AMERICAN UNIVERSITY OF BEIRUT

BUSINESS SCHOOLS AS AGENTS OF CHANGE:
ADDRESSING SYSTEMIC CORRUPTION IN THE ARAB
WORLD

by
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AN ABSTRACT OF THE PROJECT OF

<u>Amy Lynn Walburn</u> for   <u>Master of Business Administration</u>
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While the last thirty years has seen a significant improvement in research and policies aimed at studying and addressing corruption, it continues to be a subject that is difficult, if not risky, for scholars to pursue. This thesis contributes to the existing literature on the subject by addressing the intersection of education and corruption. In doing so, it seeks to examine the role that business schools might play in the fight against corruption through education, an anti-corruption platform that has scant mention in the literature. The particular geographic area of focus of this study is the Middle East and North Africa (MENA) region.

In analyzing the literature on corruption, especially as it relates to business, I answer the question of why businesses should adopt anti-corruption platform and why educational institutions across MENA should mainstream business ethics and anti-corruption courses in their curricula. This approach is consistent with much of the current sustainability literature, which I will discuss in detail. In synthesizing the sustainability literature with the anti-corruption agenda, I construct a pedagogical technique I feel is appropriately suited for classrooms of business schools in the MENA region.

Finally, the research compiles a practical report about the current ways business schools in MENA address corruption, the regional companies that give credence to the issue, and institutional platforms and tools that are available to MENA students and companies alike. Given that formal business education in the region is relatively young, I hypothesize and find that there is ample room to provide progressive and innovative ideas for classroom instruction on the issue of corruption, as most schools have not yet developed a rigorous or proven approach. In light of the report compiled, a compelling analysis and conclusion are provided.

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CHAPTER I

INTRODUCTION

This thesis addresses a very timely international concern about the importance of business ethics. Written whilst the global economy is still teetering on the edge of recession due to a financial crisis arguably caused by corruption and unethical practices, the findings and conclusion are opportune and relevant. The research comes as a direct response to the United Nations Principles of Responsible Management (UN PRME) to develop teaching material for business schools on anti-corruption. The UN PRME is an initiative to promote and inspire responsible management education and research in academic institutions around the globe (www.unprme.com). The UN PRME working group on anti-corruption is developing a practitioner's manual to aid in classroom instruction for methods and approaches to teach anti-corruption entitled, "Teaching Anti-Corruption—Developing a Foundation for Business Dignity." Following the call for this important anti-corruption teaching instrument, this thesis seeks to compile information regarding corruption in the MENA and examine current trends in anti-corruption platforms regionally in order to offer recommendations that can inform teaching anti-corruption to business students in the Arab World.

A. Topic Background

The capitalist economic system that touts the great social progress of the twentieth century has also given rise to many unsavory by-products such as: gross social inequity, environmental exploitation, human rights abuses, and a proliferation of

products and choices that do not create societal value (Ikerd, 2008). The negative

externalities of capitalism are often times caused or exacerbated because of collusion

between business and government, which blurs the lines between the private and public

sector and diminishes the equity of returns to communities (Li et al. 2000; Rose-

Ackerman, 1997; Foellmi and Oechslin, 2007). Corruption, as defined by the

Transparency International is "the abuse of entrusted power for private gain,"

(Transparency International, 2012).

Anti-corruption platforms have gained momentum worldwide, especially in the

last decade, as the communication revolution has helped to bring communities together

more quickly to protest collusion among the global elite (Stepanova, 2011). The

economic effects of such collusion can be seen in inequality figures, even in developed

countries such as the United States, where the wealthiest 1% of individuals account for

24% of the national income (Noah, 2012). In the last 30 years, social inequality has

grown, and has been particularly pronounced in the last decade, while national GDPs

per capita are rising, inequality as measured in indexes such as GINI are exacerbating

(OECD, 2011). Examples of this can be seen in developed OECD nations, such as the

United States and the United Kingdom, which saw increases in GINI scores from 1980-

2000. The Gini coefficient score of the United States is a telling example, rising from

0.35 in 1965 to 0.45 in 2011.

Corruption in the Arab World is particularly egregious, as long entrenched

powerful elite not only control the government, but also have the majority stake in

national industries, even post-privatization efforts (Salem, 2003). Economic

liberalization in countries such as Iraq, Syria, and the GCC countries tended to benefit

only the ruling elite, as industries were transferred from the public domain into the

private domain (Marktanner, 2012). The revolutions that started in December 2010 in the Arab World, originating in Tunisia when Mohamed Bouazizi set himself ablaze and brought together marginalized communities that have been excluded from the benefits of modernization, toppling entrenched, corrupt governments in Tunisia, Egypt, Libya. At the time this thesis was written the outcomes of further revolutions in Syria, Bahrain and Yemen are still waiting to be determined.

Endemic corruption in the Middle East and North Africa (MENA) region is a serious hindrance to economic growth. Not only does it incite lost revenue and productivity every year, but it further slows growth by detracting foreign investment (Mauro, 1995). Heeding the global call for business schools to mainstream responsible management education into the curriculum, this project will argue that business schools in the MENA face a unique opportunity and challenge to serve as agents of change through offering a platform from which to teach integrity, responsibility and anti-corruption. However, the extent to which this is being practiced is questionable.

In light of the above, this research project will start with a systematic documentation of corruption practices and their peculiar expressions in the Arab World. It will address issues of measurement, determinants, consequences, and lastly, means to address and fight corruption. From there, it will examine and document, through secondary research a sample of current trends in business school education in the Arab region, in regard to topics relating to Business Ethics, Corporate Social Responsibility (CSR), Integrity, and Anti-Corruption among others. Recommendations will be made in light of the findings revolving around the need for universities in the Arab region to introduce courses that sensitize future managers and leaders to the complexities of ethical decision making and the pressing need to conduct business ethically and

responsibly. Opportunities and challenges for business schools serving as agents of change in this context will be discussed and a roadmap for action presented for those business schools ready to embark on the journey.

B. Research Objectives

This project seeks to discover the current platforms that exist in the MENA to address corruption, specifically corporate corruption, which tends to contribute significantly to the supply side of all corruption. The project will begin by reviewing the literature about corruption, first in general terms and then will examine in greater depth corruption statistics for the Middle East North Africa (MENA) region. As the literature highlights, there is a need to address corruption, especially in the MENA. The research of the project will document existing regional corruption initiatives that deal with corporate corruption, focusing specifically on regional business school initiatives. Recommendations will be made in light of the findings taken from best practice examples documented from the literature and other experiential cases.

C. Research Methodology

This project will gather literature on corruption and on its particular manifestations in the MENA, to make a case for the importance of addressing corruption. The research will first gather general information on the existing anti-corruption platforms in the MENA, notably from international agencies such as the United Nations, the World Bank, Transparency International, etc. Of particular focus, this project will then gather information about the ways that MENA business schools are addressing corruption within their pedagogical methods and/or curriculum. The

method will be to collect data on anti-corruption education through a combination of online website searches and phone calls to business school administrators in a sampling of MENA business schools.

D. Research Significance

At a time of critical historical importance for the MENA, the Arab Spring has heightened citizen's concerns about fair and representative government, equality and access to opportunity. Corruption is a concern that has been loudly voiced by Arab constituents since the uprisings in Tunisia began in December 2010. This juncture in history can serve as a potent opportunity for the business community to heed the demands of the public-at-large and respond in-kind with more ethical and fair practices. It is an opportunity for business ethics to serve as a guidepost for the public and private sector in many of these MENA countries.

Another way in which the research is pertinent is that it provides a compilation of business schools in the region and a practical guide to their ethics agenda. Business education in its current form is a newly established discipline at most universities and so this research can provide a basic structure for future study of these institutions. As most universities in the region have little experience with teaching business ethics, this research can provide an initial platform from which schools can learn and collaborate with one another to address such relevant regional issues.

This thesis will also inform where there are current gaps in the literature regarding corruption in the MENA. By doing so, it can help to identify interesting and relevant areas of new empirical research findings. New research can help policy makers and anti-corruption advocates better propose solutions to combat corruption. Finally, as

preeminent corruption scholar, Robert Klitgaard (1991) thoughtfully remarks, when it comes to corruption there is usually evasion, excuses and sometimes, analysis. This thesis seeks to put corruption within an analytical framework to move towards solutions for the MENA region.

CHAPTER II

LITERATURE REVIEW

A. Corruption: History, definitions, examples

Klitgaard (1991) was one of the first to study the modern day manifestations of corruption and is considered an originator on the subject. In the opening to his seminal work, *Controlling Corruption*, he mentions the following words regarding corruption: Fraud, bribery, extortion, embezzlement, tax evasion, kickbacks, procurement, police forces, customs agencies, tax bureaus, ministries, and regulatory bodies (Klitgaard, 1991). Today, scholars might take such a laundry list of concepts and construct a word cloud, otherwise known as a Wordle. A Wordle takes words and creates an image for them by highlighted for size in order of most referenced. To create a Klitgaard Wordle, I took reference for each word's significance from Google's search engine.

Figure 1: Klitgaard Corruption Wordle

The Wordle provides an illustration of some of the most common terms associated with corruption. The definition of corruption that will be used in this paper is given by Transparency International (TI), a global organization founded in 1993 dedicated to anti-corruption through non-confrontationally building global coalitions. The TI working definition is broad, so as to encompass all corrupt behavior. "Corruption is operationally defined as the abuse of entrusted power for private gain," (Transparency International, 2012). The benefit of using such a broad definition is that it does not limit the scope of corruption only to the public sector, but rather encompasses all those acting in power.

Corruption matters, as I will show in the next section, because it has serious socio-economic consequences. It is a matter of importance for government, business and civil society. What I will demonstrate in the remaining literature review are the particular ways that the private sector is implicated in corruption and the negative consequences it has on business. I argue that the private sector will itself benefit from advocating an anti-corruption platform, in solidarity with civil society. Lastly, I will highlight the particular manifestations of corruption in MENA, in order to give validity to the research focus, on MENA business schools.

There is a wealth of literature on the subject of corruption; its determinants and its effects; its manifestations and prevalence; its need to be addressed and reformed. Research about corruption has received much attention in recent years (Rodriguez et al., 2006; Uhlenbruck et al., 2006). While corruption is certainly not new to human behavior, and in fact many authors note its timelessness and universality (Noonan, 1984; Bardhan, 1997; Elliott, 1997; Glynn et alt. 1997), the empirical study of corruption is fairly young. A dearth of new research about corruption began when

political, economic and technical factors drove a heightened pace of globalization in the early 1990's (Elliott, 1997). The fall of the Soviet Union and subsequent democratization and economic liberalization of the post-soviet states, combined with rapid advances in communication technology all helped to bring about a more interconnected world and market place (Glynn, Kobrin and Naim, 1997). It is in this context that the anti-corruption agenda and the empirical study of corruption started to gain momentum. Corruption was no longer a matter of national borders, as its effects could quickly span the globe; an event in China might have repercussions in Italy, or an event in South Africa could affect the United States (OECD, 2009). The political, economic and technological changes witnessed at the end of the 20th century brought forth new methods, new tools and new institutions to try to combat and contain corruption. The same avenues that might have made corruption flourish, such as internet, e-banking, cell phones, etc., were also being utilized as tools in the fight against corruption (Glynn et alt., 1997).

These rapid socio-economic and technological changes that brought about what scholars at the time were calling a New World Order (Archibugi, 1995; Barnett, 1995) can be thought of as a "post-industrial revolution." Similar to the drastic and rapid advances in technology that beset the industrial revolution, the post-industrial revolution begat change of a similar scale and pace. It was in this age of globalization and post-industrial change that the citizens of the world began to demand from their governments and companies more transparency (Glynn et alt., 1997). They were empowered by economic growth, improved access to information and more education (Glynn et. alt. 1997). All of these forces coupled together helped to bring the study and fight against corruption more mainstream.

One of the problems with the empirical study of corruption is that the definition of corruption differs among different constituencies (Klitgaard, 1991). While this thesis will employ a broad characterization of the term corruption, per Transparency International, I would like to draw a distinction between the following behaviors often associated with corruption, namely: bribery, extortion, gift-giving and tipping. Bribery is corruption and is the giver that initiates the corruption. It is defined by John T. Noonan (1984), Berkeley law professor and judge in his book, *Bribes*, "The core of the concept of a bribe is an inducement improperly influencing the performance of a public function meant to be gratuitously exercised," (Noonan, 1984). This definition has been expanded by others, such as the Organization for Economic Cooperation and Development (OECD) to include influence to anyone acting in authority or power, "Bribery is a specific form of corruption that can be defined as the voluntary giving of something of value to influence performance of official duty by doing something improper or failing to do something they should do within the authority of their position," (OECD, 2009). Extortion is also an act of corruption, in which the receiver initiates the bribe (Badran, 1997). Gift giving and hospitality are often times confused with corruption, but within limits can be as a legal and healthy cultural norm for building personal relationships and expressing gratitude (Badran, 1997). And lastly, tipping is usually considered an expected reward above normal wages for a job well done (Badran, 1997).

B. Review of Institutional Frameworks

"Governance and Anti-Corruption is everyone's business."
President of the World Bank Group Robert Zoellick, December 6, 2007

Just as the study about corruption has gained momentum in the last twenty years, so has the fight against corruption. Fighting corruption clearly depends on understanding of what causes corruption, which is sometimes an area of contention in the literature and will be presented in the following section. However, what is clear among scholars is that efforts to effectively fight corruption must be multifaceted and complementary (Rose-Ackerman, 1997). In an effort to promote anti-corruption the following legislation has been critical in the criminalization of bribery and extortion. Below are highlights from the fundamental, game-changing legislation that has been enacted and enforced in the fight against corruption and a summary chart of other significant anti-corruption platforms that aid business today in combatting corruption.

- Foreign Corrupt Practices Act (FCPA)

This groundbreaking legislation was passed in 1977 and greatly influenced the international fight against corruption, even though it was only applicable to US publically traded companies and their employees. Because US companies started to feel at a disadvantage in global competition because they could not engage in bribery, they lobbied very hard to international institutions such as the OECD to advocate for the implementation of global legislation on anti-corruption. Eventually, in 1997, the OECD, with significant pressure from the Clinton Administration enacted their game-changing Anti-Bribery Convention Act, criminalizing bribery in member countries (Glynn et alt., 1997).

- The UK Bribery Act 2010

Legislation that was effected in July 2011, making it illegal for any company or public official doing business in the UK to make or accept a bribe. It has been casually

referred to by practitioners, especially legal websites as the FCPA "on steroids,"

(Koppel, 2010). The UK Anti-Bribery Act is more stringent than the FCPA in three

ways:

1. Whereas the FCPA allows small, documented "grease payments", the UK Anti-Bribery Act prohibits even the smallest facilitating sum.

2. The UK Bribery Act will criminalize any payment made for personal gain, even if the payee does not know it is a bribe.

3. The UK Bribery Act, unlike the FCPA makes payments between business men illegal, whereas the FCPA just focuses on public officials.

- OECD—Anti-Bribery Convention

   Enacted in 1999, the Anti-Bribery Convention by the OECD asks for countries

to pledge and sign a commitment to reduce bribery. It addresses the supply side

(corporations) in reducing the macro-level causes of bribery, as it is entails legislation

and policy. The OECD only accepts country members that pass a scrutiny of twenty-two

tests and audits on laws and controls to prevent international bribery (OECD, 2012).

Currently, all 34 OECD country members have joined the Anti-Bribery Convention,

which makes it illegal to bribe a public foreign official in business transactions. This

convention is enforced though strict country review peer feedback. "The OECD fights

bribery in international business to strengthen development, reduce poverty and bolster

confidence in markets. The keystone to its efforts is the OECD Anti-Bribery

Convention and the Convention's 2009 Anti-Bribery Recommendation."

