

PRESS RELEASE



Date: 24th July 2012

The ethical challenges for business in China – new IBE report

A new report by the Institute of Business Ethics reviews the business ethics climate within China and the challenges that a business seeking to operate with high ethical standards might encounter.

With the advent of the UK Bribery Act and its cross-jurisdictional reach, it is imperative for companies entering the Chinese market to be mindful of particular cultural traits (such as gift giving traditions and personal networks) when rolling out training and guidance designed to establish and ensure high ethical standards of business practice among employees.

Business ethics and CSR in China are maturing fields. Heavily influenced by the state and traditional Confucian values, there are high expectations on business to play a part in addressing social inequalities and issues such as **bribery and corruption, discrimination, human rights and environmental degradation**. The Chinese government expects ethics and CSR programmes to be in line with the country's long term strategy for social improvement as outlined in its Five Year Plan.

It is important that Western companies acknowledge the roles that **personal connections (guanxi)** and respect or 'avoiding loss of face' (**mianzi**) play when guiding employees on how to manage business relationships appropriately. Other Confucian influences on employees' behaviour include:

- a reluctance by staff to speak up against colleagues (particularly their superiors) or use a reporting hotline as they are taught unquestioning respect for authority and loyalty to their group.
- the need when training staff for small group sizes of the same rank, as the presence of superiors may inhibit employees to be frank and open in their discussion.

Philippa Foster Back OBE, Director of the IBE says: *"Whilst China is still developing a robust corporate governance framework and universal rule of law, the pace of change in China is fast and the scale of their ambition in areas such as corporate governance, sustainability and anti-corruption is growing. This Paper will assist companies operating there to keep up with these developments when considering the efficacy of their ethics programmes."*

This Occasional Paper is one of a series looking at the ethical challenges of doing business in specific countries. Papers on South Korea and South Africa can be found at: www.ibe.org.uk.

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EDITOR'S NOTES

DOING BUSINESS IN CHINA: AN OVERVIEW OF ETHICAL ASPECTS by Judith Irwin

ISBN 978-1-908534-02-6 Hard copy price £10 or a PDF is free to download from

www.ibe.org.uk

Published July 2012

The Institute of Business Ethics (IBE) is a non-profit professional organisation, which encourages high standards of business behaviour based on ethical values. They raise public awareness of the importance of doing business ethically, and collaborate with other UK and international organisations with interests and expertise in business ethics. www.ibe.org.uk

The author

Judith Irwin is a Senior Researcher at the Institute of Business Ethics where she researches and writes on best practice on a range of business ethics topics, advises companies on embedding ethics in their organisations, and regularly engages in training and public speaking to raise awareness of the subject. Recent publications include 'Doing Business in South Africa: An Overview of Ethical Aspects' (2011) and a 'Good Practice Guide to Ethics Ambassadors' (co-author, 2010).