Case study 1 – Local Customs

When you import goods from one country to another you have to go through customs. The ship docks, the plane lands, or the lorry arrives at the border, and there is a long queue. In many countries, if you do not get the procedure right, you can wait for weeks – which is always costly, but it can be disastrous if you are importing perishable goods, or components or raw materials needed by a factory.

In the countries of French West Africa (and, probably, in many others), the procedure is something like this. First, if you do not already have one, you have to find a customs agent. The agent then negotiates an agreement with one of the customs officers and asks for a payment made up of the following components: the customs duty; a payment for the officer; a payment to cover the officer's payments to his staff; a payment to the person who got the customs officer his job (and who needs regular payments or the officer will be posted to a desk job where there is no scope for additional income); and, of course, a payment for the agent. Apart from the person at the top of the chain, no-one makes a lot of money out of this, but it helps to keep the family.

>> ***Discuss in groups of 4: If your company had a unique opportunity to sell in Angola, how would you deal with importing your goods?***

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Case study 2 - Planning permission

Following a policy of international expansion, a large retail group seeks planning permission for new stores in England, America, Italy, Nigeria and elsewhere. Discussions with planning consultants in each country reveals that the 'rules of the game' are slightly different.

In England, it is helpful to include in the proposal some investment in local authority projects close to the hearts of the local politicians, even if they are unconnected to the store. Failing to do this will not prevent the proposal going ahead, but it might delay it significantly and lead to the local authority taking a strict line on minor points of detail. Some generous entertaining of the politicians also helps.

In America, it helps to contribute to the campaign funds of local politicians, helping them to get re-elected next time round. It is not clear whether planning permission could be secured without this or not – it is a long time since anyone was foolish enough to try.

In Italy, a contribution to local party funds is virtually compulsory, and you are expected to demonstrate your goodwill also through personal gifts.

In Nigeria (and most other African countries), planning permission can only be secured with substantial personal gifts to local and regional government officials. Short cases in business ethics John Hendry.

>> ***Discuss in groups of 4: How does it work in your country, and where do we draw the line between what is acceptable and what is not?***

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Case Study 3 - Gender equity

As general manager of the Mumbai office of the international McCoy-Nitin advertising agency, Divya Burman had an urgent decision to make. The head of a large project team had been taken seriously ill, and with a major pitch due for a potentially large client in just 6 weeks she needed to appoint a replacement at once. There were three potential candidates. In terms of ability and management potential, Rahel was clearly the strongest. Her performance to date had been outstanding, and while this would a significant step up, Divya was fully confident that she could make it, put together a very strong pitch and, in the process, make a case for permanent promotion when a vacancy next arose. The only difficulty was that this would mean making Rahel senior to, and more highly paid than, her husband, Sanjay. Currently they were at the same level, but Sanjay, having been with the company for longer, was on the higher salary, and was generally seen as the senior partner. Promoting Rahel, even temporarily, would be difficult for him, and very difficult for her – indeed when Divya raised the possibility in casual conversation, Rahel pleaded with her not to be promoted. The second candidate was Sanjay himself. He was the most experienced person on the team, a safe pair of hands and would be seen by colleagues as an obvious choice, but Divya strongly doubted his potential to lead the team, and worried that the pitch would fall flat.

The third candidate was David, the son of the firm's chief executive, who was in the middle of a six month stint in Mumbai as part of a programme of gaining exposure to the firm worldwide, before taking up a head-office position. David had less experience than either of the other two candidates, and less natural ability than Rahel, and from the point of view of the pitch would be a very high risk choice. The advantage, though, was that even if he failed, as Divya thought likely, the experience would ultimately be of value to the firm.

>> ***Discuss in groups of 4: What ethical consideration might Divya take into account in making this decision? Would these be different if the office were in New York? Or in Shanghai?***

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Case Study 4 - Human resource management in Russia: an American's dilemma

Jack Daly arrived in Novgorod, in north-west Russia, in Spring 2003. He worked for Starline Inc., a major US food manufacturer, and had been posted to head up its wholly owned Russian subsidiary. Starline Russia was a medium-sized manufacturing plant with 280 employees. It had been set up in 1994 and had a functional organization with the top tier staffed by American expatriates, with locally recruited middle management.

The Americans were typically on short-term postings: two to four years for the president (Daly) and six to twelve months for three vice-presidents, of production, marketing and sales. All had international experience, but none had worked in Russia or Eastern Europe before. Before moving to Novgorod they received short cultural briefings and a three week crash course in Russian.

The Russian managers were mainly in their late twenties, well-educated but with little management experience and no experience beyond the region. The blue-collar employees came from various backgrounds but most had experienced serious financial difficulties before joining Starline. A third had been unemployed; the rest had been employed but had received no wages for months on end. Their average wage at Starline was around US$200 a month, about 30% more than the average wage then in Russia.

