INTERNATIONAL BUSINESS ETHICS REVIEW

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Business Ethics and Corporate Governance in Africa

By G.J. Rossouw

In this article, the author identifies general trends in corporate governance in Africa and discusses the implications for the practice of business ethics in Africa. This is an excerpt from an article that appeared in Business & Society. ***G.J. Rossouw, Business & Society (Volume 44, Issue 1), pp. 94-106, copyright 2005 by Sage Publications, Reprinted by Permission of Sage Publications Inc.***

The African Context

The 53 countries on the African continent can be divided roughly into three main zones based on their official languages. These three groups are the Arab-speaking countries in North Africa (the Maghreb zone), the French-speaking countries of central and western Africa (the Franc or Francophone zone), and the English-speaking countries of southern, eastern, and western Africa (the commonwealth states or Anglophone zone). Economic activity on the continent is dominated by three countries with Algeria, Egypt, and South Africa contributing 60% of Africa's GDP, and the other 50 countries sharing the remaining 40% (Armstrong, 2003, p. 6). Most private sector companies in Africa are nonlisted small-to-medium enterprises (SMEs). State-owned enterprises (SOEs) still dominate African markets, with the exception of South Africa. Stock exchanges are relatively small, once more with the exception of South Africa.

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Perspectives on Responsible Business Practices in the Middle East

Interview with Alex Zalami

In a recent interview with the Institute, Alex Zalami, Executive Director of the Dubai Ethics Resource Center, responded to a number of questions regarding responsible business practices in the Middle East. The Dubai Ethics Resource Center (DERC) is based in Dubai and is the region's hub for organizational ethics advocacy, training, and research. Prior to joining DERC, Mr. Zalami served as Director of International Programs at the Washington-based Ethics Resource Center. Mr. Zalami has also held a number of executive positions in U.S. and international companies.

This article presents Mr. Zalami's perspectives on business ethics and corporate social responsibility in the Middle East, with a particular emphasis on the Gulf States, which include Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

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Special Focus:
Africa and the Middle East

In This Issue:

From the President

By Lori Tansey Martens

When we launched the *International Business Ethics Review*, we planned to devote one issue per year to the different regions of the world. With this issue and its focus on Africa and the Middle East, we bring this project to completion. It is indeed fortuitous that we saved Africa and the Middle East for last, as the rate of activity in the region over the last several years has been nothing short of astonishing.

While the two regions are distinct and have very different customs and history, business ethics and corporate social responsibility (CSR) have changed greatly in both regions in the last five years. Government and private enterprise in both regions are taking measures to curb corruption, strengthen corporate governance, and promote business ethics. This issue of the *Review* addresses some of these developments and includes articles from leading experts on both regions.

Our first article by Professor G.J. Rossouw provides a detailed overview of recent developments in business ethics and corporate governance in Africa. Professor Rossouw is the head of the Philosophy Department at the University of Pretoria in South Africa and is the founding president of the Business Ethics Network of Africa. Dr. Christine W. Gichure, of Kenyatta University in Nairobi, Kenya, discusses post independence corruption challenges in Africa, and explores the development of business ethics and good governance in Africa, with a particular emphasis on Kenya in her article, “Towards Instilling Ethics in African Business and Public Service: The Case of Kenya.”

Business ethics in the Middle East is addressed in the article, “Perspectives on Responsible Business Practices in the Middle East;” this article is an interview with Alex Zalami, Executive Director at the Dubai Ethics Resource Center. It presents Mr. Zalami’s perspectives on business ethics and CSR in the region, with a particular emphasis on the Gulf States.

With this issue, we also welcome Ms. Saihanjula He to the Institute. Ms. He brings a wealth of knowledge on training development, curriculum design, and China to the Institute. You can find more information on Ms. He on page 14. In addition, with this issue, we bid farewell to Roland Riebl, our former Research Associate, and Laura Kriv, our former Chief Development Officer. I thank both for their years of service to the Institute and wish them well in their future endeavors.

Editor’s Note: In keeping with our international focus, we have not attempted to standardize our contributors’ styles in this issue of the *International Business Ethics Review*. All style variations were accepted.

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Towards Instilling Ethics in African Business and Public Service: The Case of Kenya

By Christine W. Gichure, PhD

This article contains historical and background information that the Institute thought would be of interest to our readers. The opinions expressed in this article are those of the author and do not necessarily express the opinions of the International Business Ethics Institute.

Background

This article discusses post independence governance and corruption challenges in Africa. In addition, this article explores the development of business ethics and good governance in Africa, with a particular emphasis on Kenya.

As recently as January 2004, the World Economic Forum still presented Africa's economies as performing poorly since the 1970s with per capita incomes 10% lower than what they were in the 1980s. Its GDP growth was shown to have been negative throughout the 1990s at regional levels, and only slightly improved in South Africa (Taylor et al., 2003 p. 3-7). Historical, structural, and ideological factors have been used to explain this lack of economic growth.

