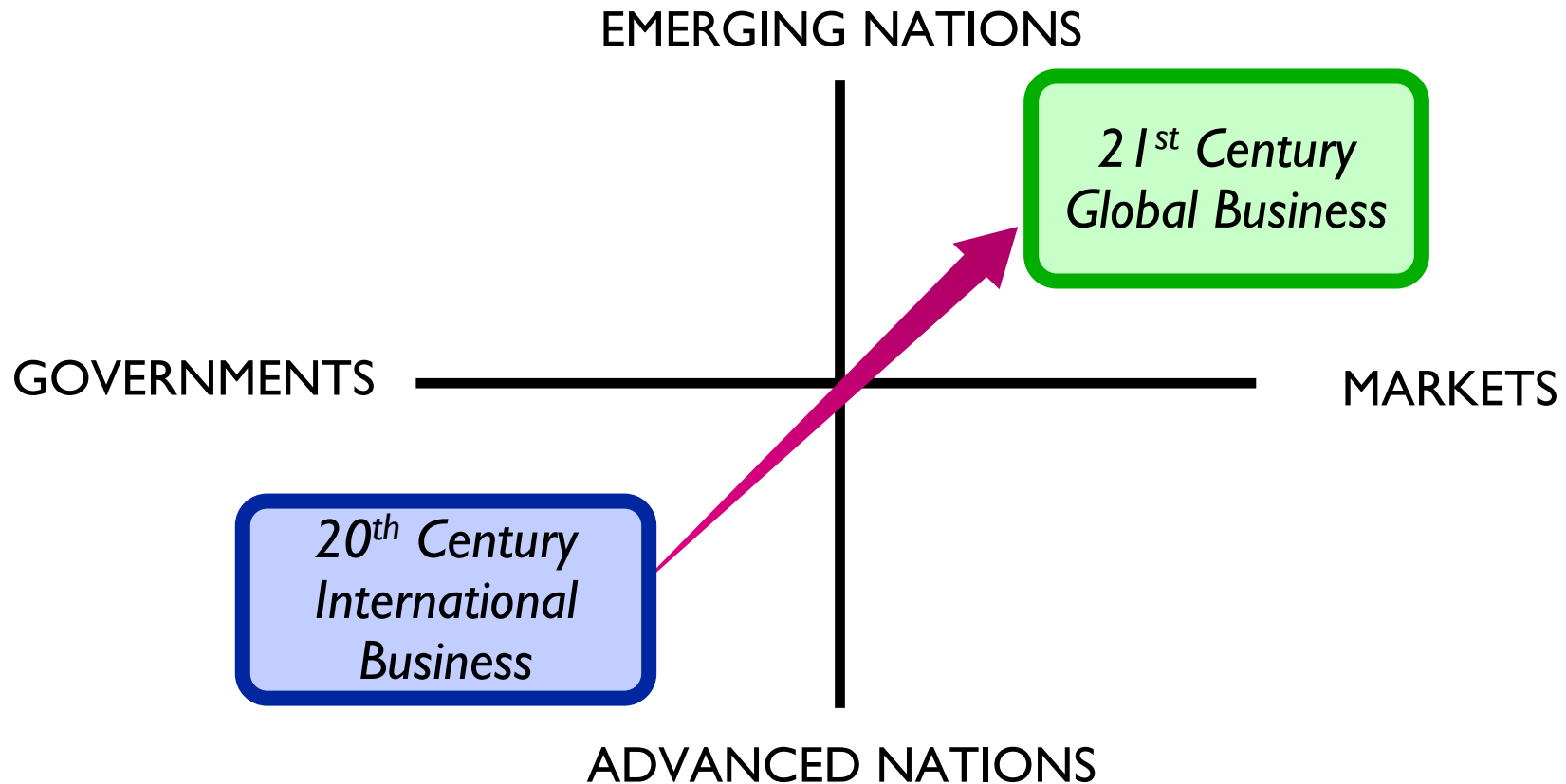


Business Ethics in a Global World: India's Changing Ethics



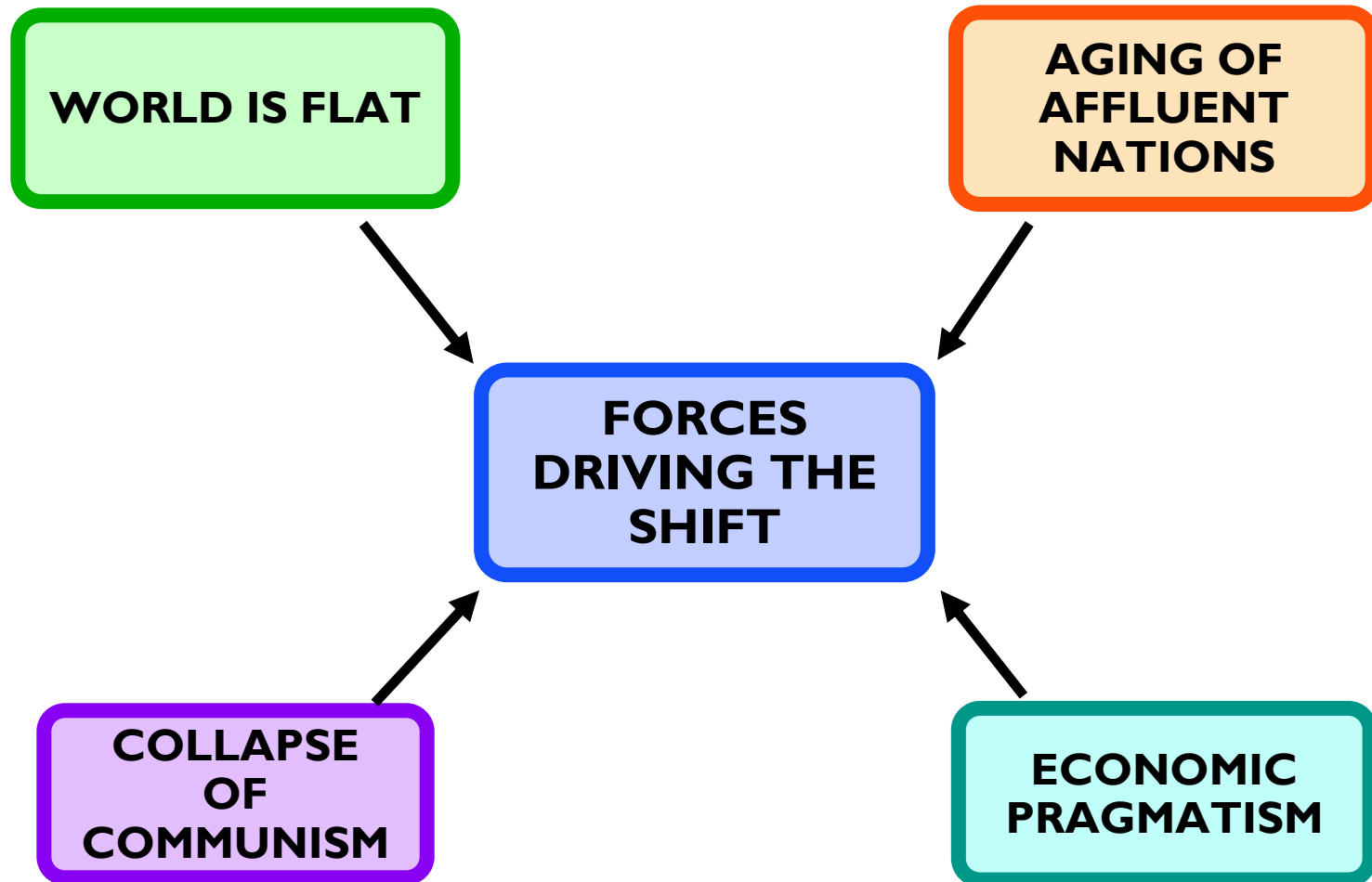
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The Fundamental Shift From the 20th to the 21st Century

