

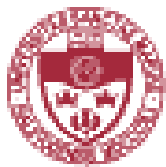
***The Role of the Certified Management Consultant in the
Development of Voluntary Social Codes of Conduct for
Multinational Corporations***
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INTRODUCTION

The true measure of success for management consultants is their ability to assist clients solve problems. Traditionally these problems have focused on the core functional areas of business including management of finance, human resources, marketing, strategy planning, operations and information technology. In the early 1980s the practice of consulting found a global application as more and more companies opened up international operations around the world: becoming transnational. The demands and criteria for success still mirrored those competencies required by management consultants in their home countries; however, a new element was added to the mix – *culture*.

“Like all human behavior and experience, management consulting is culture bound. Effective international consulting requires a good match between the cultures (assumptions, values, priorities) of the client company, the consultant”¹ and the local society in which the business operates. The element of ‘culture’ influences all aspects of international business and the consultant who wishes to successfully assist clients to solve problems (in a world of transnational business) must have an intimate understanding and appreciation of cultural norms.

Multinational corporations play an important role in providing jobs, boosting the economy and raising the overall standard of living in the countries in which they operate. Their success is dependent on local societal acceptance and trust. The sensitivity of society regarding fundamental principles of social justice is increasing daily. Since 1990, multinational companies (MNC) have been under global scrutiny for their role or perceived role in the negative social and environmental implications of major foreign investment in developing countries. Currently, no formal governmental or nongovernmental laws govern codes of ethics for MNCs. As a result many MNCs have been examining their own ethical behavior, including the fundamental responsibilities to the societies in which they operate.

The development of voluntary social codes of conduct has become increasingly common especially for large-scale Fortune 500 companies. The development of an effective, measurable and enforceable code requires a delicate mix of unbiased observation, genuine ability to identify cultural

norms, understanding of a cultures' fear and uncertainty, and the ability to bridge the gap between theory and application.

Who better to accept this responsibility than professional management consultants who understand the importance of ethics and have the skills, knowledge and experience to work in complex environments with multiple stakeholders?

THE NEED FOR CODES

Governments, MNCs and Non-Governmental Organization (NGOs) have investigated international codes of corporate conduct, for several decades. The efforts have been driven by the continued neglect shown by a minority of companies to labor conditions, human rights and the environment. The actions of some, however, taint the image of all MNCs. In today's globally connected world, international businesses are being held to higher standards. More and more individuals are educated to some of the past impacts MNCs have had on developing countries in which they live. Negative "issues for the host countries include:

- Disrespect for the laws and regulations of the country;
- Employment of restrictive business practices;
- Lack of adaptation to or compliance with the traditions, customs, morals, ethics, and values of the home country;
- Application of environmental controls less tight than at home; an inadequate disclosure to government entities of the polluting impacts of production processes and product use;
- Production and marketing practices which do not protect the consumer;
- Tax evasion through price transfer;
- Provisions in technology agreements that stifle opportunities for the recipient;
- Unwillingness to renegotiate contracts which were found inequitable;
- Interference in domestic political affairs;

¹ Charlton R Price, "A Global Perspective," *Journal of Management Consulting* (June 2002); available from the Saint Mary's University Reference ProQuest Database, <http://www.stmarys.ca/administration/library/research-databases.html>; accessed September 2002.

- Use of corrupt business practices – especially bribery of public officials to provide favors in compliance or non-enforcement of regulations or re-directing purchases;
- Inadequate respect for human rights and individual freedoms leading to discrimination based on race, color, sex, religion, language, social, national, or ethnic origin, or political or other opinion;
- Inadequate contribution to the economic and social goals of the host country;
- Inadequate protection of the environment;
- Inadequate disclosure of information, including hazardous effects of production or use of products, but especially on operation and financial policies and practices of the company; and
- Restraints on the development of local R&D in host countries.”²

Obviously these issues are complex and sometimes impenetrable. However if such behavior of MNCs is publicized in their home country, it can result in negative reaction from the public. This results in decreased shareholder value. Progressive companies realize the benefit of leading the way to create a set of standards. Some MNCs have taken their own initiative to ensure that they are not painted with the same brush as other MNCs who neglect their social responsibilities. For others it has been due to external pressure. Whatever the reasons, over the last few years, voluntary codes have gained increasing importance.

