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EXECUTIVE SUMMARY

THE GULF CENTRE FOR EXCELLENCE IN ETHICS

In April 1998 the Gulf Centre for Excellence in Ethics opened for business in Abu Dhabi, United Arab Emirates (UAE). Funded by The Merck Company Foundation, the non-profit Gulf Centre aspired to educate governments and businesses about the need to establish standards for workplace ethics in the UAE and eventually around the Persian Gulf. The objectives were lofty, but the Centre's two key sponsors shared them, though for dissimilar reasons. For its part, Merck hoped raising ethical standards in the UAE would serve as a model for the region and beyond to reduce bribery and other corrupt practices in which the company refused to engage--and which kept it from sharing in the growth of the world's fastest-developing markets. For the UAE, whose leadership sought to become a regional commercial powerhouse, its flawed reputation as a place to do business by Western standards posed a hurdle to future growth. Further economic and social development greatly depended on elevating its image in the eyes of the multinational corporations it hoped to attract.

Out of the enlightened self-interest of both parties, the Gulf Centre was conceived to challenge some of the most embedded cultural behaviors in UAE society. To document progress of the Centre, which has had virtually no internal or external publicity outside of the UAE since its opening in 1998, the Merck Foundation engaged the Center for Corporate Citizenship at Boston College (CCC) in September 2002. The CCC was tasked with creating a case study of the Gulf Centre to serve multiple purposes:

1. to assess the impact and benefits of the initiative to the UAE and to Merck, in light of the original objectives determined by the Centres' founders;
2. to understand which elements of the effort worked, which didn't, and why;
3. to communicate that assessment internally to Merck management, especially to mobilize global subsidiaries to address business integrity issues in their respective regions;
4. to provide the basis for public communication, especially to business schools, the press and other key networks, in order to influence curricula development and general discussion of ethical business management;
5. and to provide evidence of Merck's core values and priorities on ethical management through the telling of the Centre's story.

During two months, including eight days in the UAE, the CCC interviewed more than 35 individuals at the Merck Foundation and Merck Sharpe & Dohme, the company's international unit; officials in the UAE government; executives in both local businesses and multinational corporations; and managers at the Ethics Resource Center (ERC), the Washington D.C.-based non-profit organization that set up and ran the Gulf Centre on Merck's behalf. Based on reviews of the projects early documentation and interviews with the founders, the CCC identified its initial goals and structured research to determine the degree to which they were achieved. The following report presents those results, assessing the Gulf Centre's strategy, tactics, accomplishments and shortcomings. It does not assess programs established later by Merck and the ERC in South Africa, Colombia or Turkey, but does identify some of the lessons learned in the UAE and applied there.

The Challenge

Although Western principles of ethics have close parallels in Islamic teachings, actual behaviors considered normative in one culture are considered unethical in the other. Nepotism and favoritism, using personal connections for private gain, and financial inducements to win business transactions, to name but a few, are time-honored traditions in the predominantly Islamic UAE and wider Arab world. The concept of ethics is so tightly linked to Islamic canon that discussing it in any other context, certainly in terms of the workplace, is a perplexing exercise to most Muslims. To compound the challenge, the UAE's uniquely diverse population--75% are expatriates from around the world--creates huge cultural chasms among residents in the effort to establish a common basis for acceptable behavior inside organizations.

In the depth and delicacy of the change it has sought, the Gulf Centre is a landmark case in the realm of international corporate social responsibility. As the pioneer in the region for organizational ethics, the Centre's chief task was, and continues to be, convincing businesses and government bureaucrats of the value in codifying and complying with formal codes of ethical conduct. While UAE political leaders saw the message for what it could do for their long-term development ambitions, the need was hardly apparent at the ground level among company managers and public servants. As a result, the Gulf Centre's ethics mission has required extreme patience and faith just to achieve recognition by its intended beneficiaries. This stands in steep contrast to Merck's past international social responsibility efforts--indeed, to those of most companies--in that its distribution of free curatives to River Blindness and other deadly diseases in Africa and Latin America, for example, was not only obvious, but also immediately and gratefully acknowledged. Merck's steadfast commitment to see the Centre through, as well as the almost $2.9 million invested in it over seven years, demonstrates the often long-term orientation required to achieve fundamental societal change.

