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978-1-107-10492-1 — Ethical Business Cultures in Emerging Markets

Edited by Douglas Jondle , Alexandre Ardichvili

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# Introduction: Business Ethics and Ethical Cultures in Emerging Markets

Alexandre Ardichvili and Douglas Jondle

As the economies of Brazil, Russia, India, China, South Africa (BRICS), and other emerging market countries continue to grow, and multinational corporations originating in these countries become major players in global markets, questions pertaining to trust, integrity, and standards for ethical business behavior become important concerns for stakeholders. Will norms that shape current acceptable business behavior be challenged by the growing influence of stakeholders within the emerging market countries? What competing values and behaviors will business practitioners/executives have to reckon with as they conduct business in a shifting paradigm, fueled by the inherent variability of differing cultural norms that influence behavior within emerging market countries? How will governments define and regulate ethical behavior, and how will businesses be accountable to their stakeholders for ethical behavior when the foundations on which compliance and ethics programs have been built are subjected to competing norms?

Whether or not managers and employees behave ethically depends largely on how ethical behavior is perceived in various cultures, and how it is shaped by organizational cultures and national institutional environments. Issues around managing corporate cultures have long been a central concern of executives around the world. The discussion of *ethical* corporate cultures has become more prominent both in business ethics and human resource development (HRD) publications in recent years (Ardichvili et al., 2009; Goodpaster, 2007). One of the reasons for the growing interest in understanding what makes organizational cultures ethical was the realization that the global financial and economic crisis of 2008–2009 was triggered,

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among other things, by major ethics violations at multinational corporations (MNCs) and financial institutions. Furthermore, recognition is growing that corporations governed by questionable business ethics are much more likely to behave in socially irresponsible and unsustainable ways.

Previous research on corporate cultures and ethical business cultures has focused almost exclusively on studies of MNCs from a handful of developed countries. At the same time, the importance of understanding and promoting ethical cultures in large business organizations from emerging economies cannot be overstated. In 2001, Goldman Sachs projected that by 2050, combined gross domestic product of four BRIC countries (Brazil, Russia, India, and China) alone will be larger than that of the seven largest developed economies of the world (G7) (Goldman Sachs, 2001). South Africa was added to the list soon thereafter, and the group became known as BRICS. In 2005, Goldman Sachs has created an additional list of fast-growing emerging countries, calling them The Next Eleven. This group of fast-growing and influential emerging markets includes Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, the Philippines, Turkey, South Korea, and Vietnam (O'Neill et al., 2005). Furthermore, multinationals from BRICS and other emerging countries are playing a major role in shaping the way business is done globally.

This book fills two gaps in the current business ethics and ethical business cultures literature. First, it discusses attributes of ethical business behavior and ethical business cultures in firms from emerging market countries. Second, the book provides executives from the United States and other developed economies with a better understanding of how to succeed in doing business in emerging markets, and it offers suggestions for practitioners on ways to approach complex ethical dilemmas arising from cultural clashes and perceived differences in ethical business values of organizations from different countries.

The book is structured as follows. In Part I, Chapters 1 through 8 are devoted to eight emerging market countries. Given space

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limitations, we had to make difficult choices when deciding which countries to include in this volume. In addition to all five BRICS (Brazil, Russia, India, China, and South Africa) nations, we selected three countries that have recently gained prominence as some of the largest and most influential in their part of the world: Mexico, Indonesia, and Turkey. This choice allowed us to include three important geographical regions not covered by BRICS: North and Central America, Southeast Asia, and MENA (Middle East and North Africa). These eight chapters are contributed by leading scholars residing in or originating from the countries in question and representing the disciplines of management, organization development, human resource development, and business ethics. Each chapter provides an overview of the sociocultural and economic background of the country, discusses the distinctive characteristics of each country's culture, and then provides an analysis of the attributes of ethical business cultures and ethical behaviors in business organizations, operating in and originating in the said country.

Part II is devoted to the practice of building and sustaining ethical business cultures. In Chapter 9, Jack Wiley discusses the results of a large-scale, longitudinal, survey-based study of the opinions of thousands of managers and employees from 22 developing and developed countries, comparing perceptions of what constitutes ethical business behavior in these countries to indexes of Employee Engagement and Performance Confidence. In Chapters 10 and 11, the scholarly discussion, presented in previous chapters, is complemented by practitioner perspectives. Chapter 10 is based on a keynote address, given by Emery Koenig, former Chief Risk Officer and Vice Chairmen of Cargill. In it, Koenig discusses Cargill's unique approach to building ethical business culture in the largest privately held company in the United States, and its relentless effort to ensure that organization's ethical values serve as guiding principles for its work in all 67 countries of the world in which Cargill has substantial business presence. Chapter 11 reports the results of interviews with business executives from the United States and several emerging

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market economies. We use the five characteristics Model of Ethical Business Cultures (MEBC), developed at the Center for Ethical Business Cultures, to demonstrate how organizations can build and sustain ethical business cultures in the long term. Extracting themes from our interviews of business practitioners, we overlay their comments with the five elements of the MEBC, thus bringing an empirically validated academic model (Jondle et al., 2014) to life through story and personal experience and providing tangible and actionable examples of practiced ethical business culture to both practitioners and academics.

This book is intended for both scholarly and practitioner audiences. We assume that the book will appeal to both academics and practitioners not only in the countries discussed in this book, but that the information will be extrapolative to the many other developed and emerging economies.

The scholarly audience includes academic instructors and researchers, students in business ethics, management, human resource management and development, and organization studies. The book can be used as the main or a supplemental text in graduate courses related to business ethics and organizational culture.

An important audience for the book will be business executives and practitioners working in the areas of business ethics, corporate social responsibility (CSR), HRD, and HRM, and anyone involved in global and international work.

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