

## Ethical Business Cultures in Emerging Markets

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.

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Cambridge University Press  
978-1-107-10492-1 — Ethical Business Cultures in Emerging Markets  
Edited by Douglas Jondle , Alexandre Ardichvili  
Frontmatter  
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# Ethical Business Cultures in Emerging Markets

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**CAMBRIDGE**  
UNIVERSITY PRESS

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**CAMBRIDGE**  
UNIVERSITY PRESS

University Printing House, Cambridge CB2 8BS, United Kingdom  
One Liberty Plaza, 20th Floor, New York, NY 10006, USA  
477 Williamstown Road, Port Melbourne, VIC 3207, Australia  
4843/24, 2nd Floor, Ansari Road, Daryaganj, Delhi – 110002, India  
79 Anson Road, #06-04/06, Singapore 079906

Cambridge University Press is part of the University of Cambridge.

It furthers the University's mission by disseminating knowledge in the pursuit of education, learning, and research at the highest international levels of excellence.

[www.cambridge.org](http://www.cambridge.org)

Information on this title: [www.cambridge.org/9781107104921](http://www.cambridge.org/9781107104921)

DOI: 10.1017/9781316225165

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First published 2017

Printed in the United Kingdom by Clays, St Ives plc

*A catalogue record for this publication is available from the British Library.*

ISBN 978-1-107-10492-1 Hardback

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Cambridge University Press  
978-1-107-10492-1 — Ethical Business Cultures in Emerging Markets  
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Frontmatter  
[More Information](#)

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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

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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 to 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,

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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.

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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

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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

combine stayed at portside all winter, unprotected from the elements. Finally, the Institute took delivery of the combine the following spring. The combine had suffered severe damage as the result of being left outside, portside in the damp, salty air. More damage was sustained as it was driven overland back to the Institute some 470 km.

Arriving that fall with the director of information technology, we were taken to what remained of the combine. It had been parked unceremoniously, outside again, in a corner of the maintenance yard in the mud. One of the large front-drive tires was flat. The gears that ran the corn-harvesting head were rusted fast. The computerized weighing system that measured each research plot's yield and other agronomic data was corroded and shorted out by saltwater. After an hour assessing the damage, our attempt to breathe any life into the combine was futile. We pronounced it unsalvageable. A loss of \$75,000.

Making mistakes is easy and learning is not always pretty, but it can be and usually is messy. So, at the end of the day – \$125,000 later – the only purchases that provided any real value to the project were the pollinating supplies – and they were only a one-year supply and a seed counter.

As an inexperienced research station manager given significant attention and responsibility, important decisions were made based on cultural *naïveté* and lack of or limited situational experience. *Arrogance*, or superiority over peers, created an aura of power and control that led to the practice of limiting information, poor analysis of situations, and snap decisions. *Indifference* in entertaining alternate points of view established a rigid path to uncompromising results – room to maneuver for change was stifled. Intense and excessive pride (*hubris*) played a crippling role in fostering a path to poor results and hard feelings between parties.

I recall from nearly the start of my experience having an unfounded feeling of power and control over the agenda and my peers. This stemmed from the fact that of the joint venture partners, it was the company, after all, that was bringing with it the capital and

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other business acumen for the benefit of the Institute. I considered the Institute as inferior, both as a business and research partner. I did not view my peers as equals. I truly felt that, as an American, I held both the morally superior ground and the more capable intellect.

This bluster was totally unfounded. My peers received comparable training, more professional vetting and accreditation, and certainly had more practical experience. They had more travel experience internationally, and were more culturally astute. My arrogance and self-assurance were grounded in the belief that, as an American, trained in an American school, I possessed the superior capability to make the strategic decisions. This feeling of overconfidence and preeminence was amplified all the more when, after the third trip, I was traveling without the vice president of US Research to Ukraine. Surely this was a nod to his confidence in me and my personal feeling of having control over the situation.

From a business perspective, there was truth in the ability of the company to wield significantly more clout in the international business arena than the Institute. After all, the company was a well-established and respected international player in the global business community. The Institute, on the other hand, had traditionally been focused on local interests, and was certainly more isolated by the political situation in the Soviet Union at the time. Funding was drying up, as the result of economic hardships within the old Soviet Union, and further erosion of monies was the result of Ukraine declaring independence in 1991. The company certainly was looked upon as a white knight from the Institute's perspective, with the potential to infuse vitally needed capital and business know-how.

As long as I was part of the project, I never truly appreciated the opportunities it presented for me to grow personally – to better understand that the world is a really small place. And in that small place what is needed to be successful is for people of differing abilities, interests, and values to work together as a team, where no one member dominates the decision-making process or the moral high ground. I needed to learn that in order to continue to innovate, there

needs to be a continual embrace of different things, an injection of variability, and an assurance that with change comes improvement.