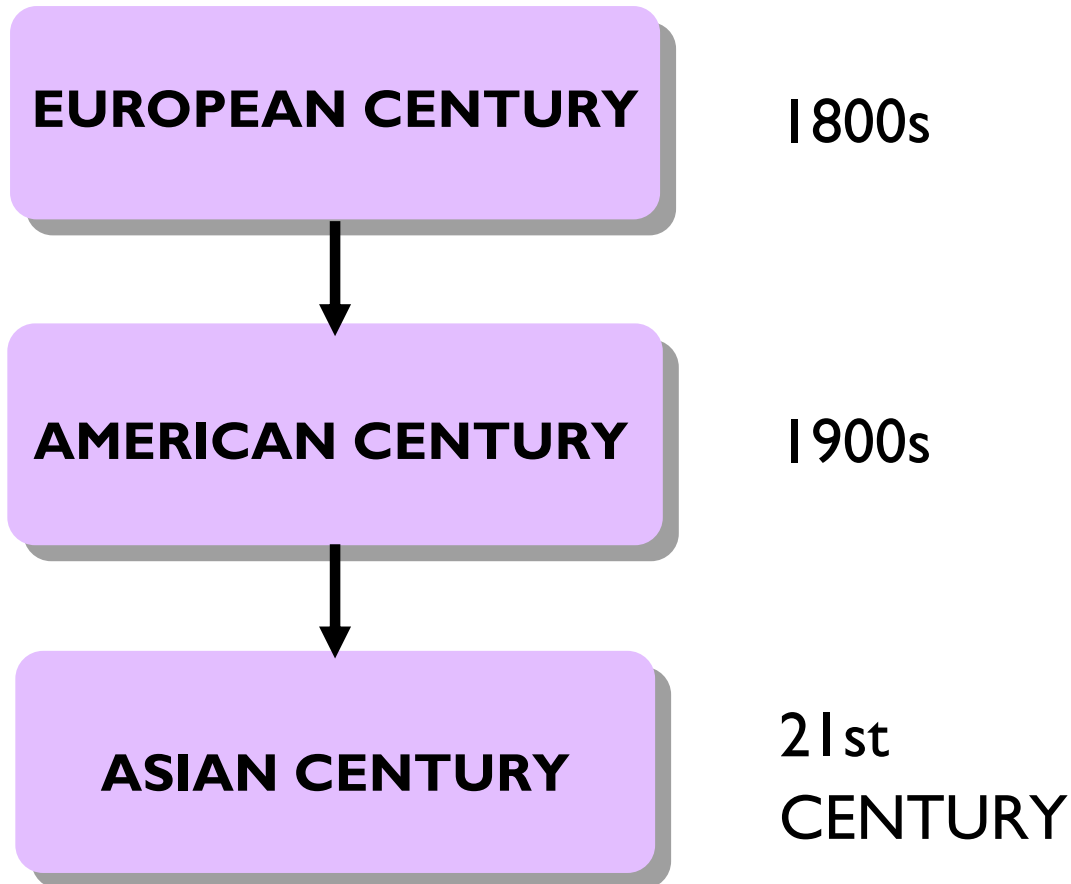


- **While the 20th Century was driven by governments of advanced nations, the 21st Century will be driven by markets of emerging economies**