Africa is materially poor and it continues to experience many difficulties: sometimes severe droughts and other times floods; political upheavals and conflicts in countries such as the Sudan and Somalia; the genocides in Rwanda and Burundi; endemic diseases such as Malaria and now AIDS; and massive unemployment.

Governance Challenges

Many African countries made the shift from European colonies to independent nations from the 1950s through the 1970s. An important post independence development in most of Africa, including Kenya, was that for more than four decades it was still believed that only the state could determine the economic direction of a nation (Versi, 1997). That belief had several immediate consequences. One of them was that the state assumed the position of the main actor with which multilateral institutions such as the World Bank or the International Monetary Fund (IMF) would generally interact. This arrangement, reasonable as it may have been at the time, opened loopholes for a variety of unethical practices that, in the course of the years, would lead to the stagnation of African economies, the rise of despotic governments, the annulment of democratic and civic principles, and finally the cancerous growth of corruption.

Another immediate effect of placing the tools for economic generation into the hands of governments was that too much power ended up in the grasp of individuals in government. Human greed, always present wherever humanity and scarcity meet, soon crept in. Appointments to head the various state owned enterprises, often known as Parastatal institutions, became a political prerogative. Soon people began to be appointed not on merit but rather on the basis of either their standing within political parties or their relationship with someone in government. Down the line, lesser appointments would also be made on the basis of loyalty, ethnicity, clan, or family. Nepotism had set in (Nzelibe, 1986). As a result of this, the market system of goods, services, and human capital was unable to operate efficiently. Governments paid too much for goods and services that were substandard.

In time, state institutions became prime repositories for wealth. State owned institutions emerged as giant monopolies that benefited those within the 'correct inner circles' and later expanded to include all kinds of people, regardless of their merit, skill, or ability. Neither performance nor accountability was taken seriously. As a result, the beneficiaries under such a system would do everything to maintain the status quo (Versi, 1997). In such a system, it is easy to see how the creative capacity of a nation is debilitated, in the sense that education, skill, enterprise, and knowledge end up being practically irrelevant to obtain employment. Not surprising then, in Africa, business ethics concentrates more on the public sector than on the private sector.

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The need for corporate governance among listed and nonlisted companies and state-run enterprises are great. Among the most promising developments in corporate governance reform in Africa count the various initiatives around the continent to develop national codes of corporate governance. These initiatives are often driven by the private sector and professional bodies. Organizations such as institutes of directors or professional bodies such as associations of accountants often take the lead along with other stakeholder groups to produce standards of good governance that are recommended to the local business community. In developing such codes, recognition is taken of corporate governance developments elsewhere on the continent and in the world. Especially three codes of corporate governance are often cited and explicitly referred to as major influences on the development of such national codes of corporate governance. They are the OECD *Principles of Corporate Governance* (1999), the Commonwealth Association for Corporate Governance (CACG) *Principles for Corporate Governance* (1999), and either the first or second *King Report on Corporate Governance for South Africa* (Institute of Directors of South Africa [IoD], 1994, 2002).

These national codes of corporate governance over time tend to find their way in an evolutionary manner into listing requirements of stock exchanges, rules of professional bodies, and also into legislation—thus effecting corporate governance reform from the bottom up. A substantial number of such national codes of corporate governance have already been produced, mostly in the Anglophone countries in Africa. It is in these codes that business ethics is explicitly addressed. Among the countries that already produced and published national codes of corporate governance counts Ghana (*Manual on Corporate Governance in Ghana*, 2000), Kenya (Private Sector Corporate Governance Trust [PSCGT], 1999), Malawi (Corporate Governance Task Force, 2001), Mauritius (*Report on Corporate Governance for Mauritius*, 2003), Nigeria (*Code of Corporate Governance in Nigeria*, 2003), South Africa (IoD of South Africa, 1994, 2002), Tanzania (Steering Committee on Corporate Governance in Tanzania, 2000), Uganda (*Manual on Corporate Governance and Codes of Conduct*, n.d.), Zimbabwe (*Principles for Corporate Governance in Zimbabwe*, n.d.), and Zambia (IoD of Zambia, 2000). In a number of other countries, such as Botswana, Egypt, Morocco, and Sierra Leone similar codes are in the process of being developed.

Ethics in Corporate Governance

The national codes all emphasize the ethical nature of good corporate governance. Special emphasis is placed on the fact that good governance is based on a number of cardinal ethical values. Topping the list of the values that should be adhered to in good governance are the values of transparency, accountability, responsibility, and probity. These values should permeate all aspects of governance and be displayed in all actions and decisions of the board. The various aspects of governance, such as board compilation and functioning, reporting, disclosure, and risk management, are seen as instrumental in realizing these cardinal values of good governance.

Mention is also made of specific moral obligations that the board of directors and the company should abide by. Prominent among these ethical obligations are ensuring that the company always act on high ethical standards so that the reputation of the company will be protected as well as respecting the rights of all shareholders, but particularly those of minority shareholders. In line with the inclusive model of governance that prevails in Africa, the duty to protect the human and other rights of all stakeholders enjoys prominence. Stakeholders that are singled out for special protection are cultural or ethnic minorities, women, and children.

