

Doing Business Abroad Raises Ethical Concerns

By RICHARD RHODES

You've just finished negotiating the deal, and it's time for a celebration, drinks and dinner all around, and you go to bed only to wake up the next morning to learn that the other side wants to start all over again.

Or you try to buy something - say a collection of antique vessels for resale for decorative uses - and you're told that the artifacts are yours but only for a price. You wonder, should I agree to pay a bribe just this once?

So it goes sometimes when it comes to the business of doing business abroad, which has been the case for my company, Rhodes Architectural Stone Inc., ever since its launch (under another name) in 1998. Ours is the business of buying artifacts slated for demolition in areas of the world, such as Africa, China, India and Indonesia, and, in turn, selling to discriminating clients in the U.S.

If there's one thing we've learned, it's that the ethical landscape is different in the third world. In the U.S. -- notwithstanding the recent spate of corporate scandals that have set a woefully new low for ethical business behavior -- the fact remains that standards do exist against which improprieties can be measured.

Not so in some other countries. The tenets that underlie our U.S. business language -- that your word is your bond, that transparency is expected in joint ventures and contractual engagements, that each party walks away from the table getting as well as giving something -- are not always understood in all parts of the world.

This inherent conflict between first- and third-world business standards has meant that our journey as a design-driven firm has been at times extremely difficult. A core value of the company, which we call "value in the round," meaning that value must be created for all parties in the deal, has involved familiarizing ourselves with an alien environment in order to establish business fundamentals. Needing to respect cultural differences must be carefully investigated and evaluated while all the time taking care not to cross the line to engage in practices we abhor.

Business Black and White

In short, in the world of grays that characterizes business dealings in countries in which ethics are at best rudimentary by U.S. standards, and at worst nonexistent, we've taken the position that we must establish a black and white.

Let me explain. Take the word "transparency," for example, which in the U.S. involves a baseline understanding of capitalism, allowing that each party is able to get something in a negotiation without necessarily having cheated another. With that common understanding, negotiators don't need to resort to taking money out of the game -- bribing, to be precise -- because all of the money is in the game.

Nor is there a need to have to renegotiate a deal that has already been agreed upon because of a belief that the deal that was struck couldn't be good -- or why would the parties have agreed to it?

In countries whose business laws are nascent, if they exist at all, and whose thinking has been shaped by philosophies vastly different from our own, our first challenge is to take what I call the "entry-level" business players, who disproportionately populate the developing countries in which we do business, and bring them up to speed in the business fundamentals of the U.S.

In the all-too-common instance of being asked that a deal be renegotiated, we see it as our duty to teach the fundamentals that underlie the business practices of the West, such as your word is your bond, and that, while it's all right to take as much time as you need to negotiate a deal, once you've agreed, you stand by it.

In the wake of a request to go back to the table after the celebratory dinner, for example, I begin by outlining what it's going to take for them to do business with us. We put it down in writing, even though I've learned that such documents are unenforceable. And if they ask again to renegotiate, we walk.

In short, in a world in which business fundamentals are shades of gray, we've determined a black-and-white process that is our blueprint for doing business.

Moral Black and White

Back to the bribes: Simply put, we don't do them. In the case of our wanting to buy the collection of antique vessels, for example, we walked when told we would have to make such a payment. The good news in that case was that we were actually invited back a year later to make the purchase on our terms.

The matter of bribes, however, is more than just shall we or shall we not. It goes to the heart of the other issue underlying doing business in the third world, and that is the need for a way to respect cultural differences without crossing the line to engage in practices that are by Western standards inappropriate or immoral.

Looked at this way, Rhodes Architectural Stone not only draws the line at paying bribes, but also at child labor and the mistreatment of women. The matter of child labor will serve to illustrate the dilemma. Imagine an American entrepreneur, traveling in the bitter cold in the remote countryside dressed in a Gortex parka, thinsulite socks and the most comfortable and technologically advanced clothing money can buy. We arrive and state that we will not buy anything fabricated or procured with child labor. Now contrast that with the local reality of the labor of the entire family required to put bread on the table and a roof over one's head.

If my children were starving, I suppose I would do the same. In fact, our own forbearers in the U.S. did employ children in factories well into the 20th century, and because of that, we don't have to do it any more.

Into this moral gray area, we've established another black and white: namely, that we cannot and will not do business with entities that engage in the practice of child labor, but we will not go the next step and preach. In other words, we will not tell them they are wrong.

Surely, we bring a powerful lever when it comes to backing up this moral stance. Unlike foreign companies that go into native countries to sell products to people who can't afford to buy them, we are there to buy what they have to sell. We bring the twin carrots of hard currency and jobs.

That advantage notwithstanding, the decision to establish a moral black and white wasn't easy. It's one thing to come to that imperative in the matter of formulating business standards where none exist, for that involves the neutral task of teaching.

It's quite another to tread into territory in which the actions are criminal or immoral by Western standards and, yet, understandable within the context of the foreign culture.

The decision to do so, therefore, is actually a process, one of thought and reflection and, in the final analysis, leadership.

Putting It All Together

In coming to the imperatives that Rhodes Architectural Stone has determined for its business dealings overseas, I was fortunate to have the counsel of a member of our board, a former Whirlpool executive, who had extensive business experience throughout the world.

This individual taught me that when dealing with the grays that characterize the business landscape in the third world, it is necessary to establish a black and white, both for the way you will conduct business and account for your moral imperatives. And, if the reality differs considerably when you are actually at the table, it is necessary to be strong enough to walk away.

In sum, you must ask yourself questions such as: Who am I? How do I feel about this or that action? Can I sleep at night if I so engage in this or that behavior?

In the milieu of grays that characterizes the world beyond our oceans, be strong enough to formulate your black and whites, which, in turn, will become your guiding principles.

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