WHAT THE CODES SHOULD INCLUDE

Each MNC should make its own decisions as to what to include, but the process should be inclusive of all stakeholders. Voluntary codes should cover, at minimum, guidelines encompassing employment conditions, technology transfers to local companies and local investment. The International Labor Organization’s (ILO) core labor standards serve as the foundation. “The requirements should encourage companies to:

- Undertake disclosure of information on the structure, activities, and policies of the enterprise as a whole – so that governments can ensure compliance with policies and regulations concerning taxes, competition, and environmental standards.

² Jack N Behrman, “Adequacy of International Codes of Behavior,” *Journal of Business Ethics*, (May 2001); available from the Saint Mary’s University Reference ProQuest Database, <http://www.stmarys.ca/administration/library/research-databases.html>; accessed September 2002.

- Comply with host countries' regulations concerning restrictive business practices and refrain from abusing dominant market positions, exercising predatory behavior, anti-competitive mergers or abuse of industry property rights, and discriminatory pricing.
- Assist in the development of host country policies on science and technology, to diffuse technologies as rapidly as feasible, and not to restrict the use of technologies transferred.”³

“The code of conduct institutionalizes the social responsibility of the enterprise, making it a permanent and stable part of the company’s overall policy. Developing and adhering to a code must be the result of a company’s careful analysis of an option with far-reaching effects.”⁴ In general, voluntary codes of conduct must encourage MNCs to respect the societies in which they operate, to obey laws, and to keep their priorities in line with social development practices of the host country. The publication of a code usually raises the profile of that company especially if that company is a recognizable brand. At the same time the code increases the MNCs level of accountability; the public can now measure its performance. The end result can be consumer trust and good will.

Developing a workable code, taking into account various stakeholder interests, can be aided by professional management consultants. Once developed, adherence to a voluntary code, in tactical terms would require the development of employee training programs, wage structure development and job analysis to address working conditions and safety audits. The development of such business practices to support newly crafted standards could also be aided by management consultants.

THE ROLE OF MANAGEMENT CONSULTANTS

Management consultants are already well established globally. Most moved abroad following their clients who were setting up shop in new areas including developing countries. Some consulting firms may already be assisting MNCs in the development and monitoring of voluntary social codes of conduct. There are several reasons why the certified Canadian Management Consultant (CMC) and the MNCs’ ever-evolving need for social codes of conduct is a natural fit. First, the symbolic relationship of both MNCs and Management Consultants to ‘ethics’ serves as a foundation on which to intervene with the host country. A CMC in general is dedicated to the uniform code of

³ Jack N Behrman, “Adequacy of International Codes of Behavior,” *Journal of Business Ethics*, (May 2001); available from the Saint Mary’s University Reference ProQuest Database, <http://www.stmarys.ca/administration/library/research-databases.html>; accessed September 2002.

⁴ “Codes of Conduct Position Paper,” <http://www.asria.org/pro/library/10E%20codes%20of%20conduct.pdf>; accessed September 24th, 2002.

professional conduct, which identifies his/her obligations to protect the public and the client. Similarly, although not sanctioned to do so by law, MNCs realize the importance of protecting the general public and the consumer. To succeed as a consultant and as a MNC, the society in which you do business must trust you and believe that you are working in their best interest. The globally connected audience must also trust you. In a globally connected world a breach of trust can almost instantaneously translate into lost global markets and consulting opportunities.