Forces Driving the Shift



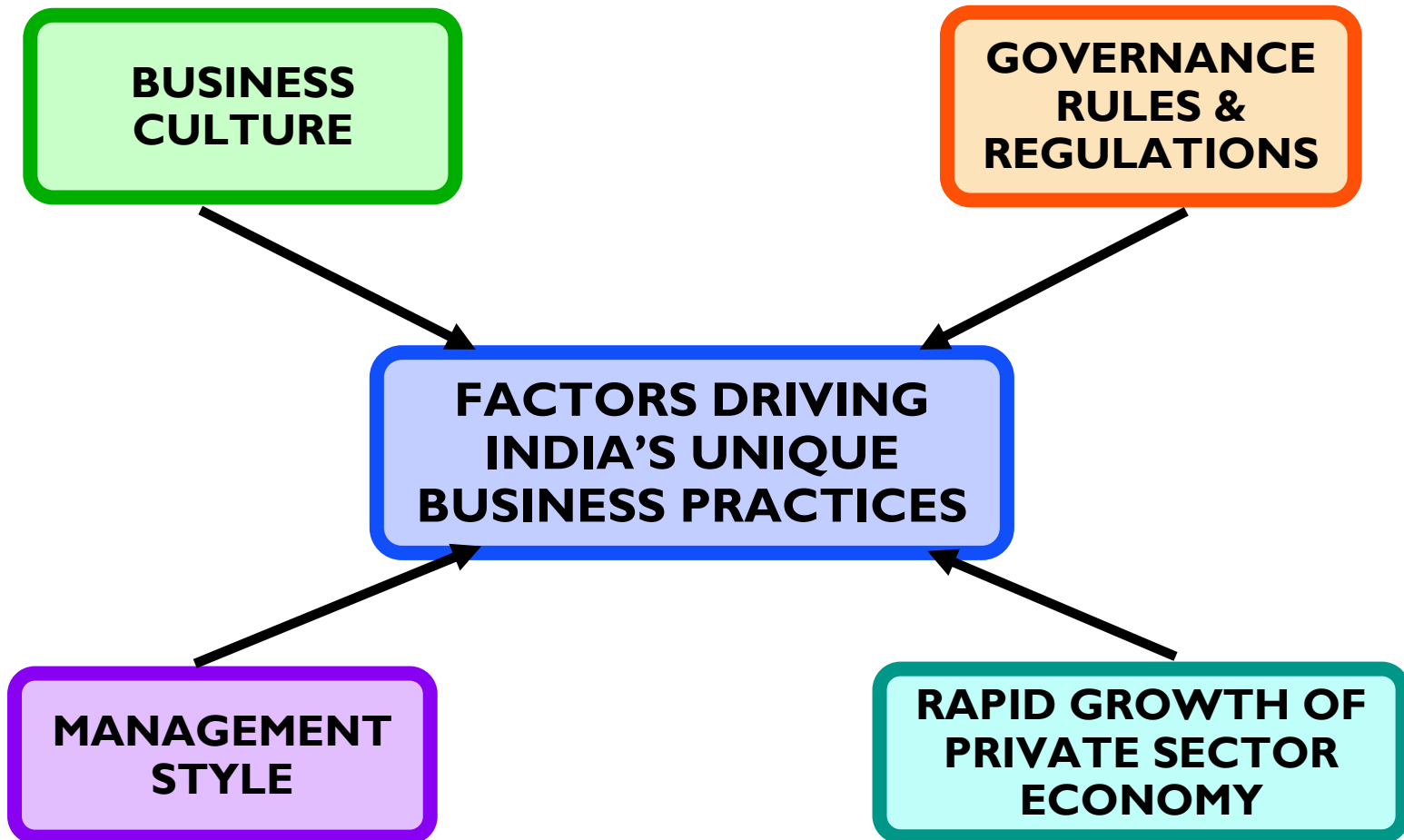
Economic Growth Engines for the World



Reshaping of Business Practices with the Rise of Asia

- Just as business practices were redefined with the rise of the American Century, they will be redefined once again with the rise of the Asian Century.
- China and India will have divergent influences on reshaping business practices as both economies get globally integrated.
- I will focus on India's unique business practices and how they will change as India gets globally integrated.

Factors Driving India's Unique Business Practices



- Each factor results in ethical behavior which may or may not be compatible with the prevailing Western viewpoint.

India's Business Culture

- Favors
 - Indian Guanxi
 - Reciprocity
 - Gift giving
- Friendship
 - Multi generation family friendship
 - School friendship
 - Personal friendship
- Clanship
 - Multicultural nation
 - Patel & IIT clans
 - Indian diaspora

India's Governance Rules and Regulations

- Government as Gatekeeper vs. Enabler
 - Slow approval
 - Multi agency structure
 - Corruption and favors
- Lax Enforcement
 - Evolving immature governance
 - Poor prosecution of powerful people
 - Crowded courtrooms
- Government Ownership of Business Enterprises
 - Dual standards for PSU and private enterprises
 - Opaque policy decisions
 - Government as competitor

