Dimensions of Ethical Business Cultures: Comparing Data from 13 countries of Europe, Asia, and the Americas

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Abstract

This paper reports the results of a survey-based study of perceptions of ethical business practices in 13 countries of Europe, Asia, and the Americas. Responses from more than 23,000 managers and employees were analyzed using multivariate analysis of variance and post-hoc comparisons, aimed at identifying homogenous sets of countries. Anglo-Saxon countries (US, UK, Australia, and Canada) clustered together, and were joined by India in most cases. Japan and Italy formed a significantly different from all other countries homogenous subset, while countries of continental Europe, China, Mexico, and Brazil tended to form various mid-range clusters, different from the above two groupings. The paper discusses some salient differences between country groupings, and presents implications for HRD practice and further research.

Key Words: Ethical business culture; business ethics; HRD; cross-cultural research

Study Background and Goals

Research suggests that ethical or unethical behavior in business organizations is a function of both individual characteristics and contextual factors, and among these factors, organizational culture is one of the key influences (Meyers, 2004; Frederick, 1995; Trevino & Nelson, 2004). Research by Trevino et al. (1999) showed that in the United States (US) ethical business organizations have, as a rule, clearly communicated ethics guidelines or codes of ethics. They have incentive systems that are clearly tied to ethical behavior, and promote the achievement of both economic outcomes and non-economic goals (Trevino & Weaver, 2001). According to Gabler (2006), employees of an ethical business have “a sense of responsibility and accountability for their actions and for the actions of others ... and freely raise issues and concerns without fear of retaliation” (p. 339). In such businesses “Managers model the behaviors they demand of others; and ...communicate the importance of integrity when making difficult decisions.” (Gabler, 2006, p. 339).

But are the practices, perceived as contributing to the creation of ethical business cultures, the same around the world? Numerous international studies of business ethics were conducted in the last two decades (e.g., Helin & Sandstrom, 2008; Robertson, Gilley, & Street, 2003; Robertson, Olson, Gilley, & Bao, 2008). Some of these studies focused on the impact of cultural values on business ethics in companies from various
countries of Asia, North America, and Europe (e.g., Cheung & Chan, 2005; Husted & Allen, 2008; Ip, 2003; Jackson, 2001; Jeffrey, Dilla, & Weatherholt, 2004; Pucetaite & Lamsa, 2008; Rees & Miazhevich, 2008). However, most of the extant studies focused on a limited number of practices and behaviors (e.g., ethical decision making or ethical leadership), and were conducted, as a rule, in a small number of countries. To our knowledge, none of the studies attempted to compare ethical business practices in a large group of companies from a culturally and economically diverse sample of countries of the world. In this paper we explore whether business practices, related to ethical behavior, are similar or different in business organizations from thirteen countries and three different continents. The countries in our study represent a diverse sample of cultures, levels of economic development, and socio-political systems. In this exploratory study, we were not formulating and testing specific hypotheses. Rather, we were interested in finding the evidence of either convergence or divergence of ethical business practices, and identifying specific practices which contribute the most to country (regional) differences and/or similarities.

Literature Review

The relevant literature was identified through a search of multiple online databases, available at the library of a large public US research university. The majority of identified articles focused on the US and UK, followed by a significantly smaller group of publications on countries of continental Europe, Russia, Canada, and Australia, and still smaller number of articles on countries of Eastern Europe, Asia, and Latin America. The only exception to this trend was a large number of articles on Chinese business ethics. Thus, Chan, Ip & Lam (2008) found 90 articles on business ethics in China, published during the decade of 1998-2008 in the Journal of Business Ethics alone. In the remainder of this section, we will discuss some of the differences between ethical business practices, identified in the following clusters of countries represented in our study: the Anglo-Saxon cluster; China (including Hong Kong); Japan, India, Countries of Continental Western Europe; and Latin America.