The duty of the board and the company to look after the safety and health of its employees is also stressed. The emphasis on health is not surprising if one takes into account that, on average, 6,500 Africans die of AIDS-related illnesses per day (Pan-African Consultative Forum on Corporate Governance [PACFCG], 2001, p. 12). The detrimental impact of HIV and AIDS on business enterprises is well documented and poses a challenge that boards can hardly afford to ignore any longer. Another obligation that commonly occurs in the national codes is the social responsibility of corporations.

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Governing Business Ethics

In all the national codes of corporate governance in Africa the need for actively managing the ethical performance of companies is emphasized. The level of detail with which these codes deal with the active management of ethics do, however, differ drastically. All the codes recommend that the board of directors should ensure that a code of ethics is developed and that it is endorsed by the board. Most of these corporate governance codes also provide some guidance on the process of developing a code of ethics by either making reference to issues or topics that typically should be addressed in a code, or by outlining a process that could be followed in the process of code design or review.

Few codes go further than that. The Kenyan, Mauritian, and South African codes take the lead in venturing deeper into what the governing of ethical performance entails beyond developing a code of ethics. The most comprehensive recommendations on the governance of ethics are to be found in the second King Report on Corporate Governance for South Africa (IoD of South Africa, 2002). The latter report recommends a six stage process of governing ethical performance that consists of:

- identifying through stakeholder engagement the perceptions and expectations that stakeholders have of the ethical performance of a company,
- determining the ethical values and standards of the company and codifying it in a code of ethics,
- institutionalizing the values and code of ethics of a company on both the strategic and systems levels,
- monitoring and evaluating compliance to the code of ethics,
- accounting and auditing ethical performance according to emerging global standards on ethical accounting and auditing, and
- disclosing ethical performance to relevant stakeholders. (pp. 108-113)

Especially the third stage is emphasized to get companies moving beyond merely having a code onto implementing the code of ethics to make a meaningful difference to company performance. Specific interventions that are suggested are regular ethical risk assessment, confidential reporting systems through which unethical or suspicious behavior could be reported, the integration of ethical performance into existing performance appraisal systems, and integrity assessment as part of selection and promotion procedures. This comprehensive treatment of what the governance of ethical performance entails represents a substantial move beyond the guidelines that were provided in the first King Report (IoD of South Africa, 1994), when attention to ethics was still confined to developing and endorsing a code of ethics. The Mauritian report that explicitly follows the lead of the second King Report reflects this same comprehensive approach to the governing of ethics (*Report on Corporate Governance for Mauritius*, 2003, pp. 107-109). It is reasonable to expect that other countries in Africa might do the same when they take their national codes of corporate governance in revision in the not-too-distant future.

The Kenyan code that is also fairly comprehensive in the way that it deals with the governing of ethics recommends that companies should issue a certificate at the end of every year in which they confirm that to the best knowledge of the board and management no employee of the company has been involved in, among others, corruption, money laundering, or the contravention of any national law or international convention (PSCGT, 1999, p. 21).

New Developments

On a national level, various corporate governance initiatives have been taken that have a direct bearing on business ethics. In Ghana, for example, the African Capital Markets Forum (ACMF) launched an anticorruption project within the private sector that targeted the supply side of corruption. It brought attention to the role that the private sector plays in sustaining corruption by offering bribes to officials (Armstrong, 2003, p. 84). The outcome of this initiative is a greater awareness of the need for adherence to strong ethical standards in the private and public sectors. In South Africa, a concerted effort is being made by professional bodies and tertiary educational institutions alike to introduce programs on corporate governance. Some of these programs have distinct business ethics components in which students on under- and postgraduate level as well as in extracurricular programs receive formal training on business ethics (Armstrong, 2003, p. 104). Also in South Africa, the Johannesburg Securities Exchange (JSE) has introduced a Social Responsibility Investment Index for companies listed on its exchange that rates companies on their triple bottom-line performance, which also includes an ethical dimension. In Kenya, the PSCGT is assisting various organizations in developing codes of ethics (Armstrong, 2003, p. 100). These are just some of the various initiatives that are being taken to increase the standard of not only corporate governance in general but also of business ethics specifically.

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On the continental (Pan-African) level, the launch of the New Partnership for Africa's Development (NEPAD) also might have a positive bearing on enhancing corporate governance in general and business ethics as an integral part thereof. The aim of the NEPAD initiative is to eradicate poverty and foster socioeconomic growth through democracy and good governance (Armstrong, 2003, p. 66). The heads of state of African countries committed themselves not only to enhance good political, economic, and corporate governance but also to engage voluntarily in the African Peer Review Mechanism, where individual countries will be assessed on their governance performance by their peers in Africa (Anonymous, 2004, p. 32). The business workgroup within NEPAD has also adopted various agreements with a direct bearing on the ethical performance of organizations such as the Business Covenant on Corporate Governance that emphasizes the importance of organizational integrity and the institutionalization thereof as well as a covenant on the elimination of corruption and bribery. In addition, the Business Declaration on Corporate Social Responsibility was adopted that emphasizes the need for positive stakeholder relationships based on integrity as well as the protection of human rights.

