

**MANAGERIAL & ECONOMICS ETHICS RESEARCH:
METHODOLOGICAL ISSUES & RECOMMENDATIONS**

Carolyn Erdener

American University in Cairo/Associate Professor of Management

School of Business, Economics & Communication

113 Qasr el Aini, 11411 Cairo, Egypt

cerdener@aucegypt.edu

Carolyn Erdener, American University of Cairo

Abstract

Methodological issues encountered in the empirical analysis of managerial and economic ethics are examined in this paper. Common approaches for studying ethics within a homogeneous sociocultural environment are shown to be inadequate for analysis across widely differing environments, such as are found internationally. Specific recommendations are made with regard to research method and design. A major goal is to attract potential collaborators for future research.

MANAGERIAL & ECONOMICS ETHICS RESEARCH:

METHODOLOGICAL ISSUES & RECOMMENDATIONS

This paper focuses on managerial ethics research from an intercultural and international business perspective. This new and highly complex research area remains under-researched in comparison with other fields of study in international business management. The paper begins with an overview of a number of exploratory empirical analyses of ethical

decision making among comparable groups in Asia, Europe, Latin America and North America. Recommendations derived from a critical evaluation of these pilot studies are then incorporated into the design of a large-scale cross-sectional empirical analysis of managerial and economic ethics across socioeconomic and cultural environments. Specific suggestions for sample selection, integration of qualitative and quantitative approaches, and instrumentation are included.

Research on managerial ethics is important for international entrepreneurs because of the importance of international trade and the cultural diversity of trading partners. One of the most important outcomes of this line of research is to facilitate mutual understanding and economic exchange across conflicting values systems and ethical orientations. Managerial ethics is also important in international business education. Intercultural skills including sensitivity, sophistication and flexibility are essential for international business success in the 21st century, yet difficult to obtain in most western countries.

The greatest contribution of this research program is in fostering intellectual inquiry into those social aspects of economic activity that underlie cultural differences in managerial ethics. For example, *relational contracting*, *relational marketing* and *personal or particular markets* are important aspects of business activity whose ethicality varies in the context of different economic systems. Global economic integration is another example of economic activity whose ethicality depends very much on the economic context of evaluation. Entrepreneurial activity across national and cultural borders can be greatly facilitated by a clearer analytical understanding, respect for and appreciation of the ethical implications and requirements of different ethical systems.

The initial phase was essentially one of modeling the field of intercultural and international business ethics, through a series of pilot studies using a variety of approaches. The first step was to review the relevant empirical research literature and identify survey questionnaires. From these, one that had been used successfully in previous international comparisons was chosen (Fritzsche & Becker, 1984). The questionnaire was modified slightly in order to facilitate more complex statistical analysis, resulting in a response format that permits subjects to rate multiple ethical considerations simultaneously rather than the common practice of selecting only one ethical rationale for each decision. Such a format provides important information on the antecedents of ethical decision making that would otherwise be lost. This approach revealed that the logic behind ethical decisions can vary dramatically even when there is substantial agreement across cultures agree on the ethical decision itself. This was demonstrated in a series of empirical studies of business ethical thinking in a variety of cultural and institutional environments in Asia, Europe, Latin America and North America: Beijing, Hong Kong, Los Angeles, Madrid, Mexico

City, Seoul, and Xiamen (China). Without the additional information on causal antecedents provided by the incorporation of Likert scales into the Fritzsche and Becker (1984) instrument, the surface appearance of intercultural similarity in ethical decisions in this data is highly misleading.

Different subsets of the data from these locations were analyzed using a wide variety of qualitative and quantitative techniques, in order to ascertain the relative merits of each. These include analysis of variance, chi square analysis, content analysis, discriminant analysis, exploratory and confirmatory factor analysis, and regression analysis.

Several important conceptual and theoretical frameworks were used to analyze and interpret the results of these empirical analyses, in order to explore the strength of their relevance to intercultural and international business ethics research. These include Confucian values, gender and gender identity, western ethical philosophy, and national cultural values (Hofstede, 1986). Other relevant conceptual frameworks for future ethics research were identified in a review of the business ethics literature, including machiavellianism, stages of moral development, and locus of control, among others.

