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# The Individual, Business and Corruption:

## The Changmai Case

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# Changmai

1. You are David McLeod. What do you give to Mr. Lai?
    1. A ticket to Lourdes
    2. A job for his son
    3. Both
    4. Nothing
  2. You are Hartford, Bailey's boss. How do you answer to Bailey?
  3. How do you react to the debate at the end of the case?
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# The Example of Corruption

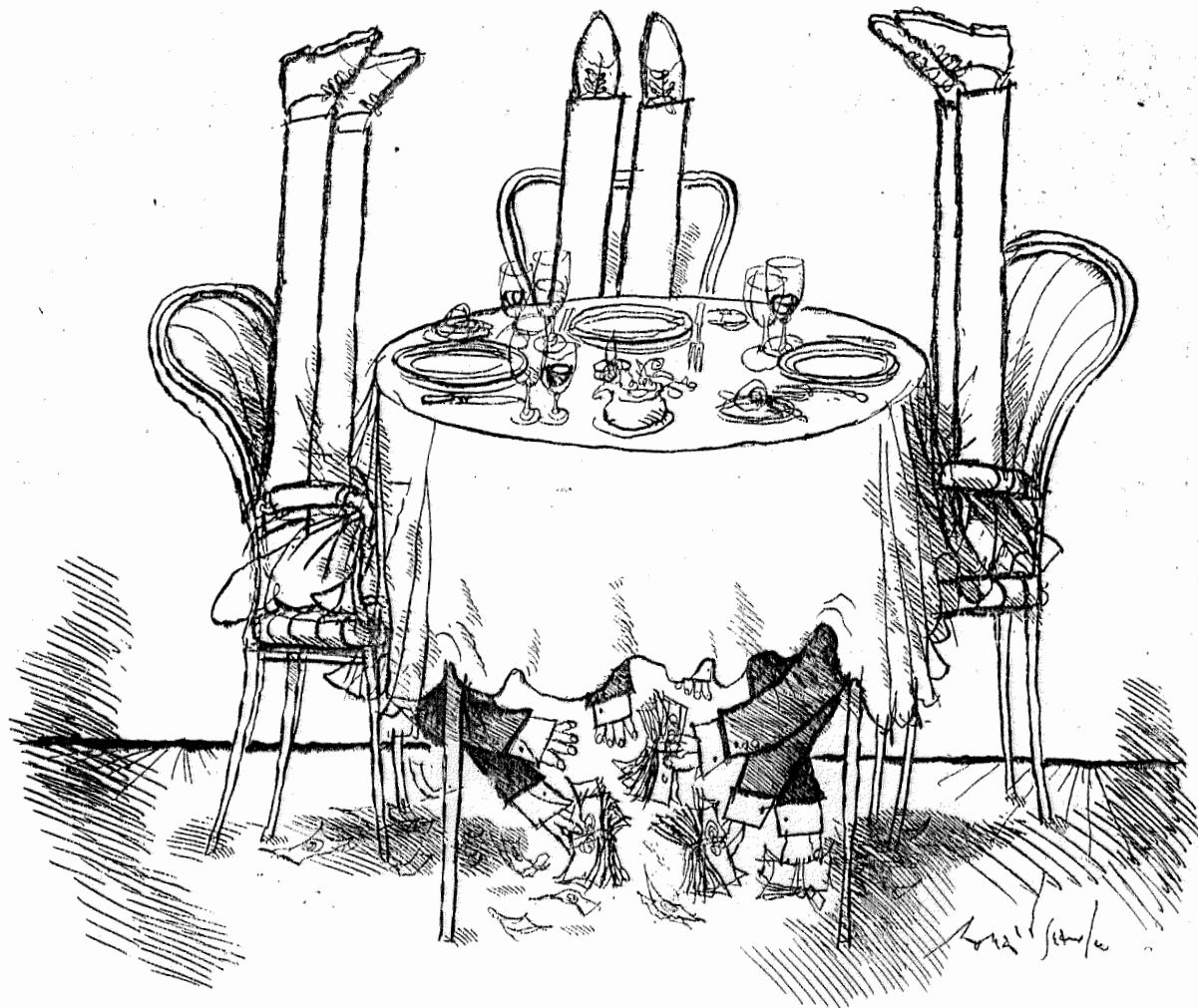
- It exists everywhere
  - At the international level, it is considered inevitable...
  - At the national level, it is considered as a “cultural” issue...
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# A Few Definitions

