A CASE STUDY

THE CENTER FOR CORPORATE CITIZENSHIP AT BOSTON COLLEGE

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The Gulf Centre for Excellence in Ethics

Confronting Corruption: The Strategic Value in Building Civil Society

A case study prepared for The Merck Company Foundation
by The Center for Corporate Citizenship
at Boston College

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About This Case

The Gulf Centre for Excellence in Ethics opened formally in 1998 to educate businesses and governments in the Arabian Gulf about the need to establish standards for workplace ethics. To document its progress, The Merck Company Foundation engaged The Center for Corporate Citizenship at Boston College (The Center) in September 2002. The Center was tasked with creating a case study of the Gulf Centre to serve multiple purposes:

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

Over two months, including eight days in the UAE, the The Center interviewed more than 35 individuals at the Merck Foundation and Merck Sharpe & Dohme, the company's international commercial unit; officials in the UAE government; executives in both local businesses and multinational corporations; and managers at the Ethics Resource Center (ERC), the Washington D.C.-based non-profit organization that set up and ran the Gulf Centre on Merck's behalf. Based on reviews of the project's early documentation and interviews with the founders, The Center for Corporate Citizenship at Boston College identified its initial goals and structured research to determine the degree to which they were achieved. This report presents those results, assessing the Gulf Centre's strategy, tactics and accomplishments and shortcomings.

Background

In the mid-1990s, Merck & Co. faced a daunting global dilemma. Some of the pharmaceutical company's greatest growth opportunities were in developing economies around the world, but the considerable corruption endemic to host country governments and the private sector made it difficult for the company to compete for business on an even footing. The Merck corporate culture had hewed unequivocally to the high road of business practices since the founder's son, George W. Merck, reinforced its early principles in the 1950s. Refusing to make "contributions" to many a health minister's Swiss bank account, among other illicit practices, it was forced to walk away from deal after deal around the world. "We were losing our business edge in many regions—not because of our products, but because of our business ethics," says John R. Taylor, Executive Vice President of The Merck Company Foundation at the time. If it hoped to maintain its values and still reap its share of these promising markets, Merck knew it had to find a way to raise their business standards.

Taylor began looking for ways to support these foreign communities as part of the foundation's corporate social responsibility mission. It had reaped huge gains, in terms of public health and corporate recognition, for its distribution of free curatives for River Blindness in Africa and Latin America since the 1980s. But such product donation programs were hardly appropriate for some of the more promising markets of the 1990s, such as Russia, Eastern Europe and the Arabian Gulf, which were fully capable of paying for medicines. The corrosive effect of corruption on their economic and social development, however, was a challenge more consistent with their needs. A country's level of corruption was known to highly correlate with foreign investment, the environment, productivity, even public health. With Merck's long experience in instilling ethical business practices, Taylor thought he could potentially offer benefits to these foreign communities and began scouting opportunities to share them.

Halfway around the globe, Samir Khalil had a candidate. As Merck's director of regional policy for the Middle East and Africa, he was increasingly frustrated with the task of promoting ethical marketing practices in the region on behalf of the Pharmaceutical Research and Manufacturers of America (PhRMA) trade group. Khalil had no problem lobbying the industry to maintain high standards; after all, the US Foreign Corrupt Practices Act required it. But the effort was often fruitless when the other side—the foreign governments—failed to live by the same principles. If he could offer instruction on business ethics in the region, he wondered, would state governments take on the task of regulating themselves, just as PhRMA was urging its members to do?

Over lunch at Merck's Whitehouse Station, N.J. headquarters in 1995, Khalil and Taylor hatched a plan that would meet both of their goals. In what would become the Gulf Centre for Excellence in Ethics in Abu Dhabi, United Arab Emirates (UAE), they envisioned funding a non-profit educational institute to catalyze awareness and formal adoption of ethical workplace standards by governments and businesses around the Arabian Gulf. If, in time, business transactions became more transparent, Taylor and Khalil reasoned, benefits would naturally flow to competitive companies like Merck, whose quality products would find greater acceptance. They knew their ambitions were lofty, but the intractability of the ethical challenges in the Middle East called for nothing less. If they could gain traction in a complex environment like the Gulf, it might even serve as a prototype for other regions.

Setting Up

With funding from the Merck Foundation, Taylor enlisted the help of the Ethics Resource Center, a 75-year-old Washington, D.C. non-profit educational organization whose former chairman, Ray Gilmartin, had become Merck's chief executive officer in 1994. Despite its own mission to foster ethical practices around the world, the ERC's scope was still purely domestic by the1990s. Its newly appointed president, Michael Daigneault, saw Merck's project as a lynchpin for fulfilling the ERC's international ambition and readily signed on to start and operate the Gulf Centre on Merck's behalf.

As the first of several forays that would follow in South Africa, Colombia and Turkey, Merck and the ERC approached the Gulf Centre project in the spirit of a grand experiment. As a model, they adopted the catalyst mission and envisioned offering many of the same training and consulting services as the Hong Kong Ethics Development Center, a similar start-up in 1994 under the auspices of Hong Kong's anti-corruption enforcement agency. With the backing of more than 300 companies in its first year, Hong Kong's quick success provided the precedent and inspiration Merck and the ERC needed for the Gulf Centre. They also took a cue from Hong Kong in selecting a host country, making political acceptability a key criterion. Unlike the corruption watchdog Transparency International, which often gains entrance to countries due to its arm-bending clout, Taylor and Daigneault realized they could not effect fundamental change in ethical behavior unless they were politically and culturally acceptable to their host.

The United Arab Emirates (UAE) was an obvious choice for location. Arguably the most transparent state in the region, it was far from the most egregious offender of ethical business behavior. One could argue that Saudi Arabia's much larger population would have made it the more logical choice for making an impact. However, the UAE, the second-largest Gulf state, was the most plausible host for one key reason: Under President Zayed bin Sultan al Nahayan, the country aspired to become a major commercial and financial center—the "Hong Kong of the Middle East." And with oil reserves declining, especially in the commercial center of Dubai, leaders recognized the need to rehabilitate the country's lackluster reputation among the multinational corporations it hoped to attract. The Merck team bet wisely that the UAE, known as a haven for the Russian mafia in the early 1990s and its involvement in the BCCI banking scandal of the late 1980s, would be motivated to support ethical business practices—if for no other reason than to bolster its image. In particular, Sheikh Nahayan Mabarak al Nahayan, the Minister of Higher Education and Scientific Research, who would become the Centre's principle political patron, "was motivated by wanting his country to become a global player," says the ERC's Daigneault. "He understood that Western ethics was part of what he needed to get there."

Importantly, the Gulf Centre in concept satisfied the overlapping interests of multiple parties: The UAE would get a boost to its image and growth ambitions; the Merck Foundation would have a vehicle for supporting the company's international communities with a unique Merck asset; Merck Sharpe & Dohme, the company's international operation, would gain a partner in pressing for a more equitable commercial environment for its products; and the ERC would have a channel for its international expansion. This happy marriage provided a necessary foundation for success, but by no means a guarantee.

The Ethical Challenge

In the mid-1990s, the Middle East was largely devoid of any academic, government or business discussion

Table 1:
Strategic Interests of Key Partners

UAE	MERCK FOUNDATION	MERCK CORPORATE	ERC
• Boost reputation /image	• Support international communities	• Level playing field for sales and marketing	• Support international expansion
• Support growth objectives to attract MNCs	• Establish model for other regions	• Reap share of international growth	

of organizational ethics. Ethics were, and are still largely understood in the Islamic context of personal and religious belief. The Koran speaks directly to issues of right and wrong and bestows on Muslims a strong sense of being highly moral people. But as a basis for business conduct in organizations, ethics is still a foreign concept; approximate equivalents have to be constructed in the language just to discuss it. The closest Arabic equivalent, Ekhlak El-Maha'ne, (professional morality), is adapted from the widely used term for "religious morality." In this part of the world, "we feel ethics are part of our life, our religion," says Col. Ali Nasser Al-Nuaimi, training director of the UAE Air Force. "Unlike the secular West where ethics is an issue apart from religion, people here have difficulty with the concept of organizing and promoting ethical behavior outside of the religious context."

In fact, Western ethical constructs such as equality, integrity, and distributive fairness have close parallels in Islam. How those principals are applied in daily behavior, however, can vary radically. Nepotism, disdained in the West as a conflict of interest, is not only accepted but also expected as a sign of Arabic family loyalty and trust. Likewise, intellectual property rights are respected in concept but go unheeded if the full price of a CD or software is considered unfair. Despite principals of fairness, wassta, the practice of pulling strings to obtain a personal benefit, pervades every activity in society from erasing a speeding ticket to getting a job. Nasser offers one explanation for such disregard of ethical principals: "In Islam, one's afterlife is guided more by intention than actual behavior," he says, so one doesn't always draw a connection between what one believes is right or wrong—and how one behaves.