Conclusion

The challenge that faces African enterprises is to translate this commitment to high standards of ethics into organizational practice. It is on this score that most codes of corporate governance in Africa fall short as they provide very little guidance on how business ethics should be institutionalized in enterprises. The second-generation codes of corporate governance that are now emerging in Africa tend to recognize this shortfall and address it explicitly. It is, however, imperative that these developments on the enterprise level should be reinforced with governance reform on the regulatory and political level.

G. J. Rossouw, Ph.D., is a professor and head of the Philosophy Department at the University of Pretoria in South Africa. He was the founding president of the Business Ethics Network of Africa (BEN-Africa) and is the current president of the International Society for Business Economics and Ethics (ISBEE). He also serves on the editorial board of the Journal of Business Ethics.

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Perspectives on Responsible Business Practices in the Middle East

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The Institute: *Could you tell us about the business ethics landscape in the Middle East?*

Zalami: Generally, companies in the Middle East do not have "ethics programs" as one finds in the United States and other areas. In the United States, in particular, an essential element of the business case for an ethics program is the presence of a regulatory framework that encourages their development (e.g., the Federal Sentencing Guidelines for Organizations). In this region, there are no analogous regulatory elements that support formal ethics programs.

Rather, the focus in the Middle East is more broadly on programs and initiatives that contribute toward the long-term sustainability of a company, and corporate integrity and ethics certainly can fall into that category. Several leading companies in the region are aware that that corporate integrity can be an important part of their overall business strategy. These leading companies have adopted a variety of initiatives, as well as formal and informal programs to manage non-financial aspects of the business strategies. These initiatives and programs include good corporate governance that is often motivated by a desire to become an issuer on one of the region's stock exchanges; corporate social responsibility-related initiatives (environmental management is often grouped with quality management by local businesses); and some business ethics-style programs among financial companies that are preparing for compliance with the Basel II convention requirements.* We call all of these programs and initiatives part of an "integrity agenda." The most crucial difference is that they are primarily motivated by a business case to improve the company's operations, and not to meet regulatory requirements.

The Institute: *Can you tell us more about the genesis of these "Integrity Programs"? What are some of the most innovative "Integrity Programs" that you have seen in the region?*

Zalami: Our work includes documenting regional "Integrity Programs" (i.e., any program that manages non-financial and ethics-related risks and/or seizes ethics-related opportunities). We prefer to refer to these initiatives as "corporate responsibility" (CR) programs, and we explicitly tie together corporate governance, social responsibility, and ethical issues (e.g., conflicts of interest). These programs are designed to improve organizational performance and rally employees.

In terms of genesis, let's take Dubai as an example. Dubai has an ambitious vision for itself; it wants to be an international commercial hub. This provides a strong incentive to local business to develop standards that are consistent with international best practice and often exceed the requirements of local law.

The development of "Corporate Responsibility" has occurred within the last 3 years and many companies are only now in the process of establishing formal CR programs. Accordingly, there are no established "best practices" at this point in time. Different companies are taking different approaches based on their target markets, industries, and corporate culture. Some CR programs are focused on Corporate Social Responsibility (e.g., environmental concerns, fair labor practices, human rights) while others, particularly in regulated industries such as the finance sector, are focused on corporate governance and compliance (e.g., board issues, conflicts of interest, compliance with anti-money laundering conventions). Over time, we believe that companies will become more consistent as certain approaches are found to be more effective than others. As a result, best practices will emerge, but we are not there yet.

Finally, it is important to note that "Corporate Responsibility" programs will continue to expand in the region given the new Dubai International Financial Exchange (DIFX), which opened for trading in September 2005. The new stock exchange aims to attract increased foreign investment in the region by providing an environment in which foreign investors can be assured their money is invested in companies with strong governance and financial controls. To meet these expectations, the DIFX is regulated by its own regulator, the Dubai Financial Services Authority (DFSA), which has written strict listing rules. The message to companies is that they need to address corporate governance requirements very seriously before listing on the exchange.

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The Institute: *For companies in the Middle East, religion can play an important role in defining corporate mission and values. Can you tell us a little about the importance of religion in defining "Corporate Responsibility"?*

Zalami: It is a question of degree. Religion plays a more pronounced role in some countries in the region compared to others; still, in the region, social and religious values tend to be intertwined. Values, rooted in Islam, often guide business activities; these values have also driven extensive philanthropy by businesses in the region and corporate social responsibility (CSR) was at one time synonymous with this philanthropy. Leading companies are beginning to change their thinking about CSR to encompass other commitments (e.g., to fair labor practices, human rights, discrimination).