The Anglo-Saxon Cluster (including the US, Canada, Australia, and the UK). These countries are often grouped together for the purpose of cross-cultural comparison, since they share cultural heritage and are, in general, rather close to each other on various cultural dimension scales. Thus, Jackson (2001), in his 10-country study of ethical beliefs of managers grouped countries of origin along two dimensions of Hofstede’s model: individualism-collectivism and uncertainty avoidance. In Jackson’s study, the USA, Australia, and the UK were representing one cluster (high individualism, low uncertainty avoidance). Our review suggests that in countries of this cluster ethical business cultures are based on the alignment between formal structures, processes, policies, formal training and development programs, and consistent value-based ethical behavior of top leadership. Personal moral development and authentic behavior of leaders is perceived as an important factor in creating ethical culture of an organization. Significant attention is paid to the development and enforcement of codes of ethics and formal compliance programs. There is a strong emphasis on the development of ethics-based mission and value statements, and the alignment of corporate values with all
other elements of the culture and day-to-day operations of the organization (Ardichvili & Jondle, 2009; Meyers, 2004; Frederick, 1995; Trevino & Nelson, 2004).

China (including Hong Kong). Many of the reviewed articles suggest that current Chinese business ethics practices are strongly influenced by Confucianism. For example, Ip (2003), discussing the role of ethics in a fast growing Chinese business venture, showed that the organization’s Chief Executive Officer (CEO) has used such Confucian values, as Ren, I, Li, Chi (Compassion, Appropriateness, Norms, and Wisdom) to deliberately develop a corporate culture with uniquely Chinese characteristics (p. 68). Similarly, Cheung and Chan (2005) found that CEOs of five Hong Kong companies displayed leadership approaches, based on Confucian principles of “benevolence, harmony, learning, loyalty, righteousness, and humility.” (p. 47). Koehn (2001) emphasized the central importance of the Confucian moral principle of trustworthiness. Koehn provided specific examples from business practice, suggesting that, in keeping with Confucian principles, Chinese business people rely less on formal contracts, and prefer to rely on individual informal agreements and personal assessment of trustworthiness of business partners.

In addition, two concepts and practices - Guanzi and mianzi (face) are often perceived as interrelated and grounded in the Confucian value system (Ang & Leong, 2000). Chatterjee & Pearson (2003) define guanzi as “a deep rooted socio-cultural phenomenon which enhances social harmony, maintains correct relationships and addresses the sensitive issue of face, and is a reciprocal obligation to respond for requests for assistance.” (p. 206). Similarly, Koehn (2001) argued that the practice of guanzi is rooted in Confucian concepts of fulfillment of role-base duties, filial piety, and cultivation of reciprocal support relationships between more and less powerful individuals. In summary, our review suggests that ethical concerns in Chinese business organizations revolve around the emphasis on such cultural values as paternalism and collectivism, the lack of emphasis on formal contracts or codes of behavior, and a significant role of informal networks of support, personal assessment of individual’s trustworthiness, leaders’ benevolence, and networks of reciprocal obligation, underlying the practices of guanzi and mianzi.

Japan. Chung, Eichenseher and Taniguchi (2008) compared samples of business students from the US, Japan, China, and Korea, and found that US students place more importance on specific ethical problems in business situations and less emphasis on social harmony. At the same time, these authors pointed out that it would be wrong to expect homogeneity of ethical beliefs among students from the three East Asian countries. Despite the fact that all three countries were profoundly influenced by Confucian ethics, each of them had different development paths and, thus, unique way of incorporating Confucian values in societal systems of beliefs and practices. Chung et al. indicated that Japanese value system stresses the importance of harmony (wa) in contrast with stronger emphasis on benevolence (jin) in Chinese Confucianism. This leads, according to Chung et al., to “greater emphasis on .... ‘situational ethics’ in Japanese society, where emphasis on group harmony largely eliminates the search for absolute values, and in effect, individual responsibility beyond conformity to group norms.” (p. 124). Similarly, Nakano’s study (1997) suggested that Japanese managers tend to be more situational in their ethical decision making than Americans. In addition,
he found that company policies on business ethics are the most important determinant of whether managers will make ethical decisions.

