ETHICAL BUSINESS CULTURES
in Emerging Markets

EDITED BY

Douglas Jondle and Alexandre Ardichvili

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Previous research on corporate cultures and ethical business cultures has focused almost exclusively on studies of multinational corporations from a handful of developed countries. This book addresses the intersection of human resource development and human resource management with ethical business cultures in the five BRICS (Brazil, Russia, India, China, and South Africa) and three other fast-growing emerging economies: those of Mexico, Indonesia, and Turkey. The book compares managers' and employees' perceptions of ethical business cultures in these eight countries, and discusses the economic and sociocultural context and current research on business ethics in each of the countries. The scholarly discussion, presented in country-specific chapters, is complemented by chapters based on contributions by industry practitioners. This significant study will appeal to scholars, researchers and students in business ethics, management, human resource management and development, and organization studies, and addresses issues faced daily by business executives and practitioners working in emerging market countries.

DOUGLAS JONDLE is a consultant with Bains Jondle & Associates LLC, which fosters ethical cultures in a global economy, and is a former research director of the Center for Ethical Business Cultures at the University of St. Thomas.

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Foreword

THE INDIVIDUAL VERSUS THE COLLECTIVE

As the final preparations for the submission of this book to the publisher were underway, I reflected on recent experiences during the 41st Ryder Cup, a golf sporting event between the United States and Europe held every other year that attracts a huge global audience. Representatives consisting of twelve players from each side compete in two-person teams for two days and a singles format on the third and final day with a goal of securing enough points to win and/or retain the Ryder Cup until the next competition. Winning the Ryder Cup is a tremendous honor and brings great pride and "bragging rights" to the team and their respective country (or countries).

Despite having players ranked higher in golf standings, an overall team considered consistently stronger, and a history of dominating the event, the US team had lost the last three Ryder Cups, six of the last seven, and eight of the last ten. The performance of the United States had become so concerning that a task force made up of former Ryder Cup US captains, US players, and US golf officials was convened to address the pattern of losses and create a new trajectory.

It is interesting to note that other than the Ryder Cup event (and a companion event called the President's Cup contested in alternate years from the Ryder Cup featuring the United States against *non*-European countries from around the world), *professional golf is very much an individual sport.* Players train, practice, and compete as individuals to win first place in tournaments that bring fame, lucrative financial rewards, and endorsement contracts. They also work to compile an annual record that positions them to compete in a season-ending series of playoff tournaments that brings the individual winner the distinction of being the best in the world, along with well over ten million dollars in prize money. They are incentivized to act and compete as individuals, with all of the rivalry and frailties of temperament that come with intense individual competition.

But for the Ryder Cup, once every two years, the European team, made up of players from all over Europe, have found a way to rise above the individual rivalry, to bond, and to function as a *team of one* united with a common goal of defeating the United States. And by functioning as a *team of one*, the Europeans have given greater meaning to the phrase, *the whole can be greater than the sum of its parts if we work together as a team.* Working as a team, they have built strong relationships and camaraderies that significantly lift the spirit and the level of play of their fellow teammates, allowing them to outperform higher-ranked opponents on the US team. *The spirit of the collective becomes greater than the spirit of the individual.*

FORMAL OR INFORMAL – RELATIONSHIPS MATTER

In my role as President and CEO of the Center for Ethical Business Cultures, I have had the honor and good fortune to work with multiple organizations intensively building a global footprint to reach new markets with their products and services as well as benefit from the utilization of global workforces supplying goods and services.

The best organizations devote attention to answering three questions: *why* – why are we here (purpose – mission and vision); *what* – what is it we are trying to accomplish (strategy, goals, and objectives); and *how* – how do we go about accomplishing the "why" and the "what" (setting behavioral expectations through clearly defined values, ethics, and compliance standards of conduct).

Often organizations concentrate on the "why" and the "what" assuming everyone understands the "how." But failure to devote balanced attention to the "how" can lead to a culture of achieving the goal "by any means necessary" – *the ends will justify the means.*

In global settings, this becomes even more complex because the "how" takes on different interpretations and meaning based on the culture of the country one is doing business in. One cannot assume that the behavioral standards and expectations of the "home country" (where the business is headquartered) are transportable and acceptable to the "host country" (where the business is actually being conducted). And if there are differences, failure to understand, internalize, and operationalize these differences can lead to a breakdown in the organizational culture and ultimately a failed realization of mission, vision, strategies, goals, and objectives.