The legal environment provides little inducement to change behavior, either. The regulatory regimes in most industries have yet to catch up to Western legal standards that usually compel companies to act more or less responsibly. The laws that do exist are often couched in ambiguous terms: Certain labor practices are "recommended," and businesses are told they "should" maintain a certain capital level, for example. With a liberal interpretation of such language, wassta is allowed to operate unimpeded. Even under threat of stiff penalties, for instance, financial institutions continue to regularly violate a recently passed anti-money-laundering law by granting favors to sheikhs and other powerful clients. "The whole social system is based on making exceptions," notes Husam Hourani, partner at the Dubai law firm Al Tamimi & Co., a supporter of the Gulf Centre. "No one has much motivation to challenge it."

The UAE's unique demographic and cultural characteristics further complicate the ethical challenge. More than 70 percent of the country's 2.5 million population are expatriates from around the world, with unskilled workers coming largely from South Asia and the Middle East, and professionals from developed countries. Along with the hugely diverse nationalities come varying ethical standards, creating large disparities in the effort to build a common code of acceptable behavior. With no income tax and minimal business capitalization requirements, many expats come to work or set up a business in the UAE for only a limited time, with the singular goal of maximizing their income. With easy loans readily available from a fiercely competitive banking sector, temptation is high to act unethically. In a recent landmark case, one Indian entrepreneur ran into trouble, diverted more than $400,000 in loans from 22 different banks to offshore accounts, and fled the country without paying employees. Such cases are becoming daily occurrences, says Al Tamimi's Hourani, and money laundering is on the rise as well. Needless to say, the Western tradition of whistle blowing is unheard of as a check on such behavior; indeed, it can be dangerous in a society where expats can be repatriated immediately for the least defiance of authority.

Selling the Concept

Against this complex backdrop, Merck and the ERC recognized the intricacies of their task and accordingly framed the Gulf Centre's objectives loosely, with few preconceived milestones or requirements. Their primary goals were two-fold: to build awareness and legitimacy for the concept of ethical workplace standards in UAE organizations, and to build trusting relationships that could help create an equitable commercial environment, or "level playing field," in which to sell Merck's products. Ultimately, they hoped to create behavioral change in ethical conduct, and to spread its impact to the broader Gulf region. To those ends, the Centre sought to develop an initial code of ethics and compliance procedures for the UAE health care system, which were also intended to serve as a model for expansion into both public and private sectors. The Centre should also reflect positively on Merck's reputation while enhancing the UAE's image as a regional business center.

Merck's Taylor clearly understood that such results, especially fundamental behavioral change, would not come quickly. Certainly any impact beyond the UAE to other Gulf States wasn't expected for many years. Taylor and Daigneault dismissed any milestones or metrics linking the program with a bottom-line return to Merck, preferring to measure results in terms of the benefit to Merck and the UAE's reputations, and the "sustainability" of the Centre itself. Indeed,

Table 2

The Gulf Centre's Strategic Objectives

1. Build awareness and legitimacy for ethical workplace standards.
2. Build relationships with decision-makers to help create "level playing field" for Merck products.
3. Improve ethical behavior in UAE workplaces.
4. Create model ethical code and compliance procedures.
5. Enhance Merck's reputation for commitment to positive change in local communities.
6. Enhance UAE's reputation among neighboring states and MNCs.
7. Extend influence to wider Gulf region.
8. Become financially self-sustaining from local support in limited timeframe.

acknowledging Merck's inability to support such a program indefinitely, Taylor insisted above all other objectives that the Centre should become financially self-supporting within a limited timeframe through local support. Without that, given the long-term nature of the goals, nothing else could be achieved.

As a first step, Taylor and Khalil called on Basem Awadeh, the well-connected CEO of Merck's Gulf distributor, City Pharmacy, for introductions to the UAE Ministry of Health. Officed in the same Abu Dhabi tower as the MOH, Awadeh led them to Dr. Abdul Rahim Jaffar, the influential under-secretary and de facto chief operating officer of the ministry, with close connections to the ruling family. Dubious at first, Jaffar accepted their pitch to open an ethics education center, which they offered as a "gift" to the nation and underscored its non-commercial agenda by emphasizing the ERC's non-profit status. Jaffar, by all accounts a visionary and opportunistic leader, saw the offer as a chance to help build a common code of conduct among the MOH's multinational staff. It might also improve the quality of health care, which the local press had criticized heavily in recent years, and curb various corrupt practices that cut into his ministry's budget. Providing the Gulf Centre with an important anchor project, he readily commissioned it to write a code of ethics and implementation procedures for the ministry. Equally important, Jaffar also introduced the Merck team to Sheikh Nahayan, Minister of Higher Education. One of the most influential leaders in the country, Nahayan saw the broader political potential for the ethics issue to elevate the UAE's reputation around the Gulf and agreed to provide the political backing critical to establishing the Centre.

Finding a Footing

Like so many other crossed signals to come, however, the Centre's seemingly quick political acceptance devolved into a series of legal complications and cultural and political miscues that would delay its official launch for more than two years. Managing remotely from the ERC's Washington, D.C., offices, Daigneault and his staff of American consultants had initial difficulty overcoming the deep suspicions of Emirati leaders, who presumed an agenda of American moral values. Certainly the ethical issues—even the vocabulary with which to frame them—were far different from the team's US experience. The simple use of the word "corruption," whose Arabic equivalent is a vulgarity, was abandoned when they realized the culture preferred to focus instead on promoting the flip-side of the problem—"excellence in competition," "efficiency" and "world-class leadership." Indeed, the team conducted a fine balancing act between challenging the establishment's controversial issues enough to gain political leaders' respect—but not so much as to offend them. They occasionally went over the line. In one glaring faux pas, the ERC's initial report on MOH operations hit raw nerves by pointing out the country's unequal treatment of women and expatriates, among other impolitic points—a slip that nearly got the Centre expelled from the country. A second version was sanitized to focus instead on a prescription for implementing the professional ethics code.

The Centre's legal standing was equally contentious. With no operating status available in the UAE comparable to the US non-profit 501c3, the only option for the Centre to legally exist was for the Abu Dhabi ruler's office to decree its existence as part of an existing operating entity. After two years of countless trust-building meetings with the Centre team, Nahayan finally consented in February 1998 to assign the Centre to one of his educational institutes. The Centre team, however, immediately clashed with that institute's director, who tried to seize control of its activities--including sole sponsorship credit for the Centre's inaugural ethics conference in April 1998. Taylor and Daigneault believed the director so threatened the Centre's mission that they agreed to abandon the project if they couldn't extricate it from his grasp. In a rare concession, Nahayan allowed the Centre to severe ties with its host and operate instead under Dr. Jaffar's legal sponsorship as a local branch of the ERC, which it did as of June 1998. But the episode, another close call with expulsion, underscores the tenuousness of the Centre's existence. Says Daigneault: "Any time in the first three years we could have stepped on a mine and blown up."

Critical to the Centre's survival was the appointment in November 1997 of an Abu Dhabi-based managing director. Alex Zalami, a Palestinian-American hired as a staff member of the ERC, brought a valuable combination of attributes in addition to his local presence. Raised in Lebanon, his command of the Arabic language and culture helped to win the trust of local leaders and clients, while his American work experience and graduate education in math and engineering, from the University of California at Berkeley, assured his grasp of Western business ethics. Though lacking credentials as an ethicist per se, his track record as an entrepreneur in the United States more than compensated. By all accounts, he was a persuasive and passionate spokesman for the Centre's mission. "Alex convinced us to do things that we wouldn't do for others," says Dr. Ahmad Ankit, vice president of the Ajman University of Science and Technology, a generous sponsor of Centre events. Moreover, Zalami understood the deferential approach required to successfully tap the local power base, to assuage egos and build personal relationships that are so decisive in

Arabic culture. “Alex excelled at negotiating within the local protocol,” says Jerry O’Brien, the ERC’s director of international programs at the time. “He understood the nuance of when they said ‘yes, you can do this,’ they might actually have meant ‘absolutely not’.”

A case in point: Before Zalami’s arrival, the Centre’s strategy relied on building financial sustainability from fee-based consulting services. The ERC’s US-based consultants spent many months courting one particular initial prospect, the Union National Bank, whose ownership by Sheikh Nahayan seemed to assure success. The bank’s management, however, simply didn’t perceive the need for ethics training. Yet it never actually rejected a contract, consistent with the Arabic “never-say-no” culture, so the ERC proceeded as though it had a green light.

Within months of his arrival, Zalami realized the staff had misread not only UNB’s signals but also the overall level of the culture’s readiness to accept the Centre’s ethics message. So he shifted strategic course from the original consulting plan, aiming instead to first build general awareness by offering free ethics seminars throughout the country—to colleges, industry and government agencies. Those audiences, Zalami planned, would eventually feed the Centre’s ambitions to consult on ethics code development and compliance programs. Even if it set back the Centre’s financial plans, he says, “We needed a building phase to get decision-makers to see value in ethics training.” Together with US-based Frank Navran, the ERC’s principle consultant who would fly in for seminars and presentations, “we learned to expect mid-course corrections,” Zalami says. “We had no blueprint.” The second leg of his plan concentrated on producing strong results from the (unpaid) MOH contract as a model for future consulting clients. And as with everything else, Zalami learned with the MOH to expect the unexpected.

