

Ethical Management Consulting in a State-controlled Economy: Can idealists survive ?



feaco 2003

Zoran VAUPOT
Partner, Managing Director
SIGEM Business Consulting

State of Mind

Journalist: “Are Slovene doctors corrupted? At least public researches show that the corruption is strongly present in the health sector.”

Interviewee: “This is not corruption. It was first not understood in Slovenia. I took Russians, Polish, Croats and Czechs to safari. And all of them were Managers. But I did not take them to safari but to Nairobi where the center of WHO for Africa is located. A worldwide known doctor received them. Then they went to visit the hospitals...in which the aids’, dermatological infections’ and cholera’s mutations which do not exist elsewhere can be seen. When this official part was finished, they could treat themselves to a safari.

This is not corruption, those who went to safari have enough money that they could have gone by themselves.”

Interviewee: CEO of a large Slovenian company in Pharmaceutical sector

Interview published in daily newspaper DNEVNIK, April 4, 2002



feaco 2003

Zoran VAUPOT
Partner, Managing Director
SIGEM Business Consulting

Agenda

- The difference between *non-ethical behavior* and *corruption* ?
- Practice of non-ethical behavior in Slovenia
- Is situation the same in most developed Western economies ?
- How does that influence the Management Consulting sector ?
- What can be done to improve the situation ?

The difference between *non-ethical behavior* and *corruption*

1.) Corruption is absence of fairness or distance when making a decision, when a person (in private or public sector) who should make the decision agrees, in exchange of reward or promise of reward, to disregard (or demands the same of another person) the criteria which should have led him during the decision-making process.

2.) The corruption could be defined in the narrow or broad sense. The narrow sense can be understood as: all the activities which are prosecuted by the law... and the broad sense can be understood as: all other activities as described above (under 1.) but not prohibited by the law... Every corruptive behavior is thus non-ethical even if it can not be treated as a criminal act.

1.) *Van Duyn, 1998*

2.) *Jože Oberstar, 2001*

Practice of non-ethical behavior in Slovenia

➤ According to the CPI Index (Transparency International) Slovenia is decreasing in comparison among 150 countries. Ranks:

- 1999: 25th
- 2000: 28th
- 2001: 34th

➤ According to the Survey ^{1.)} :

- 43% of Slovene Managers estimate corruption as a serious problem
- 48% also think that corruption is unavoidable part of Slovene economic system

1.) Article published in daily newspaper DNEVNIK, February 12, 2003

Practice of non-ethical behavior in Slovenia

- According to the Survey 1.) following most important forms of corruption influence the results of the company:
- nominating relatives and friends to official positions: **37%**
 - corruption of civil servants and public officials during bidding process: **33%**
 - corruption of public employees and functionaries during bidding process for the public tenders: **29%**

1.) Article published in monthly magazine MANAGER, November 26th 2002

Is situation the same in most developed Western economies ?

➤ According to the CPI Index (Transparency International) results for the year 2001, 13 of 15 countries - EU members and all other most developed Western countries rank better than Slovenia.

➤ The OSI report^{1.)} says that “the corruption in Slovenia is less obvious than in the majority of other candidates for the EU membership, but (1) the power of personal relations in the small country has no effective impact of non-governmental institutions to prevent corruption and (2) the medias’ efficiency is questionable.

Beside the size of the country, long history of mixing of public and private sector, important “grey economy”, inefficient legislation in the field of managing the conflict of interests and possible excess in relying to the private contacts in institutional functioning all create environment which is very prone to corruption.”

1.) STA, November 11, 2002

How does that influence the Management Consulting sector ?

➤ According to the Slovene National Bureau for Prevention of the Corruption (NBPC) the largest part of corruption reports to the NBPC is connected to the public orders. Governmental institutions and public officials are on the top of the list.

STA, February 13, 2003

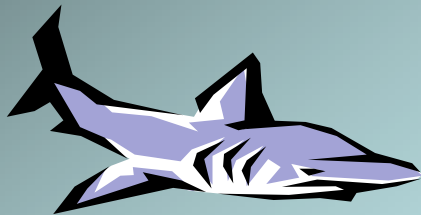
➤ According to our estimation ca. 45 % of consulting services in Slovenia are carried out in the State directly influenced areas (“normal” Public sector e.g. Governmental institutions and parts of the Private sector e.g. Communications, Finance, Manufacturing... still at least partially owned by the State).

➤ “The State subvention for any kind of consulting services seems most suspicious to me. Thus, I would not be surprised if the consulting companies would take part in corruption... How would one prove that the consulting company really did the service for which the tax payers money was paid ?”

Article published in business newspaper Finance, June 21, 2001

What can be done to improve the situation ?

- Basically, the consulting companies in Slovenia have two choices:



or

Hope that we succeed asap in what Mr. Boštjan Penko (Director of NBPC) describes as ^{1.)} *supporting the capital and civil society to channel all the power and money for the goal of common benefit.*

1.) Article published in monthly magazine MANAGER, November 26th 2002

What can be done to improve the situation ?

➤ Until this happens you still have to survive, so:

a.) Try to be so excellent in your work that (potential) clients come to you,



b.) Do not even try to work with the State directly influenced companies.