As an example, in certain countries, particularly developed economies, business relationships are more formal and centered on the nature of the business that is being conducted. These business relationships are often codified in formal contracts, memorandums of understanding, or letters of agreements, often enforceable by law. Any social or personal relationships are secondary and may evolve as the business relationship matures.

In other countries, including emerging economies, business relationships are informal and based on social, familial, clan, or political networks. Formal instruments to codify the relationships are viewed as flexible, allowing interpretation and adaptation to accommodate the particular situation. And it is the social, familial, clan, or political relationship that is primary and ultimately determines the nature of the business relationship.

Imagine the conflict that arises when one party assumes business decisions are being made based on formal agreements and the other sees the formal agreement as flexible – being able to be adapted the particular situation at hand.

WHY DOES THIS MATTER

Individual versus collective, informal versus formal, professional versus personal relationships – why should these or any other differences in cultures or countries matter? As many have written, we have clearly entered a new era of global economic interconnectedness with shifting leadership roles among countries. The rules of engagement have been determined by those with economic power, primarily developed economies. Likewise, the standards of behavior – the "how" – have also been determined by developed economies.

But there are many countries with emerging economies that will over time surpass the economies of the developed countries. And as this unfolds, we will need to pay just as much attention to "how" we work together in this new environment of developed and developing economies as we do to "what" we do together to realize the economic opportunities for all. We need to understand and appreciate the differences, seeing them as opportunities to build better relationships and strengthen the performance of organizations within differing cultural settings.

This book is an essential ingredient to advance the conversation about our differences and similarities. We must learn to understand, appreciate, and incorporate practices that respect our similarities and our differences as we learn to work together to ensure successful outcomes. And it is better to have the conversations as we are going through the shifts in economic power than to wait until we are facing a crisis. Because if we wait until a crisis occurs, the conversation becomes much more complex and complicated. Individuals revert to what works best in their culture or country, which can lead to tacit agreements, misunderstandings, or, at its worst, polarization.

This book brings together the voices of business practitioners, business consultants, and leading academics to explore the differing approaches to ethics in a global setting. With practical examples, stories, research, and firsthand insight into differing cultures from those who have experienced it, this book broadens our perspective and helps us learn to understand and appreciate how we work together.

Ron James
President and Chief Executive Officer
Center for Ethical Business Cultures

Preface

The legitimate peculiarity of each person, which formerly had troubled and irritated Pierre, now constituted the basis of the sympathy and interest he took in people.

Leo Tolstoy, *War and Peace*

THE STORY OF A YOUNG MANAGER: A CASE STUDY IN CULTURAL EXCHANGE

It was September 1989. Recently conferred a PhD, I had just been asked if I would be on a research team created as part of a joint corporate venture in the Soviet Union. I was a graduate of the University of Wisconsin–Madison (UW), with a degree in plant breeding and plant genetics, with no administrative training or corporate experience. In June 1989, I assumed the title and role of corn breeder and research station manager in a small town in southern Minnesota, and immediately became responsible for supervising five full-time employees, more than 20 seasonal workers, and a budget of $300,000.

After three months on the job, the vice president of research for the United States asked if I was interested in traveling with him to the Soviet Union the following spring. The company had just entered into a joint venture agreement with the All Union Research Institute (the Institute) in Dnipropetrovsk, Ukraine. Up until recently, Dnipropetrovsk had been a closed city to foreign travelers due to the extensive military and space industry located there. The company would develop business relationships with emerging market countries through its seed division. The thought was that everyone needs to eat, and providing seed technology was a means of feeding a hungry population. Once the seeds business was established, it would not be that difficult to open other distribution channels within the country to bring in other products behind the goodwill provided by seeds.

Accepting the offer meant traveling twice a year, for a week or more at a time, to Ukraine, once each in the spring and the fall. I would reciprocate, and host my Soviet peers once a year during the summer. The purpose of the visits to Ukraine was to consult among peers and to travel the countryside, from *kolhoz* (communal state-run farm) to *kolhoz*, extolling the greatness of the joint venture and the advantages of our product over others, which were mostly locally produced. On occasion we partnered with other Western companies to jointly promote products such as our seeds and their farm machinery. Beyond the face-to-face contact, my joint venture responsibilities included evaluating both the germplasm coming from and going to the Institute.