**Countries of Continental Western Europe.** Mele (2008) pointed out that, due to significant cultural-historical differences among countries of Europe, it is impossible to make generalizations about business ethics approaches in Western Europe as a whole. Jackson (2001) classified two countries of continental Europe (France and Germany) as belonging to a different from the US and UK cluster, and as having moderate individualism and high uncertainty avoidance. Crane and Matten (2004) argued that, compared to the US, the continental Europe places less emphasis on corporate codes of ethics, but more emphasis on strengthening the overall legal framework for business conduct. Mele (2008) suggested that these differences are due to the fact that in Europe companies do not receive strong incentives from governments to promote business ethics-related programs, while in the US the Guidelines of the US Sentencing Commission provide reduced fines for violators, who had effective ethics programs in place.

Palazzo (2002) identified a number of areas where US and German business ethics differ. First, German companies were less inclined to introduce formal ethics programs than their US counterparts. Second, German managers tend to be more particularistic in their outlook, and view American business ethics as excessively legalistic. Palazzo pointed out that the US legalistic emphasis on corporate codes of ethics is rooted in the culturally-conditioned belief in procedural justice, and in maintaining a level playing field for all. This view corresponds with what Trompenaars (1997) described as universalism (defined as strong belief that laws and rules apply to all equally, regardless of specific circumstances, which contrasts with particularistic assumption that rules can be interpreted more loosely based on specifics of a situation and the nature of relationships with involved people). Discussing the prevalence of corporate codes of ethics in US corporations, Palazzo pointed out that “This way of dealing with ethical issues within corporations strikes Germans as strange … they feel that this kind of business ethics does not have much to do with ethics at all, since it “only” aims at legal compliance. Ethical behavior goes further than legal behavior…” (p. 203). Palazzo summarized the differences between the US and German views of business ethics the following way: “the German notion of a basically antagonistic relationship of business and morality, the stricter separation of the public and private spheres, the relational understanding of norms and values, the more pessimistic assessment of the human potential for moral improvement… make the introduction and implementation of business ethics programs much more complicated in Germany” (p. 210).

**Latin America (including Brazil and Mexico).** Arruda (1997) provided an analysis of business ethics climate in Latin America, with special emphasis on Brazil and Mexico. She described numerous problems, facing these countries, including: high levels of corruption; low ethical standards in politics (which has direct spill-over effect on business organizations); excessive consumption and materialism, on the one hand, and high levels of poverty, on the other. She also pointed out that there is disconnect between espoused in private domains values of the Roman Catholic Church and business practices.
According to Tanure and Duarte (2005), Brazilian managerial culture is characterized by paternalism, power concentration, and loyalty to one’s in-group and leader. Social ethics is based on the strong preference for social cohesion, which is cemented by loyalty to the group leader. The leader, on the other hand, is responsible for each group member’s well-being. This web of reciprocal obligations could lead to both positive and negative outcomes. On the positive side, it can result in high performance on the part of individual employees if they feel loyalty to the group and the leader; on the other hand, such loyalty is associated with a strong fear of making a damaging to the collective mistake, thus reducing creativity and innovation.

Another cultural trait which plays central role in shaping the Brazilian business culture is flexibility. Flexibility in business reflects a realization that “there is an ‘intermediary path’ between what is and what is not allowed” (Tanure & Duarte, 2005, p. 2206). Search for this intermediary path is conditioned by Brazilian cultural trait of jeitinho. Amado and Brasil (1991) viewed jeitinho “as a hermeneutic key for the Brazilian culture” (p.53). "Jeitinho [is] a special way of managing obstacles in order to find a way out of bureaucracy” (p.48). It is a way to find the middle path between what is allowed by numerous laws and regulations, and what is practically possible and makes sense. Amado and Brasil asserted that jeitinho emerged as an adaptation mechanism which allows individuals and businesses to function despite the rigid and stifling legislative environment, massive bureaucracy, paternalistic management systems, and the oligarchic economic structure, dominated by powerful hereditary clans.