(www.oecd.org)

Table 1: Review of Institutional Platforms Designed to Combat Corruption

Organization	Name of Platform	Platform Level	Description	Year Enacted	Members
United States of America, Department of Justice	Foreign Corrupt Pratice Act (FCPA)	Macro-level, international	Applies to all US companies doing business domestically or abroad, as well as any foreign company that elicits corruption to take place on US soil.	1977, 1998 revised	All American businesses and their intermediaries
Organization for Economic Cooperation and Development	Anti-Bribery Convention	Macro-level: Laws, policies, enforcement at international level,	Oulaws and criminalizes bribery of foreign public officials in international business transactions for member countries.	1999	39 countries, all 34 OECD members plus Brazil, Mexico, Russia, Chile and South Africa
United Kingdom	UK Anti-Bribery Act 2010	Macro-level: Laws, policies, enforcement international level	Makes illegal bribes to public official or bribes between private sector official. Goes beyond FCPA to criminalize grease payments.	2011	Affects anyone and any firm doing business in the UK
United Nations	Office on Drugs and and Crime ODC	Global Programme Against Corruption, Convention Against Corruption	Internationl cooperation building, advocacy, Tool Kits, Institution Building	1997, 2003	140 signatories
United Nations	Global Compact	Signatories, Voluntary,10 CSR Principles, the last is about corruption, Mandatory Reporting	The world's largest sustainability platform. Lists 10 sustainability objectives for firms to try to meet and report on progress	2000	Over 6,000 businesses
Transparency International	Transparency International	Global Coalition to Fight Corruption	Research, Publications, Tools, Data, Best known for their CPI and the Bribe Payer Index	1993	At work in over 100 countries locally and globally
World Economic Forum	Partnering Against Corruption Initiative	Global, Aimed at Business, platform and tools to address corruption	A global anti-corruption initiative, developed by companies for companies that offers advise and forums and collaborative opportunities to combat corruption.	2005	Over 150 companies
United States Security and Exchange Commission (SEC)	Sarbanes-Oxley Act of 2002 (SOA)	Macro-level: Laws and enforcement , typically 150 on-going cases. Over 3 Billion USD in prosecution fines since 2008.	Enacted after the downfall of major corporations Enron and Worldcom to help prohibit fraud in companies public disclosure of financial statements to investors.	2002	Publically traded companies on US Stock Exchanges

C. Measuring Corruption: Determinants and Consequences

Many, including TI, argue that corruption cannot properly be measured because by its very nature it involves discreet, undocumented behaviors. There are however, many researchers that do statistical and empirical research on the subject to try to quantify the losses, as best possible. Losses due to corruption have political, economic, environmental, and societal effects (Transparency International, 2012). Empirical data started to become available in the mid 1990's as a result of demand from multilateral investment banks, and other donors and lenders that needed to know the apparent risk of their funds being subsumed by corruption (Ades and Di Tella, 1996). The data from these reports such as: Business International, Economist Intelligence Unit and World Competitiveness Report, were available commercially and economists also began using this information to produce empirical studies about the effects of corruption. Prior to the availability of these indexes that subjectively measured corruption perception in the aggregate were poorly representative legal data about corruption prosecution and fraud cases. Econometric studies were hard to produce from such data and thus scant evidence existed prior to 1990 regarding the effects of corruption (Ades and Ti Della, 1996).

Launched in 1995, a new index was developed by Transparency International which measured the perceived level of corruption in the aggregate in most countries throughout the world. The TI Corruption Perception Index (CPI) was groundbreaking for corruption research and policy in many ways. First, it was a free and widely available tool that quickly gained legitimacy and comprehensive geographical coverage (Dreher and Herzfeld, 2005). This index provided new measures of analysis possible for

economists working on regression models in the empirical study of corruption. This landmark index enabled further strides to be made in analyzing the causes and consequences of corruption (Dreher and Herzfeld, 2005). Aside from the Corruption Perception Index (CPI), TI has more recently created another useful indexing tool, called the Bribe Payer's Index and has been used since 2006 in the study of bribery. The first index to focus heavily on the private-sector side of corruption, the tool relies on data from senior business executives in 30 countries around the world for their perceptions of the likelihood of companies, from countries they have business dealings with, to engage in bribery when doing business in their country. Results from the 2011 CPI and BPI will be highlighted in Chapter II and III.

Finally, there is an attempt to quantify the costs of corruption in real dollar terms (Dreher, 2004; Kotsogiannis 2004 and McCorriston 2005). These studies attempt to quantify the overall costs of corruption on the economy, in terms of GDP per capita, as opposed to just showing that there are economic consequences to corruption. In their study, they create cross-section regressions estimating the impact of corruption using variables already identified in the literature. Quantifiable evidence will certainly prove useful in the continued fight against corruption.

1. *Determinants/Causes*

"Corruption thrives where temptation coexists with permissiveness," (Transparency International, 2012). Another famous generalization for the manifestation of corruption is, "Corruption equals monopoly power, plus discretion, minus accountability," (Klitgaard, 1988). The scholarly literature on corruption agrees (Collins, Uhlenbruck and Rodriguez, 2009) that corruption is a function of supply and demand. On the supply side exist corporations and individuals willing to pay for personal favors and gain. On

the demand side is usually public officials or other authority wielding figures. Researchers have shown that the demand that fuels corruption is strongly influenced by the extent of poverty (Sachs, 2005), by the national culture (Fisman and Miguel, 2007; Husted, 1999), and by national and multilateral policies (Cuervo-Cazurra, 2006).

In emerging economies, there are four proven factors that contribute to high levels of corruption. An empirical study by Venard and Hanafi (2008) shows the particular causes for corruption in developing nations (Rose-Ackerman, 1978, 1999; Shleifer and Vishny, 1998):

- Low salaries earned by civil servants

- The availability of economic rents from which bribes may be extracted

- The under-development of legal systems

- Low quality of institutional frameworks

Many economists and social scientists are interested in the question, "Are democratic governments less vulnerable to corrupt behavior?" Glynn, Kobrin, Naim (1997) in their paper The Globalization of Corruption, deal with this question. They posit that more safeguards exist in democratic regimes to protect against corruption. Institutions of democracy such as free media, elections, regulatory bodies, independent judiciary, etc., substantially aid in preventing corruption.

On the supply side is the private sector. Corporate corruption is a major factor in the supply of global corruption. Corporate decisions to engage in bribery are determined by factors both internal and external to firms. Rose-Ackerman presents three useful ways to classify why the firm may supply bribes. 1) Business is seeking to get a government benefit; 2) Business is looking to avoid a cost; 3) Business people are seeking a position of power, wherein they can bribe or pay or extort to receive a post

(Rose-Ackerman, 1997). In addition to Rose-Ackerman's categorizing framework there have been many research studies conducted on the supply side of corruption to try to deduce what and how companies are implicated. One recent study entitled, *Bribery in International Business Transactions* (Baughn et alt., 2010), using the TI Bribe Payers Index was able to prove that the propensity to provide bribes was the lowest when 1) corruption was not tolerated in the multinational firms' home countries; 2) when the firms' countries were signatories of the Organization for Economic Cooperation and Development (OECD) anti-bribery convention; and 3) when those countries traded heavily with wealthier nations. Further, these findings are maintained when controlling for levels of economic development and cultural values in the supplying country. In terms of culture, firms from high power distance countries showed a somewhat greater propensity for providing bribes in transactions with less-developed nations.

Wu (2009) conducted research on the determinants of bribery in Asian firms. The study, which used the World Business Environment Survey data found that firm characteristics such as firm size, growth rate, and corporate governance are important determinants of bribery activities at the firm level, and that Asian firms are more likely to bribe when faced with fierce market competition, corrupted court systems, convoluted licensing requirements, nontransparent interpretation of laws and regulations, inefficient government service delivery, and high taxes. These findings are compatible with the aforementioned theories of the causality of corruption in emerging economies, namely, weak institutions, poor law enforcement. The third chapter of the thesis will continue to discuss in more depth the private sector and corruption, particularly addressing anti-corruption efforts.

2. Effects/Consequences: Socio-Economic Costs

There are two competing theories about the effects of corruption on economic development known as the, "sanders and the greasers." The arguments and empirical evidence above, point to those that show corruption impedes or "sands" the way for economic development. The authors on the other side of the debate use primarily anecdotal evidence to support their claim that corruption aids or "greases" economic development (Leff, 1964; Lui, 1985; Beck and Maher, 1986; Egger and Winner, 2005). In a 2003 review of these two theories, Aidt finds there is a "strong negative correlation between growth and genuine wealth per capita—a direct measure of sustainable development—and corruption." He concludes from his review of the evidence that, "while corruption may have little average effect on the growth rate of GDP per capita, it is a likely source of unsustainable development." Accepting Aidt's conclusion, I draw from the literature the ways that corruption negatively affects key socio-economic indicators:

- *Economic growth*: Aggregate levels of economic growth are negatively affected by corruption because it decreases efficiency of the marketplace and inhibits or detracts investment activity and acts as a barrier to trade (Mauro, 1995; Knack and Keefer, 1995; Mo, 2001; Pellegrini and Gerlagh, 2004; Rivera-Batiz 2001; Shleifer and Vishny 1993; Zarrouk, 2003). In parallel with slowed growth comes lower GDP per capita.

- *GDP per capita* studies that show a negative correlation to corruption include: (Neeman, Paserman and Simhon, 2008; Welsch, 2004). It is relevant to note that despite the overwhelming evidence that corruption negatively affects growth, the

Asian Tigers of Singapore, Malaysia, Indonesia and South Korea have been

outliers to this evidence (Rock and Bonnett, 2004).

- *Biased composition of government expenditures*: Mauro (1997) produced for the

    first time quantitative empirical evidence that corruption diverts government

    spending away from issues of national importance, such as health care or

    education. In his particular study, he proved that for every one standard

    deviation point of additional corruption, GDP spending per capita on education

    was reduced by 0.05% (Mauro, 1997).

- *Political Stability*, including undermining trust in public institutions and

    legitimacy, Hellman and Kaufmann, 2004. This concept is pronounced in the

    Arab Spring context, where highly corrupt countries such as Libya, Syria,

    Bahrain, Egypt and Tunisia have witnessed extremely political instability as a

    result of people demanding less corruption, more transparency and more

    freedom. The Arab context will be given more attention in the following section.

D. Corruption and the Arab states:

"Sadly, one would be hard-pressed to name a single Arab country in which grand

corruption among high officials of the state was not endemic" (Salem, 2003, p.4).

To begin, it is important to define the Arab countries listed in this study of the MENA,

as often the region is often plagued by multiple definitions.

Geography—The Arab world stretches from the Indian Ocean in the East to the Atlantic

Ocean in the West. Arab countries occupy the southern and eastern shores of the

Mediterranean and border the Red Sea (Badran and Zou'bi, 2010). Often times called

the MENA, Middle East and North Africa; there are various classifications of what

countries constitute this region. This paper will focus on the Arab MENA, thus excluding Iran and Israel. Turkey is erroneously included, often times in discussions of the Arab world or MENA, but it is neither Arab nor in the Middle East. Some classifications of the Arab MENA include the African countries of Somalia, the Comoros Islands, and Djibouti which are Arab League members, putting the total number of countries at 22. If the liberation of Southern Sudan is to be considered, that number could rise to 23, but it is excluded it from this analysis as its demographic and linguistic affiliation will exclude it from MENA or Arab region. Countries included in this study are the following:

Algeria | Bahrain | Comoros Islands | Djibouti | Egypt | Iraq | Jordan | Kuwait | Lebanon | Libya | Mauritania | Morocco | Oman | Palestinian Territories |Qatar | Saudi Arabia | Somalia| Sudan | Syria | Tunisia | United Arab Emirates | Yemen

Figure 2: Twenty-two countries of Arab World/ MENA

Source: Google Images, found on website for teaching Arabic
http://www.intersolinc.com/newsletters/newsletter_32.htm

Comoros Islands are not included on the map. They are located in the western Indian Ocean about ten to twelve degrees south of the Equator and less than 200 miles off the East African coast. (http://www.comoros-islands.com/)

Demographics: The United Nations estimates that by 2015, the population of the Arab World will be 395 million (Arab Human Development Report, 2009). Over 60% of this figure are youth, under the age of 25 (Arab Human Development Report, 2009). Over 30% of the population of Arab countries is less than 15 years of age (UNESCWA, 2007). The common language of the region is Arabic, spoken in all 22 countries represented above. The region is diverse economically, politically, ethnically and religiously which creates factionalsim in society that often gives way to sectarian and religious strife characterizing the region (Hafez, 2009).

The Arab states shown in the map above suffer from pronounced levels of corruption. The 2011 CPI scores from TI (shown below) give a good indication of corruption in the region. Total scores range on a scale from 0-10, 10 being least corrupt, 1 being most corrupt. While only measurements of perception are used, over time, the CPI has shown to be a rather accurate measure of actual corruption levels in a given country (Olken, 2005).

Table 2 : TI Corruption Perception Index Scores 2011
Source : Transparency International, Compilation of the Author

Country	TI Score	TI Country Rank
Qatar	7.2	22
UAE	6.8	28
Israel/Palestine	5.8	36
Bahrain	5.1	46
Oman	4.8	50
Kuwait	4.6	54
Jordan	4.5	56
Saudi Arabia	4.4	57
Tunisia	3.8	73
Morocco	3.4	80
Djibouti	3	100
Algeria	2.9	112
Egypt	2.9	112
Syria	2.6	129

Lebanon	**2.5**	**134**
Comoros	**2.4**	**143**
Mauritania	**2.4**	**143**
Yemen	**2.1**	**164**
Libya	**2**	**168**
Iraq	**1.8**	**175**
Sudan	**1.6**	**177**

The maps below show global rankings for CPI 2011. They benchmark corruption in the MENA relative to other countries for the same year. It is clear from the map that the MENA does not fair positively in relation to other countries, with some of the reddest portions of the map including the 22 Arab States. See maps.
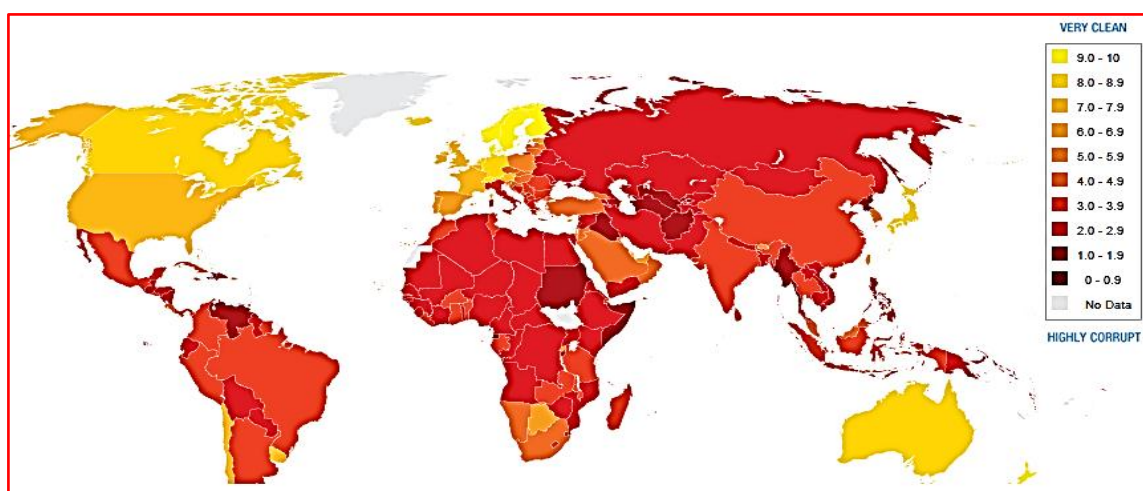
Figure 3: Global TI Scores 2011, Gradient Color Mapping of Rankings

Source: Transparency International
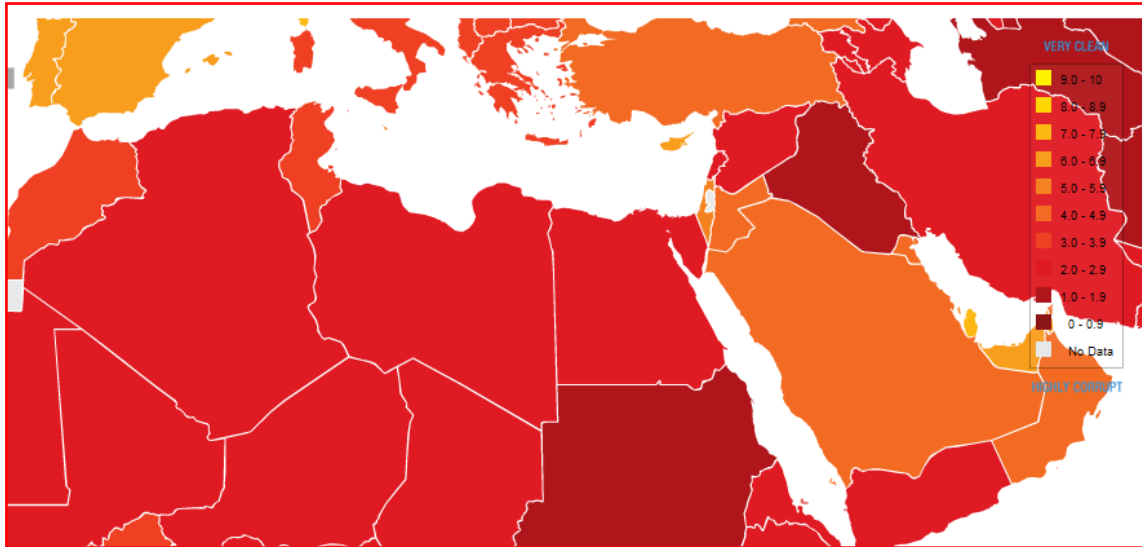
Figure 4: MENA Region TI Color Gradient in Focus

Source: Transparency International

A few reasons for such a prevalence of corruption can be extracted from the defining characteristic of MENA, which I will present below before going into the particular aspects of regional corruption, as I believe that level of corruption is in-part influenced by the unique socio-economic characteristics of the region.

