

Stephan Rothlin
Dennis McCann

International Business Ethics

Focus on China



Springer

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Foreword, Acknowledgments, and Dedication

With the emergence of an increasingly interconnected and globalized business world, business leaders, the companies they manage, and the government bodies that regulate them must face a host of ethical questions. The individuals exercising responsibility are challenged to make the right decisions often under considerable pressure and constraints of time and money. While the academic field of business ethics has developed within American and European contexts at the intersection of liberal arts and business education, the rapidly growing economies of Asia have had a decisive impact in broadening its scope. In fact, the growing importance of economic developments in India and in China suggests the likelihood that a paradigm shift is under way in international business ethics. If the immediate past was dominated by approaches modeled primarily along Western lines, the future will surely challenge us to develop truly international perspectives on the conduct of business, based on a growing appreciation of Asian cultures and moral philosophies. Since Asian businesses will continue to play

a dynamic and sometimes unsettling role in evermore interlinked markets, it becomes important for everyone involved to understand Asian assumptions about doing business ethically and responsibly.

International Business Ethics: Focus on Asia is meant to address this need, by building on the momentum of the last 50 years in the field of applied ethics, relating ethical theories to various problems of morality and law that arise in business, but now shifting the focus to the discussion of Asian problems and solutions. While the case study approach was certainly prominent in the development of theories and analyses in the academic field of business ethics, business education as a whole tended to interpret its guidelines primarily in tune with conventional theories of business economics. We hope the 20 case studies that we have developed for this book will show the limits of relying on models derived exclusively from Western assumptions about ethics and economics. With the emerging countries of Asia playing a more decisive role on the world stage, it becomes necessary not only to make business ethics more international but also to explore systematically the extremely rich but still largely ignored treasures of Asian moral and practical wisdom. In selecting our case studies, and developing the resources implicit in them, we have, of course, given great prominence to China while also trying to honor the variety of cultural perspectives evident in other areas of east Asia.

International Business Ethics provides opportunities to explore the ethical issues that entrepreneurs, corporate decision-makers, and government officials in Asia

have had to face over the past decade. In addition to the uneven patterns of economic and social development, our case studies show them struggling with environmental disasters, some manmade, others not; various forms of corruption, rampant in some areas, still lingering in others; unfair competition; product safety failures; as well as a host of abuses in the area of working conditions, labor rights, and deceptive practices. The global financial crisis that hit like a tsunami in 2008 serves as a reminder of how devastating the consequences can be when markets are set adrift without any ethical compass. While it is of course impossible to overhaul a financial system overnight, the approaches to business management, ethics, and economics featured in this book demonstrate that it is possible to conceive the conduct of business and the administration of government institutions within a system that actually assists the development of the “real economy.” International finance, and the full range of institutions that depend upon its services, should not be rigged to benefit only a small number of privileged people but rather the greater society. Like all business enterprises, international finance should make a contribution to the “common good.”

Our hope is that by creating case studies reflecting Asian business concerns, and by offering an approach to business ethics that we believe synthesizes the best of Western and Chinese moral philosophy, we will meet the needs of our students at least half way, as they seek to prepare themselves for careers in international business and other

institutions. We also hope that our efforts will be useful to readers and business practitioners in Europe and North America who are trying to do business in Asia and who are seeking a way through all the advice they've been getting—some bad and some good—about doing business here. We reject the notion that in order to succeed in business in Asia, you must leave your moral principles behind and prepare to operate in an environment where anything goes. One lesson to be drawn from our case studies is that alongside the dramatic economic progress being made in Asia, there is also a dramatic increase in concern for doing business with integrity, adhering to the rule of law, and cooperating with various government agencies in the struggle against corruption. Those who ignore the changes under way in Asia do so at their own peril.

This book began as an attempt to revise the first edition of International Business Ethics: Becoming a Top-Notch Player (2004) that Stephan Rothlin had published with Renmin University Press in Beijing. Dennis McCann adopted the book for his courses in business ethics in Hong Kong, and after being introduced to its author, they began their long journey together in Asia focused on the development of ethical approaches geared to Asian contexts. We are grateful for the support from the research team at the CIBE, the Center for International Business Ethics, Beijing, in assisting us with case studies, namely, Yang Hengda, Marta Caccamo, Catherine Malone, Li Xiaosong, Yang Fang, and Gao Huan. We have also benefited from the resources of Rothlin

International Management Consulting Company, Ltd., Hong Kong and Beijing, with the support of Alice Wurmboeck, Lana Ho, Constantin Landers, Marcela Mimica, Anna Moeller, Zhou Shoujin, Ignatius Wang, and Lorenz Long.

Finally, we dedicate this book to Mr. Zhu Rongji the former Prime Minister of the People's Republic of China who convincingly argued for the kind of honesty and integrity within business and government that we attempt to promote here. We have been inspired by his struggle against the widespread cultures of nepotism, lack of transparency and corruption, and by his insistence that these are not the last word in the history of Asian development.

