

Fókuszban a vállalati szabálykövetés és szabályalkotás¹

A Budapesti Kereskedelmi és Iparkamara a Center for International Private Enterprises amerikai szervezet támogatásával kutatást indított a hazai kis- és középvállalatok compliance tudatossága témakörében. A kutatás eredményeinek bemutatása és a téma fontossága érdekében is rovatot indítottunk, amivel reméljük, hogy fel tudjuk kelteni az érdeklődést a téma iránt.

„Ethical business practices and a fair level playing field is an universal value”

Interview with Jeffrey Lightfoot

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The World Politics and Economics made an interview with Jeff Lightfoot, the program director for Europe at the Center for International Private Enterprises (<https://www.cipe.org/>) about the role of the ethics in the business life in all over the world and the several tools used to strengthen it.

World Politics: *What is the mission of CIPE? Why was it founded and what kind of projects are supported by CIPE?*

Jeffrey Lightfoot: The mission of CIPE is to advance competitive markets and strengthen democracy around the world through private enterprise. We work to galvanize and serve as a catalyst to local initiatives of the private sector to foster competitive markets and democracy. We operate based on the where we see demand from our partners. CIPE has been active in this work for more than 40 years now, working in some of the world’s toughest environments and, in conflict and post-conflict zones.

CIPE really tries to foster bottom up approaches and solutions toward advancing competitive markets and democratic ideals and values. We look for partners who come to us with their own ideas and their own challenges because we recognize that each country has its own context, its own challenges, its own business environment, its own geography, it’s own culture. What has worked in the United States is not best for everyone. Each private sector will have its own ecosystem, its own challenges and its own proposed solutions. So we look for the Chambers of Commerce business associations, economic think tanks and civil society groups that we come to us with their goals, their visions, their challenges and where they need help. And that’s where CIPE comes in and tries to help them achieve their goals that advance those ideals.

CIPE was founded in 1983 along with the the National Endowment for Democracy that was created in the United States as an independent foundation to foster and support democratic

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values and ideals around the world. CIPE is a nonprofit affiliate of the United States Chamber of Commerce, which is the biggest Business Association in the US and also a core institute of the National Endowment for Democracy. We operate around the world through regional offices like the Europe regional office that I lead in Bratislava. Through our offices we help to support the capacity of partners to strengthen the voice of business associations and chambers, and advance of business ethics and business integrity proposals, strengthen and support women's economic empowerment initiatives to elevate the voice of women in the economy, to support accountable business practices, and strengthen the voice of business to be a strong pillar of any civil society.

CIPE is a nonprofit, not a business. We work primarily with collectives and businesses, Chambers of Commerce, and business associations, economic think tanks and civil society groups.

We support our partners in three ways. First, we provide financial support to help partners achieve their goals; second, we provide technical training and expertise to help our partners with whatever skills challenges they might have; and third, we network our partners together to help them learn from each other and share lessons learned and experiences.

***World Politics:** What is the potential in trying to implement elements of high standard business practices as global best practices that we believe reflects what businesses around the world want?*

Jeffrey Lightfoot: So much of the world is hungry for high quality investment. Governments all over the world, businesses all over the world want foreign direct investment and they want foreign direct investment that works for the local economy. Helping to create enabling environments to attract this kind of high standard investment is one of our key objectives and goals in CIPE. We have this concept called constructive capital which is high standard investment that respects local environmental norms, that integrates local supply chains into the investment, that really engages the local workforce and upscales it and leaves something better behind. We contrast that with what we call corrosive capital, which is really kind of investment that's not accountable, that's not transparent, where foreign workforce is brought in to do the projects, and it's kind of more extractive and doesn't really leave something better behind.

So what we find is all over the world, and we've certainly heard this when we've spoken to associations and chambers in Hungary, and certainly here, in Central Europe that the governments are working hard to attract foreign investment, whether it's in the auto sector or other key strategic industries. And they want those investments to engage the local workforce and they want them to engage local small and medium sized enterprises. But at the same time, we often see that there's a set of challenges to having those foreign big investments, whether it is a lack of skills, lack of work force, or lack of competitiveness. But we also see that high standard investment from the European Union, from the United States, from G7 economies in particular are increasingly looking for business partners compliant with ESG norms, supply chain diligence, or other corporate best practices that boards of directors or insisting on. And we see that small and medium sized enterprises then face a compliance challenge to connect into these investments.

But secondly, there's a very direct tie into the democracy angle. Ethical business practices and a fair level playing field are not a western values or American values. They are universal values. If you look around the world, if you think about the Arab Spring or these other movements where people feel and sense of unfairness and corruption, and when they feel that hard work is not rewarded, and that entrepreneurial behavior is not rewarded, that's when people feel a sense of injustice. I would say that one of CIPE's best compliance programs is our Ethics 1st project, in west Africa of entrepreneurs who have gone through and done trainings and certification on ethical business norms and behaviors, and they're now registered with local Chambers of Commerce, who can help direct foreign investors to credible business partners. These small businesses know that there's a real market incentive to align with business integrity principles because it is their pathway to prosperity and internationalization. They're not doing this to be good corporate citizens or for moral reasons. It's actually good for business to do so.