International travel had never been a projected strength of mine. Prior to this opportunity, I had only traveled outside of the United States twice, once to Cancun, Mexico, and a second time to Canada. Either hardly resumé builders.

In March 1990, I made my first of eight trips to the Soviet Union. Accompanied by vice presidents of both US and International Research, I sat in Logan International Airport's lounge in Boston, all of us completing our final prep before boarding the flight to Moscow. While my contribution of personal perspective was fairly weak and insignificant, the two VPs were rich sources of personal international experiences and a wealth of information that quickly negated the significance or importance of the briefing material I had received from the company in the form of a 1975 CIA report. Within months, due to political volatility and economic turmoil within the Soviet Union, the republics that comprised the country were clamoring for independence. In my travels that followed, the emphasis quickly shifted from the Soviet Union to the newly independent countries of Ukraine and Russia.

Arriving in Dnipropetrovsk, we were met at the airport by Pavel and Boris, senior scientists at the All Union Research Institute in Dnipropetrovsk and my research peers. Typical of our visits to the Institute, we spent the greater portion of the trip discussing the exchange of germplasm, touring the Institute's numerous research nurseries, observing hybrid yield trials throughout the region, visiting with officials at *kolhozy*, and, most importantly, discussing how to spend the $125,000 budgeted to the research project. Ultimately, how best to spend the money was my responsibility.

Pavel and Boris immediately identified two large purchase items as "must-haves," and earmarked several smaller ones as necessities, such as pollinating supplies, seed counters, and electronic scales. The large items were a 15-passenger van and a specialty combine to mechanically harvest hybrid research plots.

Working from the perspective that I knew what was best for the program (after all, the money was being provided by the company), we agreed that the first item to procure was a gasoline-fueled Ford van. First of all, it was needed to pick up and transport visiting international guests (myself included) and be at their disposal during their visit. Second, it would be used to transport supplies and personnel to and from the fields. This was all regardless of the fact that gasoline (versus diesel) was both expensive and scarce, and the van was not known for having great gas mileage. Nevertheless, one of my first orders of business upon returning home was purchasing and arranging for the shipment of a white Econoline Ford van to the Ukraine. Thirty-five thousand dollars spent. It arrived in the country in good shape, being available for the next visit. Needless to say, its availability was not always guaranteed. More times than not, the van was not available. Reasons varied, but most followed two lines of reasoning: (1) it was too expensive to run, or (2) the newly installed country manager, an expat from Western Europe, needed it in Kiev for non-research functions, much to the ire of the Institute. Regardless, after a while I never saw the van again.

Now moving onto the combine. Spending the remaining budgeted dollars became problematic. In part because the combine (specifically designed and built as a research plot combine) that both Pavel and Boris were interested in was made in West Germany, while I was favoring purchasing a used field combine and modifying it in the

United States for plot work. Being fairly easy to transport overland to its delivery point at the Institute, the research combine was a brand new combine. Purchasing it meant using all the remaining available cash, maybe more. From my personal experience, Option B was a better deal. For less than half the cost, a used field combine could be secured in the United States, it could be specially modified for small plot work, and shipped overseas. After all, I had just gone through a refitting of a combine for my own research station. However, Pavel and Boris were not having it. They wanted the new combine.

Pollinating supplies required to carry out controlled pollinations in the breeding nurseries were in chronic short supply for the Institute. The Institute barely had enough supplies each year to complete the needed number of pollinations. While not the most glamorous of purchases, it was evident that they were vital for the success of the project. To make matters worse, they needed to be ordered a year in advance and shipped. The problem was that Pavel and Boris still wanted the new combine. On the other hand, after purchasing the van, the decision in my mind became clearer. The only option was to secure the pollinating supplies and to find a used combine in the United States and ship it to Ukraine. And that is what I did.

Good plan. Made sense.

Everyone was happy.

No, not Pavel and Boris.

The pollinating supplies were ordered in time to arrive for use during the next growing season. The research combine was built from a used Allis Chalmers F2 Gleaner Combine and was ready for shipment the next spring, with arrival in time for use in the next harvest season. Enough money was saved, even with international shipping costs factored in, to include key spare parts, like belts, gears, and filters.

The combine arrived as scheduled at the port of Odessa on the Black Sea. It never arrived at the Institute as planned.

I later discovered that the Institute had no way of picking up the combine once it arrived at port. How did I not know this? The