

China business ethics assignment

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Any discussion of corruption and business ethics must begin with two obvious points: United States businesses are doing business in China, and the rules of doing business in China are not the same as in the United States. Without understanding the profoundly different moral standards at work, any attempt at understanding or controlling corruption is incomplete.

The ethical standard of American companies is that the interests of the company come first and that any employee of a company, by the fact that he has become an employee of that company, has an ethical obligation to place the business interests of the company ahead of any personal interest. Thus, for example, purchasing goods at a higher price from a close friend would be regarded as the essence of corruption. This is universally understood in American business, and while such practices do exist in Western businesses, very few would regard this as ethical behavior.

Conversely, Chinese business ethics are built on the basis of “Guiana,” a fundamental principle and practice underlying the whole of the Chinese social fabric. Guiana places relationships and the moral obligations flowing from those relationships above other considerations, including written law. It not only is accepted in China, it is regarded as a moral obligation that people who have known each other for an extended period of time and have collaborated and helped each other are obligated to continue this relationship.

Guiana defines both how business is done in China at all levels and how the Chinese view ethics. The idea that taking a job with a company, particularly a non-Chinese company, abrogates and supersedes obligations toward

people with whom a person has long-ERM relationships and to whom he or she owes much Guiana is seen not only as alien but also as the essence of immoral behavior. Consider this example: A man has been doing business with another man for 20 years. One Of them has been hired by a western company.

It is not only natural, but also morally obligatory, that the personal relationship of the western employee to the other man manifest himself in driving business in his direction. The idea that employment with the western business supersedes relationships is fundamental to American business; that same idea is seen as monstrous by decent Chinese. And the Chinese legal system would have trouble seeing this action as violating the law. It is understood that the written law in China like Anglo-American common law - makes room for Guiana.

What an American would view as corruption on the part Of a Chinese employee would be seen by the Chinese as the normal, natural and ethical process of business a process that has, as its end, social harmony as well as profit. The Chinese would, in turn, see the American principle of evaluating all business relationships on @ 2009 Stratford a purely financial basis and expecting all employees do so on behalf of heir western employer as corrupt and unnatural behavior. Insisting that Chinese employees follow American business practices further undermines loyalty to the company.

Western companies are seen as alien and incomprehensible entities; thus, the practice of Guiana, rather than being ended, is intensified. Loyalty to the company declines while loyalty to suppliers and others intensifies. Because

the Chinese employees understand that the Americans seek a different standard of behavior, the intensified Guiana is then made more covert, not because they believe the behavior is harmful or improper, but because it is necessary for the Chinese to feel they are behaving ethically in a corporation that is ignoring natural laws.

This cultural clash creates a fundamental problem for western companies doing business in China. Western business is built around reducing costs, not maintaining relationships. The moral principles of western business maintaining low prices for customers and increasing shareholder value collide daily with the Chinese principle of Guiana. Guiana directly undermines the business process by imposing costs that have a potentially negative impact on competitiveness. Stamping out all corruption in western business operations in China is essentially the same as trying to stamp out Guiana.

It is not going to happen. Indeed, the attempt to make it happen will increase costs by increasing inefficiency and making the Chinese stealthier in their behavior. The issue of dealing with Guiana cannot be expressed as an absolute. Though Guiana can be seen as contributing to corrupt behavior, the Chinese do not view the principle as a license to steal. As with all ethical principles in China, it is guided by the principle of moderation. Indeed, excessive Guiana, which exceeds reasonable and moderate bounds, is considered to be unethical and illegal. It is a prosecutable offense.

The task in dealing with corruption in China is to determine the degree of corruption that can be endured. In any American company, there is a legal and ethical challenge viewing corruption in this way. At the same time,

declaring and meaning that the goal is to stamp out all examples Of what an American would call corruption is not only hopeless but also economically counterproductive. It will fail and the costs will spiral out of control. It is this cultural, moral and ethical dilemma that western companies must openly and honestly address as it deals with corruption in its Chinese operations.

The most important rules to remember are: 1. Business operations are occurring in China and thus are subject to some Chinese ideals and norms of behavior that are uncommon in the United States. 2. The Chinese regard many American business practices as unnatural. 3. The Americans regard many Chinese business practices as unethical. 4. Because western companies are doing business in China, redefining the culture of its Chinese employees is not likely to happen. 2 Recommendations China is not a corrupt society it is an utterly different society.

One challenge that we put to all companies is to ask them how much corruption they are prepared to tolerate. Their usual answer is that they will tolerate zero corruption, as Americans define corruption. Our advice is always the same. We understand your view and understand your obligations, but your goal is unrealistic and the cost of attempting to stamp out corruption can far outweigh the cost of corruption in a number of ways. Any solution must begin y assimilating the concept of Guiana. The Chinese understand American business relationships but simply find them unnatural.

Until western businesses understand that the Chinese are as horrified by not giving a job to a relative as an American would be by giving a job to a relative without merit, and that the Chinese do not consider their practices

corrupt or unethical, the problem cannot be effectively addressed. The problem's center of gravity often is the bilingual Chinese-born but frequently American-educated executives on whom many American companies depend. They went to school and worked in the United States but are still Chinese, which means they still have obligations to personal relations that they believe transcend their business and legal obligations.

This is not universally true, but it is sufficiently true that we have learned to kick for problems among domestically hired managers and the people these managers have hired. The gravest error is to put security and intelligence into the hands of these individuals. The greater their knowledge of security procedures, the less effective those procedures will be. People no more than one or two who are Chinese nationals should be placed in the organization in order to watch for problems.

They should be fully qualified to do the job they are hired for and will, over time, blend into the organization in order to monitor the problem of corruption. They should be carefully selected, recruited, trained and motivated. They must be very well-paid and unknown to the others. They must be hired through normal channels. They should then passively collect intelligence, vectoring more active security at problems they have seen. The key to security in China is the Chinese investigator aggressively managed by the business. This is true at all levels: 1.

At the acquisition, real estate and due diligence levels, normal Western legal and financial due diligence is insufficient. American firms must supplement these channels with intelligence designed to uncover the true owners or

controllers of property and their interests. 2. At the senior management level, careful and covert surveillance of Chinese managers is essential. Secretaries are frequently effective at this. 3. At the buyer and vendor levels, it is important that at least one vendor and one buyer be recruited or placed into the process in order to see who will approach him for a corrupt deal.