April 16, 2015

Stephan Rothlin
Dennis McCann

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About the Authors

Stephan Rothlin is the founder and chief executive officer of Rothlin International Management Consulting, Ltd. (RIMAC), and formerly general secretary and vice director of the Center for International Business Ethics (CIBE) at the University of International Business and Economics in Beijing. He also serves as chairman of the Association of International Business Ethics of Hong Kong (AIBE). Born in Zurich, Switzerland, and educated in various universities throughout Europe in the disciplines of philosophy, economics, sociology, and ethics, Dr. Rothlin ultimately obtained his PhD at the State University of Innsbruck, Austria, in business ethics in 1991.

Between 1992 and 1998 he taught business ethics in the Institute of Management and Economics at the University of Zurich. In 1998 he moved to Beijing, where he taught international business ethics at several universities, including Renmin University (Finance and Business School), Peking University (BiMBA-program), Beijing Institute of Technology, the University of International Business and Economics, and the Central Party School in Beijing. He is a permanent visiting fellow at the Institute for Empirical Research in Economics at the University of Zurich and is welcomed as a regular visiting professor at a number of business schools in Asia, Europe, and the USA.

Dr. Rothlin's main research focus is the development of international business ethics in Asia, with a special focus on China. In cooperation with Peking University Press, he directs a series of translations of major business ethics textbooks into Chinese. In 2004, Renmin University Press published his book *Becoming A Top-Notch Player*. He has considerable experience in cross-cultural projects and is fluent in six languages: German, French, Italian, Spanish, English, and Mandarin Chinese.

Dennis McCann is director of research at Rothlin International Management Consulting, Ltd. (RIMAC), and formerly director of the Case Study Institute at the Center for International Business Ethics at the University of International Business and Economics in Beijing. Professor emeritus of Agnes Scott College, Atlanta/Decatur, Georgia, USA, Dr. McCann obtained a PhD from the University of Chicago Divinity School in 1976 and an STL from the Gregorian University, Rome, Italy, in

1971. He taught business ethics in the USA for over 30 years and has been involved in research, lecturing, and teaching business ethics in China and Southeast Asia for the past 15 years. Dr. McCann is particularly concerned with identifying culturally appropriate teaching materials for Asia, based on his ongoing research in the fields of philosophy and religious studies. Dr. McCann was formerly the director of research and development at the Hong Kong America Centre (HKAC) during his Fulbright year (2005–2006) and served as visiting professor in the Department of Philosophy and Religion, Hong Kong Baptist University (2006–2008). Dr. McCann served as executive director of the Society of Christian Ethics, the premier academic association for professors of religious ethics in the USA (1996–2001). He is the author of several books and dozens of scholarly articles, most recently the coauthor, with Prof. Lee Kam-hon and Ms. Mary Ann Ching Yuen, of *Christ and the Business Culture*, published in 2012 by the Center for the Study of Religion and Chinese Society (CSRCS), Chinese University Press in Hong Kong. Over the past 15 years Dr. McCann has taught, given workshops, and lectured in universities in Hong Kong, China, the Philippines, Malaysia, Japan, Thailand, Indonesia, and India.

Chapter 1

Becoming a Top-Notch Player

1.1 Prelude

International Business Ethics: Focus on China begins with an attempt to shift the rhetorical context in which we—students, teachers, and other readers—think about business. We believe that too many of us regard business as war by other means. Lacking a realistic experience of the devastation caused by wars, we make a fundamental “category mistake” by using this metaphor to justify or ignore most of the morally questionable activities that go on in business. The basic argument of the book means to shift from warlike attitudes that make predatory behavior seem normal and legitimate to a recognition that business competition is more like what we experience in sports, where players know the rules and normally are committed to abide by them. Our first chapter attempts to establish the ethical significance of becoming a “top-notch player” in business, by taking a closer look at the kind of game that business is. The field of business ethics turns out to be more like a football pitch than a battlefield. While it is debatable whether “all’s fair in love and war,” certainly nowhere is it true that all’s fair in business.

The bribery and other forms of corruption in professional sports such as football are an important challenge to international business ethics. Why is match-fixing universally condemned, though occasionally practiced? Is there more to sports than winning in order to cash in on it? What is sportsmanship? Could it be that international business ethics is analogous to the sportsmanship ethic that is promoted in football and other professional sports? In this chapter, we will examine the recent wave of scandals in FIFA football. What may these scandals tell us about the challenges faced by anyone hoping to improve international business ethics in China and East Asia?

