

# Instilling Business Ethics in China

Under WTO requirements there is a need for Chinese business to be conducted ethically. Amitai Touval outlines four steps companies can take to put in place business ethics training.

**A** new member of the WTO, China has agreed to a number of fair trade provisions, including a commitment to treat equitably individuals and firms that are not registered or invested in China. This commitment means that managers can no longer award contracts to friends and close associates. It requires a shift from a situation in which friends and associates are likely to win new business, to one where new business is made accessible to any qualified party. To drive this change, enterprises should offer employees business ethics training that focuses on attitudes and behaviours complying with WTO rules and regulations.

Presently, enterprises employ lawyers in-house to manage WTO compliance. The Shanghai WTO Affairs Consultation Center calls such staff 'WTO liaison officers'. Their role is to guide managers and executives by monitoring the state of compliance and resolving issues of non-compliance. In some instances they also offer training. Typically, this training features hard skills encompassing thorough knowledge of WTO rules and regulations. However, knowledge of the law is not sufficient. To recognise and avoid breaches, employees must be able to act on their knowledge of rules and regulations. They need training that would enable them confidently to identify and respond to old attitudes and behaviours, and model new attitudes and behaviours.

## The Four-Step Process

How would an in-house lawyer persuade his or her organisation to adopt business ethics training? I have identified a process, consisting of four steps, by which in-house legal services can offer WTO-relevant business ethics training. It requires legal departments to partner with HR and corporate learning, seek their input, and secure their buy-in and funding. The process aims to develop a conversation about the cross-functional performance implications of soft skills that strengthen compliance. Success is achieved when WTO-relevant business ethics training

is integrated into existing learning and development initiatives.

Here are the four steps to adopting business ethics training:

### Step One

Identifying the business context – the actions, processes and relationships – in which compliance is most relevant. The list may include procurement, product development and/or relationships with existing clients.

### Step Two

Defining the significance of the business context identified in Step One for the organisation as a whole. The in-house lawyer, in consultation with HR and function heads, need to determine for each business context:

- *What is the objective of the actions/processes?*
- *What is the desired performance outcome?*
- *What awareness and skills are associated with high performance?*
- *How is performance measured?*
- *Who are the stakeholders?*
- *What risks are involved?*

This phase ideally involves HR and function heads, because they know the answer to the above questions, especially the third: the awareness and skills associated with high performance. They also know the learning and organisational development initiatives currently in place to ensure that employees can succeed.

### Step Three

Defining learning objectives. This phase requires creativity and cooperation. A working group that includes legal counsel, HR and function heads compares the learning objectives and skills that were derived in Step Two, with the soft skills that are associated with compliance.

A. List the ethics and compliance-related awareness and communication skills. Depending on the learning objectives, the list may include:

- *Recognising situations that pose an ethical dilemma*
- *Recognising situations that fall under compliance*
- *Diagnosing and managing motives that conflict with compliance*

*Confidently communicating ethics and compliance challenges by:*

- *Raising red flags*
- *Following up with colleagues and superiors*

*Providing constructive feedback*

B. Compare this list to the learning objectives and skills associated with high performance, and identify similarities and differences. There is likely to be some overlap. Awareness and communication skills translate across purposes and functions; this step requires thinking by analogy. For example, managing clients' expectations is related to the ability to manage the expectations of existing business partners who seek to have their contract renewed. A manager who can manage client's expectations, can also anticipate and respond to partners' expectations. In both cases accountability is a key measurement of success.

### Step Four

Create a learning program that draws on common learning objectives and skills. Determine a learning path, and detailed exercises, role plays and scenarios.

This process helps ensure that China's commitment to WTO membership is embedded in the organisation's on-going learning and development. It is a road map for WTO liaison officers who seek to be proactive and prevent problems of compliance by providing employees with the skills to act responsibly.

When implemented successfully, the process also yields additional benefits:

- *Legal counsel and HR gain visibility*
- *The cost of programs is shared across the organisation*
- *An enterprise-wide requirement becomes linked to individual accountability*

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