Secondly, the development of a voluntary code of conduct requires a collaborative approach between all stakeholders including the MNC, its suppliers, the society at large and local government officials. Building rapport within a complex web of stakeholders where responsibilities extend beyond the bricks and mortar of the business and into the social setting is the key to success. A CMC understands the steps needed to build trust and collaboration. The management consultant recognizes that collaboration maximizes the use of people's resources and spreads the responsibility for success or failure. In addition an effective code of conduct is audited regularly and problems proactively averted as norms and trends change. A certified management consultant required by their own code of business conduct is in tune with the ever-changing nature of the business and cultural environments in which they work. To solve problems effectively and retain their client's trust a CMC must stay abreast of the changes.

Success for a MNC is dependent on their commitment to be authentic to the host country. An MNC does not need to be seen as intelligent, just genuine. The challenge throughout this process is reducing the perceived inherent risk of change. MNCs operate in a competitive world where market leadership is influenced by the smallest change in basic strategy. Engaging change is an art and can be more smoothly achieved when looking at change from a third-party perspective. The development of voluntary code requires attention to functional business areas and relationship building. A management consultant, as a third party only has little vested interest in a win-win arrangement for all stakeholders and therefore can address issues in a non-threatening manner, removed from those policies that constrain or drive a company's actions. You see the voluntary nature of the project lends itself to the danger of failure since law does not dictate conformity. Therefore it is critical for a third party, preferably an experienced consultant, to build internal commitment to ensure compliance. An experienced management consultant can assist the management of the MNC to see the big picture benefits of long-term stability and positive brand

reputation. At the same time, the CMC can assure the host country and other stakeholders that the MNCs motives and actions are genuine.

Once the code is developed the second stage efforts of implementing change commences. Hence the final reason for CMCs to play a role in the voluntary code of conduct development is to assist the MNC to ensure goal alignment in the creation of new business practices complimentary to the code. Change management strategies must also be developed to ensure a smooth transition into the new way of doing business. Management consultants understand the process of change management as every one of their assignments involves change.

KEYS TO SUCCESS

Success is realized if the code incorporates self-governing principles that build trust through open information sharing, fairness and inclusive decision making. By involving multiple stakeholders representing the entire relationship web (MNC, host country, suppliers and the consumer) where responsibility for success is shared by all, this large group is collectively better prepared for the changes imminent. To ensure that the MNCs realize the large benefits of connecting with their host country, the consultant must lead the companies in a “direction where:

- People grasp the issues, become aligned around a common purpose and create new directions because they understand both the dangers and the opportunities.
- Urgency and energy are produced to create a new future.
- Free-flowing information and co-operation replace organizational silos because people are connected to the issues and to one another.
- Broad participation quickly identifies performance gaps and their solutions, improving productivity and customer satisfaction.
- Creativity is sparked when people from all levels and functions, along with customers, suppliers and important others contribute their best ideas.
- Capacity for future changes increases as people develop the skills and processes to meet not just the current challenges but future challenges a swell.”⁵

⁵ Peter Block, “Flawless Consulting: A Guide to Getting Your Expertise Used – Second Edition,” Jossey/Bass/Pfeiffer. San Francisco, 2000. P.303

Most importantly, the code must only reflect what a company is realistically able to do. Each host country offers its own unique social environment that is influenced by history, culture, religion and more. Codes of conduct that do not consider such influencing social factors will fail miserably.

WHY ACCEPT THIS CHALLENGE

The face of business is evolving more quickly due to globalization. It is being incumbent on business to respond to the needs of the local host countries. The principles of business success, however, are really still the same: where there is no trust a business perishes. Today's companies must build their reputations not only through effective and efficient business practices but through such ethical practices, which are at the same time, are culturally sensitive.

Today's management consultant has the opportunity to build their reputation at home and abroad. The opportunity and the challenge to apply one's skill in a new setting is also attractive to most consultants and the development of voluntary codes of conduct for MNCs is a newly evolving opportunity. However, the most compelling reason why consultants should accept the challenge is because of their responsibility to the public. The CAMC code of business conduct applies to the region in which the CAMC operates; that region and its public are joined to larger globally connected world. The Certified Management Consultant not only makes a living on assisting businesses to solve problems but also has an intrinsic obligation to the world community in which he or she lives.

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