1.2 Case Study: Can Football Be Fixed? Sportsmanship and the Culture of Corruption

1.2.1 Abstract

Football is a game that connects people from different backgrounds, languages, and countries. Like many other popular sports, it inspires youth to achieve greatness and men and women to seek excellence. Unfortunately, in recent years, football has been tainted with corruption. Match-fixing and illegal gambling have caused fans to lose confidence in the sport, which may have far-reaching social as well as economic consequences.

As recently as 2011, FIFA president, Sepp Blatter, chose to address the problem of corruption in football and eliminate match-fixing and illegal gambling. To do so, Blatter enlisted the help of Mark Pieth, anti-corruption specialist formerly from the World Bank. Together they challenged the corrupt culture of football and worked to enhance the transparency and integrity of the game. The question is whether their efforts are sufficient to achieve their goals or merely more cover-up for sports culture that cannot be reformed.

1.2.2 Keywords

FIFA, Football, Bribery, Corruption, Integrity, Match-fixing, Whistleblowing.

1.2.3 In the Name of the Game

Football, lovingly nicknamed “the beautiful game,” has been described as a global language, second only to music (Best 2012). What makes football a universal leisure activity is its ability to appeal not only to sports enthusiasts but also to people with more commercial interests. Millions of fans gather every weekend to watch their favorite teams, as well as bask in the fashionable aura attached to the games. The football players themselves are often viewed as role models, because of their success in sports and their dedication to physical fitness. Their fans’ involvement in the game is so deep that they often label their devotion to a club a true “faith,” which justifies comparisons between football and a religious creed (Tomkins 2004). In the eyes of some observers, in the same way religion offers heroic role models and emotional release from our daily burdens, football also provides spectacles that allow us to identify with a cause that is greater than ourselves. The enthusiasm of football fans can ease anxieties, or at least attenuate them by means of healthy competition, as was the case in 2012 when the Union of European Football Associations’ (UEFA) EURO Cup championship series provided some relief from the ongoing

Eurozone crisis (Diez 2012). Because football is a passion many share from youth, the game instills a sense of camaraderie and fairness among different groups of people. Notwithstanding football's global acclaim, however, an increasing number of episodes of widespread corruption have surfaced in the news media, jeopardizing both the game's credibility and that of the people involved.

1.2.4 *Betting on “a Sure Thing”*

Sports scandals have no nationality, but they often share a connection with illegal gambling activities. The amount of money moved by the whole gaming industry is enormous—annual estimates at the end of 2011 placed a €200 billion euros value on gaming revenue—a substantial part of which is due to football betting (Boniface et al. 2012). Some European countries like France and Italy have approved new regulations to offset fraudulent betting, but their efforts have not stopped illicit practices (Boniface et al. 2012). Instead, such moves may have generated the opposite effect. Instead of driving money away from illegal markets, the bulk of bets have been shifted to countries where gambling enjoys a lower degree of oversight by the relevant authorities, such as in Southeast Asia (Forrest 2012).

The recently disclosed “Asiagate” scandal, which revolved around the Zimbabwe Football Association (ZIFA) and its involvement with a Singaporean betting circle, is but one example of the new trend (Smith 2012). From 2007 to 2010, the Zimbabwean national team's world ranking collapsed due to a series of eleven defeats. It turned out that the players and several officials of ZIFA received up to US \$5,000 dollars for each game lost, from Asian gaming syndicates conspiring to fix the outcomes of the matches (Sharuko 2012).

Match-fixing is a term heard repeatedly in conjunction with football scandals. It refers to attempts by individuals, clubs, or federations to alter the final results of the game by cheating. Criminal organizations fix football matches in order to ensure results consistent with their betting strategies (Boniface et al. 2012). This commonly occurs at the grassroots level where players and referees are approached. Bribed players and referees can exert a direct influence on the outcome of a game. Significantly, players most likely to betray their professional commitment to principles of fair play are footballers of less reputed teams, who often experience financial hardships that render them vulnerable to exploitation. The pressures generated by teammates, trainers, advisors, and relatives have an influence on players, too. In the 2012 Italian *Calcio scommesse* (“football scandal”), former footballers played a crucial role in identifying current players who were more likely to engage in illegal activities (Callow 2011).

The emotional strain experienced by referees is often similar to the pressure felt by players. Referees are scrutinized by authorities and must cope with the heated reactions of players, owners, and supporters when calls are made against their teams (Distaso et al. 2012). The scandals involving corrupt referees range from the Brazilian *Mafia do Apito* (“Whistle Mafia”) of 2005 (Blakeley 2012) and Portugal's

Apito Dourado (“Golden Whistle”) of 2004 (WSC *Daily* 2010) to the recent Chinese scandal of 2011 involving 40 referees, club managers, and soccer officials in public trials. Among those exposed was Lu Jun, a prominent referee. Referee Lu was once acclaimed as the “Golden Whistle” of the Chinese football league, but after information surfaced about his acceptance of bribes, Lu was rechristened the “Black Whistle” (BBC 2012). The scandal surfaced through an investigation by Singaporean authorities confirming suspicions that members of the Chinese Football Association had been heavily involved in questionable activities for quite a while. The head of the Association, Nan Yong, for example, openly announced available positions on the national team for people willing to pay 100,000 RMB (The Economist 2011).