The Ministry of Health Program

Reflecting the UAE’s disparate make-up of nationalities, the MOH, with a staff of 15,000 from more than 100 countries, was an ambitious starting point for the Gulf Centre. The challenge was two-fold: to unify and codify the ministry’s diverse ethical practices in patient care and other biomedical issues, and in industry business processes such as procurement procedures. With Jaffar’s backing, the Gulf Centre began consulting in September 1997 with a small working team of MOH staff to develop a process for creating the first code of ethics for UAE medical professionals.

The program was announced at the Centre’s inaugural April 1998 public conference on Health Care and Business Ethics with resounding success. By enhancing awareness and identifying local and international resources for addressing ethical issues, “the conference stimulated thinking and raised the profile of ethics” for the large MOH staff in attendance, says Greg Papworth, an MOH manager on the initial working team. “The outcome was outstanding” in the way it rallied staff and set expectations that troubling ethical dilemmas would finally be addressed. The conference also helped to revitalize a seven-year-old MOH committee on clinical research ethics, which had grown dormant over time, and triggered a much-needed tightening of the ministry's process for research requests.

The conference was followed by a series of awareness seminars for staff at all 15 national UAE hospitals. To generate buy-in from employees, the Centre selected teams of volunteers at the seminars to write actual codes for each of five professional disciplines—Medical Practitioners, Nurses, Technicians, Pharmacists and Administrative Staff. Ethics coordinators at each institution and 10 district committees guided the professional teams, while a national steering committee and high-level political leadership oversaw the process. The five-tier matrix assured input at all functional, geographical and hierarchical levels.

Over the following two years, the teams worked enthusiastically to integrate their codes with other professional practice guidelines and continuing education coursework, and to coordinate with the other disciplines to avoid incongruities in their respective codes. Nurses, who have long been on the front lines of ethical dilemmas in patient care, were among the most eager for a standard that could unify the fractured practices among their staff. When its code was completed, in less than a year, the nursing department took the initiative to print up and distribute extra copies beyond MOH personnel, to nursing colleges and private institutions.

Table 3

Key Startup Lessons

STRATEGIC	ORGANIZATIONAL	LEGAL/POLITICAL	CULTURAL
• Design program objectives to satisfy and secure commitment of multiple partners • Spread financial risk among—and build political clout through—multiple sponsors	• Avoid remote management; secure a local, culturally attuned leader • Deepen political and cultural acceptance with connected board of directors or similar mechanism • Stay nimble, shift tactics as necessary to maintain focus	• Maintain non-profit position and distance from commercial operations at all costs • Adapt structure to local legal requirements	• Locate where cultural and political acceptance is secure • Objectively assess cultural readiness and adapt program strategy accordingly

Table 4
A Process for Local Determination of Ethics Policies

STEP	AT MOH?
1. Secure backing at highest political/management level	Yes
2. Generate momentum with public and visible display of political support	Yes
3. Make oversight inclusive of all functional, geographical and hierarchical levels.	Yes
4. Generate buy-in by tasking employees with creating own standards.	Yes
5. Communicate goals widely among employee base.	Yes
6. Use profession-specific working groups to tailor code for respective needs.	Yes
7. Keep key patrons informed of sensitive issues.	Yes
8. Identify and accommodate cultural hurdles to implementation.	No
9. Establish compliance procedures and organization for monitoring.	No

In facilitating the process, the Centre staff meanwhile was careful to solicit both political and religious participation. One cleric on the national steering committee, for example, objected to codifying policy toward the physician's role in euthanasia since Islam, he claimed, already spelled it out. The Centre promptly removed the issue from inclusion in the code. "We made sure to provide a safety valve for their concerns, to assure them that we Westerners weren't trying to tell them what their ethics should be," says Frank Navran, the ERC consultant. Likewise, to head off any political problems, Zalami and Navran wisely reported to Jaffar all discussions of sensitive issues that arose in seminars with MOH personnel. Indeed, the sessions brought out vociferous criticisms of gender discrimination at the ministry, unfair treatment of expatriates under the UAE health care payment system, and the unequal quality of care for foreign nationals, among other irritants. Yet, in another sign of his forward thinking, Zalami says Jaffar recognized the folly of addressing health care system issues apart from broader societal grievances, and granted his support to continue the process despite the political risk of stirring confrontation.

By early 2001, the MOH Code of Ethics was completed for all five professions, a compact English-Arabic booklet was bound and distributed to personnel, and feedback sessions were scheduled to discuss the contents with staff. The relatively efficient process seemed to produce rapid benefits. Since the mid-1990s when the UAE began charging for services that were previously free or subsidized, Jaffar and his staff had been taking heat for mounting patient complaints in the press about care quality and medical practices. But in the last two years, complaints have declined precipitously, says Dr. Abdul Ghaffar M. Al Hawi, undersecretary for curative medicine reporting to Jaffar. Among his explanations: Medical staff are increasingly respecting patients' rights of consent, and physicians are recording patient medical treatments and histories much more accurately—a result of the ethics code, which has helped them to realize the importance of accurate records as the basis for auditing care quality. Says Ghaffar: "Minds have become more open."

Even more profound is the anecdotal but notable progress toward Merck's goal of creating a more "level playing field" in the MOH procurement process. Basem Awadeh of City Pharmacy credits the Centre's work on the ethics code development, as well as its seminars and conferences, for establishing "an overall climate for MOH management to be more open to change," he says. "We see differences on the procurement side already." Among those signs:

- **MOH officials are starting to "walk the walk."** In the summer of 2001, the Gulf Cooperation Council (GCC) of six countries in the region put out a group tender for a broad range of drugs. At least three pirated versions of patented products were subsequently awarded, including a UAE-made knock-off of Merck's Zocor. MOH personnel apparently had allowed a local manufacturer to circumvent official registration procedures, registering its products just one day before the tender closed without completing the proper paperwork. Merck Sharp & Dohme's Gulf General Manager Nidal Fakhoury, citing the MOH's commitment to improving its ethics, appealed directly to Jaffar, who after investigation overturned the order and awarded Merck its contract. Though worth a relatively small $500,000, Fakhoury says, "the reversal set a strong precedent that such violations will not be tolerated." While problems still exist, he adds, MOH managers are at least scrutinizing decisions where they had not before: "No one wants to be seen as breaking the rules anymore." Fakhoury is also hopeful that the UAE will be a springboard for improved procurement practices around the Gulf, especially in Kuwait and Oman.
- **Less illicit behavior by MOH personnel.** Before 2000, when the ethics code development swung into full gear, MOH procurement officers would "regularly" call City Pharmacy for payoffs to help secure contracts on new tenders, Awadeh says—despite anti-bribery laws, which were rarely enforced. Likewise, some MOH personnel would extort payments by withholding vital medicine stock information needed by vendors to manage their own inventories. Since 2000, however, the extortive calls have declined, stock data has become more available—some even over the Internet, and Awadeh says "the talk in the halls has been that laws would be applied."
- **Law enforcement is picking up.** In a rare but high-profile prosecution in early 2002, a British pharmacist at Tawam Hospital in Al Ain was convicted of stealing and reselling tranquilizers and other controlled substances through an outside dealer, a UAE national. The case sent shock waves through the UAE health care system and sent a strong warning against illicit behavior.

- **Quality-based awards.** In an experiment starting in early 2001 to gain better services with greater efficiency, the MOH outsourced management of a major Abu Dhabi hospital, the Sheikh Khalifa Center, to the private Canadian InterHealth Co. Among other benefits, the hospital has since exhibited stricter inventory controls, and experienced procurement professionals purchase only ethical drugs, avoiding all knock-offs and generics. The result is the "first true competition in drug procurement based on quality of products, rather than on who you know or what you'll pay," Awadeh says.
- **New legislation against drug patent infringement.** With no previous patent protection law for pharmaceuticals, the UAE initiated legislation in 2002 under stiff pressure from the US Trade Representative and the PhRMA trade group to abide by the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), to which the UAE is a signatory. While this legislation is clearly beyond any direct doings of the Gulf Centre, the US Embassy, in holding the UAE's moral feet to the fire, repeatedly pointed to the Merck-backed Gulf Centre's efforts as justification for why the UAE should respect patent positions, notes Merck's Fakhoury.

How much to credit the Centre or its work with the MOH for any of the advances above is highly debatable. Pressures other than the Centre's moral message were clearly present in every case. The speed of change should also not be over-stated. On a scale of one to 10, Awadeh says the occurrence of bribery, for instance, has only declined from perhaps eight to seven over the last five years. At the current pace of change, however, it could slide to three within three years, he adds. Indeed, Awadeh and Fakhoury agree that while such changes may have occurred without the Centre's presence at all, progress would have been considerably slower. "It's no coincidence that the

Table 5

Apparent Effects of MOH Ethics Program

1. Increased respect of patients' rights of consent, and more accurate recording of treatments
2. Increased scrutiny of official decisions according to ethical standards
3. Reported decline in extortive behavior by ministry personnel
4. Increased, selective enforcement of existing anti-bribery laws
5. Initial example of quality-based procurement awards tied to outsourced management program
6. New legislation protecting drug patents from infringement, due to WTO and USTR pressure

Centre's programs have been happening at the same time as these other events," Awadeh says. In perhaps the most serious test of his confidence, when asked if he'd invest the same money again in the Gulf Centre rather than other marketing programs in his region, Merck's Fakhoury unhesitatingly said he would—and understandably so: The reversal of the Zocor contract alone was evidence that company's primary goal – a "level playing field" – could be achieved by promoting workplace ethics.