Kingdom of Saudi Arabia. Abbassi et al. (1989) and Saeed et al. (2001) argue that business behavior in Arab countries is governed by the Islamic views, which assume that human behavior in general is governed by innate universal moral values. Marta et al. (2004) assert that “In the Middle East, especially in Egypt and Saudi Arabia, Islam is the major source of the written laws and most of the legal environment surrounding business transactions.” (p. 55). Rice (1999) wrote that in the Middle East business decisions have to pass through a moral filter. For example, it is a moral obligation of a seller to disclose to the buyer any defects in articles they are selling. However, according to Rice, in many cases there is a gap between this ideal and the actual practices. Rice explains this gap by the existence of unjust political systems, which lead to divergent behaviors on the part of business people who need to survive in difficult conditions.

India. Christie, Kwon, Stoeberl & Baumhart (2003) in their comparison of US and Indian managers found that US respondents differed significantly from their Indian counterparts on six out of seven statements about their attitudes towards ethical business behavior, and agreed only on one (that business managers’ main concern should be making profit and ethics should be secondary). The US managers rated such practices as gift giving, software piracy, nepotism, sharing insider information, and dishonesty in advertising as significantly more unethical than did Indian respondents. At the same time, Indians rated harming the environment as more dishonest, than did their US counterparts.

According to Chakraborty (1997), American managers are more analytical in their ethical decision-making, while Indians rely more on intuition. Furthermore, Americans rely more on normative ethics, while Indians rely more on relational attributes of specific cases (e.g., assessment of who is involved in a particular situation). Jackson (2001)
found that Indian managers consider unconditional loyalty to their organization a highly ethical behavior, being in this respect similar to the Chinese, and significantly different from respondents from the US, Europe, and Australia.

In summary, our review suggests that we are likely to find significant differences in business ethics practices among countries of our sample. Thus, compared to all other countries in the sample, organizations from the Anglo-Saxon group (US, UK, Canada and Australia) could be expected to place more emphasis on universally applicable rules and codes of ethics (and be less supportive of behaviors, driven by particularistic and situational considerations); believe in importance of personal moral and ethical behavior of leaders; and emphasize the importance of formal ethics programs and related training. Organizations from the rest of countries in our sample would be more inclined to use situational and individualized approach to ethical decision making, and will put less emphasis on formal rules, codes, or compliance programs. Therefore, some practices, considered unethical or marginally ethical in the Anglo-Saxon cluster, would be more acceptable in other clusters. Finally, we could expect to find significant variation in ethical business practices among countries outside the Anglo-Saxon cluster, even among countries of the same region.

Study Sample and Methodology
This quantitative study is based on the analysis of survey data, collected from more than 23,000 managers and employees of large business organizations in thirteen countries on three continents: United States (US) (n=10,439), Canada (CAN) (n=1,253), United Kingdom (UK) (n=1025), Australia (AUS) (n=991), Germany (GRE) (n=1047), China (CHN) (n=1114), Brazil (BRA) (n=1015), The Netherlands (NLD) (n=1111), Japan (JPN) (n=1015), India (IND) (n=1014), Mexico (MEX) (n=1016), Italy (ITA) (n=1045), and Saudi Arabia (SAU) (n=953). The data were collected in 2008 as part of a larger international survey of work-related attitudes and behaviors, conducted by an international human resource consulting company. Participants responded to nine questions regarding ethics-related practices in their firms (See Table 1 for the list of questions). Responses were given on a Likert scale (5 – strongly agree with the statement; 1- strongly disagree). In addition, demographic variables of age, gender, job title, industry, and size of organization were used in the analysis.

Table 1. Means and Standard Deviations Nine Survey Items by Country.