Economics and Development: Economically, the region has particular characteristics. The Gulf Cooperation Council (GCC), is oil-rich and has high GDP per capita, but has only began to develop infrastructure since the discovery of oil in the late 1960s. The GCC represents about 11% of the total Arab population (Badran and Zou'bi, 2010) and includes the countries of Saudi Arabia, Bahrain, Oman, United Arab Emirates, Qatar, Kuwait. The second economic classification has the largest representative poplulation, of over 70% of the total population of the Arab states. The countries in these states include Lebanon, Jordan, Egypt, Iraq, Libya, Palestine, Syria, Morroco, Algeria, Tunisia. These states have more developed cultural and historical

legacies, but much lower GDP per capita (Badran and Zou'bi, 2010). Lastly, there are

the underdeveloped Arab States that have low economic indicators and very low human

development indicators, such as Sudan, Yemen, Djibouti, Somalia, Comoros and

Mauritania. Table 3 below presents a summary chart of the major features of the region

by country.

Governance: Arab States, since decolonization in the mid 20th century have had

a tradition of autrocratic rule (Makdisi, 2011). This has only recently been challenged in

a substantial way, with the Arab Spring Portests. Indexes such as Polity IV and

Freedom House provide measurements of democracy and freedom that can be used

when looking at the MENA. These scores are summarized in the chart below. Please

note that the Polity IV index is a project of the Center for Systemic Peace, Polity IV

indicators measure democracy through four main factors: competitiveness of political

participation, competitiveness of executive recruitment, openness of political

participation, openness of executive recruitment and constraints on the chief executive.

The index ranges from -10 for an extreme autocracy to +10 for the most democratic

states. The Polity Index is one of the most well-respected indexes on political regimes

and is widely used by political scientists, economists and researchers. The Freedom

House Index measures freedom by taking into account political rights (electoral process,

political pluralism and participation, functioning of government) and civil liberties

(Freedom of Expression and Belief, Associational and organizational rights, rule of law

and personal autonomy and individual rights), (Puddington, 2012: Freedom House

Report, 2011). The score is based on 100 and countries are labeled free, partially free or

not free. While not free from errors of judgment or structure, both the Freedom House

Index and the Polity IV Index, provide researchers a way to regress democracy against

other variables to see its effect. See below for more details regarding MENA region scores (Marshall and Cole, 2011, Polity IV).

Table 3: Arab States Summary Statistics: 2011

Country	Population Estimates 2012	Percentage of Arab World by Population	GDP in USD CIA World Fact Book 2011	HDI Rank 2011	TI CPI Rank 2011	Polity IV Score	Freedom in the World
Algeria	35,400,000	11.16%	7,200	96	112	2	Not Free
Bahrain	1,240,000	0.39%	27,300	42	46	-8	Not Free
Comoros	737,000	0.23%	1,200	163	143	9	Partly Free
Djibouti	774,000	0.24%	2,600	165	100	2	Not Free
Egypt	83,600,000	26.35%	6,500	113	112	-3	Not Free
Iraq	31,100,000	9.80%	3,900	132	175	3	Not Free
Jordan	6,500,000	2.05%	5,900	95	56	-3	Not Free
Kuwait	2,600,000	0.82%	40,700	63	54	-7	Partly Free
Lebanon	4,100,000	1.29%	15,600	71	134	7	Partly Free
Libya	6,700,000	2.11%	14,100	64	168	-7	Not Free
Mauritania	3,350,000	1.06%	2,200	159	143	-2	Not Free
Morocco	32,300,000	10.18%	5,100	130	80	-6	Partly Free
Oman	3,000,000	0.95%	26,200	89	50	-8	Not Free
Palestine	4,200,000	1.32%	5,848	114	36		Not Free
Qatar	1,950,000	0.61%	102,700	37	22	-10	Not Free
Saudi Arabia	26,500,000	8.35%	24,000	56	57	-10	Not Free
Somalia	10,000,000	3.15%	600	nd		-77	Not Free
Sudan	*26,000,000	8.20%	3,000	169	177	-2	Not Free
Syria	22,500,000	7.09%	5,100	119	129	-7	Not Free
Tunisia	10,700,000	3.37%	9,500	94	73	-4	Partly Free
UAE	5,300,000	1.67%	48,500	30	28	-8	Not Free
Yemen	24,700,000	7.79%	2,500	154	164	-2	Not Free

* Population Estimates CIA World Fact Book

** GDP Per Capita for Palestine taken for 2009 from United Nations data

***Does not include population of South Sudan
****HDI of most Arab States have not been adjusted for inequality. A part of the HDI project started in 2010, there is not yet data on most Arab States; therefore, Polity IV scores have been used to show the level of freedom and democracy (which can help indicates levels of equality) within given MENA states.
*****The Polity IV score of Somalia represents a gap in a period of governance called interregnum

Regarding corruption in the region, an accurate description is hard to make and beyond a small number of recent studies, there is a general lack of information, study, and analysis of this condition (Salem, 2003). Of course, the states and office-holders across the region actively discourage investigation and questioning of their dealings; in addition, the institutions of the media, higher education, professional syndicates (lawyers, accountants, journalists, etc.), the judiciary, etc. are generally weak and lack significant independence (Salem, 2003). The following analysis of the causes of endemic corruption in the MENA below is mine. It is based on the literature I have reviewed and the socio-economic characteristics of the region that I compiled and are shown above in Table 3.

- Rentier Economies

A rentier economy describes an economic model in which nothing is produced, but something is rented, such as assets like land or oil. This is a defining characteristic of the MENA, which is rich in oil, minerals and metals, as well as remittances from abroad, foreign military and economic aid, and international tourism (Jenkins et al., 2011). These types of economic transactions constitute more than one-third of the MENA economies (Jenkins et al., 2011).

Hafez (2009) describes the origins of rentier economic theory in his study, *The Culture of Rent, Factionalism and Corruption: Apolitical Economy of rent in the Arab World*; "Established economic theory since Adam Smith (1723–1790), David Ricardo (1772–1823), and Robert Malthus (1766–1834) teaches us that rent is remuneration to a factor of production whose supply is limited. Originally, that factor was land. Landlords earn an income (rent) without providing any particular effort commensurate with the income earned (Hafez, 2009). Beblawi (1990) in his writings on, *The Rentier State in*

the Arab World, quotes Adam Smith in classifying sources of income as either wages, incomes and rent, the former being earned income, the latter being accrued income or a reward for ownership.

Paraphrasing Arab scholar Ibn Khaldun, Hafez (2009) notes that a rentier economic model is in contrast to industrial economic system wherein value-generating activities promote development and innovation (Hafez, 2009). His primary argument is that the current economic system of the MENA region promotes stagnation and corruption and is contrary to a spirit of Arab Renaissance (Hafez, 2009). He states, "The culture of rent has negative effects in Arab countries. It is a culture that denigrates effort and prefers intermediation rather than the direct production of real wealth," (Hafez, 2009, p. 462). This thesis is compatible with the existing theories of corruption in developing countries made by scholars such as Rose-Ackerman (1978, 1999) and Shleifer and Vishny (1998) that show corruption is greater in economic models where bribes can be extracted from rent producing activities.

- Autocratic Regimes

"Arab states' political institutions have been non-representative and non-democratic. In some instances, they are monarchical, and in others they are republics where, in most cases, power was assumed by military-turned civilian rulers via orchestrated elections" (Makdisi, 2011, p.9)

Evidenced in the table shown in the figures above, the region suffers from high level of autocratic regimes, which the Arab Spring recognized in their protests, toppling dictators in Egypt, Tunisia and foreign intervention occurring in the Libyan context. Theories on the prevalence of corruption show that democratic regimes provide more

safeguards against corruption (Glynn et. alt, 1997). Until the Arab Sprint protests started in December 2010, MENA regimes had been accountability free for decades. This fact makes corruption easier to flourish.

- Quasi-Economic Liberalization/Welfare States

"In the oil monarchies and emirates of the Gulf, the ruling families naturally arrogated to themselves the profits of the oil industry, blurring the distinction between public and private treasure and extending their familial involvement beyond oil to include local industry, services and trade through public and private contracting" (Salem, 2003, p.4). In the cases of the GCC countries, which have very high GDP per capita (Table 3) citizens also do not have much freedom. Polity IV scores for GCC countries are notoriously negative (Table 3). "This fabulous enrichment of ruling families was not a major point of public contention as long as the societies over which they were presiding were also developing rapidly and gaining numerous health, educational, and employment benefits" (Salem, 2003, p.4). Additionally, GCC citizens, when they have protested, such as the case in Bahrain, they have been met with brutal resistance and authority from the GCC (El-Din Haseeb, 2011). The literature on corruption and its causes show that in times of economic liberalization, opportunities for significant corruption and collusion to exist and when corruption occurs in these context, growth and the rate of technological change and growth is debased (Williams, J. and Beare, M. (1999; Rivera-Batiz, 2001). This is one factor of the systemic nature of corruption in the Arab states that has a negative correlation to innovation, growth and sustainable development.

- Poverty

As demonstrated in the aforementioned indicators, poverty is a reality of the MENA region for most countries. GDP per capita in some of the most populous countries is well below levels that contribute to adequate human development. As noted in the causes of corruption (Sachs, 2005) poverty is contributing factor and the MENA region is no exception. In a similar vein, low salaries of civil servants, a cause of corruption in emerging markets (Rose-Ackerman, 1978, 1999; Shleifer and Vishny, 1998) has been identified by Salem (2003) as a root cause of corruption in MENA.

- Culture

A culture of "wasta" and bribery and corruption is endemic to the region (Looney, 2005). Wasta, which at its root meaning roughly translates to "middle", describes the act of a mediation or go-between to influence decisions or bestow favor (Makhoul and Harrison, 2004). This intercession is used to facilitate daily transactions in the life of most Arabs. Wasta is often times used in hiring or to obtain positions of power, which is the third component of Rose-Ackerman's classifications of why business needs to use corruption. In the Arab States, it even permeates the level of civil society. It is typical for citizens to use Wasta to get benefit from the government, to avoid costs from the government and to garner positions of power from the government. "Where wasta is the rule, a patron intervenes on behalf of a client to obtain an advantage for that client, perhaps a job or admission to a university. As a result, people with appropriate qualifications may not be appointed to positions and those that are appointed may not be able to do the job. This is obviously inefficient and may lead to poor job performance in

areas important for the economic development of the country and for the social development of the people," (Makhoul and Harrison, 2004).

One explanation for the high levels of corruption that penetrate civil service jobs is explained by Salem (2003) who identifies that the historical rule of the Ottoman administration of much of the Arab world was rife with a culture of corruption of the civil service. Furthermore, he identifies a weak sense of civic commitment in the MENA region as stronger ties link to sub-national family, tribal, or confessional identities. These factional identities tie civil servants more closely to their kinship or identity groups than to a civic polity and render them more likely to use their post to curry favors for their particular group than to serve a larger national community (Salem, 2003; Hafez, 2009).

According to a report of Transparency International issued at the end of 2010, 36 percent of the population of the Arab world had to pay a bribe to government officials in different positions (Transparency International, 2010). From obtaining driver's licenses, to employment to permits, to job placement through wasta and bribery, corruption permeates the culture of the MENA region (Looney, 2005).

In the next chapter, I will analyze platforms for fighting corruption and then in subsequent chapters, apply those platforms to the MENA context to elucidate recommendations for anti-corruption measures to take hold in a region plagued by corruption.

CHAPTER III

BUSINESS AND THE BUSINESS OF CORRUPTION

A. Corruption and the Private Sector

"Corruption is a bottom-line business issue that directly affects companies' ability to compete... it's time for anti-corruption to become part of companies' CSR missions"
FSG Social Impact Advisors, 2009, p.2

1. Measuring Private Sector Corruption

The primary focus of this thesis is in addressing the role and implications of corruption on business. Business is implicated in the fight against corruption, as it plays a role in the determinants and suffers from the consequences. As was shown in the previous section, business acts on the supply side of public-private corruption in numerous ways, and economists and development specialists alike have been keen to show the severe socio-economic side effects of such activity. However, the scholarly literature on corruption has paid much less attention to private-sector corruption (Argandoña, 2010). Moreover, much less attention has been paid in research to the negative externalities that corruption has on business (Doh et. alt, 2003) as most empirical research shows the reasons or ways that business participates or perpetuates corruption and what those actions to society.

Private-to-private sector corruption "occurs when a manager or employee exercises a certain power or influence over the performance of a function, task or responsibility within a private organization or corporation. Because he has a margin of discretion, he can choose to act contrary to the duties and responsibilities of his post or

job, and thus in a way that directly or indirectly harms the company or organization, for his own benefit or for that of another person, company or organization," (Argandoña, 2010). Private-to-private corruption may take a variety of specific forms: bribery, extortion, dubious commissions, gifts and favors; facilitation payments, nepotism and favoritism; illegitimate use or trading of information (trade or industrial secrets, for example); use of undue influence to change a valuation or recommendation, etc. (Argandoña, 2010).

The effects of private to private corruption, coupled with a significant dose of private-to-public corruption, drove the global financial crisis of 2008 (Acemoglu, 2011). As noted, private to private corruption can have grave consequences, and thus is an important aspect of corruption studies that has not been sufficiently addressed in the literature. Overall, there is much room for further research on the subject of private-to-private corruption and of the effects of corruption on business, not just on society. Such research can help to make the path for business in the fight against corruption an easier one to follow if they have more evidence about outcomes for profitability, growth, etc. It can also help to inform legislation and policy that assist in combating these types of activities which are also detrimental to society.