The goal is to create a culture that goes beyond compliance with specific laws. Of course compliance with the law is the first and most appropriate step. This is what I was mentioning with EU directives, for example on supply chain diligence – suppliers have to comply with that. So that is an actual directive. But in other places, like in Bulgaria, we're working with some associations who want to do advocacy in an unregulated environment with the highest standards that you would see from a regulated environment. So they're trying to get beyond what the law requires and develop a culture of effective transparent advocacy. That's a culture change and they are trying to lead a change of the overall business and advocacy culture in Bulgaria. So CIPE works in environments where there is a really strong legal framework and high standards like the European Union and other places where there aren't those kind of standards, but our partners are looking to create a culture that goes beyond what the law requires.

World Politics: *It leads us to the next question. Are there any specific characteristics in our region (CEE)? Can you see an improvement in our region in terms of our business culture?*

Jeffrey Lightfoot: I think Central Europe is at an interesting moment, because sitting here, in Slovakia or looking at Hungary, Czechia, these are countries that have done I think, quite well for themselves over the last 15 to 20 years by attracting major foreign investments, particularly in the automotive sector, that are heavily linked to Germany and to western European value chains. I think that that's had a positive impact on the business environment and business culture here and has created an ecosystem of suppliers that fit into that chain. The interesting question is, as the automotive sector changes in the next 10 to 15 years to electrify, can the region in the region continue to stay competitive? Can this region continue to ride the automotive sector to prosperity? And I do think there's a real need for all elements of that sort of supply chain to be agile. And I think there's a next level of investment that's going to need to be to come in, for example in the green transition, where the EU's putting a lot of resources into technology. I do think that we are seeing important elements of the business culture develop to set a high standard to attract investors. Here in Slovakia. the government is really trying to create an environment for whistleblower protection and a strong ultimate beneficiary ownership model that can serve as a

model for others to follow. Application of these norms is inconsistent within the region, but we do see some really important initiatives of the business community advocating for strong rule of law and these kinds of elements. So I think it's a journey that there's no destination point for this either.

When you look all around the world, there's no end point at which you've arrived at a strong, perfect business culture. I mean, you could maybe look at the Nordics, which probably the strongest in this regard, but it's a constant evolution and they make mistakes too. So I think Central Europe's economy is going to continue to evolve. I think we see variances in terms of how the business culture is evolving within the V4, but I think what's going to be important is that the economies are continuing to move up and close the gap with Western Europe and stay agile for some of the emerging trends that are impacting Central Europe.

EU directives and frameworks help in this improving process. I think these kinds of high standard investments from Germany or from the US or other places can help shape the business environment around those investments. I do think it's also about a generational shift. My colleagues tell me that many of the Central European businesses here that were started after the end of communism, there's a generational shift taking place as those older founders are now looking to hand the business to successor generations, and that also raises an interesting question: what is the successor generation going to look like? These successors always operated in this new environment, on an EU oriented market. So we'll see how this successor generation takes that forward, but I do think that that kind of progress is here to stay in the region and we can expect the region to continue to build on that in the coming years.

World Politics: *Why do you consider compliance and ethics as important aspects of business management?*

Jeffrey Lightfoot: Business management goes beyond selfishness. I think business leaders have to ask themselves: aside from making a profit – which is the fundamental goal of the business and it's the ultimate responsibility to shareholders -, what do you want your business to stand

for, what do you want your brand to stand for, what is your reputation look like? I think that starts to determine what are the opportunities outside of your local environment if you want to go international. And I think you're seeing a growing number of customers who want their businesses to have some sort of values that they identify with. That can be a tricky environment. we're seeing a lot of businesses, of course, the United States struggle to stay on one or the other side of certain social issues, but I think many customers want to know that they're working with businesses that have a high standard of ethics.

But on the compliance side, I mean this is a very simple business case. It's really bad business to be not operating in compliance. It creates huge risks, risks for your board of directors, risks for your senior management, financial risks, potentially punitive risks, right in terms of violation of law.

So I would say anybody on the compliance side, there's a very strong case for compliance with existing laws and not doing so is a very clear business risk to your shareholders. On the ethical side, I think that's a little bit less cut and dried, right? I think there's strong case studies and we've actually commissioned some of this work, which I'd be happy to share with you. In Moldova, for example, in our case studies show ethical business really thriving. We've been supporting in Armenia and some other places, business integrity coalitions, businesses that are trying to not be alone and band together and demonstrate that there can be real success and strengths and numbers in operating with leading ethical and integrity principles.

But like I said, I think customers are becoming more discerning and they want to know, what one's reputation is and I think that beyond just the pure compliance side, there's a business case to be made on the ethics side. That is really about culture and leadership sets that culture. Because I think employees look and see what standards management setting it, if management's cutting corners or has a set of principles for everyone else, it doesn't apply to them, then it's going to very quickly reflect that throughout the wider corporate chain.

Thank you very much.

Dorottya Szabó – László Trautmann