Ethics in Emerging Economies
Implication for Businesses

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Center for Ethical Business Cultures
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About the Center for Ethical Business Cultures

Mission
To assist business leaders in creating ethical and profitable business cultures at the enterprise, community and global levels

Background
✓ 36 year old nonprofit organization
✓ Partnership with Ethics Faculty at University of St. Thomas
✓ Member of the Advisory Group to the US Sentencing Commission
✓ Advises Boards and Executive Leaders on “Tone at the Top”
✓ Building a Bridge Between Thought and Practice Leadership
Ethical Perception Research Articles

2006 – 2009 ‘Assessing the good company.’ Academic and Professional Journals
2012 ‘Ethical cultures in large business organizations in Brazil, Russia, India, and China.’ Journal of Business Ethics.
2014 “Modern Risk Management Through the Lens of the Ethical Organizational Culture.” Risk Management Journal

Understanding the Environment and the Model of Ethical Business Cultures

The Ethical Landscape Persistent Challenges

Trust:
• 62% trust business
• 18% trust leaders in business to tell the truth! (2013 Ethics Resource Center)
Confidence in Leaders:
• 15% have confidence in leaders in business to do what's right (2013 Harris Confidence Poll)
Misconduct at Work:
• 41% observe it
• 63% will report it

Cost of Ethical Breakdowns:
• Typical global organization loses 5% of annual revenues
• 40 to 50% do not recover losses (2014 ACFE Report on Fraud and Abuse)

Legislating Good Behavior:
• Sarbanes – Oxley Act 2002
• Dodd – Frank Act 2010
• But you can't legislate integrity!
The Ethical Perception Index:
Linking the Model of Ethical Business Cultures

Global Employee Perspectives on Ethics in the Workplace

- **CEBC Ethics Themes:**
  - Able to discuss ethical issues/concerns
  - Senior management practices ethical conduct
  - Company serves interest of multiple stakeholders
  - Coworkers behavior consistent with values
  - Must demonstrate company values to get ahead

- Ethics themes benchmarked globally through Kenexa, an IBM Company, WorkTrends™

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Linking the CEBC Model of Ethical Business Cultures with the Ethical Perception Index

The CEBC Ethical Perception Index by Country

The CEBC Ethical Perception Index by The Gap

The CEBC Ethical Perception Index by Country

The CEBC Ethical Perception Index by The Gap
Minding the Gap
by Countries


Strong/Weak CEBC EPI
by Outcomes

Source: Kenexa, an IBM Company, 2012 WorkTrends™

Understanding Ethical Cultures in Emerging Economies: The BRIC’s

Academic Publications

European Publications
### Ethical Cultures in Large Business Organizations in Brazil, Russia, India, China, & the US

- Findings are based on 13,000 responses from employees in large organizations in high growth emerging economies, Brazil, Russia, India, and China, and the US
- Significant differences among the four emerging countries with Brazil and India more favorable than Russia and China
- By 2050, the combined GDP of these four high growth countries will exceed the GDP of the G7 (seven largest developed economies)
- But these four high growth economies rank toward the bottom when surveyed for the perception of corruption (Transparency International Annual Corruption Perception Index)
- Authors: Alexandre Ardichvili, Douglas Jondle, Brenda Kowske, Edgard Cornachione, Jessica Li, and Thomas Thakadipuram

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### The BRIC’s

#### Ethical Culture in Large Organizations

**Brazil**
- Paternalism: superiors provide protection and guidance for loyalty and deference from subordinates
- *jeitinho* – middle path between regulation and what is practicable
- Web of reciprocal obligations:
  - Employee loyalty
  - Leader responsible for group well-being

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**Russia**
- State dominance of business sphere and legal institution
- Personal loyalty and in-group allegiances shape business behavior
- Higher reliance on personal networks vs. legal contracts
- *blat* – “reliance for favors upon personal contacts with people in influential positions”
The BRIC’s
Ethical Culture in Large Organizations

- **India**
  - Unconditional loyalty
  - Places a premium on favors, friendship and clanship
  - Government acts as a gatekeeper, not an enabler
    - Money and connections are how things are done
  - Intuitive decision making vs. normative

- **China**
  - Trustworthiness – emphasizes personal relationships not contracts
  - Adherence to rules and prior arrangements not equated to trustworthiness
  - Informal networks of support and reciprocal exchange of favors
  - *guanxi* – role-based duties provides privileges of favoritism and personal benefits to members of in-groups

Characteristics of Business Cultures in the BRICs and the US

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The CEBC Ethical Perception Index by Country

The CEBC EPI – United States

CQ7_3 - Where I work, ethical issues and concerns can be discussed without negative consequences.

CQ7_4 - My organization's senior management supports and practices high standards of ethical conduct.

CQ7_6 - My organization strives to serve the interests of multiple stakeholders (e.g., customers, employees, suppliers, and community), not just the shareholders.

CQ7_7 - The behavior of the people I work with is consistent with my organization's mission, vision, and values.

CQ7_8 - Where I work, people do not 'get ahead' unless their behavior clearly demonstrates my organization's values.

Source: Kenexa, an IBM Company, 2012 WorkTrends™
Next Up: Expanding the Research to More Emerging Economies: The MIST’s

- Signed Cambridge University Press Book Contract in August, 2014
- “Ethical Business Cultures in Emerging Markets:
  - BRIC's - Brazil, Russia, India and China
  - The MIST's - Mexico, Indonesia, South Africa and Turkey
  - Contrasted with the original G7 – Canada, France, Germany, Japan, Spain, United Kingdom, and the United States
- Publication in 2016
- Leading Academics recruited from around the globe
- Engaging Business Practitioners to ensure essential linkage between business and academic insights
Concluding Thought

As economic power shifts, there are implications for the ethical and cultural standards that will guide business behavior and interactions! How are we preparing to address this issue?

Questions and Discussion

For Information on CEBC

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