MOH: The Political Impact

While behavioral changes from the Centre's work will likely take years to evolve, the political impact has been swift and demonstrable. In addition to the MOH ethics code, Zalami largely produced an associated conference on Health Care Ethics in March 2002 to categorical acclaim. The MOH's underwriting of its $250,000 cost was alone a milestone in its evolution of championing ethical issues, for which it received broad international commendation and newfound regional status. More than 1,100 attendees from throughout the Arab world gathered for three days to hear an impressive roster of bio-ethicists of international renown, speaking on a wide range of ethical dilemmas from clinical, research, cultural and religious perspectives. In a coup, Zalami convinced noted Harvard University professor Richard Cash to conduct a three-day pre-conference bio-ethics seminar for 60 hand-selected attendees from 12 Middle East states. "It was by far the most important bioethics event to ever happen in the region," says Dr. Daniel Wikler, senior ethicist at the World Health Organization at the time, who Zalami solicited to help develop the conference agenda. In spite of the WHO's stern resistance to associating with any public company such as Merck, Director General Gro Harlem Brundtland even provided a written welcoming message to the proceedings—an extraordinarily rare endorsement for that organization. And, the conference couldn't help but indirectly showcase the MOH's newly minted code of ethics, which Wikler had earlier endorsed as "some of the best I've seen in the region—on par with some programs out of the US government."

The conference also yielded several practical effects. Attendees from the UAE University Medical School, the largest and only public such institution in the country, were inspired to revitalize an obsolete research ethics program at the school, and to broaden its curriculum to encompass issues such as patient consent and confidentiality, says Dr. Fawaz Torab, chairman of the research ethics committee. More important, the conference produced a number of key recommendations. In addition to endorsing Gulf-wide programs to promote awareness of bio-ethical issues at the public, educational and professional levels, delegates also recommended establishing a National BioEthics Commission that would advise the UAE government on policy and legislation, and deliberate on ethical issues. They also recommended a mirror organization at the Gulf-wide level.

The proposed National BioEthics Commission quickly became a cause celebre among MOH staff, which widely saw it as their best hope for institutionalizing the work begun by the Centre's code of ethics program. By fall of 2002, government officials were debating resources for the commission, with hopes of submitting a proposal for the sister pan-Arab commission at the January 2003 meeting of the Gulf Cooperation Council. In a letter to Jaffar extolling the conference, WHO Eastern Mediterranean regional director Hussein A. Gezairy promised to support its recommendations, and has further promoted the MOH's code of ethics to other Gulf states—exactly the kind of recognition and snowballing effect the Centre, and UAE officials, had hoped to create. "We have achieved many of the things we wanted (from the ethics program) in a short period," says Ghaffar, the curative medicine under-secretary.

Table 6
Outcomes of Landmark 2002 Health Care Ethics Conference

1. Build awareness and legitimacy for ethical workplace standards.
2. Build relationships with decision-makers to help create "level playing field" for Merck products.
3. Improve ethical behavior in UAE workplaces.
4. Create model ethical code and compliance procedures.
5. Enhance Merck's reputation for commitment to positive change in local communities.
6. Enhance UAE's reputation among neighboring states and MNCs.
7. Extend influence to wider Gulf region.
8. Become financially self-sustaining from local support in limited timeframe.

MOH: A Different View

While political echelons couldn't be more pleased with the new ethics code and conference results, the assessment is somewhat different at lower rungs of the MOH organization. UAE health practitioners say since the initial round of code reviews in 2001, progress has virtually stopped as the reality of the challenge before them hit home. No compliance monitoring or reporting structures, such as ethics officers or committees, have been developed, let alone put in place, and some doubt the workforce would even use such a system without reassurance that they wouldn't be rebuked for it. Initially among the most enthusiastic of the professions, the nursing staff feel under-recognized and fear reprisal if they speak out against ethical violations. Contrary to Ghaffar's view, "patients' rights are violated regularly," says a senior nursing administrator, citing common occurrences of doctors who perform major operations such as mastectomies without telling patients beforehand. Yet, ethics code or not, the nursing department realizes it can't address the issues alone. "It's not always easy to be ethical here," says another senior staff. "Whistle-blowers are definitely not accepted in this culture." Any further progress, they say, will require more thoughtful discussion among all disciplines about how to apply the code to daily dilemmas—and sanctioning by top officials of a formal compliance process, most likely through the pending National BioEthics Commission.

Other important processes have gone unaffected by the new ethics code. Practitioners still perceive procedures for investigating clinical-practice complaints against doctors, for example, as unfair and lacking clarity, says one manager close to the process. Moreover, he adds, professionals lack confidence in the impartiality of those who oversee the process, and in the outcomes of investigations, which are sometimes apparent before reviews are even completed. He cites the case of Dr. Trevor Rees, an accomplished British surgeon recruited in 2001 to head up the Jezeera Hospital surgery team. For the UAE, Rees was an aggressive surgeon willing to tackle operations that others wouldn't because of the risk posed by local judicial and insurance systems, which don't cover medical malpractice. When a complaint was filed against him over a relatively minor gall stone operation, Rees was terminated and expelled from the country under royal order before the investigation—which ultimately exonerated him—had concluded.

The episode has had a chilling effect, especially on expatriate medical professionals who fear they are equally vulnerable. Worse, professionals lament that such processes reinforce the long-standing practice by UAE doctors to avoid any procedures but the most urgent and necessary, due to lack of insurance and judicial support. Says the manager: "It's a fundamentally flawed system that doesn't allow professionals to act within the best of their abilities." On the positive side, cases such as Rees', which used to remain hidden, are at least now being discussed in the open as personnel press the administration for system improvements. In that sense, many consider the Centre's work successful for having injected the organization with motivation and expectation for change, even if progress hasn't been the "big-bang" that many had hoped.

Zalami of the Gulf Centre acknowledges the implementation shortcomings of the ethics code development. Several issues outside of the Centre's control intervened since the project began that slowed progress. By 2001, Jaffar, the program's champion and visionary, had largely stepped back from involvement as he became preoccupied in his position of personal physician to President Zayed, whose health has deteriorated in recent years. At the same time, Jaffar's long-time operations chief and head of the national ethics steering committee resigned after losing an internal political contest, which cost the program continuity in administration. And MOH management has no doubt been distracted by a raging political battle over control of its Abu Dhabi hospitals, which were to be taken over by a new local authority in the fall of 2002. Meanwhile, Zalami himself had turned his attention to producing the bioethics conference on behalf of the ministry. "In the end, it's all about implementation of the code, and that's been rather ineffective so far," admits Zalami who, like others at the MOH, is counting heavily on the proposed National BioEthics Commission to push further progress. "MOH officials thought we did a much better job than we did."

The Private Sector

As if the MOH contract wasn't challenge enough, Zalami and ERC consultant Navran worked at the same time to broaden the Centre's influence in the private sector. Merck's Taylor and Daigneault of the ERC recognized early on that their goal of building legitimacy for behavioral change in workplace ethics could not be achieved without impacting the UAE's dynamic business community. Unlike MOH officials, however, who readily saw the ethics mission as a potential boost to their service quality, personnel and political interests, business executives were a tough crowd. With his own background in building entrepreneurial companies, Zalami immediately recognized his greatest challenge: to quantify for senior executives the financial and organizational value in codifying and complying with formal codes of conduct—without relegating the chore to subordinates in the human resources department. Indeed, it would become more of an ordeal than he realized.

Soon after his arrival, even as the MOH contract was gearing up, Zalami launched an all-out campaign of short, one- to two-hour free awareness seminars on the basics of workplace ethics to any group he could assemble. Navran flew in from the US in two-week stints to lecture industry and academic groups, military and government agencies on such topics as values and principles, ethical leadership, the moral and legal imperatives for standards of conduct, cross-cultural differences, and Western expectations of global partners. Audiences were surprisingly receptive to the little-understood concepts. The training academy of Etisalat, the national telecommunications carrier, made its facilities available for public lectures, and put some 2,500 of its own employees through the seminars. In one weeklong tour, hundreds of students and faculty at each of six universities turned out to hear the pitch, though not all readily grasped it. Some students, confused by the discussion of ethics outside of the traditional Islamic context, questioned its relevance. But like the study of any new field, Dr. Amad Ankit of Ajman University says, "once you start including it, understanding will come." Impressed by the Centre's message, Ankit plans to launch the school's first business ethics course in 2003.