1.2.5 Attempts at Whistleblowing

The 2009 report of the International Federation of Football Professionals (FIFPro) claimed that 23.6 % of surveyed footballers were aware of specific instances of corruption, with greater frequencies reported in Eastern European countries. This figure is all the more troubling because footballers tend to observe a code of silence—known by its Italian name, *Omertà*—which instills a great reluctance to denounce misdeeds for fear of personal repercussions (FIFPro 2009). Nevertheless, Gubbio Sporting Club player, Simone Farina, attracted worldwide attention when he reported being offered a substantial amount of money in exchange for his help fixing a match in the Series B League. Farina’s honesty led to national and international praise, as well as the arrest of 17 people. Farina’s actions were the inspiration of the International Federation of Football Association’s (FIFA’s) September 2012 anti-corruption campaign. The initiative, designed with the assistance of Interpol, offered both a period of amnesty for the players and the establishment in different languages of a whistleblowing hotline (Dunbar 2012). Despite the need for such a program, it was soon halted when FIFA’s Independent Governance Committee placed issues of gaming fraud under the regulatory oversight of its executive committee (Weir 2012).

1.2.6 Steps to Curb Corruption

The wave of corruption scandals in football provoked calls for a firm response. The UK Prime Minister, David Cameron, put it quite simply by stating that FIFA’s reputation had reached an “all-time low” (Kuper 2012). External pressure by national and supranational organizations, as well as media and public opinion, all called for credible measures to combat corruption in the football associations. Such efforts reflect public concern for the consequences of football’s increasingly negative image, particularly for the younger generations who still admire athletes as role

models. The drop in football's popularity signals the likelihood of more worrisome financial problems that may come in the wake of declining advertising revenues.

A major obstacle to increased transparency is posed by common skepticism regarding the trustworthiness of FIFA's leadership. Recent allegations involving the misappropriation of funds for international tournaments and FIFA's opaque presidential nomination system have raised questions as to the organization's moral integrity. In response, FIFA president, Sepp Blatter, claimed he worked to "improve FIFA's governance since the beginning of last year [2011]. Not just [through] words, but [through] actions." In order to restore FIFA's tarnished reputation, Blatter appointed ex-World Bank advisor Mark Pieth¹ to establish an anti-corruption unit within the organization (Al Jazeera 2012).

Immediately following his appointment, Pieth became the focus of concern for FIFA's cynics and supporters. Sylvia Schenk from Transparency International promptly challenged him. Speaking to the Associated Sports Press, Schenk questioned the payment Pieth had received from FIFA when he submitted the preliminary results of his investigation: "We believe that someone paid by FIFA cannot be a member of the independent commission [overseeing reforms]" (BBC 2011b). Furthermore, she accused Pieth of focusing too much on future reforms, rather than looking back at the involvement of the Federation in past scandals. Pieth responded to the criticisms by stressing that the payment he received went directly to the Basel Institute of Governance, while expressing the urgency of taking concrete steps to improve the transparency of FIFA and its membership (Kuper 2012). In an interview with the *Financial Times*, Pieth declared, "I'm at the moment pretty optimistic. But it's very open. If it works out I'll be patted on the back. If it fails I'll be an idiot. I think we will know by mid-April whether they are serious" (*Financial Times* 2012).

In order to deliver on his promises, Pieth initiated a far-reaching reform program intended to challenge corruption and redefine transparency at all levels. The reform began with internal investigations of FIFA's alleged corruption. These investigations were meant to provide a sound basis for a new organizational outlook and to answer lingering suspicions around the legitimacy of FIFA's leadership. In his preliminary report, the newly appointed Pieth blamed FIFA for the way it handled accusations of misdeeds in the past. He said the Federation's action has been "insufficient, unconvincing, and unsatisfactory," especially in explaining Blatter's reelection and the bidding process for hosting World Cup matches in the years ahead (Bond 2012).

At the same time, several initiatives have begun at the grassroots level to combat corruption in football matches by establishing certain preventive measures. FIFA has collaborated with Interpol to establish an "Integrity in Sport Unit" that combines

¹For almost 20 years, Pieth taught Criminal Law and Criminology at the University of Basel and served as head of the organized crime unit at the Swiss Federal Office of Justice (Ministry of Justice and Police). Previously, Pieth was a member of Switzerland's Financial Action Task Force (FATF) on money laundering and held a number of other posts in the OECD. In 2008, he was named a member of the World Bank's Integrity Advisory Board, which advises the Bank's President and the Audit Committee (Pieth.com 2012).