<table>
<thead>
<tr>
<th>ITEM</th>
<th>LOW</th>
<th>MIDDLE</th>
<th>HIGH</th>
<th>Grand Mean</th>
</tr>
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<tbody>
<tr>
<td>Q3: Where I work, ethical issues and concerns can be discussed without negative consequences.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JPN</td>
<td>3.22</td>
<td>3.38</td>
<td>3.50</td>
<td>3.51</td>
</tr>
<tr>
<td>ITA</td>
<td>3.28</td>
<td>3.59</td>
<td>3.63</td>
<td>3.56</td>
</tr>
<tr>
<td>BRA</td>
<td>3.05</td>
<td>3.52</td>
<td>3.59</td>
<td>3.60</td>
</tr>
<tr>
<td>NLD</td>
<td>3.41</td>
<td>3.44</td>
<td>3.68</td>
<td>3.56</td>
</tr>
<tr>
<td>GRE</td>
<td>3.78</td>
<td>3.42</td>
<td>3.68</td>
<td>3.56</td>
</tr>
<tr>
<td>CHN</td>
<td>3.48</td>
<td>3.53</td>
<td>3.71</td>
<td>3.56</td>
</tr>
<tr>
<td>MEX</td>
<td>3.50</td>
<td>3.56</td>
<td>3.77</td>
<td>3.56</td>
</tr>
<tr>
<td>SAU</td>
<td>3.50</td>
<td>3.58</td>
<td>3.68</td>
<td>3.56</td>
</tr>
<tr>
<td>AUS</td>
<td>3.50</td>
<td>3.63</td>
<td>3.69</td>
<td>3.56</td>
</tr>
<tr>
<td>UK</td>
<td>3.50</td>
<td>3.68</td>
<td>3.69</td>
<td>3.56</td>
</tr>
<tr>
<td>CAN</td>
<td>3.50</td>
<td>3.68</td>
<td>3.69</td>
<td>3.56</td>
</tr>
<tr>
<td>IND</td>
<td>3.50</td>
<td>3.68</td>
<td>3.69</td>
<td>3.56</td>
</tr>
<tr>
<td>Grand Mean</td>
<td>3.51</td>
<td>3.56</td>
<td>3.56</td>
<td>3.56</td>
</tr>
</tbody>
</table>

| Q4: My company’s senior management supports and practices high standards of ethical conduct. |     |        |      |            |
| JPN                    | 3.15 | 3.55   | 3.53 | 3.56 |
| ITA                    | 3.27 | 3.42   | 3.53 | 3.56 |
| BRA                    | 3.44 | 3.48   | 3.50 | 3.56 |
| NLD                    | 3.53 | 3.50   | 3.71 | 3.56 |
| GRE                    | 3.53 | 3.50   | 3.71 | 3.56 |
| CHN                    | 3.53 | 3.50   | 3.71 | 3.56 |
| MEX                    | 3.53 | 3.50   | 3.71 | 3.56 |
| SAU                    | 3.53 | 3.50   | 3.71 | 3.56 |
| AUS                    | 3.53 | 3.50   | 3.71 | 3.56 |
| UK                     | 3.53 | 3.50   | 3.71 | 3.56 |
| CAN                    | 3.53 | 3.50   | 3.71 | 3.56 |
| IND                    | 3.53 | 3.50   | 3.71 | 3.56 |
| Grand Mean             | 3.56 | 3.56   | 3.56 | 3.56 |
Our analysis started with multigroup factor analysis (MFA; Billeit, 2002). This technique is best suited to exploring the factor structure of an instrument, when multiple groups (in this case, countries) are represented. Our goal was to determine whether the nine questions of the ethic-related part of the instrument constitute one or more factors, and what factors can be used in subsequent analysis in differentiating between the countries.

After conducting the MFA, we identified country level differences using multivariate analysis of covariance (MANCOVA) procedure controlling statistically for the effects of demographic variables. Since unequal cell sizes can negatively affect the outcome of variance analysis, we had to draw random sets of participants from all 13 countries (after eliminating cases with missing data, the smallest country group, SAU, contained 862 respondents) to be used in the subsequent analyses. Finally, pairwise post-hoc comparisons were conducted, using the Scheffe test (considered to be more conservative than other post-hoc tests), to determine country groupings.