The Institute: *While "Corporate Responsibility" is clearly the focus for companies based in the Middle East, Ethics Officers and individuals in similar positions at companies based in North America and Europe, for example, may need to roll out facets of their ethics programs in the Middle East (e.g., code of conduct). What issues should these MNCs pay special attention to?*

Zalami: There are a number of issues that Ethics Officers should consider when implementing or revising facets of an ethics program as they apply in the region:

1. The Gulf's business community is small and has traditionally been based on family. This means that conflicts of interest can be a particularly important issue for Ethics Officers, as in is many other parts of the world such as East Asia. Cross membership on boards is common, sometimes even among competing organizations. Ethics Officers must deal with these issues effectively and intelligently. If the Ethics Officer simply tries to import their home country standards, they may do little more than breed cynicism among staff and put them in impossible situations. For instance, Bahrain is a country of only about 700,000 people, so it is very likely that your senior local staff will encounter situations in which the only supplier for crucial items comes from a related party. An Ethics Officer who does not appreciate this and simply says, *"Nepotism will not be tolerated"* will be ineffective. Rather, Ethics Officers should strive to build a culture in which the loyalty of employees is targeted to the organization rather than to external stakeholders such as family. One local institution tackled this challenge in the following way: rather than saying in the relevant code standard *"Nepotism will not be tolerated,"* the standard indicated, *"In our hiring and promotion procedure, we rely on competence."* This wording shifted the focus to the organization.

2. Gifts and Entertainment is another issue that Ethics Officers must confront when developing codes. In the Middle East, it is not customary to refuse a gift. Therefore, standards need to be flexible and not simply require employees to reject gifts over a certain monetary limit. Instead, using good judgment and displaying gifts at the company premises is appropriate.

3. In the United Arab Emirates (UAE), discrimination and employment of UAE nationals can be an issue. UAE's population is nearly 20 percent Emirati and 80 percent expatriate. In addition, Emiratis confront a nearly 15 percent unemployment rate and 45 percent of the Emiratis are under 15. This means that the next decade will be one in which the government must assist Emiratis move into jobs. One part of the government's response to this challenge is to enforce targets regarding hiring UAE nationals. Ethics Officers must alert managers to this issue and ensure compliance with those laws. Our conversations with companies also reveals that there are unique kinds of misconduct that occur – including the fraudulent hiring of UAE nationals to inflate a company's Emiratization percentage or hiring expatriate workers "under the table."

4. Companies should also educate employees on other forms of discrimination. A large multinational workforce in the region will confront issues of discrimination on the basis of age, gender, national origin, and religion. Ethics Officers should recognize this fact and make certain that there are clear guidelines in place.

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The Institute: *We understand that Saudi Arabia has passed a labor law aimed at increasing the employment of locals, including women; although it restricts the fields in which women can work.*† *Is this part of a general trend? Can you elaborate on what companies should be aware of in terms of gender discrimination?*

Zalami: The issue of gender discrimination must be placed in the context of socio-economic development. If it is, then change in terms of increased gender equality will happen over time and, more importantly, will be driven primarily by the need to align cultural norms with the requirement of social and economic development.

For example, in the UAE, unemployment among national women is nearly 20 percent – about double that of males. Of these women, 79 percent hold a university degree. Women bring unique business advantages and this translates into a strong business case for leading companies to meet Emiratization targets while acting as change agents by hiring more women. The implied lesson for Ethics Officers of global organizations in the UAE and the greater Gulf region is that the issue of gender represents not only a risk factor, but also an opportunity to address corporate social responsibility with sound business decisions.

The Institute: *What tips do you have for companies wishing to implement anonymous hotlines in the Middle East? What advice do you have for companies wanting to roll out ethics training in the region?*

Zalami: Employees in this region are likely to resist anonymous hotlines for a variety of reasons. Nationals may reject them as being dishonorable and expatriates, who are weary of reporting misconduct for fear or retaliation, may not perceive hotlines as adequate protection. Consequently, Ethics Officers must be creative and proactive in developing alternative reporting methods that are more effective in surfacing instances of misconduct.

Ethics Officers should keep two important items in mind regarding training:

1. Use local trainers – Training local trainers who are familiar with the culture can be invaluable. Local trainers can offer insight as to the most effective training methods, as well as offer strategies for delivering messages.

2. Gain employee 'buy-in' by making a business case – Employees can be skeptical of 'ethics training' if it is presented as a requirement driven by legal or regulatory requirements from another country. A strong locally-rooted business case that highlights the correlation between sound business conduct and, say, competitiveness, is much more effective at securing employee commitment.

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Organization Spotlight:

Dubai Ethics Resource Center

The Dubai Ethics Resource Center (DERC) was established in May 2004 under the umbrella of the Dubai Chamber of Commerce and Industry. DERC is the region's hub for organizational ethics advocacy, training, and research.

DERC's mission is to:

- Raise the level of awareness of organizational ethics, corporate responsibility, and standards of good governance through advocacy and research;
- Empower private and public sector organizations to improve their governance standards; and
- Facilitate inter-sector collaboration to foster corporate responsibility, public accountability, transparency, and rule of law.

DERC's vision is to be the leading ethics center in the region, providing knowledge resources and value added services to stakeholders and a platform for active regional contribution to the development of global integrity standards.

