Ethikos Volume 33, Number 8. August 01, 2019

Ethics: An Asia-Pacific perspective from the credit manager's glass

By Shweta Saran

Shweta Saran (shwetasaran@eaton.com) is Global Trade Credit Manager, Asia Pacific, at Eaton in Pune, Maharashtra, India.

Having worked for the past decade as a corporate credit manager for the Asia-Pacific region of a company that values ethics very highly, and having seen firsthand the development of the region from a credit perspective, I have seen some unique ethical issues at both the micro and macro levels. In this article, I have tried to summarize some key aspects that differentiate the region from the global norms in terms of the business ethics that are followed and how this, to a large extent, affects the overall credit business. It is interesting to note that credit, as a function, allows a person a good understanding of multiple business aspects from sales, production, receivables management (wait, that is credit!), customers, and also supply chain management support. It is unique, because you get a high-level view of the overall business and also get to interact across multiple levels in the organization, both within and outside.

Ethics around the world

When I talk about ethics in a broad sense, I am referring to implementation of the principles that we typically see in businesses in the US and Europe, or as I call it, the "Western" world ethics. In the Eastern world, ethics takes on different meanings, shapes, and forms based on the country, the socio-political environment in the country, and so on. There is a certain difference between the written word on ethics and the implementation, or as we say, compliance to the policies. So, what are some things that differentiate the Asia-Pacific region (sometimes abbreviated APAC) from other regions? APAC encompasses countries from the Middle Eastern rim to the Pacific rim of the Western Pacific Ocean, such as China, India, Japan, Indonesia, Malaysia, Cambodia, Australia, Singapore, and Laos. What does the reader look for when dealing with businesses in these countries? What are the common pitfalls?

In the major economies of the region, such as China and India, a bureaucratic approach still exists in most businesses, even with the proliferation of automation and technology-based systems for accounting, inventory, etc. A large part of the smaller scale businesses is still driven by the cash or cash equivalent approach. The Indian government has in fact taken concrete steps to implement and promote the use of non-cash transactions to curb the cash economy.

From a credit standpoint, how do you evaluate a business whose financials you do not have access to? I have come across multiple businesses that try to use their owner's history, the company's history, etc. to get credit lines approved. Although we do request additional information and standards to be maintained for such approvals, it begs the question: How would smaller businesses that are still looking to acquire customers react to such situations? Although this is not directly involving a "bribe," it could, however, be construed to be a similar case, where the seller is "acquiring" a customer using "credit without credentials."