The free seminars continued intensively through 2000—a full two-year building stage Zalami felt was necessary to prepare the groundwork for future, fee-based offerings. His business plan called for two subsequent steps: training ethics officers in both group and individual company workshops, and consulting to organizations on code development, implementation and compliance monitoring. By late 2000, the Centre conducted its first two one-week ethics officer certification sessions on writing and implementing codes of conduct. Some 17 paying organizations attended—a respectable if not awe-inspiring showing out of the 50 it had targeted. (The program became the prototype for a six-month series slated for 2003. Zalami expects to drive far greater attendance this time with a national competition for best-of-class practices in four categories—the sort of "carrot" he says UAE executives have typically responded well to.)

Zalami tailored his marketing pitch in terms his audiences could appreciate. To businesses, he exhorted "good ethics is good business," using mostly Western statistics to highlight the benefits to productivity, worker pride and loyalty. He also drew parallels to the impact of Total Quality Management, which the Arab world began adopting as a competitive tool only in the mid-1990s. For government agencies, he stressed the importance of workplace ethics in building the transparency required to allure multinational corporations and further diversify the UAE economy. It helped to be able to point to the ongoing MOH contract as a precedent.

By 1999, Zalami had his first champion: The Abu Dhabi Chamber of Commerce & Industry asked the Centre to help it develop a code of ethics. Led by Director General Mohammed Omar, the sort of high-profile influencer Zalami sought out as second nature, the CCI played the vital function of registering all businesses on behalf of the Abu Dhabi government. That role made it a visible and potentially potent model for the private sector, and Omar saw the same potential. "Ethics is part of our Islamic culture, but the application is not always seen in our organizations," he says. "We wanted to be an example." As in most UAE organizations, CCI had the problem of multiple nationalities among its 180 staff, with no common standards for acceptable workplace behavior. The Centre oversaw development of a code that complemented other programs Omar was implementing to improve overall client service. It appeared to significantly help transform the staff's responsiveness from its former bureaucratic approach. A survey in summer 2002 revealed a huge jump in customer satisfaction to 80% from very low previous levels.

However, CCI's progress—and that of the Gulf Centre's business-sector consulting efforts in general—seemed to begin and end there. CCI never followed through with a monitoring or compliance process, and Omar admits, instead of a becoming a model for other organizations to adopt ethics practices, the Chamber is seen as "an isolated island." The CCI experience, like that of the MOH, failed to provide the example that Zalami hoped others would follow. Aside from some indirect input into the development of a company-wide ethics code at the Kanoo Group, a large diversified family-run company, the Gulf Centre has yet to secure any further consulting clients. Zalami has held discussions about next steps with numerous organizations, mostly through contact from the successful awareness seminars, but none has made further commitments. Among them are such diverse entities as the Abu Dhabi Islamic Bank, the UAE Air Force, Etisalat and the Abu Dhabi Water and Electric Authority.

Many reasons are apparent for the reluctance to commit to ethical training. Some companies and workers were indignant toward the Centre's exhortations to implement workplace standards, inferring that they, as good Muslims, weren't already ethical individuals. Even with the backing of CCI's Omar, he says, "our people were negative at first toward the whole concept." The Centre's message must be delivered on a very selective basis, he learned: "It's not just anyone who'll receive it the way it's intended." More important, as government-controlled entities, neither the MOH nor CCI could demonstrate benefits of their programs that warranted the costs and other challenges by for-profit businesses in highly competitive industries. And without legal or regulatory imperatives compelling them, UAE organizations could always find other management priorities in an increasingly cutthroat marketplace.

Cultural factors are also steep hurdles to overcome, including such business traditions as waasta (pulling strings for personal gains) and bakshish (financial inducements to win business). As a practical matter, many UAE companies simply don't provide much management training at all, let alone on such seemingly ephemeral issues as ethics, because worker turnover among the expatriate workforce is so high, even at senior levels. So for any manager other than top executives to push a difficult agenda like workplace ethics is simply too great of a career risk in a society that heavily defers to authority. But among all the reasons for slow progress, Zalami boils it down to a simple truth: "It's very hard to quantify the value of something that users aren't even aware they need."

Even those aware of the need are a hard sell. Consider the case of the Al Muhairy Group. The 4,000-employee, family-run construction and trading company is an unlikely advocate of ethical standards. By his own admission, Deputy General Manager Saeed Mubarak Al Muhairy says the construction industry is the most unprincipled in the UAE, responsible for the deaths of untold low-cost Asian laborers each year due to disasters from shoddy materials and other cost-saving tactics of unscrupulous contractors. But Al Muhairy and two colleagues have regularly attended Gulf Centre events, and even joined Zalami on sales calls to pitch the Centre's programs to other firms, to show support for its message. "Ethics are missing in our industry and driving margins lower," he says. "We need standards to prepare for more advanced competition in the open market. The Centre is doing very important work." Yet, when asked if his own company would undergo ethics training or institute a formal code of conduct, the young scion demurs. "What good will it do if I start applying standards and my competitors don't? All it does is add to my costs," he says. As commendable as the MOH and CCI programs have been, he adds, they don't provide enough rationale for him to recommend training for his company at this time.

Other attempts to build a base of support in the business sector have proved as promising as the Centre's consulting efforts—then fallen equally flat. The Gulf Centre Fellows Program, modeled after a US offering of the Ethics Resource Center, convened in June 1999 in Abu Dhabi and a year later in Dubai. Designed to bring together business leaders and academics in a free exchange of thinking and strategies on ethics, the Fellows attracted about 30 companies over time—a mix of multinational corporations (Sikorski, United Technologies, Federal Express, Honeywell, Lockheed Martin, Lucent, and of course Merck) and homegrown players (Al Muhairy, the Al Tamimi law firm, the Abu Dhabi Chamber of Commerce and World Trade Center, the Al Fahim family group of oil/gas and transportation ventures). Membership turnover was heavy—only a dozen or so participants attended any of the half-dozen meetings over three years. But by Arab standards, says Viviane Zabbal of the WTC, initial participation was actually impressive. Fellows discussed issues of ethical leadership and mutual

Table 7
Private-Sector Reasons for Not Committing to Ethical Training

BUSINESS	CULTURAL
• Thin awareness of fundamental concepts of organizational ethics • Tenuous financial justification for adopting codes of conduct • Low propensity for organizations to offer any non-skill-specific training due to high workforce turnover • Few legal or regulatory imperatives to compel ethical conduct • MOH an inappropriate model for competitive industries	• Confusion over Islamic v. Western context for discussion of ethics • Embedded societal traditions such as bakshish and waasta • Society's deference to authority precludes individual initiative to assume cause of ethics

frustrations, such as the lack of transparency in the UAE defense procurement process. The group's sole tangible result was the commission of an academic study, by Professor Lewis Tucker of the American University of Sharjah, on the status of professional ethics in the UAE. Patterned on an ERC survey in the US, it provided good fodder for discussion about the similarities between Islamic and Western ethical principles. "We actually discovered we had something in common that should be promoted," says fellow Mohamed Rasheed, managing director of Gulf operations for UTC's Otis Elevator Co.

But the initial enthusiasm for Fellows rapidly petered out. Despite Zalami's tireless efforts to solicit participation, it became a struggle to determine an agenda. Some members' motivation for attending turned out not to be aligned with the program—some MNCs were there merely as window-dressing for management back home, others out of obligation to the early participation of the UAE Offsets Group, an influential benefactor of lucrative investments in the defense industry. Only the locals, ironically, seemed genuinely driven to learn more about organizational ethics. And with no promotional budget, Tucker's study, he says, wasn't leveraged in the way it could have been to promote the Centre's activities. In hindsight, Zalami blames reliance on academic research in the region to drive member interest—a feature of the US Fellows model that turned out to be flawed for the UAE, since Arab academics generally conduct very little field research. Stung by the Centre's earlier history, at least one member, the Offsets Group, pulled out when its senior officer refused to pay dues because of political ties to the Centre's original host, who remained spiteful over their fallout. Whatever the reason, the group eventually lost direction as Zalami had his hands full with other efforts. As the value faded, payment of dues fell off in the second and third years.

Al Muhairy and others insist what's needed to drive the Centre's efforts in the UAE private sector is a compulsory program on a national scale, similar to the ISO 9000 standard for quality compliance. Unlike in the US, where the chemical, defense and other industries have self-policed themselves into relatively responsible behavior—mainly to avoid government regulations, "nothing can happen in the UAE on a grassroots or private-industry basis," says Peter Eident, a American senior manager with the Offsets Group in Abu Dhabi. "It has to be ordered from the top down." The Fellows Program, he argues, might have been more effective had it re-channeled its mission to develop a model of ethical standards tailored to the Arab culture, then enlisted the Centre's powerful connections with leaders like Sheikh Nahayan to drive participation.