### Findings

As indicated, MFA procedure was used to explore the factor structure of the instrument. The MFA results indicated that all nine questions form one factor, and that there is no significant difference in factor structure among countries. To answer the question whether there was a difference between countries in our sample, multivariate analysis of co-variance (MANCOVA) was conducted with country as the independent variable and the statements about ethical practices as the dependent variables. Demographic information including age, gender, industry, and job level were statistically controlled to rule out their influence on the results. MANCOVA showed significant country differences for all statements ($p < .001$). Therefore, we have conducted follow-up pairwise post-hoc comparisons using the Scheffe test to determine whether various countries form homogenous groupings along some of the variables.

Comparing results across all items, three main country clusters based on mean scores, can be identified: High, Middle and Low (Table 1). The High cluster is comprised of the US, UK, Canada, Australia and India; Middle includes Brazil, China.
Mexico, Germany, the Netherlands and Saudi Arabia (the last of these countries gravitated towards the high end of the Middle cluster and occasionally participated in homogenous subsets in the High cluster); and Low – Japan and Italy. Participant responses within the High and Low clusters are relatively stable across items. This is particularly evident in the case of Japan and Italy, which consistently form a homogenous subset significantly different from other countries. The High cluster countries exhibited more item to item variability based on mean scores. India and Canada consistently reported the largest mean scores across items. Relative to the High and Low clusters, more variability was demonstrated within the countries comprising the Middle cluster.

Discussion

The finding that there is no significant difference in factor structure among countries is especially important, since in cross-cultural research comparisons between samples from different countries are based on an assumption that there is invariance of the elements of the measurement structure (e.g., factor loadings), and that the response biases are similar across different cultures and/or countries. However, in reality comparison groups could differ from one another on measurement parameters, which could lead to serious mistakes in interpreting results of cross-cultural comparisons (Steinmetz et al., 2008). Since the MFA has confirmed that there is no significant country variance in the factor structure of our instrument, we could be more confident in making conclusions based on the results of the subsequent analysis of variance and post-hoc comparisons. Thus the results of this study would indicate that the particular series of ethics items presented to survey participants are congruent in meaning and understanding across cultural differences.

Country Groupings: Homogenous Subsets

Some of our results are, at a first glance, not consistent with common perceptions of country groupings based on geographic and cultural orientation. Thus, one would expect to find similarity between East Asian countries of Japan and China, since both are heavily influenced by Confucian ethics. However, our results suggest that these two countries belong to different subsets. This is consistent with Sen (1997) and Chung et al. (2008), who argued that East Asian nations of Japan, China, and South Korea each have developed a unique form of Confucianism and, thus, generalizations about these countries should be made with caution.

Another unexpected result was that the Low cluster was comprised by geographically and culturally distant countries: Japan and Italy. In these two countries, mean scores were the lowest relative to the other countries. At this stage we can only speculate about the reasons for this finding. Prior to the 1990’s Japan experienced some of the strongest rates of economic growth and became the second largest economy in the world. However, starting in the early 1990’s its economy faltered and Japanese employees began to experience, for the first time, increases in layoffs and the loss of “lifetime employment” (Chung et al., 2008). An increase in distrust of business and business leaders and a heightened awareness of corporate social responsibility has lead to increased ethical expectations amongst Japanese workers and the public in
general (Taka 1997). This and the growing number of corporate scandals could explain Japan’s low mean ethics scores across the nine items of our survey. With Japan’s tradition of trust in its family centric business structure (Sen, 1997), the public’s repeated exposure to apologetic senior leadership of scandal ridden companies could stand to reinforce the poor perception of ethical behavior within its business institutions.

Similar to Japan, since the mid 1990s Italian businesses have been challenged by the need to operate in a depressed economic environment (Mascitelli and Zucchi, 2007). Furthermore, the country has experienced a spate of recent damaging ethical breakdowns (i.e., Parmalat). Furthermore, the Italian business community is characterized by a governance structure heavily influenced by family ownership (Melis, 2005; Enriques and Volpin, 2007), which is thought to lead to nepotism and breaches of ethical business behavior in many cases (Negrelli and Pulignano, 2008). This coupled within the context of prevalent economic corruption where the business environment is influenced by a “mafia style” economy (Sen, 1997) and is driven by an unmitigated quest to maximize profitability (Gond et al., 2009) could help to explain the consistency of low mean ethics scores, obtained from Italian respondents. It is possible that, in light of recent highly publicized scandals, Italian employees might have a difficult time believing that business leaders are “walking the talk” when it comes to building and sustaining ethical business culture within the firm (note that on Q4, measuring employee perception of senior managements willingness to support and practice high ethical standards, Italian respondents scored the lowest, along with the Japanese).