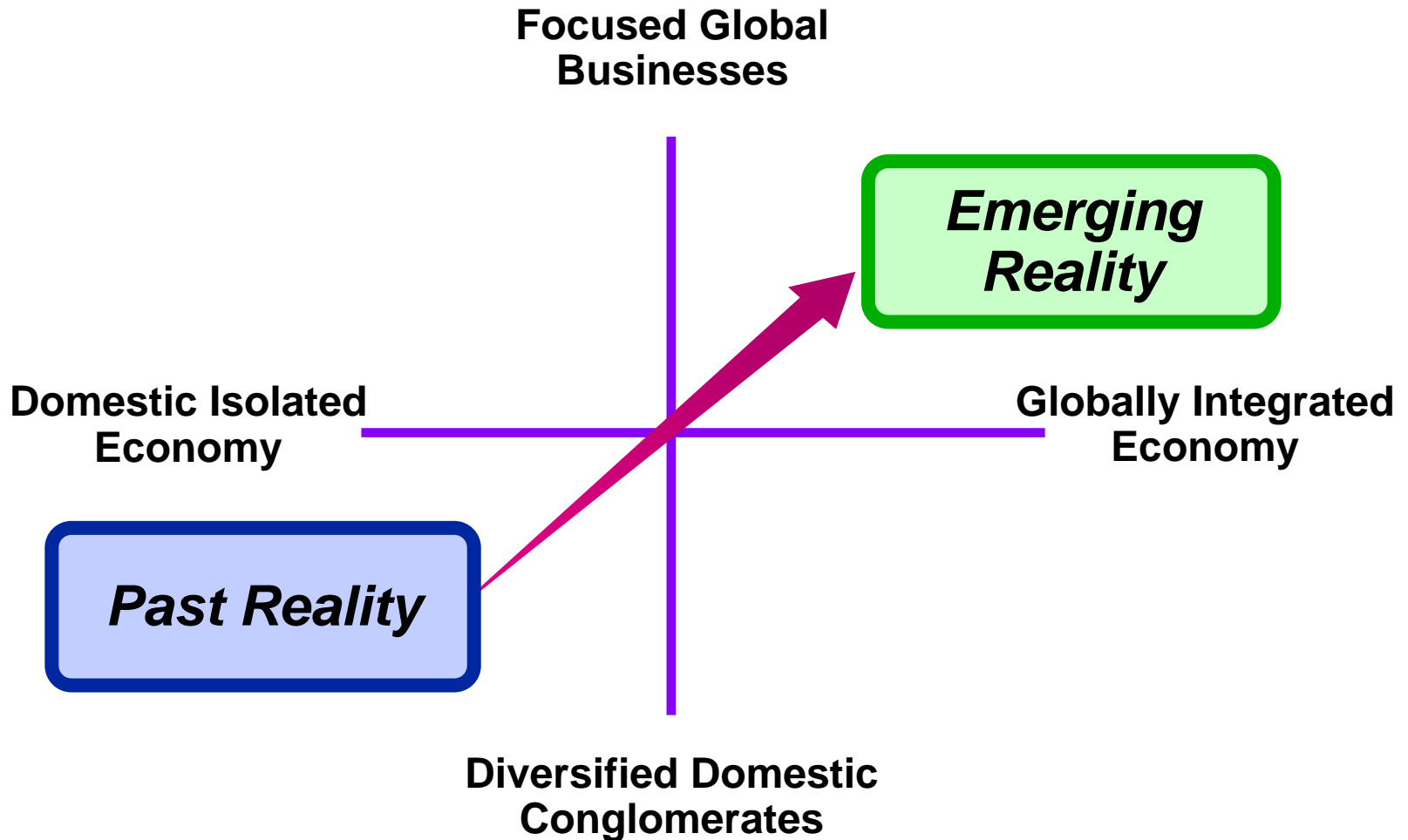
Rapid Growth of Indian Private Sector

- **Entrepreneurial Excesses**
 - Abuse of capital markets
 - Land grabbing
 - Borderline ethics
- **Role of Business in Society**
 - Is the business of business only business?
 - Doing well while doing good
 - Strong CSR belief system
- **Marketing Malpractices**
 - No consumer bill of rights
 - Courts not equipped to enforce ethical behavior
 - Limited laws for product safety and trade practices

