

Singapore Management University

## Institutional Knowledge at Singapore Management University

---

Perspectives@SMU

Centre for Management Practice

---

3-2014

### Ethical Business is not a Pipe Dream in Emerging Markets

Singapore Management University

Follow this and additional works at: <https://ink.library.smu.edu.sg/pers>



Part of the [Business Law, Public Responsibility, and Ethics Commons](#)

---

#### Citation

Singapore Management University. Ethical Business is not a Pipe Dream in Emerging Markets. (2014).  
Available at: <https://ink.library.smu.edu.sg/pers/82>

This Journal Article is brought to you for free and open access by the Centre for Management Practice at Institutional Knowledge at Singapore Management University. It has been accepted for inclusion in Perspectives@SMU by an authorized administrator of Institutional Knowledge at Singapore Management University. For more information, please email [cherylds@smu.edu.sg](mailto:cherylds@smu.edu.sg).

# Ethical business is not a pipe dream in emerging markets

Published:

26 Mar 2014



*One top executive in India believes, and has proven, that business can be done the right way even in a country plagued by graft.*

For almost two decades, **Siraj Chaudhry** has worked for the Indian subsidiary of multinational food producer and marketer Cargill Inc.


Yet, the chairman of Cargill India says he never once had to worry about breaking the law or paying a single penny to get things done in the world's fourth largest economy. His employees, too, are expected to adhere to strict ethical standards.

Really? We're talking about a country where corruption is rife. According to Transparency International's Corruption Perceptions Index 2013 which measures perceived levels of public-sector corruption, India, along with seven other countries, is ranked 94 out of 175. 177 countries and territories were scored. The 2013 Country Reports on Human Rights Practices released recently by the US government notes widespread corruption in India at all levels of the government.

Chaudhry was a speaker at the seminar, "Ethical Business in Emerging Markets – Reality or Pipe Dream?", organised by Singapore Management University (SMU) India Initiatives and the Indian Institute of Foreign Trade Alumni Association, Singapore.

For Chaudhry, it is definitely a reality. The growth of Cargill India – it started with fewer than 10 employees in 1987 and now has over 2,000 across the country – shows “it’s possible to build a strong and successful business in India... ethically and following the right path”.

Cargill India actively supports social issues focusing on food and nutrition security, education and livelihood. The company pioneered the concept of fortifying its edible oils with vitamins A, D and E in India to deliver much needed micronutrients and fight malnutrition in the country.

 ***"If you are willing to stay on the wicket, you will last there longer... We know we can wear our detractors out."***

While Chaudhry admits that staying on the straight path has been challenging – it has been “very frustrating at times” and has “cost us more money and time” – it did not quell their desire to grow.

With more countries transforming from control economies to market-based ones in the last 10 or 20 years, these emerging markets have seen “significant growth in business and investment”.

“They are also large populated countries with a large consumption base which is attracting investors,” Chaudhry adds. However, “the challenge is that in this transition, what is taking longer than the growth of the economy is the loosening of the control the government has over resources as well as the power to grant permission and manage the regulations.”

India is one such example. Chaudhry says: “Changes are happening but they are taking time. Until the policy environment becomes more conducive for business growth, you will have disproportionate power in the hands of officials and the government to regulate business. That does create challenges and is something we have to deal with.”

So how does Cargill India navigate the murky waters?

## **Be patient, stand your ground**

Through sheer patience and steely resolve, Chaudhry shares. He compares doing business ethically to cricket, India’s national passion.

“(It’s) like batting on a spinning pitch, which is taking turn against a world-class spinner... When a spinner is bowling on a turning track, it’s a tough time for the batsman because he’s surrounded by closing fielders who are just pouncing on him so they can catch everything they can touch,” he explains.

“It requires very good footwork (and much resolve) to stay on the wicket, not play any loose shots and not get tempted, until you’ve worn out the opposition and they spread the field and let you bat more peacefully. That’s precisely what Cargill has been doing in India. We’ve batted well.”

He adds: “If you are willing to stay on the wicket, you will last there longer... We know we can wear our detractors out. It helps that you’ve worked with an organisation of 150 years that knows a lot about time and is therefore able to take a long-term perspective for most things.”

## **It starts from the top**

To build an ethical business, it is important to lead by example.

Chaudhry says: “It is critical that an organisation backs you – it gives you a lot of power. And this has to be the job of leadership... and that the message to stay aboveboard, to do business (ethically), is repeatedly percolated down to every employee in the organisation, and that the consequences of doing wrong are severe and swift. We’ve been able to do that in Cargill.”