- “A favour is given for a price”
  - “Bending the law a little”
  - “Corruption is the use of public power for private gain”
  - “To receive something for doing nothing or something which should not be done”
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# Déjeuner d'affaires *par Ronald Searle*



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# “Corruption”: Any Problem? (1)

- It has always existed
  - It exists everywhere (in Europe, US, Japan, Developing Countries....)
  - It does not exist: it is a figment of the imagination, an invention of the West
  - It is a parallel income distribution system
  - Everyone does it
  - In this country, there is *no alternative* (if you want to do business)
  - It is very *functional*: it is the oil which makes the bureaucratic machine work
  - It is the *tradition* in this culture: a « norm of reciprocity »
  - I have no choice: if I do not do it, I will lose my job
  - Should they not ask for the money, I would be happy not to give it!
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# “Corruption”: Any Problem? (2)

- *Business* is business
  - It is *small*, therefore it is OK
  - It is tax-deductible in my country: so, even for the government it is normal
  - I do not call it corruption: it is just a *transaction cost*
  - Given the *competition*: we have *no* choice
  - I do not do it, I have a *Mr. Fix*: he handles it *very well*
  - We have a *budget* for it, we have small pockets for that
  - You give a *tip* in your country, here they want a *top*: no difference
  - It really helps to get contracts, so *I create jobs* (at home)
  - My boss knows, but he does not want to know
  - It is a « win-win » solution
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# Some consequences (1)

- Loss of Government revenue
  - Creates biases in decision-making processes
  - Nurtures “unfair” competition
  - Increases red tape costs
  - Delays project implementation
  - Increases the price of goods
  - Makes rules & regulations flexible
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## Some consequences (2)

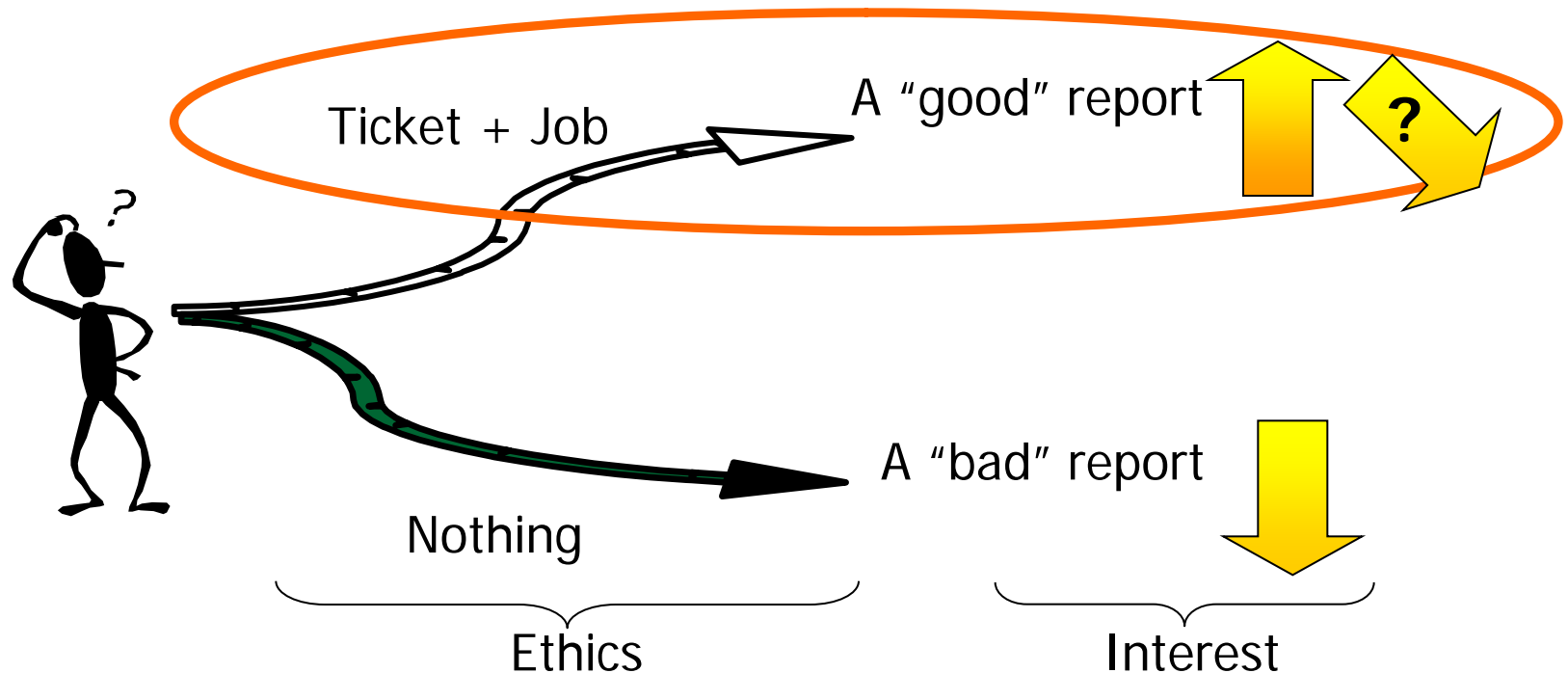
- De-motivates those who refuse to do it
  - Weakens the development process
  - Maintains incompetence of government
  - Encourages capital evasion
  - Deters some foreign investors
  - Creates political instability
  - Weakens the moral fiber of society
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# What can be done?