One helpful tool in the study of private sector corruption is the Bribe Payer's Index (BPI) from Transparency International. Launched in 2006, it is a tool that specifically addresses the supply side of corruption and since its inception has been widely used for data collection and analysis. Data for the Bribe Payers Index is drawn from the Bribe Payers Survey. The survey asks business executives:
"In your principal lines of business in this country, do you have business relationships (for example as a supplier, client, partner or competitor) with companies whose

headquarters are located in any of the following countries?" Respondents are presented a list of 28 countries. For each instance where the respondent answered that they do have business relationships with companies headquartered in a country, the respondents are then asked: "How often do firms headquartered in (country name) engage in bribery in this country?" (Bribe Payer's Index, TI, 2012).

The results for 2011 are below by country and by industry.

RANK	COUNTRY/ TERRITORY	SCORE	NUMBER OF OBSERVATIONS	STANDARD DEVIATION	90% CONFIDENCE INTERVAL	
					LOWER BOUND	UPPER BOUND
1	Netherlands	8.8	273	2.0	8.6	9.0
1	Switzerland	8.8	244	2.2	8.5	9.0
3	Belgium	8.7	221	2.0	8.5	9.0
4	Germany	8.6	576	2.2	8.5	8.8
4	Japan	8.6	319	2.4	8.4	8.9
6	Australia	8.5	168	2.2	8.2	8.8
6	Canada	8.5	209	2.3	8.2	8.8
8	Singapore	8.3	256	2.3	8.1	8.6
8	United Kingdom	8.3	414	2.5	8.1	8.5
10	United States	8.1	651	2.7	7.9	8.3
11	France	8.0	435	2.6	7.8	8.2
11	Spain	8.0	326	2.6	7.7	8.2
13	South Korea	7.9	152	2.8	7.5	8.2
14	Brazil	7.7	163	3.0	7.3	8.1
15	Hong Kong	7.6	208	2.9	7.3	7.9
15	Italy	7.6	397	2.8	7.4	7.8
15	Malaysia	7.6	148	2.9	7.2	8.0
15	South Africa	7.6	191	2.8	7.2	7.9
19	Taiwan	7.5	193	3.0	7.2	7.9
19	India	7.5	168	3.0	7.1	7.9
19	Turkey	7.5	139	2.7	7.2	7.9
22	Saudi Arabia	7.4	138	3.0	7.0	7.8
23	Argentina	7.3	115	3.0	6.8	7.7
23	United Arab Emirates	7.3	156	2.9	6.9	7.7
25	Indonesia	7.1	153	3.4	6.6	7.5
26	Mexico	7.0	121	3.2	6.6	7.5
27	China	6.5	608	3.5	6.3	6.7
28	Russia	6.1	172	3.6	5.7	6.6
Average		**7.8**				

Figure 5: Results by Country from the Bribe Payers Index, 2011

Source: Transparency International

RANK	SECTOR	SCORE	NUMBER OF OBSERVATIONS	STANDARD DEVIATION	90% CONFIDENCE INTERVAL	
					LOWER BOUND	UPPER BOUND
1	Agriculture	7.1	270	2.6	6.8	7.4
1	Light manufacturing	7.1	652	2.4	7.0	7.3
3	Civilian aerospace	7.0	89	2.7	6.6	7.5
3	Information technology	7.0	677	2.5	6.8	7.1
5	Banking and finance	6.9	1409	2.7	6.8	7.0
5	Forestry	6.9	91	2.4	6.5	7.3
7	Consumer services	6.8	860	2.5	6.7	6.9
8	Telecommunications	6.7	529	2.6	6.5	6.9
8	Transportation and storage	6.7	717	2.6	6.5	6.9
10	Arms, defence and military	6.6	102	2.9	6.1	7.1
10	Fisheries	6.6	82	3.0	6.0	7.1
12	Heavy manufacturing	6.5	647	2.6	6.4	6.7
13	Pharmaceutical and healthcare	6.4	391	2.7	6.2	6.6
13	Power generation and transmission	6.4	303	2.8	6.1	6.6
15	Mining	6.3	154	2.7	5.9	6.6
16	Oil and gas	6.2	328	2.8	6.0	6.5
17	Real estate, property, legal and business services	6.1	674	2.8	5.9	6.3
17	Utilities	6.1	400	2.9	5.9	6.3
19	Public works contracts and construction	5.3	576	2.7	5.1	5.5
Average		**6.6**				

Figure 6: Results by Industry, Bribe Payer's Index, 2011

Source: Transparency International

Two of the key findings from the 2011 survey were:

1. Clear evidence of bribery between private companies.

2. Bribery between companies across different sectors is seen as just as common as bribery between firms and public officials.

These results reiterate the necessity of further study and efforts by the private-sector in addressing corruption.

2. *Anti-Corruption as Strategic Corporate Social Responsibility*

Anti-corruption as a business strategy has synergies in the business and society literature of Corporate Social Responsibility. A classic framework for the scholarship on Corporate Social Responsibility is that of a four tiered pyramid (Carroll, 1979). At the bottom level of the pyramid are the basic economic obligations of a firm, to create profitable products and services. The next level implies that a corporation should meet its basic legal obligations. The third tier of the pyramid comprises ethical obligations and lastly and most peripheral to the business are a firm's philanthropic obligations. Adopting an anti-corruption strategy can be seen as engaging multiple layers of the pyramid at the same time. Economically, corruption distorts markets (Elliott, 1997) and thus engaging in corruption can create price instability (Dreher and Herzfeld, 2005) and detract from profitability. Legally, both policy and enforcement have become more intense in the fight against corruption. In 2011, groundbreaking legislation was passed in the United Kingdom by way of the UK Bribery Act 2010, making it illegal for any company or intermediary doing business in or through the UK to accept or pay any bribe, no matter how small, and even facilitating bribes are illegal under this legislation (UK Bribery Act, 2010). This new legislation is just one of many international and country specific laws that makes anti-corruption a business imperative and situate it on the Carroll's CSR pyramid. The next level, the ethical level of a corporation acting responsibly, gets to the heart of an anti-corruption platform. Given the pernicious socio-economic effects of corruption, it is an ethical responsibility for companies to do business corruption free. The highest level of Carroll's pyramid, philanthropy, can be engaged in when companies join the fight against corruption on a global level, using their best practices as a guide for others to follow suit.

Taking this classic pyramid framework one step further is the concept of strategic CSR, which argues that that it is actually good business for business to act responsibly (Burke and Logsdon, 2006; Falck and Heblich, 2007; Porter and Kramer, 2006; 2011). Corporate scandals such as Enron and WorldCom shook public confidence in businesses relationship with society. As such, Corporate Social Responsibility began to take center stage for corporate business strategy as a way for business to restore its image and relationship with society. CSR has thus become an integral part of business strategy and a modus operandi for successful firms. In fact, CSR has become so entrenched in corporate parlance that over 80% of the Fortune 500 companies list their CSR strategies and priorities in their annual reports (Ersock and Leichty, 1998). Additionally, "recent research suggests that there is a positive relationship between a company's CSR actions and consumers' attitudes toward that company and its products. A growing number of marketplace polls attest to the positive effects of corporate social responsibility on consumer behavior" (Sen, Bhattacharya, and Korschun, 2006). "The current world business climate is positive for CSR. A global CEO survey undertaken in the year 2002 found that 70% of chief executives agree that CSR is vital to profitability. Moreover, according to Business in the Community, more than 70% of business leaders believe that integrating responsible business practices makes companies more competitive and profitable" (Deloitte, 2008). The positive impact of CSR on business performance is further driving the evolution of responsible business behavior.

While in practice CSR has gained traction in recent years, the dialogue regarding CSR continues to be plagued by a bifurcation of language and has yet to find a common identity. On one hand, many speak about the responsibility of business as a moral or ethical responsibility. This language often casts business as a Corporate Citizen, with

moral obligations to society and the environment. On the other hand, CSR is also discussed as a business strategy, with environmental objectives serving as cost-reduction initiatives and social programs serving marketing and positive brand awareness needs for the firm (Amaeshi, 2010). Because of this dichotomy, business still does not have a common language from which to discuss how it responds to social and environmental pressures. As a result, Jamali (2008) argues for a renewed interest in using the stakeholder approach to CSR, which helps to unify these two theoretical underpinnings. Pioneered by Freeman (1984), this approach understands business as a function of the corporate value chain. The primary stakeholders in the supply chain are producers, distributors, suppliers, employees, consumers, investors, the community and often times the environment, dubbed a silent stakeholder. CSR activities impact all stakeholders to some degree or another, but depending on the sophistication of the company, often focus on the most vital stakeholders, who are the employee and the consumer. The stakeholder approach has value when using CSR as a lens from which to evaluate business practices across all business functions and can be adapted when thinking about anti-corruption as a way for business to create value for all.

Other popular terms that have harnessed the idea of strategic CSR are, *Doing Well by Doing Good* (Falck and Heblich, 2007) which makes the case for companies to develop what they call "win-win" strategies that benefit the company and society by identifying emerging social trends and planning corresponding strategic CSR actions to meet those trends (Falck and Heblich, 2007). And a more contemporary example is Creating Shared Value, which posits that a socially responsible business is better positioned for success in this ever-competitive and difficult business climate, especially during times of recession when consumers have less liquidity and are more deciduous

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about the way they spend their disposable income. In their flagship article, "Creating Shared Value," Porter and Kramer (2011) redefine the notion of traditional business models that are based on short-term strategies and profit maximization, arguing that:

> The concept of shared value, in contrast, recognizes that societal needs, not just conventional economic needs, define markets. It also recognizes that social harms or weaknesses frequently create internal costs for firms--such as wasted energy or raw materials, costly accidents, and the need for remedial training to compensate for inadequacies in education. And addressing societal harms and constraints does not necessarily raise costs for firms, because they can innovate through using new technologies, operating methods, and management approaches--and as a result, increases their productivity and expands their markets.
> (Porter and Kramer, 2011, p. 65)

Creating shared value, or creative capitalism, a term coined by Microsoft founder Bill Gates, asks business to reevaluate its approach to value creation. Porter and Kramer argue that it is no longer enough to merely maximize stakeholder value, but business must seek to innovate products, services and operating practices that add value to the company and to society. Creating shared value (CSV) is the most strategic kind of CSR in such that it integrates the triple bottom line directly into the core business of the company. A business that practices a CSV model "creates economic value by creating societal value…. It is not philanthropy but self-interested behavior to create economic value by creating societal value (Porter and Kramer, 2011)

Another CSR framework that has relationship to an anti-corruption platform is that of sustainability. Broadly defined as, "the result of the growing awareness of the global links between mounting environmental problems, socio-economic issues to do with poverty and inequality, and concerns about a healthy future for humanity. It strongly links environmental and socio-economic issues" (Hopwood et alt., 2005). At the infamous 1987 at the Bruntland Convention in a landmark report called *Our Common Future*, sustainability was defined clearly as the "meeting 'the needs of the

present without compromising the ability of future generations to meet their needs'
(WCED, 1987). Sustainability also goes by the way of strategic CSR, which rationalizes
that to maintain competitive advantage, companies must consider the impact they have
on the larger ecosystem in which they operate (Porter and Kramer, 2006). In this
regard, corruption can be viewed as the ultimate unsustainable option. Not only does it
have deleterious effects on socio-economic development, but it is an unsustainable
business practice as well.

Evidence from the boardroom of the importance of sustainability can be found
in a 2010 survey by the UN Global Compact of over 750 CEO's showing the following
trends in sustainability thought and practice.

- **93%** of CEOs believe that sustainability issues are important or very important
  to the future success of their business.
- **80%** of CEOs believe that the economic downturn has raised the importance of
  sustainability as an issue for top management.
- **74%** say that they have aligned sustainability more closely with their core
  business.

Source: UN Global Compact, UN PRME Website, 2012

CSR frameworks are now featuring prominently in company operating models
and making an impact on business activities around the globe as evidenced by the 6,000
companies that have signed the UN Global Compact, a global CSR treaty with ten
governing principles, the tenth deals with corruption which states "Businesses should
work against corruption in all its forms, including extortion and bribery" (UN Global
Compact, 2012). The business engages in anti-corruption platforms under any of these

CSR frameworks, it will highlight its transparent practices to garner an increased brand image with its constituents, as well as increased market share, higher profitability, etc. FSG Impact (on which Kramer is a founding member) embrace anti-corruption as strategic (CSR) and encourage companies to move beyond using CSR as risk mitigation and move toward proactively solving social problems critical to the business. Just as top corporations have staked out proactive positions on other social issues, such as child labor and the environment, they highlight the need for anti-corruption to become part of companies' CSR missions.

The synergy between anti-corruption and strategic CSR create an appropriate call to action on the sustainability agenda of the private sector. Strategic CSR calls for companies to concern themselves with the larger ecosystem in which they operate to remain competitive and viable, and the added value for the company is that good that it generates in society as a result (Porter and Kramer, 2006). This is the idea behind the literature, Doing Well by Doing Good and Creating Shared Value, as discussed earlier in this section. The same case can be made for anti-corruption. It is in the interest of business to behave transparently and with integrity, as shown above. In doing so, there are a plethora of social benefits that the company can then help to achieve, such as improved growth and sustainable development. As the results from the literature show, the socio-economic consequences of corruption are substantial, especially for a sustainable development agenda in emerging economies.

This call to action is in line with the reality in the trenches as well. In a 2005 survey, Weldford et. al, (2005) compiled a list of the most salient CSR priorities for business and their stakeholders. Telling results put corruption in the ranks as a top priority in a survey of over fifteen issues. Given the high priority that it is shown empirically, it falls within the CSR and Strategy framework to address anti-corruption for competitive advantage.

Businesses	Non-business stakeholders
1 Health and safety	1 Environment
2 Environment	2 Health and safety
3 Governance	3 Corruption
4 HRM	4 Governance
5 Corruption	5 HRM
6 Supply chains	6 Supply chains
7 Stakeholder dialogue	7 Stakeholder dialogue
8 Product responsibility	8 Policies
9 Policies	9 Reporting
10 Reporting	10 Partnerships
11 Community	11 Product responsibility
12 Partnerships	12 Human rights
13 Human rights	13 Standards
14 Standards	14 Community
15 Philanthropy	15 Philanthropy

Figure 7: CSR Priorities from 2005 Survey of Businesses and their Stakeholders

(Welford et al., 2005)

Even more telling is the listing of companies that have been fined exorbitant sums of money by the US Department of Justice for breach of the FCPA in recent years. The amount of money only represents the fine, not the legal fees or initial bribery fees paid. It is clear from the amount represented that corruption has costly consequences for business, in addition to the severe socio-economic repercussions discussed in Chapter 2.

Company	Amount Fined	Year
Siemens	856,000,000	2008
Johnson & Johnson	75,000,000	2011
BAE	49,000,000	2010
Siemens	46,500,000	2010
Halliburton	35,000,000	2010
Eni SpA / Snamprogetti	32,500,000	2010
Technip	30,000,000	2011
JGC Corp	30,000,000	2011
Biomet	23,000,000	2012
Smith & Nephew	22,000,000	2011
Innospec	12,700,000	2010
MW Kellogg /KBR	11,400,000	2011
Alcatel Lucent	10,000,000	2010
Aon Ltd	8,500,000	2009
Johnson & Johnson	7,850,000	2011
Tidewater Inc	6,300,000	2011
Statoil	3,000,000	2004
Nobel Corp	2,500,000	2011
Siemens	1,200,000	2009
Azko Nobel	600,000	2007

Table 4: Fines paid by private companies under FCPA legislation 2004-2012

These fines speak nothing of the moral or ethical imperative, but rather that there is a simple business case to be made from anti-corruption on the CSR agenda of most of the private sector. Recently, the World Economic Forum (WEF) has created a platform for business to address corruption in an initiative known as PACI, or Partnering Against Corruption Initiative. In mobilizing the business community in the anti-corruption platform, PACI has put together a business case against corruption. Using the language of business (and not academia, the language of most research studies) the PACI business case against corruption makes the platform for business combat corruption easily accessible to any manager or director. See Figure 8.