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Perspectives on Responsible Business Practices in the Middle East

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***The Institute:** In closing, what are some key ideas that should be kept in mind when thinking about business ethics and corporate responsibility in the Middle East?*

Zalami: A few items are essential to keep in mind:

1. The first is that Ethics Officers who are rolling out facets of ethics programs in the Middle East need to understand the environment. Working with local managers can be invaluable in gaining insights as to what will be effective.

2. Ethics programs should be projected as part of the business strategy, and not "compliance-driven" or part of the "corporate agenda." In the Middle East, it is wise to look at ethics as part of a broader agenda. As I mentioned, CR programs are broad in their focus and are intended to improve organizational performance, manage non-financial risks, and attract additional investment to the region.

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Alex Zalami is Executive Director at the Dubai Ethics Resource Center.

ENDNOTES

*A revision of the original Basel Accord that set standards for capital requirements, Basel II incorporates new developments in the measurement and management of banking risks.

† Economist Intelligence Unit, "Saudi Arabia regulations: Jobs for Saudi men—and women," *EIUviewswire* (September 27, 2005), www.viewswire.com/index.asp?layout=display_print&doc_id=%201759448161

Recent Contributors to the Institute

The Institute wishes to thank the following individuals and organizations for the generous contributions they made to the Institute since the last issue of the *International Business Ethics Review*. We greatly appreciate your continued kindness and support of the Institute's mission, goals, and activities.

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Towards Instilling Ethics in African Business and Public Service: The Case of Kenya

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Fighting Corruption: More Challenges

A significant and economically destructive feature of corruption in Africa is fraud. Billions of assets are siphoned away to foreign banks for safety, or invested in expensive properties in developed countries. Though fraud is a serious ethical problem in every country of the world, it is particularly detrimental in Africa because the defrauded money leaves Africa and ends up in already developed countries (Gichure, 2000).

Through corruption, ordinary struggling citizens see how people who get into positions of power amass quick fortunes. The effect of such examples is to lose faith in the rhetoric of ethics: honesty, accountability, transparency. Some also try to emulate the corrupt even if only to survive. They will argue that: yes, corruption is wrong, but if I do not take my share of the spoils, everything will be eaten away and I with my family and our ethics will be left to starve (Ethics Survey, Kiguiti et al, 2005).

Absence of Clear Mechanisms, Policies, and Political Will

Another feature of corruption in Africa that makes it different from corruption in the developed world is that in the developed world, policies to deal with corruption are clear and they are enforced. By contrast, in many African countries detection and prosecution for corruption is hampered by the fact that often the leaders themselves are involved in the siphoning of money out of their countries. An example of this is the 'Goldenberg' case in Kenya in which more than a billion Kenya Shillings were fraudulently siphoned out of the Central Bank, as compensation for bogus exports by a private company working in collusion with some senior government officials. A presidential commission recently investigated the case, but the report is yet to be made public.

Today, increasingly more business and political leaders in Africa have realised that ethics in business is important. They agree that Africa's continued tolerance of unethical practices in collusion with business, through fraud, has been a major contributor to economic regression. They see that corruption raises the cost and slows down the pace of doing business, especially when extra money has to be constantly paid for 'facilitation fees.' In the long run, due to the inflation of the cost of commodities, unethical practices end up hitting the very poor the worst. In forming the New Partnerships for Aid and Development (NEPAD), African leaders agreed, even if only in theory, that leaders can no longer be associated with unethical business practices. It is also gradually being accepted in Africa that good governance makes good social, economic, and moral sense. Some countries, such as Kenya and Uganda, have already opened Departments of Ethics and Governance to help their governments identify loopholes in the system and to give adequate advice.

In Kenya, the government has further made positive steps towards addressing the issue of ethics in the public service by enacting the Public Officer Code of Ethics Act and the Anti-Corruption Act. It has also made efforts to disseminate these acts through seminars, and the use of posters in government offices, which inform people that they should not give any bribes for services of any type, and invites everybody to collaborate by reporting all acts of corruption to the Kenya Anti-Corruption Authority (KACA). In spite of these efforts, a survey carried out by a business ethics MBA class on the issue showed that only 45.3% of the employees of twenty selected companies and 60.3% of management in those same companies were aware of the officer's code of ethics and their obligations (Kiguti et al, 2005, p. 17).

Looking 'Beyond What We See': Ethics from All Sides

In order to win the war of ethics we need leadership. As Sunny Bindra says: "leaders have been blamed for having led us down into the valley of excesses…But if one type of leader is corrupted beyond redemption, the other set needs to emerge. Ethics are always rooted in leadership – in having enough of the role models around to demonstrate what doing the right thing is, and doing it repeatedly until it seeps into collective consciousness" (Bindra, 2005 p. 18).

