Article

Bringing the Dark Side of International Business into the Classroom

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We contend that positioning dark side activities (DSA) as a more central component of IB coursework is important for students to understand the legitimacy and performance consequences of such phenomena. We draw on six types of DSA: environmental degradation; questionable marketing practices; accounting or financial fraud; corruption; labor abuses; and cultural imperialism. We suggest that IB educators expose students to concrete examples illustrating when MNEs may drift to the dark side and provide three short case studies. We provide informational resources and discussion prompts for human trafficking and outline a United Nations framework to structure in-class discussion of DSA.

INTRODUCTION

A typical international business (IB) course is multi-disciplinary in nature, covering various topics, including international strategy, international trade, foreign direct investment, foreign exchange and global capital markets, global and regional cooperation and international human resources. Although the "dark side" of IB has been covered in textbooks and cases for decades, we argue that a more structured effort to educate students on both the benefits and drawbacks of IB is warranted. We contend that such dark side activities (DSA) should be positioned as a more central component of IB coursework so students can understand the legitimacy and performance consequences of such phenomena. Digitalization of commercial activity, coupled with the rapid pace of globalization, have accelerated this effect, with increased awareness of DSA and their negative effects on various stakeholders. Indeed, some may argue that the dark side of IB and its manifestations is a major reason why globalization itself is under attack. Therefore, our objective is to provide faculty with examples of teaching materials and a framework that can be applied in the classroom to expose students to the dark side of IB.

In order to allow IB educators to identify and categorize dark side activities, we turn to Batra (2007), who identified six types of DSA with which MNEs may be directly or indirectly involved and that are immoral, unethical, or cause irreversible harm to communities and the planet. They are: (1) environmental degradation, (2) questionable marketing practices, (3) accounting or financial fraud, (4) corruption, (5) labor abuses, and (6) cultural imperialism. Victims of dark-side behavior by MNEs range from upstream providers (e.g., cocoa farmers, cattle ranchers) to downstream consumers who may unknowingly purchase products that were made with child or slave labor or that were produced under inhumane working conditions.

We argue that it is incumbent on IB educators to expose IB students to concrete examples that illustrate when international business drifts to the dark side and that enable

students to come face-to-face with such issues in a learning environment. In the following sections, we provide three short case studies and discussion prompts as examples that can be used to illuminate cultural differences, corruption, varying ethical norms, CSR and sustainability within DSA. Next, we provide a series of informational resources (see Table 1) and discussion prompts for one of the most horrific sides of international business – namely human trafficking. These are only three of many examples of MNE malfeasance that seem to occur with increasing frequency. We conclude by outlining a potential framework from the UN that can be used to structure in-class discussion of DSA.

CASE 1: HEINEKEN IN AFRICA

A recent book by Dutch investigative reporter Olivier van Beemen¹ provides extensive documentation of the brewer Heineken's activities in Africa (van Beemen, 2019). Heineken has been in Africa for over 100 years and has more than 40 breweries in 16 countries from which it exports to most of the other countries on the continent. Despite the underdeveloped status of most of the markets there, in recent years Africa has witnessed rising affluence and greater stability and is perceived by international brewers to be a fertile new frontier in the battle for new markets.

Speaking about general attitudes toward beer in Africa, a Burundian interviewee commented, "We worship beer. Beer is part of each important moment in life and every ritual." Heineken hoped to become a dominant player by gaining market share from its main rivals Guinness and AB Inbev. In Nigeria, which accounted for close to half of its revenue in Africa, its subsidiary, Nigerian Breweries, produced three popular brands: Star, Goldberg, and Gulder. Van Beemen interviewed the former managing director of Nigerian Breweries, Festus Odimegwu, who recounted the efforts that were made to invigorate sales of one of its struggling brands, Legend Extra Stout. The Legend brand was in an intense battle with Guinness over the sale of its

¹ The information for this case is based on the book by van Beemen (2019).

dark beer. In fact, Nigeria is the second largest market for Guinness Stout after the UK. Hoping to unseat Guinness from its leadership position, Heineken developed a marketing strategy that leveraged the pervasive myth in Africa and other regions that regular consumption of dark beers would enhance sexual performance. As part of this strategy, Heineken identified 500 bars or “hot spots” where they believed they had the greatest likelihood of finding new customers. Frustrated that traditional promotional strategies were not working, Heineken developed a more personal and direct approach by developing a training program for female brand ambassadors who would frequent these “hot spots” to promote the brand. As it turned out, many of the “ambassadors” were also engaged in prostitution and, as such, were quite “persuasive” in selling the Legend brand to customers. Heineken’s brand manager in Nigeria estimated that there were as many as 2500 “Heineken Girls” involved in the promotion and that the campaign had resulted in a fourfold increase in sales.