The Effects of Seeding

The flagging Fellows program and meager consulting portfolio notwithstanding, the underlying impact of the Centre's patient efforts may be greater than those results might suggest. It held three well-attended business ethics conferences in 1999 and 2000, of roughly 200 to 400 attendees each. All three enjoyed credibility for their serious substance and notoriety for an impressive speaker roster—unusual for the glut of mostly superficial conferences in the UAE driven by government agenda. Both local and international sponsors pitched in, from the Abu Dhabi Chamber of Commerce & Industry and the independent Bahrain Training Institute, to the Business Software Alliance and ABB. International speakers, from the likes of the World Bank and the Securities and Exchange Commission, Microsoft, Siemens, Saudi Aramco and the OECD, gave particular weight to the events. Media coverage of the November 2000 Conference on Cyber Ethics in Dubai—the only one tracked by an outside service—was far above the UAE average. The event was covered in 22 separate print articles totaling circulation of more than 2 million, with readership of more than 8.3 million—and a large exposure in Saudi Arabia, Jordan, Egypt and Lebanon. A further 57 million impressions (pages downloaded) were generated on the Web.

The conferences' success was due largely to Zalami's flair for building coalitions of institutional and corporate backers, and a keen marketing sense. In his effort to target Dubai's all-important business sector, for example, he organized the Cyber Ethics conference specifically to appeal to the local government's initiative at the time to build its base of Internet technology companies. As a result, he won the essential endorsements of the Dubai Chamber of Commerce and the powerful crown prince of Dubai. With no promotional budget to build attendance, Zalami also wooed influential backers such as Microsoft by putting subject matter important to them on the agenda. Microsoft, in turn, opened up its company Rolodex, directly soliciting some 100 attendees, while its message about respect for intellectual property rights was successfully conveyed to the entire Gulf region by the conference press. "This forum was unique in the way it discussed piracy for the first time as an ethical rather than a criminal matter," says Ashok Sharma, Microsoft's manager for emerging enterprises in the Middle East. "It was a very commendable effort."

From the conferences and awareness seminars to the Fellows program, the Centre's cumulative efforts to seed its message have begun to bear some fruit—if only, so far, in attitudes toward workplace ethics. In one anecdotal sign, the Dubai Police Department held its own cyber-crimes conference shortly after the Centre's event. Unexpectedly, its agenda included issues of privacy and integrity that went beyond considerations of fighting crime. Before then, ethics had been discussed publicly only in terms of religion and morality, not as societal behavior or business practices.

More important, diverse business and other leaders exposed to the Centre's programs have begun to articulate the value of workplace ethics in the context of their own organizations. With concerns mounting about money laundering, for instance, the Abu Dhabi Islamic Bank has required employees to sign oaths of ethical behavior. "But it has no meaning unless people are taught what that means," admits chief executive officer Abdul Malik, who hosted one awareness seminar from the Centre and says he welcomes more. "We must develop the values of our business," he says. In the UAE Air Force, where management is grappling to instill a culture that fosters loyalty and honorable conduct, training director Col. Ali Nasser acknowledges the importance of uncovering fraud and other code violations—"the weak links that can destroy a system," he says. "When you respect ethical rules, you get results. The Centre can help us shape leadership and promote a healthy organization." Such pronouncements would have been extraordinary only a few years ago. Zalami rightfully takes some credit for the progress: "We've helped change the context of ethics and legitimized the dialog beyond religion."

Shortcomings

For all of the good will it generated, the Centre failed to make much financial headway at building a sustainable institution. After five years of operation, the Centre counted only two formal consulting contracts and overall contact, through awareness seminars and training workshops, with some 40 organizations. Perhaps half of those paid some fee. Only about 30 percent of the Centre's $250,000 operating costs were covered by service fees and non-Merck grants in 2002—not counting the March bio-ethics conference paid for by the MOH, nor Zalami's own salary covered by the ERC—far short of Zalami's target of 70 percent. On that basis, even he admits the Centre would be hard-pressed to continue without more local support. "Alex has built very good network in the community to raise awareness," says Omar of the Abu Dhabi Chamber, "but the level of commitment, including financial support, is not as great as expected." Why, with the political backing and attitudinal breakthroughs it achieved, couldn't the Centre gain a stronger financial footing?

Many reasons are apparent for the shortcomings. For one, the parallel goals of building the MOH ethics program in Abu Dhabi while penetrating the broader private sector, centered in Dubai, were daunting enough for the thinly manned Centre staff. But a fierce, long-time rivalry between the two emirates, only an hour apart by car, made it nearly impossible politically to appeal to the business community. Zalami remembers the Dubai Chamber of Commerce's initial quip to his pitch for sponsorship of the Dubai Cyber Ethics conference: "How can we?

You're based in Abu Dhabi, not Dubai." Yet, with the Centre's primary allegiance to Merck's interests at the MOH, Zalami was obligated to maintain the base in Abu Dhabi where, except for MOH officials, the establishment was less than supportive. That reality hobbled the Centre's appeal to Dubai, costing time in achieving broader impact among private businesses.

Another reason for slow progress was the Centre's failure to build a deeper management and consulting bench locally. With Zalami the only professional on the ground fulltime, the Centre was essentially a one-man operation with limited capacity to follow up on leads and generate new ones. Although he attempted to hire two training consultants, neither worked out, and discussions with numerous organizations about the Centre's services went nowhere. He wrote them off as "false starts." Yet executives at some of those, and virtually every organization contacted for this report—the UAE Air Force, the Abu Dhabi Islamic Bank, Emirates Financial Services, Microsoft and United Technologies, to name a few—spoke highly of the Centre and welcomed more involvement with it, even if they hadn't followed through on earlier contacts. Indeed, the personnel resources required to convert such expressions of interest to contractual relationships would be high in any market, but the Arabic preoccupation with personal relationships raises the requirements to extraordinary levels—a demand the Centre may have underestimated. "The message needs to be constant and rigorous to make an impact," says Suresh Kumar, general manager of investment banking for Emirates Financial Services, the fourth-largest UAE bank. More to the point: In a high-maintenance culture that depends heavily on personal trust, vesting responsibility for the Centre's development in a single individual—no matter how talented—put its future at risk had a new sponsor not stepped up to carry on.

Other tactics may have yielded better results. Early on, Daigneault and Taylor attempted to form a board of directors of influential business and community leaders who could help drive wider participation, but Sheikh Nahayan—still uncertain of their motives—rejected the idea. Daigneault also regrets not soliciting a more diversified funding base beyond Merck, if only to buy the Centre more time to gain its financial footing. However, other partners, who could also have widened the base of support, were never seriously considered at the time. As the first effort of its kind, Taylor says, "we had nothing beyond a concept to sell partners on." Later Merck-supported ethics centers in South Africa, Colombia and Turkey learned these lessons and initiated local boards of directors or consortia of partners from the beginning.

In the end, the paramount ingredient lacking in the Gulf Centre's recipe for success was sheer power to compel public attitude and action. As Centre personnel came to learn, UAE society responds to new ideas in very prescribed ways—usually through official mandates from leaders with clear authority. Without that authority, the Centre's grassroots approach of selling organizations one at a time was ultimately at odds with the culture. Despite its connection to Sheikh Nahayan, the Centre never secured a patron with both motivation and power to command wide attention for its message. (Some observers believe

Table 8
Reasons for Shortcomings in Building Financial Sustainability

1. Cultural/business reluctance of organizations to commit to training yielded few fee-paying clients
2. Political rivalry between emirates hobbled effort to penetrate Dubai private sector from Abu Dhabi
3. Low priority on developing Centre's local staff meant limited capacity to capitalize on opportunities
4. Lack of board of directors, blocked by authorities, precluded building deeper roots into society
5. Failure to solicit a diversified funding base limited time and base of support
6. Lack of political authority with both motivation and power to compel public support of ethics

that the Centre's falling out with its original host, a protégé of Nahayan, seriously weakened the support he could have given the Centre.) With time and money running out, Zalami scrambled to shore up his power base, and finally found the ideal benefactor in Sheikh Mohammed Bin Rashid Al Maktoum, Crown Prince of Dubai.

The Future in Dubai

By March 2001, it was clear to Zalami that the Centre's rate of growth, as well as Merck's patience and funding, were not sufficient to see it through to self-supporting independence. With his own contract due to end the following year, he began searching for a credible national partner that could help foster further awareness and broaden support through an influential advisory board. Several overtures, including to the Dubai Chamber of Commerce and a think-tank run by President Zayed's son, proved futile. Promises of Jaffar to find a local patron that would keep the Centre in Abu Dhabi also fell flat. Then, in April 2002, Zalami sent a personal letter to Mohamed Gogawi, the newly appointed director of the Dubai Executive Office. His timing was exquisite.

The DEO, barely a year old, was set up by the crown prince, Sheikh Mohammed, as an incubator of new organizations designed to support the emirate's economic development. Compared to oil-rich Abu Dhabi, Dubai had been aggressively diversifying its economy for more than a decade to compensate for its dwindling reserves. Long perceived as operating on the edge of acceptability by Western standards, its image was tarnished by the influx of Russian mafia in the early 1990s, and it has been battling a steady stream of money-laundering operations ever since. Gogawi, an energetic lieutenant of the Sheikh, who had previously run several successful ventures including the Internet City development, was keen to grab the Centre for Dubai. Two months after the letter to Gogawi, the Centre had an agreement for the DEO to assume its operations and mission, which it did in October 2002.