Financial	Legal	Ethical	Socio-Economic
•Corruption increases cost of doing business by up to 10% on average •Maintain good standing for public bidding •Avoid substantial fines and penalities	•Due to strengthening of legal infrasturcture, corruption law enforcement has increased •Companies, CEO's and board members more likely to be held liable for their actions	•Doing business with integrity attracts and retains principled, motivated employees and ethically-oriented investors	•Estimated that more than US$ 1 trillion is paid in bribes annually •Corruption is a collective action problem, which distorts markets, stifles growth, debases democracy and undermines the rule of law

Figure 8: PACI Business Case Against Corruption

Adapted from World Economic Form Partnering Against Corruption Initiative 2012, the illustration provides a sense that corruption raises the cost of doing business both in time and money and therefore decreases profitability. In a report to the World Bank in 1997, Rose-Ackerman offers two pieces of advice regarding the debate about corruption "greasing or sanding" the wheel of economic development. She states emphatically that corruption is always a second best option. While it may grease the wheel, its negative externalities will eventually outweigh the grease it can provide and start "sanding" the wheel. Corruption is not a sustainable strategy. When businesses engage in corruption, there are serious financial costs, as well as costs on time and productivity. Moreover, with enhanced legislation and enforcement, the cost of getting caught looms large. Getting caught means a total loss for business, financially, in time and in reputation as witnessed in the collapse of Enron and WorldCom in 2001 and most of the major American lending institutions in 2008.

Given the findings above, it is apparent that there is a viable business case to be made for anti-corruption; moreover, it becomes a business imperative to fight corruption. This implicates business in the fight again corruption, first for its own sake, and secondly, as a value-added for open and transparent society-building and sustainable development.

B. The Role and Importance of Business Education

"The Roots of the Global Financial Crisis Are in Our Business Schools."
Giacalone and Wargo, 2009, p.1

What should be the role of business schools in addressing corruption and why? Illustrative and compelling empirical, as well as contemporary anecdotal evidence shows that corruption is a tremendous societal problem with huge economic and political costs. Why then are business schools not addressing this issue more clearly? Education gets to the root cause of many of these problematic behaviors and addresses more capably the inception of the problem, rather than law enforcement or compliance programs. So what should be the role of business schools? The debates are currently raging about if and how to teach business ethics which can be summarized as: 1) To teach or not to teach; 2) If one is convinced of the argument that business ethics should be taught then there are further debates in which to engage regarding teaching business ethics in the classroom: A) Should it be taught as a stand-alone course, or should it be integrated into all courses? B) Should the methodology of focus be on ethics or compliance? More details regarding these positions are detailed below.

The first argument is that you can't teach ethics, so you should not even try! There are many arguments on this side of the debate. They can be summarized as such: First, the "Milton Friedman" argument which posits that the only duty the private sector is obligated to engage is profit maximization. If one uses this argument, it typically implies that students should only study what increases their technical prowess, and in this case, ethics courses would be a waste of time. The second is the argument from incentives which states that even if there are duties beyond profit maximization, the only practical way to encourage ethical behavior is to install incentives, because business people respond to these, not ethics lectures. In this case, it isn't necessary to teach ethics, but simply to teach compliance. The third is the gut feeling argument, which says that you only feel what is right and wrong and trying to frame that feeling academically is misleading, if not wrong. The fourth argument is regarding moral development argument and assumes moral development is finished after childhood, and will not be impacted later on in life while in a classroom setting. The last argument is for motivation, and states that business students do not take ethics courses seriously and are not motivated to make the most of them (Hooker, 2004).

Von Weltzien Høivik (2004) argues the other side of the teaching ethics debate, remarking that despite the fact that teaching ethics is difficult and that we have also learned through research that a course about ethics in a business school can be effective in developing moral awareness and reasoning (Glenn, 1992; McDonald and Donleavy, 1995; Ferris, 1996). Moreover, the business community itself has given a compelling call to action for business schools. In a 2010 UN Global Compact survey of over 750 CEOs, eighty-eight percent of CEOs surveyed said that they believe it is important that educational system, business schools systems and business schools equip future leaders

with the mindsets and skills needed to manage sustainability (UN PRME, 2012). If anti-corruption can be viewed in light of a sustainability framework (and corruption is clearly an unsustainable practice!) then it seems a pressing business imperative that students learn about issues of sustainability, and more over corruption as a sustainability issue in the classroom.

Regarding the debate about how to institutionalize ethics in the curriculum, the first position argues for a stand-alone course to be made mandatory for students and the second position argues for integration. The first position is dominated by scholars such as Swanson (2005), Windsor (2002), Hartman (2004) on the basis that the consequences of unethical behavior in business poses a serious hazards to society, business and business professionals (Giacalone and Wargo, 2009). Furthermore, they argue that ethics should be given weight as a discipline that has a scholarly tradition spanning over 2 millennia of time (Swanson, 2005). In 2004, at the height of the fallout over corporate malfeasance, a scholarly journal was started called, *The Journal of Business Ethics Education.* Published quarterly since 2004, there are over 1000 studies published that deal directly with the issue of teaching business ethics in the classroom and twenty-four that deal explicitly with the subject of business schools teaching about corruption.

There was a heated debate in around 2002 when AACSB stated that mandatory ethics courses would not be required for accreditation. Professors took to both sides of the issues, but many, furious about the fact that AACSB has considerable impact on the curricular decisions of thousands of universities across the globe, failed to enact a policy about teaching ethics that could have made substantial impact on student education. A series of letters to AACSB was written and latter published in a passionate article entitled, The Buck Stops Here: Why Business Schools Must Reclaim Business

Ethics." A letter to the AACSB, which was drafted by Windsor and Swanson in 2002 and signed by over 200 professors, and a series of conversations between Windsor and AACSB representative make for a lively debate about the importance of standalone ethics courses.

> Ethics is a 2000 year old discipline and should be taught as a stand-alone course with relevant practical examples by an experienced professor so as not to be diluted in its effects for students. "There is an underlying sentiment, I believe, that is dangerous. There is a sense that ethics is what we learn at our parents' knees. While there is truth to that, such truth is only partial. The ethical education I received at my parents' knees had little to do with the complexities of sweatshop issues, global outsourcing, or special-purpose entity accounting, for example. These are the critical discussions we must have in the business school environment if we are to be true to the purpose of the university environment, i.e., education of the whole person. Failing that, we become mere technical schools. Laudable as that might be, it is not the purpose of university (Swanson, 2005, p. 52)

They conclude their argument for the importance of standalone ethics course mandated by AACSB Accreditation by saying, "Although one ethics course won't solve all ills, it could be the only opportunity some students have to grasp a saner view. It might also keep some of them out of jail." It is this strategic concept that I believe should drive education about corruption for students, especially given that AACSB Accreditation is being widely sought after in the MENA region and while they encourage ethics, they do not make mandatory ethics education.

The position that takes the side of integration (Donaldson 2008) argues that ethics is diluted for business managers when approached from a theoretical perspective, which is how it is typically addressed in stand-alone courses. He favors integration into management practice which he believes gives more "structural functionalism, strategic functionalism and stewardship" (Mele, 2008, p. 293). Other scholars that favor integration look at it from a leadership and human resource perspective (Pastoriza, Arino and Richart, 2008). The most well-known advocate of integration into

management for the teaching of business ethics is Perez Lopez, who makes the case for ethics as a base for organizational behavior and decision–making (2002). Finally, Kleinrichert (2008) proposes CSR as an ethical base from which to integrate student learning on the subject.

The last debate is about what framework should guide the course work, should it be ethics or compliance based? This debate is progressing within corporate boardrooms and at academic conferences. "An article by Lori Tansey Martens and Megan Barry (2006) directly explores whether these two very different notions—one derived from philosophical norms and the other based on adherence to the law—can coexist, or if one has been swallowed up by the other" (Weber, 2010). While it is clearly imperative that business schools address the issue of corruption in the classroom as a real world issue that students will have to face, make decisions about and live with the consequences, a pedagogical approach that is based on ethical or moral frameworks might not be the most real-world applicable. Lampe (1996) recounts that " a traditional emphasis on normative ethical theories as the basis for teaching business ethics has been the subject of much criticism (Klein, 1985; Brady and Logsdon, 1988; Furman, 1990; Stieber and Primeaux, 1991) because the theories can be difficult to understand and apply in the real world." A study using AACSB accredited schools showed that over 40% used traditional philosophy syllabi to teach ethics in a business context, hardly impactful in a room of aspiring professionals. (Schoenfeldt et al., 1991).

Whatever side of the debate one finds most compelling, the practical challenge of implementation and institutionalization within the business school context looms large for most sustainability advocates. Jamali and Abdallah (2011) provide a useful framework to use in institutionalizing corporate responsibility teaching and practice

within a business school context. They refer to this process as "mainstreaming CSR" and this can provide a helpful roadmap for business schools looking to implement a sustainability approach. In their research, they show the challenges and opportunities for sustainability integration, and can similarly inform the integration of a transparency and anti-corruption platform (Jamali and Abdallah, 2011). This roadmap will be a useful tool for designing appropriately paced recommendations for MENA business schools looking to institutionalize anti-corruption teaching. The 3-step framework is below and sample activities are given within each stage of development within the model.

Stage 1: Experimenting with CSR mainstreaming

- Identification of a core group of interested faculty
- Experiment with offering Ethics/CSR as elective
- Supplement course offerings through guest speaker lectures and events

Stage 2: Expanding the boundaries

- Solicit partnerships and funding
- Ethics/CSR into a mandatory course offering
- Identify faculty across different discipline areas, for CSR integration
- Supplement teaching with inter-disciplinary research

Stage 3: Institutionalization and anchoring

- Sign the UN PRME and consider its operationalization
- Establish a net impact student chapter in the School
- Establish an inter-disciplinary group from across the university with an interest in social issues

Figure 9: A Typical CSR Mainstreaming Process: Insights from OSB
Jamali and Abdallah, 2011

CHAPTER IV

RESEARCH METHODOLOGY

A. Review of methodology

The methodology for this research was comprised of primary and secondary data collection. The literature review included an extensive search through academic journal articles, from the AUB library databases. Additionally, I accessed information from many of the multi-lateral institutions fighting corruption, such as the United Nations, World Bank, Transparency International and the World Economic Forum.

The methodology undertaken for the secondary data collection was to use publically available information on the internet to find out if and how MENA business schools are addressing the subject of integrity and anti-corruption in their curricula. Whenever possible, personal contact with schools was made directly, via email or a telephone call. Business school websites were used to get information about faculty, curriculum, as well as phone numbers and email addresses. When curriculum was not posted online, data was then compiled from email exchange, and the use of a questionnaire (Appendix A).

The tools used were a laptop, internet access, Skype for telephone calls and Microsoft excel for data collection and analysis. The first phase of the methodology was to compile a sample of schools. A list of business schools in the MENA was derived from Eduniversal, a French-based consulting company and a rating agency specializing in higher education. The Eduniversal ranking agency establishes an official selection of the Best 1000 Business Schools in more than 150 countries in the world, annually. In

order to execute the official selection, each country and each continent is represented according to a quota method. The number of schools per country is therefore weighted by quantitative and qualitative criteria. The quantitative criteria that help to determine the number of schools per country allowed in the study are: national expenditure on education per inhabitant, GDP, the size of the population, the number of students in higher education. The qualitative criteria are: the educational environment in the country (established, among other things, according to the number of secondary education academic institutions in the country, as well as historical importance of the national educational tradition).The official selection is made by the International Scientific Committee composed of 9 members coming from the nine geographic zones: Africa, North America, Latin America, Central Asia, Eurasia and the Middle East, Eastern Europe, Western Europe, Far East Asia and Oceania (Eduniversal, 2011).

Schools get rated and ranked in the Eduniversal study. I took the ratings for each school in my sample and marked them qualitatively as per Eduniversal's codes: Local Reference (1), Good Business School (2), Excellent Business School (3), Top Business School (4), Universal Business School (5). None of the schools in the Arab MENA were ranked in the 5th category. Only two were given a number 4 ranking, as "top business schools." The sample attempted to take at least one university from each of the twenty-two countries in the study. The only countries not represented in the sample are Libya and the Comoros Islands. University of Baghdad was used for Iraq, but not listed in the Eduniversal survey for 2011.

To analyze the responses from the website searches, questionnaires, email conversations, Microsoft Excel was used. I first listed all the schools and then noted their country, their Eduniversal score, whether or not Business Ethics was taught,

whether it was integrated or stand-alone, and made any additional notes given. I then

sorted these responses with the data sort function in excel to tally the number of schools

per the sample that taught business ethics. Nine schools out of the thirty in the sample,

or 30% of the sample teach some form of business integrity coursework. I then further

classified those ten programs accordingly to the Jamali/Abadallah (2011)

"Mainstreaming CSR" framework. I identified, based on the framework, what stage of

mainstreaming each program was in.

- Number of Schools in Eduniveral study, 2011: 48

- Number of Schools in Sample: n=30, 63% of Eduniversal survey

- MENA Countries Represented: 20/22, 90% of Arab States

- Questionnaires Sent: 23/30, 76% of sample

- Questionnaires Completed: 6/23, 26% response rate

- Information taken exclusively from website 18/30, 60% of sample

This survey covered the major programs in the region. The largest schools are

mentioned and all 90% of MENA countries are covered. Quantity of school coverage

was stratified (and proportionally equated in the research sample) according to

Eduniversal's strict methodology (see above) and as a result of using their listing; the

sample in this research study is a fairly well-represented stratification.

Regarding the quality of programs, school ranking from Eduniversal:

- Local Reference, Ranking 1: 20% of sample

- Good Schools, Ranking 2: 20% of sample

- Excellent, Ranking 3: 50% of sample

- Top Business Schools, Ranking 4: 7% percent of sample

- One school unlisted and unranked

B. Limitations

The methodology for collecting the research was to use publically available sources of information to collect information from MENA business schools. I used the internet as the research tool to search for schools and to find the contact information for professors or administrators at the school concerned with matters of curriculum. There are some initial qualifying factors to note when it comes to the methodology. First, I was not able to make contact will all schools, despite multiple efforts. Some

Here, I would like to note some limitations that I encountered when collecting the data. First were the web searches themselves. Some of the schools in my sample, approximately 10% had very basic functioning websites. Many of them lacked a good deal of basic information; for example, the University of Baghdad did not have a listed telephone number on their website, nor a valid email address in which to contact faculty. This presented some logistical challenges in finding appropriate contact information, and subsequently, comprehensive data. For the schools that I had to rely 100% on website for curricular information, their programs might be misrepresented.

There was also the issue of language. The emails were sent in English and the language might possibly have been a barrier to communication. It would have been extremely useful to have employed an Arabic translator for many of the programs that were not English proficient, such as Yemen, Algeria, Tunisia, etc. It is possible that the data would have been more comprehensive if a translator had been used. When possible, I used a questionnaire sent via email to collect responses. The questionnaire is comprised of 15 short answer questions, which should take about 7-10 minutes to complete. (Refer to Appendix A).

CHAPTER V

RESEARCH FINDINGS

The objective of the data compilation and analysis was to generate a report on what schools in MENA were teaching regarding the subject of corruption. I took answers from the questionnaires when provided, email conversations when they were available, phone calls and website searches to compile the data. Below are the aggregate results of the schools in the sample.