Under criticism that the practice was exploitative of young and vulnerable women and that it facilitated the spread of sexually transmitted diseases, Heineken was initially unrepentant. Later, as word of the practice came to light, and organizations such as the Gates Foundation suspended cooperation with Heineken and a Dutch Bank removed them from its sustainable investment fund, Heineken bowed to international pressure and took steps to put into place rules restricting the behavior of promotion girls and the spread of this practice to other countries. In 2018, at Heineken’s annual shareholder meeting, Heineken’s President, Jean-Francois Van Boxmeer, even apologized for an affair that he had had with a promotion girl in Zaire when he was country manager there in the mid-1990s. The following prompts might be used to frame a discussion of the case.

1. Heineken is probably one of the most well-known and successful Dutch multinationals. In thinking about this case, what is your assessment of the ramifications to Heineken stakeholders, (both internal and external)?
2. Van Beemen’s book documents other cases in which Heineken engaged in unethical business practices in Africa. Do you think a case can be made for some sort of multilateral oversight of the business practices of MNEs?
3. The Netherlands is well-known for tolerance of sex workers and has often been the target of international criticism. Do you think that this may have played a role in Heineken executives turning a blind eye to marketing practices that would have been illegal in most countries?

CASE 2: CLEAN ENERGY?

Cobalt is a metal that is used in the manufacture of lithium-ion batteries for electric vehicles, laptops, and other devices. The Democratic Republic of the Congo (DRC) is the world’s largest exporter of cobalt (*Atlas of Economic Complexity*, 2014), with more than 60% of global production. The DRC is beset with corruption, poverty, and human rights abuses, including child labor and forced labor and unsafe and unhealthy working conditions. In the cobalt mining industry, children under the age of 14 sort the ore with their bare hands and wash the rocks at watering holes. The practice is rampant at small or artisanal mines, where free-lance workers, or *creusers*, perform much of the work. There

children are exposed to cobalt dust, which can cause serious lung and skin diseases. Poverty-stricken families rely on income from children. In a Fortune magazine article (Walt & Meyer, 2018), journalists told the story of 15-year-old Lukasa, who walked two hours to work each way in order to labor for 8 hours six days a week for under \$9 on a good day. With the next largest exporter of cobalt being China (VINACHEM, 2016), which has its own issues with human rights, it is difficult for companies to avoid buying “conflict” or “blood” cobalt.

Due in part to increased media coverage, there is mounting pressure on companies to address the problems within the cobalt supply chain. Thus far, the responses are divergent. For example, within the automobile industry, manufacturers such as Tesla, Ford Motor Company, and Volkswagen Group all use cobalt in their electric vehicles. The average electric car battery contains about 20 pounds of the metal. Elon Musk of Tesla announced via a tweet in 2019 that the next generation of car batteries will not use any cobalt. Yet, the Powerwall and Powerpack Tesla batteries for use in homes and industry utilize even more cobalt than the car batteries. It is unclear if the tweet applies to these products as well. Meanwhile, Ford plans to use blockchain technology to ensure that its cobalt is ethically sourced. The outline of the plan includes third-party on-site audits of mining practices measured against industry standards, such as those from the Organization for Economic Cooperation and Development (www.oecd.org). An audit trail based on blockchain is supposed to help the company validate its sourcing. Volkswagen Group’s approach is to buy directly from the mines to shorten the supply chain and facilitate verification. It has also partnered with the Global Battery Alliance of the World Economic Forum to spur action on responding to social, environmental, sustainable, and innovation concerns in the battery market. Other automobile manufacturer partners are Audi, Mitsubishi, and the Volvo Group.

In 2019, these are nascent plans. The global lithium-ion battery market is projected to be \$100 billion in 2025. The feasibility of developing high quality, scalable rechargeable batteries without cobalt is uncertain. Another unknown is whether blockchain verification will even prevent unverified sources from entering the supply chain. If the actions are successful, what happens to the other children like Lukasa, and their families who are so dependent on the income from cobalt?

1. Why should the lithium-ion manufacturers care about human rights abuses by their cobalt suppliers in the DRC?
2. For a manufacturer intent on starting to source cobalt from the DRC, what recommendations do you have for addressing human rights concerns? Be specific about actions that should be taken by the manufacturer.
3. How would a manufacturer know if its actions are having any beneficial effect on human rights?