- Nothing!
  - Something... but later!
  - I am not in charge
  - I have no lesson to give
  - The government has to do it
  - It is the job of International Organizations (e.g. UN agencies, World Bank, WTO, OECD, ICC, etc...)
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# Priority to Interest



1. We resist admitting the ethical issue (denial)
2. We insist on our good faith (justification)
3. We discard the alternative and tend to blame others (absence of freedom, inability to do otherwise)

*We face the ethical risks. In the worst case, we lose on both ethics and interest*

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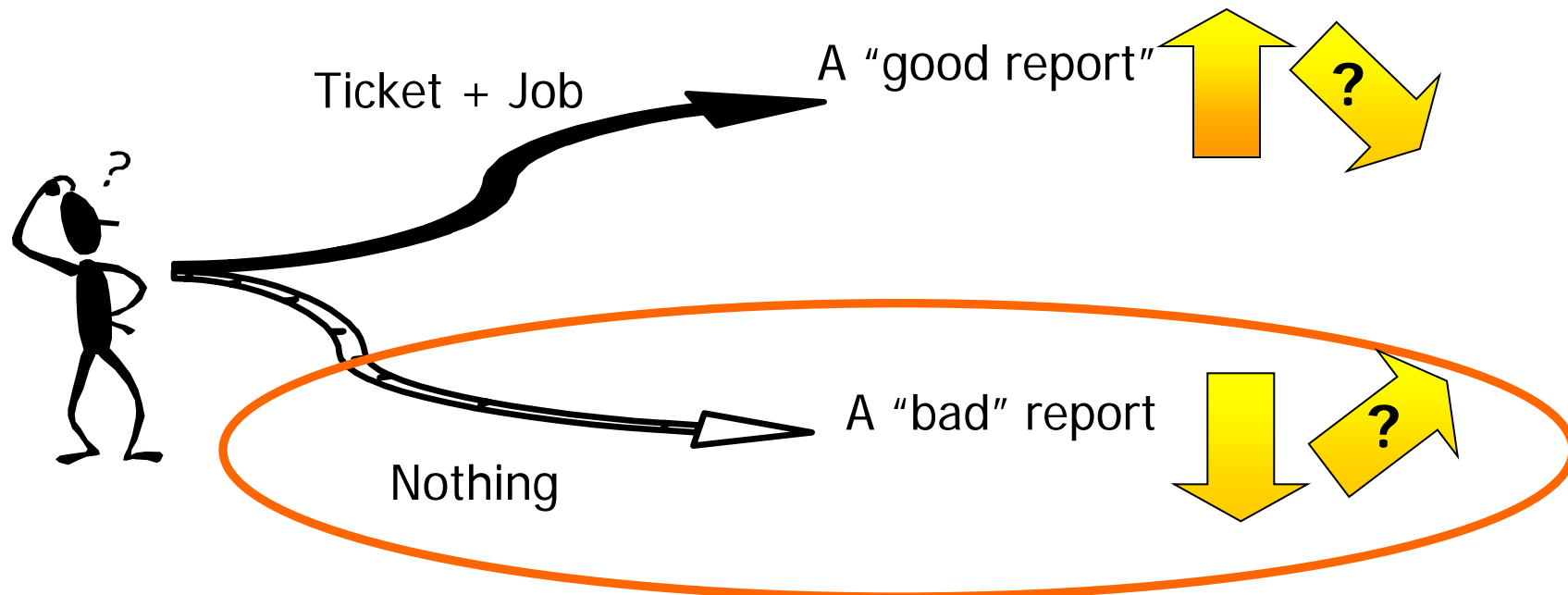
# The Ethics of our Interest