- 30% of schools surveyed were teaching ethics or corporate governance in some manner, either integrated or stand-alone

- 44% of schools teaching ethics responded that the curriculum deals directly with teaching anti-corruption

- Number of faculty with competency in teaching ethics and are currently engaged in the teaching of business ethics from this survey equates to less than 1 per MENA country

- Only one school in the sample is a signatory to the UN PRME

MENA Schools Teaching Business Ethics

■ Teaching Ethics/Integrity   ■ Not Teaching Ethics/Integrity

30%

70%
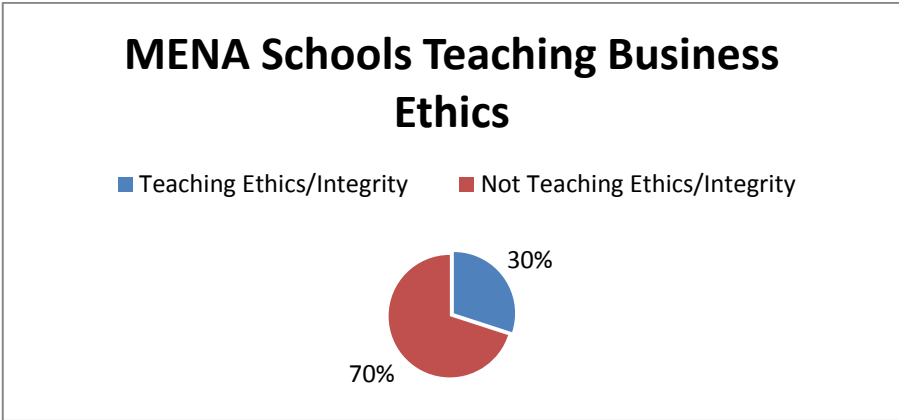
Figure 10: MENA Schools Teaching Business Ethics

Mainstreaming Stages

■ Schools at Stage Zero
■ Schools at Stage 0.5 (informal ethics training)
■ Schools at Stage 1 (optional ethics courses)
■ Schools in Stage 2: (mandatory ethics courses)
■ Schools in Stage 3: (institutionalizing)

7%
13%
7%
7%
67%
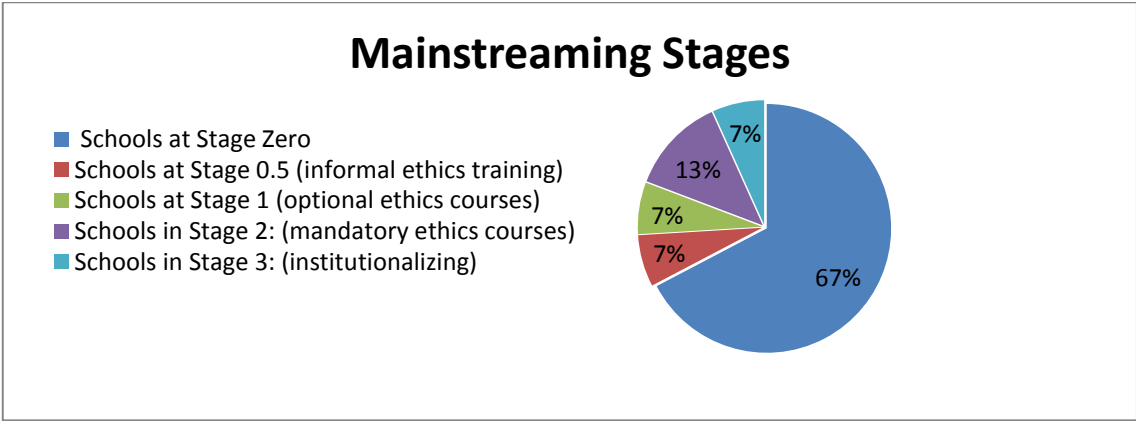
Figure 11: Mainstreaming stages of anti-corruption teaching

Business School	Country	Ranking per Eduniversal 2011	Mainstreaming Stage
The American University in Cairo - School of	Egypt	Top Business School	Stage 3
American University of Beirut - Suliman S. Olayan	Lebanon	Top Business School	Stage 3
Queen Arwa University - College of Commercial Sciences and Administration	Yemen	Local Reference	Stage 0
University of Dubaï - College of Business Administration	UAE	Excellent	Stage 1
United Arab Emirates University (UAEU) - College	UAE	Excellent	Stage 0.5
HIBA - Higher Institute of Business Administration	Syria	Good	Stage 0
CBA - College of Business Administration	Saudi Arabia	Good	Stage 0
King Saud University - College of Business	Saudi Arabia	Good	Stage 1
King Fahd University of Petroleum and Minerals -	Saudi Arabia	Excellent	Stage 0
University College of Bahrain (UCB) - School of Business	Bahrain	Excellent	Stage 0
Kuwait University - College of Business	Kuwait	Excellent	Stage 2
The University of Jordan - Faculty of Business	Jordan	Excellent	Stage 0
Universite Saint Joseph	Lebanon	Excellent	Stage 0
HEM - Institut des Hautes Etudes de Management	Morroco	Excellent	Stage 0
Groupe ISCAE	Morroco	Excellent	Stage 0
Qatar University - College of Business and	Qatar	Good	Stage 1
Sultan Qaboos University - College of Commerce	Oman	Good	Stage 1
Ecole Supérieure des Affaires	Lebanon	Good	Stage 0.5
Ecole Supérieure des Affaires d'Alger (ESAA)	Algeria	Excellent	Stage 0
Ain Shams University - Faculty of Commerce	Egypt	Excellent	Stage 0
University of Khartoum - School of Management	Sudan	Local Reference	Stage 0
MDI Alger Business School	Algeria	Excellent	Stage 0
Mogadishu University - Faculty of Economics &	Somalia	Local Reference	Stage 0
ESSEC Tunis	Tunisia	Excellent	Stage 0
IHEC Carthage	Tunisia	Excellent	Stage 0
Institut Supérieur de Gestion de Tunis (ISG)	Tunisia	Excellent	Stage 0
Al-Quds University - Faculty of Business &	Palestine	Local Reference	Stage 0
Université de Djibouti - Faculté de Droit Economie	Djibouti	Local Reference	Stage 0
Université de Nouakchott - Faculté des Sciences Juridiques et Economiques (FSJE)	Mauritania	Local Reference	Stage 0
University of Baghdad	Iraq	Not Listed	Stage 0

Table 5: Summary of Research Findings

CHAPTER VI

CONSTRUCTING A BUSINESS ETHICS PEDAGOGY THAT ADDRESSES SYSTEMIC CORRUPTION IN THE MENA

A. Recommendations

In this section, I synthesize my findings, from the literature and from the data collection on MENA business schools to conclude with a teaching framework for the integration of sustainability pedagogy that focuses on transparency, anti-corruption and integrity within MENA business schools. From the literature, I focus on the findings about the unique characteristics of corruption in MENA, the particular reasons business is compelled to promote anti-corruption, and finally the best practices in teaching integrity and ethics in business schools. The findings from these three sections of the literature review, coupled with the results from the data collection on MENA business schools inform the basis of my subsequent recommendations.

First, I form an opinion in the debate about if and how to teach ethics/integrity in business schools, and then I contextualize my position to the MENA context. Second, I recommend a gradual mainstreaming approach when integrating a responsibility/sustainability platform, which is informed by my analysis of the literature regarding business ethics and again the nature and composition of MENA business schools. Given the findings of the research study point to a low adoption of business ethics courses, this leaves ample room to recommend to MENA business schools that they adopt the teaching of these issues gradually and using the Jamali and Abdallah (2011) framework for mainstreaming that was presented in Figure 9. Lastly, I recommend that business schools in MENA focus on addressing the systemic nature of

corruption in the MENA, one that I earlier identified has five major particular root causes. If business schools are serious about adopting an anti-corruption platform, then they also need to be serious about taking comprehensive measures and positions regarding corruption in their backyard. It is not simply enough to educate leaders about the issues; business schools must also take measures to combat corruption through other institutional methods and in a comprehensive manner.

1. *Contextual, experiential learning and exposure to both ethics and compliance*

I believe that it is an imperative that business schools across the globe address business integrity in the classroom. Business professionals wield a tremendous amount of power, both to generate positive and negative externalities from their work. When business professionals act without integrity, they can cause significant harm to society and the environment (Swanson, 2005; Windsor, 2002; Hartman, 2004; Giacalone & Wargo, 2009). Moreover, I believe that it is especially critical to teach business students about integrity, as they have been shown in numerous studies to be on average less concerned about ethical decision making than their peers in other disciplines, and more motivated by financial gain (McCabe and Trevino, 1995; Wood et al., 1988). Increasing dialogue and exposure to the ethical issues that they will address in business is a valuable exercise, especially given the propensity business students already have to act unethically. Finally, from the literature review undertaken by this thesis regarding the private sector's implication in corruption, I see that addressing integrity in a contextual, experiential way will yield greater returns to business students. If business schools want to remain relevant and competitive, they must train students on these business critical issues.

In the MENA context, teaching integrity has received heightened importance because of the Arab Spring. In Egypt, for example, at the American University of Cairo (AUC) where business ethics courses are mandatory as well as treated in an integrated fashion (AUC ranks in stage 3 in the mainstreaming stage of sustainability curriculum), Dr. Iman Seoudi gives anecdotal evidence of a change in students perceptions about the seriousness of accountability pre and post-revolution. Seoudi says that in the three semesters she has taught business ethics post Arab Spring revolution that she has seen a change in her students' perception about the way business leaders may be held accountable for their actions. Furthermore, in Oman, at the University of Sultan Qaboos, Dr. Al-Adawi states that ethics courses are an, "eye opener" for many students who say that "they never realized how many business decisions are concerned with ethics."

Moreover, MENA students, on average, live in a region that is highly corrupt. Over half of the 22 listed countries have scores in the bottom tier of Transparency International's CPI for 2011. This means that MENA student orientation in relation to corruption will be more pointed and their orientation toward the morality of corruption more likely desensitized. Moreover, culture has been shown to be a determinant of corruption. Recognizing a significant level of corruption exists in MENA society, it is a highly probable inference to draw that there is a culture of corruption that has a certain level of general acceptance. For this reason, discussion of corruption in both an ethical context and a compliance framework should be mandatory.

Finally, trends in global business indicate a need for business leaders to think about issues of sustainability (Jamali and Abdallah, 2011). This entails how to recruit and retain talent (HR function), how to position and differentiate for value in a global

marketplace (Marketing and Strategy), how to create value throughout the value chain (Operations and Strategy), how to fairly and transparently report earnings (Accounting and Finance), how to comply with global standards and laws (Risk Management, Internal Control, Legal departments), how to minimize operating costs while maximizing profit for long-term competitive advantage (Finance). Anti-corruption touches on these sustainability issues and can be addressed as a strategic business issue, not necessarily addressed within a philosophical, ethical tradition of scholarship. The thesis recommends teaching about corruption as a business imperative. Similar to how business schools instruct for technical proficiency and competency in crucial business functions, aka: accounting, management, operations, etc.; an anti-corruption agenda should be fully realized in the classroom as strategic business issue. This can be achieved by teaching it in line with strategic Corporate Governance, Strategic CSR or as a stand-alone course. Placing these topics inside a strategic management or in a stand-alone course gives them attention to pertinent business trends in CSR and anti-corruption, which are gaining momentum in institutional practice and in enforcement.

There are many applicable case studies and literature where students can be exposed to reality in contemporary context when it comes to addressing these issues, specifically anti-corruption, from a financial, marketing, accounting, human resource and management point-of-view. Their applicability spans across the business function. Ethical frameworks are important to expose students, but not to preach value to them. They should be left to analyze ethical decisions within contexts and consequences with which they can live. The literature on teaching business ethics is full of examples of the power of exposure to ethical issues via experiential models (Sanyal, 2000; Thorne LeClair, 2000; Sims, 2002; Solberg and Strong, 1995). Regarding experiential learning,

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Sanyal reminds the reader of a popular quote attributed to Confucius, "I hear and I forget, I see and I remember, I do and I understand." This quote has been referenced numerous times to explain why it is that students respond better when they are actively engaged in the learning. Studies (for example, Hemmasi and Graf, 1992) show that experiential learning helps students retain the material longer and participate more actively in the learning process (Sanyal, 2002).

Not only is exposure to ethics important in an experiential context, but instructors of ethics and integrity in MENA business schools should also be concerned with contextualizing anti-corruption to the region, as corruption has its own peculiarities in the MENA. Currently, many of the resources that are used to teach anti-corruption in the classroom come from a western context, where manifestations and prevalence of corruption are different than in the MENA. It was noted in 30% of the completed questionnaires that relevant, regional, contextual material needs to be developed for the region. Currently, many MENA business schools are using American textbooks for teaching business ethics, and those examples are not always relevant for Arab students. Creating material that is relevant to MENA students' experience will further enhance their learning, as noted above in the discussions about experiential learning.

2. *Gradual Mainstreaming*

Stage I Mainstreaming: Integrate into Strategic Management

I propose that MENA schools in Stage 0 or 0.5 use the context of strategic management courses, which are required in all BBA and MBA curriculum, to address teaching anti-corruption. I believe that this is an optimal place for treatment of the

subject of corruption for two reasons. I argue that it might be more effective in the MENA context to focus equally using a mixed framework of ethics and compliance, or to even favor compliance, but no one is focusing much teaching effort on compliance, so it is a worthwhile venture to start to purse, as enforcement is picking up globally and the fallout and associated costs in time, revenue and reputation are tremendous.

To address anti-corruption in an academically rigorously manner using this framework, I recommend using relevant frameworks from academic literature regarding strategic CSR, (Carroll, 1990, Davis, 1973, Elkington, 1999; Burke and Logsdon, 2006; (Falck and Heblich, 2007; Porter and Kramer, 2011). Additional tools that can be useful are the business cases that have been made for anti-corruption such as the WEF PACI. The Journal of Teaching Business Ethics is another great resource for instructors to use in forming relevant pedagogy and learning best practices. Since 2004, it has published over twenty-four articles that deal explicitly with teaching anti-corruption in the business school setting.

Stage II and III Mainstreaming: The Five P's--Pilot, Partner, Practice, Promote, PRME

For the schools in Stage 1 and moving to Stage 2, I recommend the following high-impact, reality-driven pedagogy that should focus on piloting innovative methods and then capitalizing on the opportunity for research applicability on business ethics pedagogy. Moreover, I recommend that MENA schools network with one another in the growing of an anti-corruption platform and mainstream the dialogue and approach alongside one another for a synchronized impact.

- Pilot innovative approaches and reality-based curriculum

Case studies on corruption are plentiful and are a great starting point for trying to bring reality into the classroom. When searching Case Study Publishing Houses Ivey and Harvard Business School, over one hundred cases just on the subject of corruption, that cross business disciplines. Some have lessons in accounting, lessons in leadership, lessons in operations, legal lessons, etc. Another high-impact activity would be to have students engaged in writing their own case studies in partnering with the private sector. In addition to case studies, there are numerous tools on corruption made for the business sector that would be relevant and informational for classroom application. Below is a small sample of anti-corruption resources from the major institutions combating corruption.

--*Ethical Corporation* is a great resource, specifically when it comes to designing best practice for ethics programs for businesses. These issues that they advise for business are a great reference for a "reality" based approach for student learning about corruption as it contains contemporary examples with case studies of ethical examples (including an entire chapter on corruption) that businesses are facing today. The text, which can be purchased online from their website was reviewed in the Journal of Teaching Business Ethics by Weber (2010) and given quite favorable reviews. Weber suggest keeping in mind that the dichotomy between ethics and compliance is not addressed at all and the manual segues between the two strategies without mention. His other critique is that it has an exclusive focus on the MNC, but with minor modifications could be applicable to companies of all sizes.