CASE 3: HUMAN TRAFFICKING

A particularly horrific and egregious DSA is human trafficking. Human trafficking, or nonconsensual exploitation of vulnerable people, if ignored, can easily creep into MNE supply chains. We provide resources in Table 1 that instructors can use to structure assignments for students related to trafficking. Building on these resources, faculty and students would ideally address questions such as:

1. Why might firms be tempted to look away from the

Table 1: Human trafficking and labor rights information

TOPIC	RESOURCE	REMARKS
Human Trafficking, Modern Day Slavery, and Economic Exploitation	http://documents.worldbank.org/curated/en/208471468174880847/pdf/498020NWP0SP0d10Box341969B01PUBLIC1.pdf	A discussion on definitions, prevalence, relevance for development, and roles for the world bank in the fight against human trafficking.
UNODC report on human trafficking exposes modern form of slavery	https://www.unodc.org/unodc/en/human-trafficking/global-report-on-trafficking-in-persons.html	Provides some key statistics on human trafficking
Tackling modern slavery in global supply chains	http://oecdinsights.org/2016/03/11/tackling-modern-slavery-in-global-supply-chains/	Discussion of modern slavery in firms and what has been done to tackle the issue
Global Slavery Index	https://www.globalslaveryindex.org/2018/data/maps/#prevalence	Provides data for three dimensions: prevalence, vulnerability, and government responses
Threats against labor rights	https://www.ituc-csi.org/IMG/pdf/ituc-global-rights-index-2018-en-final-2.pdf	Ratings of countries by the International Trade Union Confederation with respect to workers' rights in a Global Rights Index
Monitor labor rights issues	https://laborrights.org/	Learn about campaigns to secure workers' rights in particular in agribusiness and the garment industry
Sustainable business practices	https://www.unglobalcompact.org/	Broad range of reports on human rights, environmental, health and safety, and anti-corruption issues
Understanding Supply Chain Issues	https://www.business-humanrights.org/en/knowthechain-benchmarking-2016	Engaged in initiatives to advance human rights and ethical behavior in global sourcing

Human Trafficking Resources

- potential role of human trafficking in their supply chains?
- If you were a manager in a firm with potential human trafficking issues, how would you conduct an investigation?
- How should management respond to repair the reputational damage and negative publicity caused by a firm's human trafficking issues?
- What role do stakeholders (e.g., government, suppliers, consumers, trade associations, compliance auditors, etc.) play in human trafficking beyond the MNEs themselves?

A FRAMEWORK AND CONCLUSION

In recent years globalization has come under assault, as critics have assailed human rights violations, environmental crimes and financial shenanigans that MNEs and their affiliates have pursued. While numerous examples of DSA exist, we provide three sets of course materials that can be adopted for classroom use. Use of these examples can be enhanced when applied in an appropriately framed setting.

While a variety of approaches can be used to teach these cases in IB courses, one framework we recommend is the UN's Protect, Respect, and Remedy Framework (Murphy & Vives, 2013). This is particularly useful for framing discussions of MNEs and human rights abuses (as with the three cases provided in this article). The framework maintains that all human beings have a right to equal treatment. While the government bears responsibility to *protect* human rights, it is business' responsibility to *respect* human rights (especially in those cases when abuses are ignored

by the government) in order to legitimate its right to conduct business. In addition, MNEs must perform due diligence, avoid being complicit in human rights abuses, and avoid activities that could be perceived as influencing government officials. The remedies for abuses are judicial and non-judicial and take the form of compensation, restitution, cease and desist, strengthening of the law, and public apologies (Murphy & Vives, 2013). In addition to the discussion prompts already provided, the instructor could ask students to consider the extent to which an MNE respected human rights by these standards. Did it do due diligence? Was it directly or indirectly complicit with human rights abuses? Did it seek to influence or undermine the sovereignty of the government? This framework can also be readily supplemented with a video that includes various human rights abuses to illustrate the consequences of DSA, such as the experiences of children working in deplorable conditions.

In summary, the objective of our essay is to highlight how IB pedagogy can be enhanced by recognizing the realities of the "dark side" of IB and the ramifications that these activities have on the perceptions of MNEs. It is critical to expose our students not only to the negative impacts of DSAs but also to possible solutions to counteract them. Thus, our aim is to illuminate the value of bringing severe ethical breaches to the foreground so that business students have greater awareness and can choose ethical alternatives aimed at addressing their impacts. We contend that a balanced approach to these issues (e.g., when framed with the UN framework) will help prepare students to identify and develop solutions to these problems during their careers. The unfortunate truth is that the three examples we provided only scratch the surface of the myriad issues one could

cover. There are many other examples of DSAs and other pedagogical approaches that can be used to introduce this material. For example, in addition to case studies, faculty can develop negotiation exercises, cross-cultural simulations, and project assignments. No matter the approach taken, it is incumbent on faculty to be sensitive to and to anticipate and prepare for a range of possible student reactions. Many of our students are natives of countries where dark-side behaviors are more common and, as such, they may take issue with comments by faculty or other students that may be perceived as a projection of cultural and moral superiority. Student activists may also be pushing university administrations to divest endowment resources from companies known to have engaged in DSA (e.g., the recent protests by climate change activists that took place during halftime at a Yale and Harvard football game). As always, faculty need walk a fine line in discussions about ethical behavior on the part of the multinational enterprises (and universities!).

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