*Because we perceive a “good report” as being favorable to us, we tend to choose the white side of the ethical grey zone to justify giving the ticket and the job*

***In order to de-bias our ethical stance,  
we must look at  
the unethical side of the action that  
appears the most favorable***

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# Priority to ethics



1. We acknowledge the ethical dimension (Awareness)
2. We anticipate the ethical risks (Prudence)
3. We imagine the opportunity (Vision)

*We face economic risks. In the best case, we win on both ethics and interest*

# Possible Arguments for NOT corrupting

## Why Corrupting?

- ❖ *Officials and your boss will know*
- ❖ *Why if it appears in the press?*
- ❖ *You will pay more and more*
- ❖ *You will feel trapped*
- ❖ *You will be part of a corrupted system*
- ❖ *You may be caught*
- ❖ *You will lose motivation*
- ❖ *You will lose meaning*

## Why not a “bad” report?

- ❖ *It reflects reality*
- ❖ *You are not responsible of the past*
- ❖ *You are here to change things*
- ❖ *You need new investments*
- ❖ *You want to double production*
- ❖ *You are motivated to fight*
- ❖ *It may be time to stop working for a crook*

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# Corruption : How to “minimize” it? (1)

- At the individual level:
    - Parental guidance
    - Role of education (school)
    - Personal commitment
    - “Whistle blowers”
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# Corruption : How to “minimize” it? (2)

- At the group level (e.g. industry):
    - Peer pressure
    - Leader’s role
    - “Watchdog” approach
    - Emphasis on transparency
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# Corruption : How to “minimize” it? (3)

- At the corporate level:
    - ❑ Clear guidelines (e.g. Values Charter)
    - ❑ Occasional “policy reminders”
    - ❑ Empty drawers
    - ❑ “Gifts” go to the company
    - ❑ Protection of whistle blowers
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# Corruption : How to “minimize” it? (4)

- **At the society level:**
    - ❑ Income distribution policy
    - ❑ Education system & role models
    - ❑ Consistent punishment
    - ❑ Distribution of power in the country
    - ❑ Freedom of the press
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# Corruption : How to “minimize” it? (5)

## ■ **At the international level:**

- UN initiatives
  - OECD, EU regulations & codes of conduct
  - NGOs & pressure groups
  - International organizations & associations (e.g. Caux, ICC)
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# Four “tests”

- 1. The “Sleeping test” :
    - “if I do this, can I sleep well at night?”
  - 2. The “Newspaper Test”:
    - “If it wouldn't look right on the front page of your daily newspaper, it probably isn't quite right”
  - 3. The “Mirror test” :
    - “If I do this, can I feel comfortable with myself when facing my mirror?”
  - 4. The “Teenager test” :
    - “If I do this, would I mind telling my daughter about it?”
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# An On-going Process

When facing ethical issues, we should

1. Identify the extent to which our action may lack ethics, in particular for the action that provides the most interest to us (or seems to)
  2. Anticipate the consequences that may surprise us
  3. Design an alternative course of action
  4. Improve their interest by making them an opportunity
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