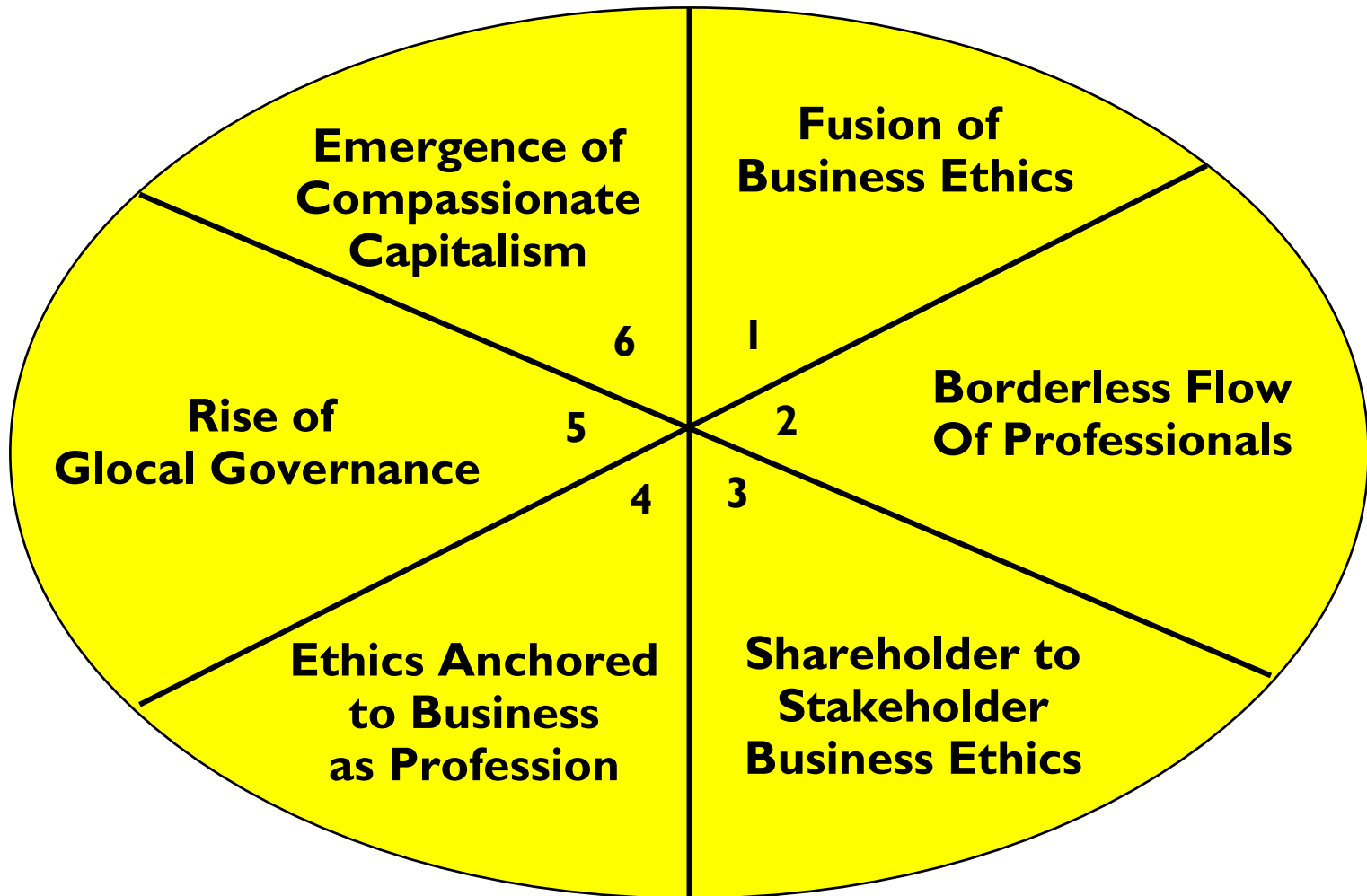
Indian Management Style

- Promoter (Owner) Driven Decision Making
 - Only the top person makes decisions
 - Paternalistic vs. participatory style of management
 - Loyalty overrides merit
- Corporate Social Distance
 - Rank and seniority driven culture
 - Caste by education
- Low Regard for Written Contracts
 - Partnerships, joint ventures and license agreements
 - Improvisation vs. orchestration
 - Dynamic reinterpretations

The Fundamental Drivers of India Inc.



Implications for Business Ethics in a Global World



Conclusion

- While the 20th Century was driven by governments of advanced nations, the 21st Century will be driven by markets of emerging nations.
- This is due to aging of affluent nations, economic pragmatism, collapse of communism, and increasing level playing field of emerging nations.
- China and India (Chinda) will be the key emerging nations which are destined to become super economic powers by 2035.
- Business ethics and practices of the world will be reshaped by this rise of Chindia.

Conclusion

- India's unique business practices and ethics are due to its culture, governance, rise of private sector economy and its management style.
- Three elements of Indian culture are key to our understanding of how to do business with India: Favors, Friendship and Clanship.
- Indian governance rules and regulations are shaped by government's role as a gatekeeper, lax enforcement and government as owner and operator of large enterprises (PSU).
- Rapid growth of private sector economy results in entrepreneurial excesses, marketing malpractices, and redefining role of business in society.

Conclusion

- Paternalistic culture of management, owner driven decision making and low regard for written contracts reflect unique Indian business practice.
- As India gets globally integrated through global acquisitions, it will have significant implications for business ethics in a global world.
- Globally, business ethics will be a fusion of Asian and Western ethics as managers from all countries and cultures work and live together.

Conclusion

- Business ethics will be less shaped by religions and cultures and more by business as a profession. This is similar to what is true today in medicine, law and engineering.
- Governance rules and regulations will become glocal: think global, act local.
- Finally, as business leaders shift from shareholder to stakeholder management, business practice will nurture compassionate capitalism:

DOING WELL WHILE DOING GOOD!