In line with the literature review findings, our post-hoc comparisons suggest that countries of the Anglo-Saxon group form homogenous subsets on most of the statements, and, together with India, represent the High cluster. One possible explanation for this finding could be the fact that these countries share common heritage as members of the British Empire. All have a legal system based on common law under which legal precedent is established by decisions of courts and judges and is not based on executive orders and statutes (Shedd and Corley, 1993). Still the inclusion of India in this cluster is of particular interest. According to Seshadri et al. (2007), “our experience suggests that awareness of [business ethics and compliance] is still at a very nascent stage in many Indian companies.” Based on this observation the results showing favorable mean ethics scores would not be expected. Supporting this expectation is India’s lower standing in the Transparency International “corruption perceptions index” (Transparency International, 2008). India’s score is 3.4 relative to a range of scores between 7.3 and 8.7 for the remaining High cluster countries. In addition, studies by Marta et al. (2000) and Paul et al., (2006), comparing scores measuring ethical norms and principles obtained from Indian and US business students, showed that US participants on average scored significantly higher on the ethics metrics relative to their Indian peers.

Two countries of the continental Western Europe, Germany and the Netherlands, fell into the Middle cluster, and differed significantly from other European countries; Italy (Low cluster), and UK (High cluster). Results for these two countries suggest uncertainty about the role of ethics within their business community. We observed inconsistency of responses across items and the general tendency towards lower mean scores. These finding could in part be the result of legal systems based on civil law, also practiced in Italy. Legal precedent is based on codes created by legislative authority or
expert dictum rather than interpretation by the judicial system found in common law countries (Shedd and Corley, 1993). This strict interpretation of law could be in direct conflict with ethics and ethical decision-making which is not a function of discrete rights or wrongs (codes), but operates on the premise of making decisions when a multitude of rights exist.

Within our dataset, Brazil, China and Mexico form homogenous subsets in the Middle cluster. These countries, along with a dozen of other countries form what Cooper (2006) identified as the largest and fastest growing emerging economies of the world. In addition, Brazil, Russia, India and China comprise what is referred to as the BRIC countries, which are expected to surpass by 2050 the economies of the current wealthiest developed nations (Goldman Sachs, 2003). In these rapidly developing countries, there exists a constant tension between the need to improve output and increase profitability, and the desire to behave ethically. On the one hand, the need to be competitive in the global marketplace leads to the increased emphasis on globally accepted ethics standards; on the other, the drive towards increased profitability could be taking precedence over ethical considerations.

Saudi Arabia is another country that fell mostly into homogenous subsets of the Middle cluster, and displayed significant variability (from Low on Q3 to High on Q25). This result could be indicative of uncertainty and struggle between two divergent tendencies: one upholding high ethical standards, dictated by the Islamic tradition, and the other leading to lowering of ethics-related expectations, resulting from socio-political realities and contradictions of the society.

Results on Individual Survey Items

Due to space constraints, we will limit our discussion of results on individual survey items to several most salient findings. Here we will discuss survey items Q4, Q6, Q8 and Q26 (Table 2).

The single most important factor in building and sustaining an ethical business culture is commitment of senior leadership (Ardichvili et al., 2008). It influences employee perception of the health of an organization’s culture. Q4 measures the perception of the “tone at the top” as function of exhibited by senior executives ethical behavior. Results suggest that in the Anglo-Saxon countries and India the top leadership of business organizations is perceived as playing a stronger role in promoting ethical cultures than in the rest of the surveyed nations.

The concept of attending to the interests of multiple stakeholders is addressed by Q6. It measures the willingness of business to engage with a wide range of stakeholders, not just shareholders. While considerable differences between countries exist, results suggest that stakeholder interests are of highest importance relative to the other items.