Zalami's timing was propitious for other obvious reasons. By mid-2002, the Enron debacle and other corporate scandals in the US were heating up and calling into question the advisability of a US company-funded effort to preach Western business ethics around the world. Deteriorating Arab-American relations after Sept. 11 was another good reason to seek a local owner, not to mention the crackdown by the US Food and Drug Administration on the marketing ethics of domestic pharmaceutical manufacturers. What's more, the highly visible privatization of three UAE military hospitals to a US company in 2001 ended in financial scandal, giving American management another black eye. Zalami says these events had little if any impact on the Centre's operations through 2002, but the undercurrents were bound to intensify. "Five years ago the US was a beacon of ethical conduct, but the scandals have changed the context of the Centre's mission," observes Peter Eident of the Offsets Group.

As a tool of the Dubai government, the DEO deal was not exactly the future Merck and the ERC had contemplated for the Gulf Centre. One critical caveat is the impact the Centre's move to Dubai will have on relations with the Ministry of Health, on progress with its ethics program, and particularly on Merck's rapport with officials. Given the two emirates' bitter rivalry, the move is seen by many as a snub to Abu Dhabi. Sensitive to alienating Jaffar and undoing the considerable good will built up for Merck, the Centre agreed to maintain a representative office there, although support will likely be thin. MOH undersecretary Abdul Ghaffar says he prefers the Centre remained in Abu Dhabi but understands and accepts the move. However, close observers say officials culturally would never openly admit otherwise. Predicts Husan Hourani of the Al Tamimi law firm: "Relations between the Centre and the MOH will gradually recede." MSD's Fakhoury is confident that his improved relations with decision-makers are secure either way.

On the whole, the benefits of association with the DEO appear to strongly outweigh the potential damage. The DEO's intent to eventually spin off all of its wards as independent entities, along with the Centre's own credibility, will help to protect it against potential conflicts of interest with the Dubai government. Moreover, the Centre could not have imagined a patron whose motivations, not to mention sheer political clout, were more aligned with its own. Unlike Abu Dhabi, where a number of politically rivaling sheikhs make decision-making a contentious process, Sheikh Mohammed is Dubai's clear ruler with political authority beyond question. For instance, he single-handedly launched a campaign to engage Dubai businesses in Total Quality Management and ISO 9000 certification in the 1990s, which resulted in marked improvement in the emirate's overall manufacturing and service quality. In Abu Dhabi, by contrast, a private-sector committee set up to drive TQM couldn't even get a royal to promote it.

Importantly for the Centre, Mohammed has shown himself to be dead serious against corruption. In early 2002, for example, Mohammed had arrested the head of Dubai's customs and port authority—a close friend and member of his inner circle—for accepting bribes from trading companies; the chief was sentenced to12 years in prison. A few months earlier, the sheikh personally made early-morning raids on the offices of a number of political appointees and fired them for running side businesses on government time. Equally electric has been the result of Mohammed's attempts to stamp out software piracy. Since 1994, when he allowed the Business Software Alliance to start putting the photos of handcuffed offenders in Dubai newspapers, the piracy rate in the UAE has dropped dramatically from 95% to 41% in 2002. As a portent for the Gulf Centre, nearly everyone agrees: "The political authority of Mohammed will give the Centre a huge boost," predicts Ashok Sharma of Microsoft. Under Mohammed's very visible hand in Dubai, adds Bassem Awadeh of City Pharmacy, "the Centre will affect business in the whole Middle East."

The DEO's clout is already at work to enlarge the Centre's mission throughout the region, renaming it the Arab Ethics Center—with Dubai positioned to benefit as its host. At the Dubai Strategy Forum, a gathering of leaders billed as the "Davos" of the Arab world in October, the Centre had its coming-out as the presenter of a session on corporate governance. More prominently, in October 2003 the Centre, leveraging the DEO's convening authority, will anchor the Middle East contingent to the Global Forum on Corporate Governance, a World Bank and OECD initiative that seeks regional input into global standards of governance. Initiated by Zalami before the DEO offer, he organized a road show in late 2002 of one-day symposia in Amman, Cairo, Casablanca and Beirut to kick off the region's effort. "For the first time the Centre, now with DEO resources, is reaching out to include wide regional participation," Zalami says. "It's also the first time the Arab world will bring a consolidated position to any global forum."

Clearly, the Gulf Centre has emerged virtually overnight in a more secure position than ever. Whatever the shortcomings of the first five years, its accomplishments were enough to attract the DEO's attention, bringing it closer to financial sustainability than it's ever been. Indeed, the DEO's plans get even more ambitious. With a doubling of its professional staff, to a director and two fulltime consultants, and continued support from the ERC, the Centre's new business plan aims to launch a dozen training seminars and workshops, and four new publications in the next year. It also expects to secure five consulting assignments per year and 200 dues-paying corporate members, allowing the Centre to operate at break-even by 2004. Help will come in large part from a preeminent board of a dozen regional and international directors. Offers are already out to the likes of the national telecom operators of Saudi Arabia and Jordan, Qatar Airways, Shell, British Petroleum and, of course, Merck—each of which the DEO expects to charge $50,000 a year for the privilege. "Association with the cause of ethics in this part of the world is an attractive thing," says Nabil Ali Alyousuf, director of corporate planning at the DEO. "The Centre just needed a strategic partner behind it to form a powerful board, to spread the word, to raise funds, and to be seen in the media."

Conclusions

In the depth and delicacy of the change it has sought, the Gulf Centre for Excellence in Ethics is a landmark case in the realm of international corporate social responsibility. As the pioneer in the region for organizational ethics, the Centre's initial chief task was, and continues to be, convincing businesses and governments of the value in codifying and complying with formal codes of ethical conduct. While UAE political leaders accepted that message for what it could do for their long-term development ambitions, the need was hardly apparent at the ground level among company managers and public servants. To offer a service whose need is largely unrecognized by the target community is a daunting challenge, especially for a company like Merck whose past corporate social responsibility programs have been instantly and wildly appreciated by their recipients. In contrast to its drug donation programs in Africa and Latin America, for instance, the Gulf Centre's ethics mission has required extreme patience and faith just to be recognized by its intended beneficiaries. In that respect, the attitudinal acceptance of workplace ethics by a cross-section of Centre adherents is a significant triumph, and Merck's steadfast commitment to seeing it through demonstrates the long-term orientation often required to achieve fundamental societal change.

Table 9
Cause for Optimism in Dubai

1. Dubai unquestionably has economic and political motivation to pursue ethical environment
2. Crown Prince Mohammed is strongly anti-corruption, and has enforcement authority
3. Dubai Executive Office has regional convening authority to maximize exposure for ethics
4. DEO's financial and political resources improve staffing and fund-raising prospects
5. Promised spin-off of Centre assures independence and freedom from conflicts of interest

The result on Merck's reputation appears to have been well worth the effort. MSD's Fakhoury believes he has considerably better access to MOH officials and to the broader UAE medical community. "We feel Merck is seen differently from other companies at the management level—not as just another company wanting to sell products, but as a partner to help find solutions to problems," he says. "The Centre has helped create this image." Dr. Basil Badir, a senior MOH administrator close to the ethics program, praises Merck's support of the Centre but adroitly stops short of suggesting closer ties to the company as a result. The ministry's actions, however, may speak louder than his words. In early 2002 MOH officials began accepting counsel and research from MSD, at the company's initiative, on broad health care reforms—especially the role of innovative medicines. "They wouldn't accept this kind of help from other pharmas," Fakhoury believes. Awadeh of City Pharmacy, who also represents many of Merck's competitors, agrees that the Centre has improved Merck's image as "a very good company for the country."

Ironically, Merck was able to gain such trust by keeping a low profile at the Centre. The company allowed use of its logo on Centre events that it underwrote, and attended conference organizing meetings and activities of the Fellows program. But despite calls from some insiders to use its support of the Centre to gain greater advantage with the MOH, MSD never sought any quid pro quo in commercial terms, Zalami says. As a result, the Centre was able to maintain its non-profit image—even as it helped improve the commercial environment—and thus secured the trust of decision-makers and practitioners alike. "We deal with lots of companies, and they all want to 'give' us something in return for something—especially if they think we can influence decisions," says a senior MOH nursing administrator. But with the ethics code project, I didn't see anything like that from Merck, other than a desire to support the health care industry in the UAE. I feel very positive toward them." Merck maintained such a low profile, in fact, that many of the Centre's biggest local supporters had no idea of its role—sometimes identified only as an "overseas sponsor." The mystery sometimes created suspicions, given the ERC's base in Washington, that the US government, perhaps even the CIA, was behind it. The situation posed a conundrum: Should the company advertise its role widely to gain public credit for its deeds, risking the appearance of a commercial agenda, or keep a low profile and protect the Centre's non-profit mission? On balance, Merck appeared to err wisely on the side of the latter.

In that way and others, the Centre is an example of the kind of enlightened engagement required of American companies to transcend some of today's most vexing challenges of globalization. Just as Merck refrained from seeking direct influence at the MOH, the Centre was careful not to overtly impose Western standards on its audiences. It has had to strike a delicate duality in its messages to public conferences, awareness seminars and private consulting clients: "Find your own values and live by the standards you set," it has advocated in essence, "but also be cognizant of what Western partners expect of you." Bridging the gap between those frequently divergent sets of standards is a fundamental challenge for all emerging markets in a global economy, and the Centre's efforts have demonstrated a balanced and realistic approach.

