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On Leadership



LEGAL SCHOLAR

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THE QUESTION

Doing right at what cost?

With Google ending self-censorship in China, the company stands to lose significant market-share in an enormous and growing market. Does it make sense for even the biggest firms to challenge political systems? When is it right for leaders to put a principled stand on human rights in front of their organization's self-interest?

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Google and global ethics

Global companies are committed to compliance with the law of each nation where they do business. But many multi-nationals also have global ethical standards---no bribery, world-class environmental protection, ethical sourcing---beyond what national law requires.

A recurrent dilemma is when national law and global ethics collide---for example, when the law of China (state censorship) is in conflict with a Google's global standards (no censorship).

Resolving this dilemma is not easy--nor is the solution uniform. It depends on the corporation's values and the views of important stakeholders, including shareholders, creditors, employees, customers and suppliers.

History illuminates different approaches to this collision between law and ethics. At one extreme is the complicity of major American companies (such as IBM, Kodak, GE, DuPont, GM and Ford), which operated in Germany from 1933 to 1939, either in their own name or through controlled subsidiaries. They ignored the impact of increasing discrimination in law and in enforcement against religious and ethnic groups and against political dissidents. One plausible explanation: their inaction resulted from their profitability and their weak ethical standards combined with either unawareness or indifference in the United States itself to Hitler's rising power and inhumane policies.

At the other extreme were the practices of many American companies during the 1980s in South Africa. They publicly opposed apartheid due, in important part, to the civil rights revolution of the 1960s in the U.S. and to the broadly shared view among many corporate stakeholders that state-sanctioned racial separation and discrimination were morally wrong and commercially intolerable. Many companies adopted the Sullivan principles or similar precepts that, contrary to South African Law, required non-segregation and equal treatment in the workplace. After the U.S. and European governments enacted tough economic sanctions against South Africa, many international business stopped doing business there.

In 2006 when it entered China, Google compromised its global ethical standards against internet political censorship and complied with the state regime controlling information. (Entering "Tiananmen Square" in Google's U.S. search engine brought up 1989 and pictures of tanks; entering that phrase in Google's China search engine brought up gauzy, anodyne pictures of landmarks). It did so in the hope that even censored information was important to the Chinese people -- sophisticated users could find uncensored work-arounds -- and that, over time, the Chinese government would relax its limits on information.

Google's decision this year was due to a worsening of censorship. But it was also due to hacking into Google's Gmail to identify dissidents and others at risk of government law enforcement. Although not proven, there were suspicions that the government was behind this intrusion. This risk to dissidents was as important a factor as worsening censorship. (Several years ago Yahoo was pilloried by the U.S. media and public officials for helping Chinese police identify a journalist who allegedly revealed a secret government order and who was subsequently sentenced to 10 years in prison.)

Google had been sharply criticized in the internet world, if not the business community, for agreeing to the censorship compromise in 2006, despite its "do no evil" motto. Its decision to withdraw from China today is based both on deeply held values---Google founder Sergey Brin is an emigre from Russia who is genuinely sympathetic to the plight of dissidents and the importance of free speech---and the strongly held views of global stakeholders who share an "open web" position. Chinese revenues are a small fraction of Google's global business and, although it is apparently foregoing current search engine activity in a huge, growing market, it is hard to predict where China may be five or ten years from now on this issue.

Google is not the first company to resolve the conflict between country law and company ethics in favor of ethics. But its highly publicized decision will make companies operating around the globe sensitive to the importance of seeing clearly, before others do, the potential collision of law and ethics and of thinking ahead about how to resolve them in light of company values and stakeholder -- not just shareholder -- pressures.

It will also spotlight companies operating in China and other countries with repressive regimes that take the opposite tack: allowing national law to override the companies' global ethical standards. One example could be Microsoft, whose small search engine, Bing, is trying to gain a foothold in China. Bill Gates is quoted as saying that Microsoft observes the law of nations where it operates. If so, he hasn't addressed the other side of the equation: important company ethics and values that can trump national law.

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