The breakdown in the ability of a leader to recognize his own shortcomings, fed by ambition and blinded by his own cleverness, clouds a true understanding of the situation at hand and shields him from the inevitabilities of change and innovation. These attitudes can only be a long-term hindrance to cultural integration, social harmony, and a realization of the true meaning of business.

Hubris, naiveté, arrogance, and indifference – these are not the characteristics that one wishes to employ when building lasting and healthy relationships with business associates. It is not how a culture and its leaders demonstrate cultural empathy and social tolerance. It is certainly not how management creates a culture for a business that is based on ethical and profitable behavior – a business culture that espouses a fundamental understanding of what is right and what is wrong, and subscribing to this as a minimal standard of how to conduct business. When all options seem right, it is up to management to make decisions that reach for the higher ground. Even in the face of short-term monetary loss, following through with the more righteous act will reap long-term advantage and reward.

Now, upon reflection some 25 years later, would I act the same, make the same or different decisions? Does the distance of time and a greater wealth of perspective and experience sharpen my capacity to make important decisions free from cultural bias or personal prejudices? How influenced am I when it comes to my cultural intelligence?

I might still make the same decisions as I did the first time, but experience has taught me that they would be based on a far broader perspective, with a better understanding of cultural differences. I would hope not to be predisposed to a particular viewpoint or hastily made decision. While age played a role – I was twenty years Pavel and Boris's junior – I feel I was more influenced by the fact that I was an American, representing a very large and successful corporation

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that was well respected the world over, and I was chosen to represent that corporation. I just knew better.

Many cultures outside of the United States place a premium on relationships among family, friends, and business peers, as will become evident in the pages that follow. A crucial mistake that I made back then was not taking advantage of numerous opportunities to build on the personal relationship between me and my peers to examine my biases that stemmed from being an American. Our “relationships” were mostly built around business opportunities. I spent five years traveling back and forth to Russia and Ukraine several times a year, and Pavel and Boris traveled to the United States once a year during that period. Plenty of opportunity to get to know someone on a more personal level. On numerous occasions, I was invited to visit with them at their dacha and dine with their families. And we spent an inordinate amount of time traveling by car to research stations, farm shows, and government farms. These were all opportunities with plenty of time to foster deeper understandings of just who we were as persons. But most of the time was either spent in silent thought or talking business.

My point in all this is, in business transactions it is all too easy and may be an expectation that most or all of your time should be directed understanding the mutual business at hand. It is certainly not efficient or relevant to the business deal to talk about family, friends, or politics with your business peers. Nonsense! I contend that in part my business decisions would have been better informed if I had had a better understanding of who my partners were, what made them act the way they did. It would have been more important to know them as a person, not as a transaction that needed to be completed. This, I believe, is all the more important and relevant when operating in other cultures that are different from your own.

There is another point to make, the one about the importance of diversity or variability (my geneticist voice), and ultimately change, being an asset rather than a detriment. Diversity needs to be

embraced, not shunned out of fear. We must not shelter ourselves from diverse thought, experiences, and cultures.

In plant breeding, a basic tenet is that to effect change, in order to improve the performance of an existing hybrid or variety, you need genetic variability or a diverse population of individuals. I would argue the same tenet applies in business. In order to effect progress and performance within an organization, you need to have and take advantage of diversity in the workforce and in the pool of customers you serve. Operating in the global markets serves this purpose. No one person possesses the mind-set or skill-set to account for all specialties of ability. You need a blending of many minds with varying backgrounds and experiences to maximize change that leads to innovation that leads to sustained business performance. Furthermore, it is of utmost importance to acknowledge that all of this needs to be accepted as an integral part of and nurtured through the building and sustaining of ethical business cultures.

Douglas Jondle

## Acknowledgments

We would like to thank the Center for Ethical Business Cultures and its staff (Terri Hastings, Ronald James, Judi Olson, David Rodbourne, and Robert Shoemake) for their support of the research that led to this book and all the encouragement as the book was being written. Along the road to publication the Center hosted the Building Ethical Business Cultures in Emerging Markets: Challenges and Risks Conference in September 2015 in Minneapolis, Minnesota. The conference brought together the book's authors from all over the world for a full-day conversation with executives from leading local business organizations. Doing away with the traditional presentation-based session format, the conference organizers created an interactive forum based on a dialogue between scholars and practitioners. The conference was funded through the generous support of the conference sponsors. Based on the lessons learned at the conference, the focus of the book was sharpened to address important challenges business practitioners face in conducting business on a global scale.

We would like to thank the James A. and Linda Mitchell Foundation for its support of the book. In addition, it was on Jim's foresight and vision of the importance of ethical business cultures that the research at the Center was based.

We also would like to thank Paula Parish, our commissioning editor at Cambridge University Press, who first approached us to write the book and for all her encouragement and support following.