.0 General Recommendations**

When it comes to ethics and CSR in international business, a firm should aim to have some general idea of the environment in which it operates and the steps it should take to ensure it is operating ethically. Some recommendations for the firm are to:

1. **Develop a comprehensive code of conduct**: Create a set of ethical guidelines that outline the expected behavior for employees and stakeholders. This code should align with international standards and address key areas such as anti-corruption, human rights, labor practices, and environmental sustainability.

2. **Conduct thorough due diligence:** Before entering new markets or partnering with suppliers, conduct due diligence to assess their ethical practices. This includes evaluating their compliance with local laws, labor standards, and environmental regulations. Avoid engaging with entities involved in unethical practices.

3. **Foster a culture of ethics and integrity:** Promote a culture that values ethics and integrity throughout the organization. This can be achieved through regular training programs, communication of ethical expectations, and recognition of ethical behavior. Encourage employees to speak up about ethical concerns and provide channels for reporting misconduct.

4. **Engage with stakeholders:** Actively engage with stakeholders, including local communities, NGOs, and government bodies, to understand their needs and concerns. Involve them in decision-making processes and seek their input on CSR initiatives. This collaborative approach helps build trust and ensures that business practices align with societal expectations.

5. **Implement sustainable practices:** Integrate sustainability into business operations by adopting environmentally friendly practices, reducing waste, and conserving resources. Consider the entire supply chain and work towards responsible sourcing and production. This includes promoting fair trade, supporting local economies, and minimizing negative environmental impacts.

6. **Support social initiatives:** Contribute to the well-being of local communities by supporting social initiatives. This can involve investing in education, healthcare, infrastructure development, or other projects that address community needs. Engage in philanthropic activities that align with the company's values and have a positive impact on society.

7. **Monitor and report progress:** Regularly monitor and evaluate the effectiveness of ethics and CSR initiatives. Establish key performance indicators (KPIs) to measure progress and report transparently on the company's social and environmental performance. This helps maintain accountability and allows for continuous improvement.

These recommendations should be tailored to the specific cultural, legal, and social contexts of each international market. By integrating ethics and CSR into business practices, companies can contribute to sustainable development while building a positive reputation and long-term success.

# **7.0 Conclusion**

The measurement of ethics and morality remains a personal decision but society has its measuring stick for what is morally and ethically correct. Some of the requirements for CSR are based on legal requirements and obligations and therefore any extra that is done is within the decision-making powers of the management of the firm.

What is evident is that both ethics and CSR play an important role in International Business. It is important to continue the research and documentation of ways and methods through which CSR can be implemented, particularly in undeveloped countries.

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# **Appendix 1: Questions**

*Note: Questions are based on Course Material*

1.The major factors that influence international trade are:

a) culture, history, union

b) social, cultural, political, legal, and economic

c) ethics and social responsibility

2. Business is

a) an activity that seeks profit

b) a social event with friends

c) an agreement to perform a job

3. Which of the following statement is true

a) International company is a company that does business locally

b) Domestic company is a company that does business in only one country

c) There is no difference between international and domestic companies

4. Code of Ethics is

a) a document that guides operations

b) an agreement for coders

c) a statement that explains what a company believes is proper and improper

5. Social responsibility is

a) how the employees socialize

b) the duty to do what is best for society

c) how the firm uses social media

6. A set of ideas about how a company should conduct business as it relates to legal, social and environmental concerns is

a) Contract

b) Business plan

c) Business Ethics

7. Organizations that represent and the patterns of sentiments that express a country’s culture are called?

a) Museums

b) Government

c) Social Institutions

8. Basic elements of culture involve

a) Lifestyle, beliefs, travel

b) Values, norms, and Folkways

c) Product, dress, and sleep patterns

9. Language is

a) how we speak to each other

b) the medium of communication through words, symbols, numbers etc

c) how different countries communicate

10. Colloquial speech used on the street is

a) A Slang

b) non-verbal Communication

c) jargon

11. Business activities conducted across different countries is

a) Business

b) International Trade

c) Domestic Trade

12. Balance of Trade is

a) Balance owing on a transaction

b) the difference between what a country imports and how must it exports

c) Relying on a trading partner

13. Industrial Disputes are resolved through

a) litigation, mediation, or arbitration

b) Free Trade Agreements

c) Government policy

14. Restrictions that reduce Free Trade and limit competition are

a) Democracy

b) Trade Barriers

c) Totalitarianism

15. Culture is

a) a set of beliefs, customs and attitude of a distinct group of people

b) a set of values that people have

c) a code by which some people live

**Answers to Questions**

1. b

2. a

3. b

4. c

5. b

6. c

7. c

8. b

9. b

10. a

11. b

12. b

13. a

14. b

15. a