--*Transparency International* -- Aside from these two indexes mentioned earlier the CPI and the BPI, TI has a broad range of other services it provides in the fight against

corruption such as research, tool kits, advocacy on policy and watchdog functions (TI, 2012). The mission of TI is, "to stop corruption and promote transparency, accountability and integrity at all levels and across all sectors of society," (Transparency International, 2012). They also have an essential toolkit to aid business in the fight against corruption. http://www.transparency.org/whatwedo/tools

--*Center for Private Enterprise (CIPE):* Anti-Corruption Toolkit for Business and from their website they also offer an anti-corruption tool kit for SME's. Lastly, they offer a resource called Businesses without Corruption: An Action Guide. http://www.cipe.org/publications/detail/anti-corruption-cipe

--*UN Corruption Toolkit*: http://info.worldbank.org/etools/antic/index.asp

- Partner with Regional Business Leaders and Anti-Corruption Specialists

Partnerships offer the opportunity for both experiential and contextual learning that is integrative in framework and approach. The setting itself offers the opportunity for students to learn by doing, if they are given projects or internships and the classroom allows them a venue to debrief and analyze what transpired in an ethical framework. There are a host of organizations that have signed the UN Global Compact in the MENA, business and business associations like. Furthermore, there are local chapters of Transparency International, in Yemen, Morocco, Lebanon, Jordan and Kuwait, There is also an organization called the Arab Anti-Corruption Organization (AACO) that has many books written in Arabic on the subject of corruption, along with regional examples. The LTA also established, with CIPE's help, the Lebanese Anti-Bribery Network, which is now one of the largest networks in Lebanon, consisting of 4 chambers of commerce and 14 business associations with a total of more than 10,000

members. These are relevant resources in the MENA where professors can draw reality-based, experiential sources of student learning, whether in projects, internships, interviews, etc.

From businesses in the region, it would be beneficial for students to hear from them how they are currently dealing with new legislation on corruption to identify where there are lessons to be learned about compliance in operations and accounting, training on compliance in HR management and in leadership, etc. Students could interview companies and write reports and cases about corruption in practice in the MENA from interviewing companies about their experiences. A list of private sector regional companies that have demonstrated a commitment to anti-corruption are listed in Appendix B.

- Have business school PRACTICE transparency and anti-corruption.

It is important that students see these behaviors modeled and applied. If the business schools is encased in a larger university structure, it is also imperative that the business school act as an advisor to the university about sustainability practices, transparency and anti-corruption in their policies for HR, operations, accounting, management, procurement, audit, etc. Moreover, it is especially important that the university settings should be modeling the way forward both in practicing and teaching methodology.

- Promote Scholarship in Corruption

As business ethics is a legitimate scholarly field, it depends critically on the research of its leading scholars. Without books, articles, and cases, there would nothing to teach, and quality teaching requires quality research in support of it. If business schools make

a commitment to teach business ethics, they must also accept an obligation to support scholarship in the field. Schools that attempt to teach ethics across the curriculum without developing a core faculty with competence in ethics benefit as free riders from the schools—now comparatively new—whose faculties produce the teaching materials and new scholarship in the field. MENA business scholars should address seriously the scholarship of corruption in the region to look for creative and innovative solutions to a systemic problem. Moreover, it was mentioned in the notes of 30% of the completed questionnaires that relevant, regional, contextual material needs to be developed for the region. Currently, many MENA business schools are using American textbooks for teaching business ethics, and those examples are not always relevant for Arab students. Both AUC and Sultan Qaboos mentioned the unavailability of resources as an issue for teaching anti-corruption in a contextualized, reality based framework. Promoting scholarship in anti-corruption in MENA gives opportunities for instructors to create relevant classroom material.

- Join the UN PRME network

The UN Principles of Responsible Management Education (UN PRME) is carried out under the umbrella of the UN Global Compact. It is a voluntary engagement platform for business schools and management-related academic institutions. A United Nations-supported initiative to promote and inspire responsible management education and research in academic institutions around the globe, PRME is a response to CSR mainstreaming at Business Schools as a result of a rapidly changing business climate in which sustainability is becoming a business necessity. The PRME initiative was developed in 2007 by an international task force of sixty deans, university presidents

and official representatives of leading business schools and academic institutions. PRME was launched at the 2007 UN Global Compact Leaders Summit at the presence of UN Secretary General Ban Ki-moon.

Provides a framework for business schools and other academic institutions to position themselves as innovators and leaders in integrating sustainability and long-term value creation into management curricula and research. Participating in PRME helps to be "ahead of the curve" in the race to the top.

Recognizes an organization's efforts to incorporate sustainability and corporate responsibility issues in teaching, research and internal systems.

Figure 10: Value Proposition of Joining UN PRME

3. *Address Systemic Corruption in MENA*

Based on MENA findings, programs should aim to reduce endemic regional corruption. They can promote aggregate change by enacting and promoting programs that get to the heart of regional corruption. First, they can teach and endorse a healthy culture of entrepreneurship. This has many positive end results for addressing regional corruption which include: productive wealth generation that helps to combat a persistent reliance on a rentier economic model; enhances the idea that merit and hard work can result in success, which gets at the heart of a "wasta" culture of corruption; promotes job creation which can reduces poverty; and finally, entrepreneurship can create a participatory middle class from which autocracies and notions of the welfare state can be challenged. Promoting a culture of entrepreneurship is already within many of the missions of MENA schools and the link between this and addressing corruption could be studied in greater detail.

Second, I recommend the idea that business schools can act to engage students consociationally, which allows them the perhaps unique opportunity to escape from the myriad opportunities they have to only engage with people inside their sect, tribe or religion and this is an important contribution that MENA schools can make in the fight against corruption due to factionalism and culture corruption.

B. Conclusion

This thesis compiles the literature on corruption that is specific to the MENA region and specific to the private sector to attempt to construct a relevant, high-impact pedagogy for teaching business ethics in MENA classrooms. This effort is both timely and relevant. The time is ripe in the Arab states to introduce change. From Egypt to Bahrain, citizens are demanding and expecting change. The region is dynamic in a way not seen for decades. Free and fair elections are being held and the people for the first time in years are choosing their representatives. Now is the right moment to introduce new practice in business ethics, integrity and anti-corruption to the region. People want democracy in government and transparency in the private sector as well. As indicated by the Corruption Perceptions Index scores from Transparency International, the region stands to improve the transparency with which it operates, both within the private and public spheres. If the private sector seeks to act strategically, it will harness the current zeitgeist sweeping across the region and build on existing anti-corruption platforms in the region. Moreover, business schools should join this movement and introduce more ethical leadership in the classroom to educate the next generation of business leaders that can further an anti-corruption agenda. They can do this in a way that specifically addresses the contemporary needs of business and the needs of the MENA at the same

time in an effort to be powerful agents of change in a region that is brimming with the

seeds of transformation and revolution.

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APPENDIX A: RESEARCH QUESTIONNAIRE

1. Name of Business School

2. Year Business School Founded

3. Accreditation Status

4. Total Program Enrollment 2010

5. Number of foreign students in program

6. Business Ethics Course (Required or Optional)

7. Business Ethics Course (In which degree programs)

8. Other Courses about ethics? (Corporate Governance, CSR, etc.)

9. Other Applied Ethics Methodology (Ethics integrated into multiple courses? Student clubs? Experiential learning? etc.)

10. Is corruption addressed in ethics course? If so, how much?

11. How many faculty members teach ethics? Please list name and rank of each.

12. Future Intentions: (Partnerships, Programs, Coalitions?)

13. Successes with teaching ethics, specifically anti-corruption

14. Challenges/Obstacles with teaching ethics, specifically anti-corruption:

15. Notes/Comments/Other

APPENDIX B

List of MENA Region UN Global Compact Signatories as of June 13, 2012
Source: UN Global Compact

	Country	Company Name	Sector	Join Year
1	Algeria	Stirling Facilities	Oil Equipment, Services & Distribution	2010
2	Bahrain	Oriental Press	Forestry & Paper	2011
3	Egypt	Aero Services Egypt (ASE)	Support Services	2010
4	Egypt	Alfa Misr For Industrial Investment	Food Producers	2009
5	Egypt	Alfannar International Co., LLC	Real Estate Investment & Services	2011
6	Egypt	Allied Soft	Support Services	2004
7	Egypt	Arab African International Bank	Financial Services	2005
8	Egypt	Arab Drug Company	Food & Drug Retailers	2010
9	Egypt	Bavarian Auto Group	Automobiles & Parts	2010
10	Egypt	Cairo for Investment and Real Estate Development	Financial Services	2003
11	Egypt	CompuMe	General Retailers	2004
12	Egypt	Consukorra	General Industrials	2010
13	Egypt	Damietta Container & Cargo Handling Co.	Industrial Transportation	2010
14	Egypt	DCS Co.	Technology Hardware & Equipment	2010
15	Egypt	EFG Hermes	Financial Services	2011
16	Egypt	Egyptian Society for Corporate Governance	Financial Services	2010
17	Egypt	Egyptian Transport & Commercial Services Co S.A.E. (EGYTRANS)	Industrial Transportation	2009
18	Egypt	Engineering Automotive Manufacturing Company (EAMCO)	Automobiles & Parts	2011
19	Egypt	Etisalat Misr	Mobile Telecommunications	2009
20	Egypt	General Egyptian Warehouses	Support Services	2011
21	Egypt	Ghabbour Auto SAE	Automobiles & Parts	2010
22	Egypt	Hashem Brothers for Essential Oils and Aromatic Products	Food Producers	2004
23	Egypt	Island Agencies	Support Services	2010
24	Egypt	IT Synergy	Software & Computer Services	2010

25	Egypt	Mansour Manufacturing & Distribution Group of Companies	General Retailers	2003
26	Egypt	Misr Contracting Co.	Construction & Materials	2010
27	Egypt	Modern Bakeries	Food Producers	2010
28	Egypt	Nasr A.Abbas Ahmed & Co. - Morison International	Equity Investment Instruments	2010
29	Egypt	Orascom Telecom Holding	Not Applicable	2008
30	Egypt	Oriental Resorts for Touristic Development	Travel & Leisure	2010
31	Egypt	Professionals for Securities Consultancy	Financial Services	2011
32	Egypt	Raya Holding	Support Services	2004
33	Egypt	Sadko Group	Household Goods & Home Construction	2010
34	Egypt	Sekem Group	Food Producers	2004
35	Egypt	Talal Abu-Ghazaleh & Co. International	Support Services	2003
36	Egypt	The Egyptian Company For Metallic Construction MetalCo	Construction & Materials	2010
37	Egypt	TMA	Support Services	2009
38	Egypt	Vacsera	Pharmaceuticals & Biotechnology	2004
39	Iraq	4points Group	Support Services	2011
40	Iraq	Al Daqha Al Alia for General Trade Ltd.	Industrial Engineering	2011
41	Iraq	Al Dulaimi Group	Construction & Materials	2011
42	Iraq	Al Ghaith Al Handassieh Company	Industrial Engineering	2011
43	Iraq	Al Jabal Co. for General Trading	Construction & Materials	2011
44	Iraq	Al Jouhraa Factory	Industrial Engineering	2011
45	Iraq	Al Kouther Travel and Toursim	Travel & Leisure	2011
46	Iraq	Al Qubba Al Thahabia Co. Ltd.	Construction & Materials	2009
47	Iraq	Al Warka United for Contracts and General Trade Co.	Construction & Materials	2011
48	Iraq	Alataba Contracts Co.	Construction & Materials	2011
49	Iraq	Albalad Almumayas for Media Co.	Media	2011
50	Iraq	Al-dahalik company	Beverages	2012
51	Iraq	Al-Jazeera Al-Arabiya Co.	Industrial Transportation	2011
52	Iraq	Al-Qimma Al Masseyeh for International Trading	Beverages	2012
53	Iraq	Al-Sard Company For General Trading Ltd.	Construction & Materials	2012
54	Iraq	Alwafaa Trading Company	Construction & Materials	2011
55	Iraq	Amber Company	Food Producers	2011

56	Iraq	Andolucia For Tourism Investments	Travel & Leisure	2011
57	Iraq	Anwar Al Yasiri International	Construction & Materials	2011
58	Iraq	Arabian Gulf Mine Action Co.	Mining	2011
59	Iraq	Atlas Light Co.	Electronic & Electrical Equipment	2012
60	Iraq	Barq Al-Yassin	General Industrials	2012
61	Iraq	Basrah Development Services Company Ltd.	Support Services	2011
62	Iraq	Binaa Alsharq Alhandasi	Construction & Materials	2012
63	Iraq	Core Technology Company for General Limited Trading	Technology Hardware & Equipment	2011
64	Iraq	Deifaf Babil	Construction & Materials	2011
65	Iraq	Dewan Al Emara	Construction & Materials	2011
66	Iraq	Diwan for Contracting, General Trading and Investment	Construction & Materials	2011
67	Iraq	Dunia Aljazeera Co.	General Retailers	2011
68	Iraq	Ersall Technology	Technology Hardware & Equipment	2011
69	Iraq	Falconpath, LLC	Support Services	2012
70	Iraq	Federation of Iraqi Private Banks (For Developing Banking Services)	Banks	2012
71	Iraq	Hilal Meary and Partners Company	Construction & Materials	2009
72	Iraq	Homayem Group	Construction & Materials	2011
73	Iraq	I.K.Salih Construction Co.	Construction & Materials	2011
74	Iraq	Iraq Future Group	Construction & Materials	2011
75	Iraq	Joudi Int. for General Trading Co. ltd.	Food Producers	2012
76	Iraq	Khal Group	Automobiles & Parts	2011
77	Iraq	Kodrt Al-moeen Co. For General Instruction Ltd.	Construction & Materials	2012
78	Iraq	Mebex	Gas, Water & Multiutilities	2011
79	Iraq	Middle East Factory For Industrial Steel	General Industrials	2011
80	Iraq	New Iraq Net	Media	2011
81	Iraq	New Vision	Software & Computer Services	2011
82	Iraq	Noor Al Saraj Co. for General Trading	Technology Hardware & Equipment	2011
83	Iraq	OilSERV	Oil Equipment, Services & Distribution	2009
84	Iraq	Orient Power Distribution & Wholesale	Construction & Materials	2011

85	Iraq	RiTS (United Ramin Information Technology Solutions)	Software & Computer Services	2012
86	Iraq	Rose Al Basrah Company	Mobile Telecommunications	2011
87	Iraq	Sama Al-Fayhaa Company	General Industrials	2011
88	Iraq	SBJ General Trading, Constructions and Marketing Services Ltd.	Construction & Materials	2011
89	Iraq	See You AL Dawliya Company Ltd.	Construction & Materials	2011
90	Iraq	SkyLink Arabia Limited (SKA)	Support Services	2010
91	Iraq	Smart Group	Construction & Materials	2012
92	Iraq	Star Bond Group	Construction & Materials	2011
93	Iraq	Taha & Partners Group	Construction & Materials	2011
94	Iraq	TEKSEN General Contracting Co. Limited	Construction & Materials	2010
95	Iraq	TigrisNet Ltd.	Fixed Line Telecommunications	2011
96	Iraq	Valley Company for General Construction and Transportation	Construction & Materials	2008
97	Iraq	Wadi Al- Furat Al-Awsat Co. for Agriculture Services	Support Services	2011
98	Iraq	Wadi Alrafidain	Nonlife Insurance	2011
99	Iraq	WesternZagros Resources Ltd.	Oil & Gas Producers	2011
100	Iraq	Wfaal-Sakar	Electronic & Electrical Equipment	2011
101	Jordan	Al-Faris National Investments Company (Optimiza)	Technology Hardware & Equipment	2008
102	Jordan	Alia-The Royal Jordanian Airlines (Royal Jordanian)	Travel & Leisure	2008
103	Jordan	Anglo-Arab Insurance Brokers P.S.C	Nonlife Insurance	2009
104	Jordan	Arab Center for Engineering Studies (ACES)	Construction & Materials	2008
105	Jordan	Arab Company for White Cement	Construction & Materials	2008
106	Jordan	ARAMEX PJSC	Industrial Transportation	2007
107	Jordan	International Trading Est (ITE)	Aerospace & Defense	2012
108	Jordan	Jordan Aviation	Aerospace & Defense	2009
109	Jordan	Jordan Select Tours	Travel & Leisure	2010
110	Jordan	JWT- Jordan	Media	2008
111	Jordan	King Hussein Bin Talal Convention Center	Support Services	2008
112	Jordan	Landmark Hotels Company	Travel & Leisure	2008
113	Jordan	Naouri Group	Industrial Transportation	2008
114	Jordan	Nuqul Group	Forestry & Paper	2007