Ultimately, the Centre's successes and shortcomings should be viewed in relation to its original goals:

1. Build awareness and legitimacy for the concept of ethical standards in public and private workplaces.
   - The Centre's continued existence after five years is alone a measure of the political acceptance of its message, in a country and region where the least offense could have resulted in expulsion.
   - Agreement by the Dubai Executive Office to assume future management of the Centre represents a significant endorsement of its mission, with the financial and political clout to back it up.
   - The Centre's five well-attended public conferences, noted for their substance, expert speakers, ad-hoc coalitions of institutional and corporate sponsors, and above-average press coverage, brought considerable credibility and attention to the subject.

- Awareness seminars succeeded in broadly disseminating conceptual underpinnings to corporate, government and academic audiences, but the under-whelming participation at more advanced training workshops indicates widespread reluctance of organizations to commit more deeply so far.
- The ability of numerous leaders to articulate the importance of workplace ethics to their own organizations is strong, if anecdotal evidence of the acceptance of the Centre's message. As MSD's Fakhoury puts it: "The Centre has raised ethics in the UAE from a conviction of religious principle to a matter of behavior in daily life."
- Ajman University of Science & Technology intends to launch the school's first business ethics course in 2003—perhaps the first in the country.
- For all of its progress, the scale of the Centre's impact was limited to contact, through its various activities other than public conferences, to only about 40 organizations.

2. Promote behavioral change in ethical conduct in UAE workplaces, starting with a "level playing field" in which to sell Merck's products.
   - If implemented, the pending National BioEthics Commission—one of many recommendations to emerge from Centre conferences—would be a major step toward institutionalizing ethical self-regulation in the health care sector.
   - The Centre's ethics code work for the Ministry of Health, among other pressures, has helped induce officials to be more insistent on ethical conduct. Anecdotal signs of such changes in the health care procurement process include: official reversal of unethical contract awards, less extortion by MOH personnel, increased law enforcement, the first quality-based competition for ethical drug contracts, and new legislation against drug patent infringements.
   - The Centre succeeded in motivating the MOH staff to speak openly for the first time about ethical concerns, in both health care and beyond, and press internally for procedural changes.
   - The MOH code of ethics has apparently encouraged UAE medical staff to educate patients more thoroughly about their rights of consent, and to record patient treatments more accurately—the first step in auditing care quality.
   - However, implementation of ethical compliance procedures at the MOH, the Centre's most advanced work to date, is incomplete, and critical processes continue to be perceived as unfair and opaque.
   - Beyond health care, only one organization, the Abu Dhabi Chamber of Commerce & Industry, formally contracted with the Centre for development of an ethics code. Officials say it was one factor in improving the chamber's satisfaction levels with clients, although implementation—not part of the Centre's contract—was incomplete.

3. Develop a code of ethics and compliance procedures for the UAE health care system that could also serve as a model for expansion into other public and private sectors.

- A code of ethics for five medical disciplines was successfully and efficiently completed, and distributed to UAE Ministry of Health personnel.
- Compliance procedures have yet to be implemented, and will likely depend heavily on the successful formation of the pending National BioEthics Commission.
- The MOH ethics program has stimulated inquiries, though no formal action so far, from a few other UAE government agencies including the Air Force and ministries of defense and commerce, as well as the Bahrain Ministry of Labor.
- The MOH program was misjudged as an appropriate model for the private sector. As a government-controlled entity, it could not demonstrate benefits that would warrant highly competitive industries to assume the associated costs and other management challenges of a full-fledged ethics program.

4. Become financially self-sustaining within a limited timeframe.
   - In 2002, with only 30 percent of operating costs covered by service fees and grants outside of Merck's contributions, the Centre's financial performance was seriously under target. Merck alone has supported the Centre for the seven years since inception—at least twice as long as it initially expected.
   - However, the focus on finding a powerful long-term benefactor, which largely diverted efforts from raising current operating expenses, paid off with the commitment of the Dubai Executive Office to operate the Centre going forward. Its financial and political clout appears to offer the means to self-sustainability that Merck originally sought.

5. Enhance Merck's reputation as a company committed to positive change in its communities.
   - The company is widely believed to enjoy stronger relationships with MOH decision-makers and key practitioners as a result of the Centre. As evidence, the ministry has since accepted Merck's input on other health care policies—an unusual role in the UAE for a pharmaceutical vendor.
   - Public awareness of Merck's role behind the Centre has intentionally been limited to a relatively small circle of health care and political leaders, in an effort to safeguard the Centre's non-profit image. As a result, Merck has not gained much rapport with the average medical practitioner. Those leaders in the know, however, have been positively impressed, even if they remain somewhat confounded by Merck's motives: "I can't tell why Merck has done this—for marketing purposes or genuine interest in our regional development," says Alyousuf of the Dubai Executive Office. "Whatever the reason, it's noble and important. Others here have noted Merck's participation."
   - Merck's role behind the Centre, and its pioneering ethics code and landmark bio-ethics conference, was looked upon favorably to influential leaders at the World Health Organization and other international medical luminaries who participated in Centre activities.

6. Enhance the UAE's reputation among neighboring states in the Arabian Gulf, and in the eyes of global corporations as a regional business center.
   - The WHO's formal recognition of the MOH code of ethics as an exemplary model for the region was received in Abu Dhabi as a badge of honor.
   - The WHO also endorsed the Centre's 2002 bio-ethics conference, as well as its broad-reaching recommendations, as a "world-class event." Participation by preeminent bio-ethicists from around the world, says WHO's former chief ethicist Daniel Wikler, "put the UAE on the map" as the regional leader in the field.
   - Beyond the medical community, no direct evidence exists yet of the Centre's impact on the country's reputation. However, Alyousuf of the DEO clearly anticipates that the Centre will help to make the UAE a more "ethical place to do business," and thus attract both direct foreign investment and regional facilities of multinational corporations.

7. Expand impact of the ethics message beyond the UAE to other Gulf states.
   - As one result of the Centre's 2002 medical ethics conference, UAE officials intended to submit a proposal for a pan-Arab bio-ethics commission, mirroring their pending national program, at the January 2003 meeting of the Gulf Cooperation Council. The move is heartily endorsed by the WHO.
   - Although no formal accounting has been kept, the Centre's five conferences have included participation by numerous attendees and speakers from other Gulf and Arab states including Bahrain, Morocco, Saudi Arabia, Kuwait, Egypt, Pakistan and Yemen.
   - Jordan and Morocco are separately said to be investigating ethics centers of their own and have asked the Gulf Centre and ERC for input.
   - In its first formal appeal to the wider region, the Centre initiated organization of an Arab-wide contingent to the Global Forum on Corporate Governance, to be held in April 2003. Notably, it is said to be the first united Arab effort at any global summit.
   - Officials of the WHO and the UAE have publicly committed to sharing the MOH's pioneering work with other states to develop health care ethics programs there, under the auspices of the Gulf Cooperation Council and the Arab League. However, no formal efforts to undertake that work so far are evident.
   - The Bahrain Ministry of Labor initiated discussions about an ethics training alliance between the Centre and the independent Bahrain Training Institute, but no further progress has been reported.

Table 10

Major Accomplishments and Shortcomings

ACCOMPLISHMENTS	SHORTCOMINGS
• Dubai support secures sustainable future • Public conferences/seminars yield limited but meaningful conceptual awareness • Successful ethics code for Health ministry • Tangible changes in MOH's attitude toward—and anecdotal but noteworthy evidence of—ethical behavior • Pending National BioEthics Commission would support ethical self-regulation in health care • Enhanced rapport between Merck and small circle of MOH and political leaders • UAE seen as regional leader in bio-ethics • An institutional model, parts of which have since been adapted to other countries	• Business/cultural misgivings severely limit take-up of formal codes of conduct and fee-paying clients • Financial targets unmet, requiring support from Merck longer than first anticipated • MOH code compliance procedures are incomplete; unfair practices and fear of reprisal remain • Lack of meaningful model code of conduct for private sector to emulate • Little exposure for Merck to general practitioners and public • Failure to capitalize on enthusiasm generated in early efforts by limited local management/consulting resources

ERC consultant Frank Navran summarizes the scorecard succinctly:

"At this point, we haven't reached critical mass to the point that UAE organizations are taking off with ethics program developments on their own. But our strategy was to legitimize the dialog about workplace ethics, to develop a climate where we could demystify and detoxify the subject. That has worked very well: Almost every college in the country had us in to talk to students and faculties. A tremendous number of people heard the message across all sectors of the society. We made footsteps, if not leaps; I can't say we achieved a miracle. But it was definitely the right approach. We now have a Middle East center promoting workplace ethics, and thousands of individuals in dozens of organizations eager to hear what we've had to tell them."

As Merck and the ERC would have it, the future now lies with local interests, at the Dubai Executive Office and its colleagues throughout the Gulf, to build on that groundwork.

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