The new company had quickly run into problems of pilfering, theft and production stoppages. By late 1999, when Daly's predecessor Tom Stark had arrived, theft was a major problem, with about 30% of production workers thought to be involved. Although absenteeism was rare, lateness and unscheduled breaks were common. Productivity was significantly below that of other Starline factories in Asia and the West. There were also problems with the Russian managers, who showed little initiative, ignored instructions, and failed to address problems down the line.

Tom Stark had initially responded in two ways. He had introduced tighter control systems, including security checks and bag searches carried out by the local managers. And he had created an informal reward system based on those traditionally used in Russian firms, and those used by Starline in some developing countries. Each month the best performing manager and supervisor were awarded special badges, received thank-you letters from Stark, and had their photographs mounted on the wall. The initiatives had little effect, however, and in 2002 Stark had hired a senior Russian manager to oversee the Russian management team. Nikolai Rubkoff was in his mid-fifties and had previously been managing director of a large tractor plant, and he brought in a completely new management style. He believed that little could be achieved unless people feared punishment, he shouted and abused the Russian managers, and he intimidated the production workers. To combat theft he simply selected a group of workers and demanded that they prove their innocence. When they could not (how could they?) he fired them. That, he told Stark, would teach them a lesson.

By the time Daly arrived, theft was down significantly, discipline had improved, and productivity, though still low, had also improved. The managers were still not showing initiative, but deadlines were met and problems sorted out quickly. Rubkoff's methods were not applauded by everyone, however. On consulting his American colleagues, Daly found one arguing that Rubkoff had turned the company round and clearly knew how to manage in a Russian context, and another arguing that his methods were a disgrace and should not be tolerated. The third was torn between the two views.

Jack Daly's performance would be measured in terms of how Starline Russia performed over the next two to three years. His gut reaction was that Rubkoff's methods were immoral – but they were producing results.

>> ***Discuss in groups of 4: What do you think is the right thing to do for Jack Daly? Is this any different if this was your own company?***

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Case study 5 - The Siemens scandals

The German engineering company Siemens was founded in 1847. By 2008 it had about 430,000 employees in 190 countries worldwide with revenues of $116 billion and profits of around $9 billion. Siemens manufactures a range of products from power stations to dishwashers, from mobile telephones to medical equipment, and from security systems to high-speed trains. Much of its business in areas like power generation, communication, medical equipment, trains and transport infrastructure is with governments, government agencies and government-controlled companies. From 2007 it faced a number of legal and regulatory actions in respect of bribes paid as part of its international sales.

In order to secure contracts, Siemens made payments to politicians, government officials or the friends and families of ruling dictators in Argentina, Bangladesh, China, Greece, Iraq, Israel, Italy, Nigeria, Russia, Venezuela, Vietnam, and other countries. The largest of these payments was in excess of $50 million, and a US investigation identified a total of over 4,000 payments amounting to about $1.4 billion in early 2000s. Other estimates put the total for 1990s and 2000s at about $2.3 billion.

This practice was long-standing and deeply engrained in the Siemens culture. Paying ‘sweeteners’ or ‘commissions’ has always been how you do business in these industries and with these customers, much as it is in the defence industry. Up until the late 1990s it was not even clearly illegal under German law, and so-called ‘useful expenses’ were even tax-deductible. But for the period covered by the US investigations it clearly was illegal, both under German and under US law, to which Siemens, listed on the New York Stock Exchange, is subject. Siemens was also far from being the only company to be guilty of this kind of offence. In the defence sector, BAe (British Aerospace Systems) has had difficulty defending its payments to the Saudi royal family. In the oil sector, the French companies Elf and Total have a long history of bribing not only African dictators but, through them, French politicians as well. Large bribes to secure transport and infrastructure projects have been made by French and Italian as well as German companies. The Siemens case nevertheless came as a shock, because Germany, unlike France or Italy, had a good reputation for ethical standards.

Despite the fact that bribery was so well established and deeply rooted in the company culture, the Siemens board denied all knowledge of it. The company is very decentralised and compartmentalised, with local managers around the world having a lot of autonomy. They know the cultures in which they work, it is argued, and are best positioned to make decisions relating to them.

Eventually two Siemens CEOs and various other top executives lost their jobs, and the company had to pay fines in various countries of several billion dollars. But many in the company still maintain that the practices are necessary if the company is to do business, especially against newly emerging Chinese competitors, who have none of the West's scruples in this respect.

>> ***Discuss in groups of 4: Do you think companies have to pay fines for these 'sweeteners' or 'commissions'? What other options could there be for handling the competition?***

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