Indeed, at Cargill India, corrupt behaviour has more serious repercussions than financial losses. Chaudhry notes that he would not be sacked for losing millions of dollars – something he says has happened before – but would risk losing his job if any of his employees is caught being involved in a bribery case of even just a few hundred dollars. “This risk-reward equation makes it very clear what has to be avoided.”

## **Building a business is like building a brand**

Chaudhry says: “When you first create a sound value proposition, you deliver it consistently and communicate it effectively to your consumers using the various tools of sales and marketing... It saves a lot in investment in the beginning and in our case, a lot of investment and time. But once the brand starts working, the benefits last for a long time. Cargill is... in the business of building brands – not just consumer brands, but the organisational brand and our brand of being an ethical company.”

That also involves establishing trust with the public and the government and showing them “your business is good for the society”.

For instance, fortifying its edible oils with vitamins is Cargill India’s “way of saying we wanted to deliver more value than just the product the consumer is using”, Chaudhry notes. “Over time, when you deploy these tools consistently and talk about them convincingly, it helps build your brand of an honest company.”

That, of course, takes time. Over 20 years ago, the company’s offices in Bangalore and the state of Karnataka were vandalised by farmers frustrated by the growing domination of the Indian economy by transnational corporations. Today, Cargill India is making its largest investment in India in Karnataka with a corn milling plant.

Chaudhry says: “So what has changed? We talk about India being corrupt and that nothing gets done without paying money... We bought land from the farmers, got permission to convert the land from agricultural to industrial use. Those of you familiar with India (would know this is) an almost impossible task.”

Chaudhry adds that the company was able to get the various clearances and amenities set up “in very good time, without paying a penny as bribe and without involving any (middlemen)... All the work was done by our employees and the government was very closely involved in monitoring the progress.”

Still, cynicism greets him whenever he tells the story to his countrymen. He says they had sold the investment to Karnataka’s state leaders as being beneficial to the farmers. “But I had to have clear assurance from their side we’d not be required to pay any bribe & that our work would get done on merit.”

This, Chaudhry points out, is “a great example of how when you have made your position clear, when your brand is strong, people do fall in line”.

## **Ethics used as competitive edge**

Some organisations may see ethical business a threat to their profit margins. And where do they draw the line in business ethics?

For Cargill India, corporate responsibility is positioned as a competitive advantage.

“When businesses start doing activities in the social spirit, they have been able to do it much better... Enhancing edible oils with micro nutrients is not rocket science but the moment you put it out as your competitive advantage... it soon became the industry norm,” Chaudhry explains.

“Many organisations are... walking away from situations that don’t meet their standards. I read in the papers that things are worse, but I think there’s increasing awareness, a change in the environment, which are making things easier.”

He cited the introduction of the Right to Information Act in 2005 in India, “which allows an individual to question the government”. Foreign Corrupt Practices acts and anti-bribery laws in the home countries of multinational companies have also put more pressure on businesses to behave properly.

But while he is seeing changes at the senior level of the bureaucracy, he admits “it has not yet percolated down to the lowest level”.

“So the guy who manages the land report still thinks it’s right to get some money if he’s doing some work for you. But I think as people hold firm and there’s only so much time he can sit on the document... he will (eventually) do your work without getting any money,” Chaudhry adds.

“I remain extremely confident we’re heading in the right direction. It will require leadership from business to be in the forefront of this transformation if you want to make it happen fast.”

But is ethical business merely the playground of the big boys who can afford time and patience? Chaudhry admits it is not as easy for the smaller players.

“One thing about personal ethics – it is about the pressure, the ability you have to deal with the system. I think small organisations do face the challenge. I can tell you from interacting with shopkeepers in India and (finding out about) the amount of pressure they face from their local authorities in just trying to earn an honest business that it can be very tough.

“That is where the strength of personal character and ethics has to step in, to say that ‘Ok I will not do it’. And it will take that, it will involve losses. But if you’re able to withstand that, you can set it right.”

He points to the recent rise of Arvind Kejriwal, an anti-corruption crusader who became Delhi’s Chief Minister last December after a startling electoral victory but resigned less than two months later after his anti-graft bill failed to pass.

“He’s an example of someone who stood up and said, ‘I will not take it anymore’... So the norm has to change,” Chaudhry says.