In that way and others, the Centre is an example of the kind of enlightened engagement required of American companies to transcend some of today's most vexing challenges of globalization. Careful not to overtly impose Western standards on its audiences, it has had to strike a delicate duality in its messages to public conferences, awareness seminars and private consulting clients: Find your own values and live by the standards you set, the Centre has advocated in essence, but also be cognizant of standards expected by Western partners. Bridging the gap between those frequently divergent sets of standards is a fundamental challenge for all emerging markets in a global economy. The Gulf Centre has demonstrated a balanced and realistic approach, especially since the authority of a US-funded effort to spread workplace ethics might have been easily undermined by the American corporate ethics scandals of 2002 and deteriorating relations between the US and Arab world.

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The Goals

Recognizing the intricacies of their task in a complex political and cultural environment, the Merck Foundation and ERC approached the project starting in 1995 in the spirit of a grand experiment. They framed the Centre's ambitions loosely, with few preconceived milestones or requirements. Their primary goals were two-fold: to build awareness and legitimacy for the concept of ethical workplace standards in UAE organizations, and to build trusting relationships that could help create an equitable commercial environment, or level playing field, in which to sell Merck's products. Ultimately, they hoped to create behavioral change in ethical conduct, and to spread its impact to the broader Gulf region. To those ends, the Centre sought to develop an initial code of ethics and compliance procedures for the UAE health care system, which could also serve as a model for expansion into both public and private sectors. The founders also expected the Centre to reflect positively on Merck's reputation as a company committed to positive change in communities where it does business, while enhancing the UAE's image as a regional business center. Above all, the Centre was to become financially self-supporting within a limited timeframe through local support. Without that, given the long-term nature of the goals, nothing else was likely to be achieved.

With such broadly stated objectives, it may be asked: Is it prudent, or quixotic, to pursue a social responsibility mission without more tightly defining the factors of success? The answer may be a bit of both. In this pilot project for what would become a series of ethics programs around the world, imposing stricter milestones may well have squelched progress before it had a chance to begin. The tradeoff, however, means doing without the hard objectives that more conventional programs use to judge success. Realistically, the balance will not be fully measurable for years to come.

General Findings

The Centre has made substantial progress in several respects. Its work to develop a code of ethics for the UAE Ministry of Health, its primary client, has attracted acclaim within and beyond the UAE from politicians and eminent medical professionals. At the political level at least, the new code and a landmark bioethics conference in March 2002, both overseen by the Centre, garnered desired recognition for the UAE across the region. They also markedly enhanced Merck's reputation within the small but important circle of UAE health care decision-makers and political leaders it wished to influence. Moreover, the Centre's tiny but competent staff has effectively seeded its message through five highly successful public ethics conferences, and contact with some 40 organizations over the years through various awareness seminars and training workshops. Although most haven't taken any follow-up action that is known, local executives across diverse sectors extol the Centre for opening up attitudes and dialog about the importance of codifying workplace ethics. This is highly meaningful in an environment that was virtually devoid of the concept five years ago. One key sign of acceptance: In October 2002 the office of the powerful crown prince of Dubai took financial and management control of the Gulf Centre, providing recognition at the highest political level of the Centre's vital role. The move also secures the financial and political clout necessary to finally achieve the sustainability that Merck initially sought, and prepares the way for the new local owners to drive even broader acceptance of the Centre's message in the near future.

