

Globalising a Business Ethics Programme



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Author's Disclaimer. This Guide is not intended to provide any form of legal advice or counsel. Some aspects of ethics and compliance programmes have legal ramifications in many countries. Companies are therefore advised to have competent legal counsel review their ethics and compliance programme, both in their home country, as well as within each international jurisdiction.

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Introduction

The importance of globalising corporate ethics programmes

In today's business environment, it is now fairly commonplace for a multinational corporation to have some type of ethics programme in place. They are considered key to the management of integrity risk and the building of brand and reputation. An increased awareness of the business case for high ethical standards, as well as legislation such as the UK Bribery Act, the US Sarbanes-Oxley Act and the US Foreign Corrupt Practices Act, have been drivers for ensuring global consistency within these programmes. It is important that an organisation clearly communicates its values, commitments and standards wherever it operates.

Yet making ethics programmes effective on a global scale can pose a major challenge when they are perceived locally to be irrelevant or inappropriate. Many companies launch their programmes from their head office without proper adaptation to the international locations in which they do business.

Approaching cultural differences with sensitivity and open mindedness may not only reduce conflict, but also improve the overall efficacy of the ethics programme, even within the home country. **This Guide will assist organisations to effectively globalise their business ethics programme and disseminate organisation-wide values and standards in a manner that respects, where possible, and takes account of the many cultures where it does business.**

One of the most significant challenges when globalising ethics and compliance programmes is the belief by local employees that the company is trying to impose foreign values upon them, often referred to as 'cultural imperialism.' Politics and international policy among nations can serve to solidify this perception. A related problem is the belief that the company is dismissive of local culture and customs.

However, this challenge need not deter multinationals from establishing global values and standards. It is possible to do so in a way that minimises cultural offence but ensures consistency. Companies need to show sensitivity and open mindedness in the application of values and principles to specific cultural practices. For example, most western companies with 'no cash gifts' policies regularly provide small cash gifts to service personnel in hospitality situations. That these are viewed not as gifts but as 'tips' is really a minor distinction. Tipping is simply an ingrained cultural practice in parts of the west and therefore deemed acceptable. Perhaps viewing the small amounts of cash exchanged in red envelopes during the Chinese New Year as an annual tip instead of a cash gift maintains the company's core commitment not to bribe in order to retain business while respecting an important cultural tradition throughout much of Asia (see 4.3).

Another challenge of globalisation is defining what constitutes a corporate ethics issue and what is the scope of business ethics. For example, employees in the United States often construe ethics quite minimally, equating it largely with legal compliance, while in South Africa and other African countries, public concerns around HIV may create expanded expectations around corporate ethics programmes.

Box 1: Understanding cultural differences

It is common to mistake cultural etiquette, e.g. how to exchange business cards in Asia, for fundamental cultural differences. True cultural differences lie in the common values held by individuals, which then define how they interact within a societal context. For example, many western societies place emphasis on laws and contracts to facilitate business relationships. In some eastern countries, however, the emphasis is on facilitating the relationship while laws and contracts are of secondary importance.

Geert Hofstede, Professor Emeritus at Maastricht University and one of the pioneers in the field of cross-cultural understanding, conducted an exhaustive study between 1967 and 1973 of employee values at a large multinational corporation, encompassing over 70 countries. Based on this work and additional follow-up studies, Hofstede developed a model identifying five primary dimensions which assist in differentiating cultures. Three of these are particularly relevant for the global application of ethics and compliance programmes:

- Power Distance - the extent to which the culture accepts and expects that power is distributed unequally within groups (e.g. family or society)
- Individualism - the degree to which individuals are integrated into groups
- Uncertainty Avoidance - a society's tolerance for uncertainty and ambiguity.

These dimensions can have a significant impact on the success of global ethics and compliance programmes. For example, Power Distance will impact employees' willingness to report misconduct by senior management.

For more information on Professor Hofstede's work, please visit www.geerthofstede.nl.

While globalisation will continue to be a challenge for corporations, the ever increasing global frameworks for business ethics and corporate and social responsibility are providing some basis for a growing worldwide consensus around acceptable business practices. Such guidelines and initiatives include the Organisation for Economic Cooperation and Development's Guidelines and the United Nation's Guiding Principles on Human Rights and Global Compact. These initiatives are giving greater credibility to business ethics programmes in various parts of the world. (For more information about global frameworks, please see Appendix 2).

About this Guide

This Guide is intended to assist ethics practitioners (ethics officers, compliance professionals, corporate and social responsibility directors, human resource managers, etc.) to:

Part 1: Assess the efficacy of their existing ethics programme throughout their operations, and whether or not the programme is culturally appropriate.

Part 2: Consider how a global ethics function needs to be organised in order to best facilitate all the elements of a global ethics programme.

Parts 3 and 4: Draft a code of ethics or modify an existing code to ensure that it is as appropriate and as relevant as possible for all the locations where a company does business.

Part 5: Develop training on business ethics and tailor that training as necessary to make it culturally relevant to employees worldwide.

The appendices provide lists of further resources and global standards.

While this Guide provides a general overview of some common issues and possible approaches to globalisation, it is not intended as an exhaustive guide to creating a comprehensive ethics programme. While some of the country and regional examples included throughout are obviously broad generalisations, they do highlight areas for consideration to maximise the local effectiveness of different aspects of a global ethics programme.