115	Jordan	Protech Company	General Industrials	2009
116	Jordan	Protechnique	Electronic & Electrical Equipment	2009
117	Jordan	Rafidain for Projects Development	Real Estate Investment & Services	2012
118	Jordan	Sayegh Brothers For Engineering Industries Co.	General Industrials	2008
119	Jordan	Tactix Strategic Consulting	Media	2007
120	Jordan	Terra Vertis	Support Services	2010
121	Jordan	Young Entrepreneurs Association	Support Services	2009
122	Kuwait	Al Mutawa & Sahni Tyres & Spare Parts	Automobiles & Parts	2009
123	Kuwait	Gulf Catering Company for General Trade and Contracting, WLL	Support Services	2010
124	Kuwait	KGL Holding	Support Services	2012
125	Kuwait	Kuwait Resources House	Support Services	2010
126	Kuwait	Mercato Del Golfo	Support Services	2009
127	Kuwait	Mobilin General Trading	Fixed Line Telecommunications	2011
128	Kuwait	Solution Managers International	Construction & Materials	2009
129	Lebanon	Albina Sal	Construction & Materials	2011
130	Lebanon	BISC Group	Media	2010
131	Lebanon	CSR LEBANON	Media	2010
132	Lebanon	Data Consult SAL	Technology Hardware & Equipment	2012
133	Lebanon	Engineering & Building Co. EBCO (BITAR)	Construction & Materials	2011
134	Lebanon	Intertech Batinorm	Health Care Equipment & Services	2009
135	Lebanon	MUE Group	Industrial Engineering	2010
136	Lebanon	Novitag	Real Estate Investment & Services	2011
137	Morocco	Amal Links	Personal Goods	2009
138	Morocco	Centrale Laitiere	Food Producers	2009
139	Morocco	COCHEPA	Forestry & Paper	2009
140	Morocco	Cooperative Agricole Toubkal	Food Producers	2009
141	Morocco	ERAMEDIC	Health Care Equipment & Services	2006
142	Morocco	Feed & Food Additifs	Food Producers	2009
143	Morocco	GFI Informatique Maroc	Media	2009
144	Morocco	Office National de l'Electricite	Electricity	2008
145	Morocco	Office National des Aeroports	Aerospace & Defense	2006
146	Morocco	Packsouss	Food Producers	2009

147	Morocco	Vignes de Marrakech	Beverages	2011
148	Palestine	Bank of Palestine	Banks	2011
149	Palestine	Palestine Development & Investment Ltd. (PADICO HOLDING)	Financial Services	2010
150	Palestine	Paltel Group	Fixed Line Telecommunications	2011
151	Qatar	Gulf Coast Constuction	Construction & Materials	2009
152	Qatar	Oryx Enterprises WLL	Support Services	2007
153	Qatar	Qatar Airways (Q.C.S.C.)	Travel & Leisure	2009
154	Qatar	Qatar Building Company (QBC)	Construction & Materials	2012
155	Qatar	Qatar Fertiliser Company (S.A.Q)	Chemicals	2010
156	Qatar	Qatar Institute of Directors	Media	2010
157	Qatar	Saturn International	Construction & Materials	2012
158	Qatar	Sidra Agriculture Company	Forestry & Paper	2011
159	Qatar	The Youth Company	Media	2012
160	Saudi Arabia	International Medical Center	Health Care Equipment & Services	2010
161	Saudi Arabia	Sat Telecom and Awamleh Investment & General Trading Co. (AITCO)	Oil & Gas Producers	2011
162	Saudi Arabia	Saudi Basic Industries Corporation (SABIC)	Chemicals	2012
163	Saudi Arabia	TENAS Factory	Support Services	2012
164	Syria	Abu-Ghazaleh & Co. Consulting	Financial Services	2010
165	Syria	Alfadel Group	Construction & Materials	2008
166	Syria	ALFARES Pharmaceuticals	Pharmaceuticals & Biotechnology	2010
167	Syria	AMARA Architecture	Construction & Materials	2008
168	Syria	Anwar Akkad Sons Company	Automobiles & Parts	2010
169	Syria	Arabian Enterprises Company	Construction & Materials	2010
170	Syria	Arcan Syria	Real Estate Investment & Services	2011
171	Syria	Bank Audi Syria	Financial Services	2008
172	Syria	Banque Bemo Saudi Fransi	Banks	2009
173	Syria	Bayan-Group	Media	2010
174	Syria	Boushra for Detergents & Soap Co.	Not Applicable	2008
175	Syria	Byblos Bank Syria	Banks	2008
176	Syria	Daaboul Industrial Group	Construction & Materials	2010
177	Syria	Direct Line	Media	2010
178	Syria	Earth Link and Advanced Resources Development	Health Care Equipment & Services	2010

		(ELARD)		
179	Syria	Emaar - IGO Syria	Construction & Materials	2008
180	Syria	Gulfsands Petroleum Levant Limited	Oil & Gas Producers	2011
181	Syria	International Center for Human Construction	Support Services	2011
182	Syria	KPMG Mejanni & Co. LLC Syria	Financial Services	2010
183	Syria	MAS Economic Group	Real Estate Investment & Services	2008
184	Syria	MTN Syria	Mobile Telecommunications	2008
185	Syria	Murabaha Capital	Financial Services	2011
186	Syria	Omrat EST.	Automobiles & Parts	2008
187	Syria	Petro-Canada Palmyra B.V.	Oil & Gas Producers	2011
188	Syria	Rayess Kingdom Group	Industrial Transportation	2006
189	Syria	Salsabil Co Inc	Beverages	2010
190	Syria	Sawaf Institute for Medical Imaging	Health Care Equipment & Services	2010
191	Syria	The Syrian Consulting Bureau	Financial Services	2009
192	Syria	Transtek Systems	Software & Computer Services	2010
193	Syria	United Group for Publishing, Advertising and Marketing	Media	2011
194	Syria	United Insurance Company	Nonlife Insurance	2011
195	Syria	Y2Ad	Media	2008
196	Tunisia	Ateliers Mecaniques du Sahel	Personal Goods	2010
197	Tunisia	Boudjebel S.A VACPA	Food Producers	2010
198	Tunisia	Cavalier International	Personal Goods	2009
199	Tunisia	Chaieb Carrelages	Construction & Materials	2010
200	Tunisia	Christine Confection	Personal Goods	2010
201	Tunisia	CIPI ACTIA- Compagnie Internationale de Promotion Industrielle Actia	General Industrials	2006
202	Tunisia	Compagnie Tunisienne de l'Assurance du Commerce Exterieur - COTUNACE	Nonlife Insurance	2009
203	Tunisia	Fashion Company Sahel	Personal Goods	2009
204	Tunisia	Generale Industrielle Alimentaire Slama - GIAS	Beverages	2006
205	Tunisia	IBL Manufacturing	General Industrials	2008
206	Tunisia	Inter Maghreb Meubles	Household Goods & Home Construction	2009
207	Tunisia	Jal Group Tunisia	Personal Goods	2006
208	Tunisia	Leoni Tunisie	Automobiles & Parts	2006

209	Tunisia	MPCProkim Industrie	General Industrials	2009
210	Tunisia	Plastic Electromechanic Company	Construction & Materials	2009
211	Tunisia	Poulina	Food Producers	2006
212	Tunisia	Sabrincom	Personal Goods	2010
213	Tunisia	SEGOR	Gas, Water & Multiutilities	2010
214	Tunisia	SICAME S.A	Automobiles & Parts	2009
215	Tunisia	Societe Frigorifique et Brasserie de Tunis	Beverages	2010
216	Tunisia	Societe Hoteliere El Kantaoui Marhaba International: Marhaba Hotels	Travel & Leisure	2006
217	Tunisia	Societe Nejma Huiles SA	Personal Goods	2009
218	Tunisia	Societe Plastiss	Personal Goods	2009
219	Tunisia	Socite MARHABA PALACE	Travel & Leisure	2009
220	Tunisia	Tecfiber	Construction & Materials	2009
221	Tunisia	Tunitricot	Personal Goods	2009
222	Tunisia	YADIS HOTELS S.A.	Travel & Leisure	2006
223	UAE	4POWER Infcom FZ LLC	Software & Computer Services	2009
224	UAE	Abraaj Capital	Equity Investment Instruments	2011
225	UAE	Abu Dhabi National Energy Company PJSC (TAQA)	Oil & Gas Producers	2008
226	UAE	Al Marzouqi & BinSalem Fire Fighting Coatings LLC	Support Services	2009
227	UAE	Anham Fzco	Support Services	2011
228	UAE	Arabtec Construction LLC	Construction & Materials	2008
229	UAE	Ardan Energy Services DMCC	Support Services	2009
230	UAE	Automotive Management Services	Support Services	2012
231	UAE	Billcom Consulting	Software & Computer Services	2011
232	UAE	CMCS	Software & Computer Services	2010
233	UAE	Commercial Bank of Dubai	Banks	2010
234	UAE	Condor Building Contracting LLC	Construction & Materials	2007
235	UAE	DA-Desk FZE	Support Services	2012
236	UAE	Dewan Architects & Engineers	Construction & Materials	2011
237	UAE	Dhabian Holdings PLC/ Ltd Group	Alternative Energy	2008
238	UAE	Dubai Consultancy L.L.C.	Media	2008
239	UAE	Dubai Properties Group	Real Estate Investment & Services	2010

240	UAE	Dubai Real Estate Institute	Real Estate Investment & Services	2011
241	UAE	DutchKid FZCO	General Retailers	2009
242	UAE	Emirates Integrated Telecommunications Company PJSC	Mobile Telecommunications	2008
243	UAE	Emirates Technologies Engineering	Industrial Engineering	2009
244	UAE	Energy Management Services	Construction & Materials	2007
245	UAE	FSI Worldwide Limited	Support Services	2011
246	UAE	Global Engineering Systems FZC	Industrial Engineering	2009
247	UAE	Gulf Energy Maritime (GEM) PJSC	Oil & Gas Producers	2008
248	UAE	International Armored Group FZE	Automobiles & Parts	2009
249	UAE	International Performance Excellence (IPE)	Support Services	2010
250	UAE	ITECO Oilfield Supply Group	Oil Equipment, Services & Distribution	2009
251	UAE	Masafi Company LLC	Beverages	2008
252	UAE	Mentor FZ LLC	Support Services	2009
253	UAE	Metito (Overseas) Ltd.	Construction & Materials	2005
254	UAE	Omene Holdings LLC	Alternative Energy	2008
255	UAE	Omniyat Properties	Real Estate Investment & Services	2008
256	UAE	RA International	General Retailers	2008
257	UAE	Sawhney Foodstuff Trd. Co. LLC	Food Producers	2011
258	UAE	SicuroGroup, FZE	Technology Hardware & Equipment	2011
259	UAE	SKA International Group Limited	Support Services	2011
260	UAE	SSC Contracting L.L.C	Construction & Materials	2009
261	UAE	Texprego General Trading LLC	Personal Goods	2010
262	UAE	Tiger Profiles & Insulation LLC	Construction & Materials	2011
263	UAE	Tristar Transport LLC	Oil Equipment, Services & Distribution	2011

List of MENA Region Signatories[1] to World Economic Forum, Partnering Against Corruption Initiative (PACI) as of June 1, 2012

Agility	Kuwait
Aramex International Jordan	Jordan
ARTOC Group for Investment and Development	Egypt
Consolidated Contractors Company	Greece
Deloitte	USA
Emirates National Oil Company, Ltd.	UAE
Ernst & Young	USA
Fouad Alghanim & Sons Group of Companies	Kuwait
Hikma Pharmaceuticals Limited	Jordan
Jumeirah Group	UAE
Kuwait Petroleum Corporation	Kuwait
Lahoud Engineering	Lebanon
Microsoft Corporation	USA
Royal Jordanian Airlines	Jordan

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[1] Includes international companies that have active subsidiaries in the MENA.

APPENDIX C

List of schools listed in Eduniversal Survey, 2011

2011 Listing for Arab States			
	Country	School	Ranking
1	Algeria	Ecole Supérieure des Affaires d'Alger (ESAA)	3
2	Algeria	MDI Alger Business School	3
3	Algeria	Université d'Alger - Faculté des Sciences Economiques et de Gestion	2
4	Algeria	ESC Alger	2
5	Bahrain	University College of Bahrain (UCB) - School of Business	3
6	Djibouti	Université de Djibouti - Faculté de Droit Economie Gestion (FDEG)	1
7	Egypt	The American University in Cairo - School of Business	4
8	Egypt	Ain Shams University - Faculty of Commerce	3
9	Egypt	Arab Academy for Science & Technology - Graduate School of Business	2
10	Egypt	Arab Open University (AOU) - Egypt Branch - Faculty of Business Administration	1
11	Egypt	Integrated Thebes Academy - Higher Institute of Management and Information	1
12	Jordan	The University of Jordan - Faculty of Business	3
13	Jordan	Al Balqa' Applied University (BAU) - Faculty of Planning and Management	1
14	Kuwait	Kuwait University - College of Business Administration (CBA)	3
15	Kuwait	American University of Kuwait (AUK) - Business and Economics Division	3
16	Kuwait	Kuwait Maastricht Business School	2
17	Lebanon	American University of Beirut - Suliman S. Olayan School of Business (OSB)	4
18	Lebanon	Lebanese American University (LAU) - The School of Business, Beirut & Byblos	3
19	Lebanon	Université Saint Joseph - Faculté de Gestion et de Management (FGM)	3
20	Lebanon	Holy Spirit University of Kaslik - USEK - Faculty of Business and Commercial Sciences	3
21	Lebanon	Ecole Supérieure des Affaires	2
22	Mauritania	Université de Nouakchott - Faculté des Sciences Juridiques et Economiques (FSJE)	1
23	Morocco	ESCA School of Management	3
24	Morocco	HEM - Institut des Hautes Etudes de Management	3
25	Morocco	Groupe ISCAE	3
26	Morocco	Ecole Nationale de Commerce et de Gestion - Settat (ENCG-SETTAT)	3
27	Morocco	Al Akhawayn University in Ifrane - School of Business Administration	3
28	Morocco	Université Mohammed V Agdal - Faculté des Sciences Juridiques, Economiques et Sociale	2
29	Oman	Sultan Qaboos University - College of Commerce and Economics	2
30	Palestine	Al-Quds University - Faculty of Business & Economics	1
31	Qatar	Qatar University - College of Business and Economics	2
32	KSA	King Saud University - College of Business Administration	3
33	KSA	King Abdulaziz University (KAU) - Faculty of Economics and Administration	3
34	KSA	CBA - College of Business Administration	3
35	KSA	Arab Open University - Saudi Arabia Branch - College of Business Studies	2
36	KSA	Qutorba Human Management Development & Social Studies	1
37	Somalia	Mogadishu University - Faculty of Economics & Management Sciences	1
38	Sudan	University of Khartoum - School of Management Studies	1
39	Syria	HIBA - Higher Institute of Business Administration	2
40	Tunisia	ESSEC Tunis	3
41	Tunisia	IHEC Carthage	3
42	Tunisia	Institut Supérieur de Gestion de Tunis (ISG)	3
43	Tunisia	Mediterranean School of Business	2
44	UAE	University of Dubaï - College of Business Administration	3
45	UAE	United Arab Emirates University (UAEU) - College of Business and Economics	3
46	UAE	University of Sharjah - College of Business Administration	3
47	UAE	Zayed University (ZU) - College of Business Sciences	2
48	Yemen	Queen Arwa University - College of Commercial Sciences and Administration	1
49	Iraq	University of Baghdad	Unlisted