Q8 (“In my organization people do not "get ahead" unless their behavior clearly demonstrates my company's values”) refers to the perception that ethical behavior is institutionalized within the various operational systems of a business (Ardichvili et al., 2008). Saudi Arabia and India were the only two countries to exhibit significantly higher mean scores on this item relative to the other countries. This suggests that in these two countries respondents felt that advancement within their organizations was highly influenced by corporate values that dictate expected behavior. It is also interesting to
note that Q8 has the lowest grand mean score relative to all other items measured. This could indicate that within organizations corporate values are not institutionalized; being misaligned with company policy and procedure.

With item Q26, “My organization has appropriate processes in place for me to report a policy violation,” we found that the Anglo-Saxon countries are more likely to have clear policies in place to report ethics violations, which is in line with our literature review (Ardighvili & Jondle, 2009; Meyers, 2004; Frederick, 1995; Trevino & Nelson, 2004).

Table 2. Homogenous Subsets for Select Survey Items

<table>
<thead>
<tr>
<th>Item</th>
<th>Item Specific Country Cluster</th>
</tr>
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<tbody>
<tr>
<td>Q4. My company's senior management supports and practices high standards of ethical conduct.</td>
<td>Japan, Italy Netherlands, Germany, China, Mexico, Brazil, Saudi Arabia, Australia, UK, US, India, Canada</td>
</tr>
<tr>
<td>Q6. My company strives to serve the interests of multiple stakeholders (e.g., customers, employees, suppliers, and community), not just the shareholders.</td>
<td>Japan, Italy Saudi Arabia, Mexico, China, Germany, Brazil, Netherlands, UK Australia, US, India, Canada</td>
</tr>
<tr>
<td>Q8. Where I work, people do not “get ahead” unless their behavior clearly demonstrates my company's values.</td>
<td>Netherlands, Australia, Italy, Mexico, Brazil, Japan, UK, Canada, China, Germany US India, Saudi Arabia</td>
</tr>
<tr>
<td>Q26. My organization has appropriate processes in place for me to report a policy violation.</td>
<td>Japan, Italy Netherlands, Mexico, Saudi Arabia, China, Germany Australia, UK, US, Canada, Australia</td>
</tr>
</tbody>
</table>

Conclusions and Implications for HRD

The country clustering resulting from our survey narrates a story of the ebbs and flows of globalization in the current business environment. This environment is a creation of short-sighted emphasis on wealth creation challenging ethical decision-making on a massive scale that has lead to an unprecedented failure within the global economy and the apparent lack of appropriate checks and balances. Continued study of the role of business ethics on a global scale has the potential to significantly enhance international HRD work during this time of rapid globalization. The burden of responsibility for informing and directing an ethical decision-making process within organizations resides with the HR/HRD professionals and, thus, their ability to understand the impact of creating and sustaining an ethical business culture in a global economy is of critical importance.

Apart from contributing to the general understanding of the importance of studying ethical practices on a global scale, our study has specific implications of interest to HRD professionals working in multinational corporations or in organizations,
conducting training and OD internationally. First, the study results suggest that it would be a mistake to make generalizations about similarity of ethical business practices in business organizations from different countries, based on levels of economic development, geographic proximity and/or perceived cultural similarity. Thus, countries of Western Europe fell into different homogenous subsets, ranging from Low to High, and countries, sharing Confucian heritage (Japan and China) were significantly different on all nine items used in this study. Our second implication is related to a potential limitation of this study. The study participants were employees of organizations with 100 people or more. Therefore, the study results should be used with caution when considering implications for working with small businesses and self-employed members of populations. Finally, even though on aggregate countries can be classified as mostly belonging to one of the clusters (High, Middle or Low), virtually all countries in our sample also had variability across individual items. Therefore, when developing specific ethics-related interventions, HRD practitioners need to study specific relevant to their programs survey items and determine specific variability on items of interest. This means that the best strategy would be to avoid relying on the existing general data (from this or similar studies), and conducting company-specific assessment of perceptions of ethical business practices and ethical business culture.

References