Nearly seven years since the Centre's inception, and five years since launch, however, evidence of tangible change in ethical behavior is still rare and anecdotal. The number of organizations with which it has concluded formal contracts for in-depth training and code development can be counted on one hand. Compliance procedures at the MOH--the ultimate step in making its new code effective--have not yet been implemented, which has somewhat deflated the high expectations among its eager staff. Furthermore, Merck's initial expectation of reaching self-supporting sustainability and limiting its role as sole financial supporter to two to three years was underestimated by at least half. This is probably due to a number of factors: Remote management from the US during the first two years resulted in a number of missteps that likely delayed local political acceptance of the project. The Centre's strategy of tackling both the health care field and broader business sector in parallel was complicated by the unforeseen political and geographical rivalry between the government capital in Abu Dhabi and commercial center in Dubai. A lack of in-country management resources also limited the Centre's ability to follow up on more opportunities. Indeed, reliance on a single, if highly talented director to build trust and relationships on the Centre's behalf, put its future at undue risk had a new local sponsor not materialized to carry forward.

A summary follows of the Gulf Centre's overall strengths and weaknesses:

STRENGTHS

- **Overlapping interests**: The Centre's mission effectively satisfied overlapping interests of multiple parties--including the Merck Foundation, the MSD commercial unit, UAE leaders, and the ERC--thereby building in necessary support for long-term success.

- **Location selection**: The Centre wisely located where it had the best chances of acceptance. As arduous as it was to gain acceptance, the UAE at least assured the Centre of a chance for success; almost no other country in the region would have proved as hospitable.
- **Use of local resources**: Merck effectively used its Abu Dhabi distributor for initial introductions to political sponsors and leveraged its personal relationships. It also wisely concentrated initial efforts in the health care field where Merck was known and could gain the fastest traction.
- **Commercial arms length**: Although it counted commercial motives among its broad objectives, the Centre was able to maintain a neutral non-profit image--and thus build trust with government decision-makers--by keeping relations with MSD at arm's length. To its credit, MSD did not pressure the Centre for any perceptible advantage.
- **Choice of local director**: Though lacking credentials as an ethicist, the Abu Dhabi-based director, a Palestinian-American, exhibited a rare combination of skills: affinity for the Arab culture and language, tireless entrepreneurial know-how, a deferential approach to soliciting the local power base, and an understanding of Western ethical underpinnings.
- **Nimble approach**: Like some of the best startup companies of the Internet boom, the Centre constantly adjusted course to adapt to unexpected events and conditions. This kept the mission alive and moving forward when it could easily have been squelched by politics, or expelled from the country entirely.
- **Coalition building**: Absent a board of powerful directors or other political support, the Centre successfully built coalitions of institutions and companies that brought credibility and respect to its activities.

WEAKNESSES

- **Remote management**: Operating from the US during the first two years, before the hire of a local director, resulted in unfamiliarity with the cultural and political requirements for securing full acceptance, thus delaying operational start.
- **Organizational development**: Despite some attempts, the Centre didn't develop adequate in-country management and consulting resources to capitalize on numerous leads and generate deeper interest.
- **Parallel goals**: The political schism between Dubai and Abu Dhabi kept the Centre from effectively pursuing the health care sector (based in Abu Dhabi) and broader business sector (Dubai) at the same time. Its primary duty to Merck's interest of maintaining good relations with the Ministry of Health required it to first exhaust all means of remaining in the capital, which only delayed the inevitable break and move to Dubai. It remains to be seen whether the move will damage the work completed so far with the MOH.
- **Sole sponsorship**: By plan, Merck did not solicit additional financial sponsors for the Centre in early years. Had it done so, the Centre would probably have had more breathing room to build sustainability as an independent entity, and potentially more political clout from a broader base of support.
- **Dependence on single individual**: As skillful as the Centre's director was, reliance on a sole individual to build trust and relationships on its behalf--especially in a culture that puts a high premium on personal bonds--put its future at risk had the director departed and a new sponsor not materialized to carry on.
- **US model**: Built erroneously on a US model, the Gulf Centre Fellows Program fell short in its efforts to build both financial support and a sustainable base of advocates for its mission.

Miscast prototype: In its strategy to concentrate initially on producing strong results in the health care sector, the Centre misjudged the applicability of the MOH ethics program as a model for expansion into the broader business sector. Highly competitive industries didn't see the program as parallel to their own situations, as it failed to justify the financial and management costs with any demonstrable improvement in business performance.