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Towards Instilling Ethics in African Business and Public Service: The Case of Kenya

(continued from page 11)

Who will do this? A group that could effectively take the lead in the ethics war are business leaders. Big business has not been innocent in the nurturing of corruption in Kenya. In fact, "it is a known fact that big business has polluted the air and the waterways, run low-pay sweatshops, and poisoned its workers (Kenya Human Rights Commission 2004). However, it is true too that it has also been a very positive force in society, nurturing technical innovations, bringing out useful new products, and sometimes striving to make things affordable" (ibid). In addition, there can be no doubt that many forward thinking corporations have ethics high on their agenda and are already cross-fertilizing the ground around them. We must have more of this.

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Organization Spotlight:

BEN-Africa

The Business Ethics Network of Africa (BEN-Africa) was founded in 1999 by a group of individuals who shared an interest in business ethics and wanted to expand business ethics on the African continent. BEN-Africa currently has members in 25 African countries.

BEN-Africa's three main goals are:

1. To facilitate interaction between academics and practitioners who share an interest in business ethics.
2. To gather and disseminate information on business ethics in Africa.
3. To strengthen the commitment and competence of members to improve the business ethics record of Africa.

BEN-Africa accomplishes these goals through a number of initiatives. BEN-Africa presents a conference annually, has developed a book series, and has launched the *African Journal of Business Ethics*. In addition, BEN-Africa generates new knowledge through a number of research projects including, the Whistle Blowing Project, the Business Ethics Case Study Project, and the HIV/AIDS project.

Representatives from BEN-Africa also regularly participate in international forums. For more information on BEN-Africa contact:

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Global Roundup

Recent activities and efforts in the field of business ethics from around the world.

Brazil

The main share index of Brazil's primary stock exchange, Bovespa, will initiate a Corporate Sustainability Index and track Brazil's 40 most responsible companies. Developed with help from the International Finance Corporation, the methodology for the index draws heavily on principles established by the United Nations Global Compact. The index will help raise awareness among Brazilian investors about the long-term risks posed by social and environmental issues. (www.ethicalcorp.com)

China

Despite recent headlines, a report by the Economist Intelligence Unit indicates that most Chinese businesses are not ready to invest abroad. The report cites a lack of business ethics, as well as difficulty securing financing and government interference as the reasons why most Chinese companies are focusing growth efforts domestically. (www.businessweek.com)

Global

Edelman, the Corporate Social Responsibility Initiative of Harvard's Kennedy School of Government, and Prince of Wales International Business Leaders Forum conducted an in-depth survey of Fortune 500 companies, global NGOs, investors, and the media on the roles and responsibilities for business in international development. The survey results showed that companies and NGOs agreed that corruption in poor countries is the greatest obstacle to companies deciding to enter these markets. (www.csrwire.com)

Malawi

The Malawi government and the US Millennium Challenge Corporation (MCC) have announced the launch of a USD $20.92 million program aimed at fighting corruption and spurring long-term economic growth and development in the southern African country. The MCC, a US government corporation working with some of the poorest countries in the world, is based on the principle that aid is most effective when it reinforces good governance, economic freedom, and investments that promote economic growth and eliminate extreme poverty. (www.ethicalcorp.com)

Russia

For the first time, some of the largest international players in the supply chain of wood and paper have combined forces to improve Russia's transparency of social and ecological conditions in the industry by implementing corporate sustainability values. Stora Enso and publishers Axel Springer, Random House Group UK, and Time Inc. joined forces in The Tikhvin Project, which focuses particularly on the legality and probity of wood, working conditions, welfare generation in the local community, and environmental issues in Russia. (www.kauppalehti.fi)

United Arab Emirates

Abu Dhabi Securities Market will introduce stringent rules for listed companies in order to ensure transparency in their day-to-day affairs. The new requirements include increased disclosures, mandatory audit committees, and enhanced shareholder rights. (www.khaleejtimes.com)

United States

The 2005 Moskowitz Prize for Socially Responsible Investing has been awarded to a new study which claims that the stock market could provide a higher value to companies rated above-average on environmental issues. The study entitled "The Economic Value of Corporate Eco-Efficiency" found that company managers do not face a tradeoff between eco-efficiency and financial performance, and that investors can use environmental information for investment decisions. (www.csrwire.com)

Institute News

Institute Develops Business Ethics Curriculum for MBA Students

The International Business Ethics Institute recently collaborated with the Lake Forest Graduate School of Management (LFGSM) to design and deliver a business ethics course to MBA students enrolled at LFGSM. The Barat Education Foundation provided a grant to facilitate the development of this course.

The course was designed specifically for adult learners with two main objectives in mind:

- Prepare future managers and business leaders to effectively manage and resolve the most prevalent business ethics issues facing their organizations today
- Expand understanding among students of the role that corporations play in today's global society

The course was delivered over two weekends in July 2005 by the Institute's Director of Professional Services, Jeff Salters, and two LFGSM faculty, Bob Kallen and Ron Hirasawa. Dr. Barbara Ley Toffler, assisted in the course design, by serving as a subject matter expert.

Overall, the course proved highly successful. Arlene Mayzel, Dean of LFGSM's MBA program, remarked, "The curriculum design was outstanding and the team teaching approach, with Jeff [Salters] and 2 Lake Forest faculty members, provided a wide range of perspectives and interesting examples…At the core of any successful course is a dynamic and relevant curriculum."

