

# Chapter 27

## Business Ethics in Latin America and Its Impact on Sustained Economic Growth

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### ABSTRACT

*Some of the major emerging economies in Latin America (LA) include Argentina, Brazil, Chile, Peru, and Mexico. The discussion themes during the 2013 World Economic Forum on Latin America included understanding the private sector's role in safeguarding business ethics, corporate social responsibility, sustainability, and concern for the environment. Inputs into business ethics include individual values, organizational culture, national culture, and local business climate, including level of corruption, ethics legislation, and governmental bureaucracy (Stajkovic & Luthans, 1997). A conceptual model of business ethics in terms of governance, processes, and stakeholders is presented. Various models of ethical decision-making processes, including the social-cognitive theory (Bandura, 1986), are reviewed. Models of ethical behavior and the influence of Hofstede cultural dimensions, religion, Internet, and social media are also reviewed. Various measures of business ethics, including the Business Ethics Index (Tsalikis, et al., 2013), the Corruption Perception Index (Transparency International, 2012), the Freedom from Corruption Index, and the Economic Freedom Index (Heritage Foundation, 2013) for LA countries are reviewed. The Business Ethics Index can be a leading indicator of economic growth (Tsalikis, et al., 2011). Good business ethics generate trust and lead to sustained economic growth (Hunt, 2012).*

### INTRODUCTION

The Latin America (LA) and Caribbean regions are often discussed together due to their geographical proximity (LANIC, 2013). LA includes countries in South America, Central America, and Mexico. The term “Latin” in Latin America refers to the Latin language which is the common source of the

spoken languages in LA countries. The majority languages in LA and Caribbean include Spanish, Portuguese, French, and Dutch. The majority language in most of the LA countries is Spanish except in Brazil where Portuguese is dominant. According to the Economic Commission for LA and the Caribbean (ECLAC), increasing the sustainable rate of economic growth, reducing the

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volatility of growth, reducing poverty, corruption and social/economic inequality are some of the main challenges for the region (ECLAC, 2013). In terms of relative prosperity (GDP/capita) and good business ethics, Chile and Uruguay lead the LA region. In terms of the size of the economy (Gross Domestic Product or GDP), the big three countries include Argentina, Brazil and Mexico, the mid-sized countries include Colombia, Peru, and Venezuela, and much smaller countries include Bolivia, Uruguay, and Paraguay.

Some of the major emerging economies in LA include Argentina, Brazil, Chile, Peru, and Mexico. Brazil and Mexico are the two largest economies in LA with GDP's exceeding trillion US dollars. The population of LA and Caribbean region is estimated at close to 600 million. Brazil and Mexico are the two LA countries with a large population of 196 million and 118 million, respectively (World Population Data Sheet, 2013). The most important values still present in LA nations are the family unity and religiosity. The majority of the population in LA belongs to the Roman Catholic Church. Most of the Latin American countries were colonies of different European nations and many had dictatorships after the colonial rule. However, most LA countries have democratic governments today, but corruption is quite high except in Chile and Uruguay which have solid local economic systems including the business climate, business ethics, political structure, ethics legislation, and regulations.

Five LA countries that include Argentina, Brazil, Mexico, Colombia, and Bolivia represent the region well. Argentina, Brazil, and Mexico are relatively prosperous, while Colombia is in the middle and Bolivia falls in the poor category. The socio-cultural and historical backgrounds include predominantly European Argentina (Italian and Spanish), European and African Brazil through the mixed "Meztizo" (Indianland European) nations of Colombia and Mexico to predominantly

indigenous Bolivia. Argentina, Brazil, Mexico, Colombia and Bolivia together account for nearly 75% of the region's population and about 82% of the GDP.

Business ethics refers to the standards of conduct and moral values regarding right and wrong actions in a business setting. It involves proper business policies and practices regarding corporate governance, insider trading, bribery, discrimination, corporate social responsibility, and fiduciary responsibilities. Ethical business conduct is above and beyond the required legal and regulatory compliance. Good business ethics ensures trust between consumers and various other business stakeholders with a goal to treat the consumer fairly. The business owners, managers, employees, and customers may have different perspectives on business ethics which are guided by local legal systems and organizational and national culture.

Business ethics involves three levels including individual values, organizational culture, and the local economic system. Individual ethical values derive from the family, religion, and national culture (Rashid & Abraham, 2008, Weaver, 2001; Nash & McLennan, 2001; Zinbarg, 2001; Adler, 1997; Siker et al., 1991). Organizational culture shapes the values of the individual employees and is determined by the values of the top business leadership. The local economic system includes the business climate and regulations, ethics legislation, and the political structure. Good business ethics represents managing business processes with integrity to maintain high quality products or services and protecting the environment. In addition, business ethics includes managing the relationships fairly among various stakeholders including shareholders, employees, suppliers, customers, environment and society as a whole. Business ethics also involves dealing with the level of corruption and business regulations in the local society (Bishara, 2011).

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