Dean Mayzel also noted that, "the course was highly rated by the 30 students who participated." Student, faculty, administrative, and visitor evaluations and comments were unanimously positive regarding the course's overall value and execution. One student remarked, "It was a great class…it made me *think* about issues that I had never thought [about] before." Many students suggested that the course should become a core course and be offered more frequently by LFGSM and remarked on the effectiveness of Jeff Salters as an instructor. One student noted, "Jeff was a phenomenal instructor. He was professional and had a great grasp of knowledge."

The Institute, LFGSM, and Barat Education Foundation plan to offer the curriculum to other interested institutions. If you are interested in learning more about the business ethics curriculum, contact Jeff Salters at salters@business-ethics.org or 202-296-6938.

Saihanjula He Joins the Institute as Research Associate

In July 2005, Ms. Saihanjula He joined the Institute as a Research Associate. "We are delighted that Ms. He has joined the ranks here at the Institute; she brings extensive experience in training development and curriculum design, as well as knowledge on China to the Institute, which will be a great asset to our programs," said Lori Tansey Martens, the Institute's President.

When asked about her desire to join the Institute, Ms. He stated, "I have a strong interest in international business ethics issues and cross-cultural training, and I wanted help the Institute accomplish its goals of providing practical solutions to enhance responsible conduct." Before joining the Institute, Ms. He worked with an international consulting firm where she provided research, training, and logistics services for programs tailored for foreign business leaders and government officials. She also worked for the Institute for Global Chinese Affairs at University of Maryland, where she conducted classroom training and coordinated programs for visiting government officials.

Prior to her work in training development, Ms. He spent a number of years working in China, where she forged broad contacts and extensive knowledge when working for a European-based multinational and a major TV station in China. Saihanjula He is of Mongolian nationality, and she grew up in Beijing, China. She speaks Chinese, English, and Mongolian. She holds a Master of Arts in Communication from University of Maryland, a Master of Arts in English from Eastern Illinois University (Charleston, IL), and a Bachelor of Arts in English from Beijing Language and Culture University (Beijing, China).

Second James B. Wigle Fellowship Awarded

Mr. Rodrigo Becerra served as the Institute's second James B. Wigle Fellow in the summer of 2005. The James B. Wigle Fellowship is an annual fellowship in the field of business ethics that was established to honor the memory and lifelong contributions of James B. Wigle, former Chairman of the Board of Directors of the International Business Ethics Institute. The Wigle Fellowship provides MBA students with practical experience in business ethics.

Mr. Becerra is a Mexican citizen and an MBA candidate at Dartmouth's Tuck School of Business. Before attending Tuck, he worked for three years with the Mexican Ministry of Finance, where he served as the Personal Aide to the Chief of Staff and was the youngest person to ever occupy this position. Previously, he held positions with ALO.COM, an internet portal for the Latin American population of the U.S, and with Avantel S.A. de C.V., a Mexican telecommunications company. Mr. Becerra holds a B.A. in Economics with a minor in International Relations from Boston University.

When asked what drew him to the fellowship, Mr. Becerra responded, "I became interested in the Wigle Fellowship because I wanted to train myself and become better acquainted in the field of business ethics to complement my MBA education."

From June to August 2005, Mr. Becerra worked on substantive projects for the Institute's Professional Services and Public Education programs. "During the course of these ten weeks, I learned a great deal about the field of business ethics while conducting research for various projects, including for the 'Creating a Non-Retaliatory Workplace' study. I also worked on long-term strategic planning and was able to put to use the tools that I gained during my first year at Tuck," said Mr. Becerra about his experience. "Most importantly though, was the opportunity to work and learn from diverse, bright, and highly motivated people, who love and believe in what they do."

After completing his MBA at Dartmouth's Tuck School of Business, Mr. Becerra hopes to return to Washington, DC for a period before returning to Mexico to pursue a career in politics. Says Mr. Becerra, "My long term goal is to go back to Mexico and serve my country's government. I am confident now that this rewarding experience will allow me to have a positive influence in the ethical atmosphere of the Mexican government."

Institute Internship Program

The Institute has an internship program that provides students with an opportunity to gain knowledge on international business ethics issues. In the summer of 2005, Megan Moore served as an intern with the Institute.

Ms. Moore is currently an undergraduate student at the University of Maryland where she is pursuing a Bachelor of Science degree in economics. She sought an internship with the Institute to broaden her knowledge of business ethics and corporate social responsibility. While serving at the Institute, she helped conduct research on a variety of ethics-related topics, primarily supporting the "Creating a Non-Retaliatory Workplace" project.

"My time at the Institute gave me a valuable look into the workings of a non-profit organization and exposed me to many of the major ethical issues affecting companies today. Going forward, what I have learned about conducting sound research will add to my own academic pursuits," said Ms. Moore when asked about her time with the Institute. Upon graduation in 2006, Ms. Moore would like to pursue a career in public policy and attend graduate school in the near future.

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