Another line of exploration involved identification of a wider range of ethical problem scenarios in addition to the five included in the original questionnaire by Fritzsche and Becker (1984). One of the most promising sets of scenarios, developed by the Hong Kong Independent Commission Against Corruption (ICAC) from extensive interviews with Hong Kong Chinese managers, is comprised of ethical dilemmas that typically occur at the interface between relationship-based and rule-based ethical orientations, as exemplified in the contrast between traditional Chinese and British Kong) ethical orientations. Another promising set of problem scenarios has been developed in Europe has been used to identify cultural differences related to ethics in fifty countries (Trompenaars and Hampden-Turner, 1998). The questionnaire items used in Hofstede's work to classify national cultures as masculine vs. feminine (Hofstede, 1980, 1984) can also be used to develop a third important set of ethical problem scenarios.

These exploratory studies, in which methods and theories were varied experimentally over the course of a series of pilot studies in seven locations, have laid a strong foundation for a major cross-cultural study of managerial and economic ethics. This entails cross-sectional application of a single comprehensive theoretical framework using the same techniques of data collection and analysis in a number of carefully selected locations, with subjects representing a broad intercultural/international sample of managers and organizations. Longitudinal replication of the study will be ideal.

The mechanism for data collection potentially includes research collaborators based at universities in Hong Kong, for data collection

across transitional and market economies in Chinese cultural environments; Stockholm, for data collection across transitional and market economies in the Baltic cultural region; Cairo, for data collection across the politically, economic and socioculturally diverse environments of the Mediterranean countries, as well as the transitional economies of Central Asia.

The field of business ethics is still engaged in theory development, particularly with respect to international ethics. One of the ultimate objectives of this project is to contribute to the process of developing new theoretical models building on what has been done so far. To that end, the proposed research incorporates three existing conceptual or theoretical frameworks: ethical work climate; integrative social contract theory; and cognitive moral development.

Ethical Work Climate. The prevailing ethical work climate in organizations (subjects' place of employment) will be determined by analyzing subjects' ethical choices. This is based on the two-dimensional typology of ethical work climates in organizations developed by Victor and Cullen (1988), in which the first dimension is the ethical orientation or criterion (*pragmatism, benevolence, principle*) and the second dimension is the frame of reference or locus of analysis (*individual, local, cosmopolitan*).

These two dimensions produce nine classifications of ethical work climates: (1) *self-interest* (pragmatic orientation + individual locus); (2) *company profit* (pragmatic orientation + local i.e. organizational locus); (3) *efficiency* (pragmatic orientation + cosmopolitan/societal locus); (4) *friendship* (benevolent orientation + individual locus); (5) *team interest* (benevolent orientation + local/organizational locus); (6) *social responsibility* (benevolent orientation + cosmopolitan/societal locus); (7) *personal morality* (principled orientation + individual locus); (8) *company rules and procedures* (principled orientation + local/organizational locus); and (9) *laws and professional codes* (principled orientation + cosmopolitan/societal locus) (Victor and Cullen, 1988).

These nine ethical orientations will be represented by nine pairs of forced choice ethical alternatives following each vignette in the ethics questionnaire. Analysis of these choices will determine the ethical climate of subjects' work organizations.

Integrative Social Contracts Theory (ISCT). Theories of business ethics based solely on Western philosophical traditions and cultural values are useful for comparing non-Western systems with Western systems using Western constructs, but in-depth understanding from the perspective of those within the non-Western system requires culturally appropriate conceptual models and methods. ISCT is consistent with this orientation. Integrative social contracts theory (ISCT, Donaldson & Dunfee, 1994) is a relatively new theoretical development in

business ethics that can accommodate the wide range of variation in ethical values and behaviors found internationally.

ISCT is based on the concept in sociology of the social contract, which embodies mutual responsibilities between society and the individual. Each society has its own unique requirements, or macrosocial contract, applicable to all members. Within any given society, there are also numerous communities, each with a microsocial contract of behavioral norms and expectations specific to its members. Ethical norms that are fundamental to human existence, called hypernorms, are similar across many different communities and societies. Individuals have discretion in the moral free space not covered by micro- and macrosocial contracts.

In the former USSR, institutional changes associated with economic transition are rewriting the macrosocial contract. The process of transition entails renegotiating countless microsocial contracts between business organizations and their members. ISCT does not enable us to predict the outcome of these new arrangements. However, it predicts that different types of organizations will vary in their expectations of members with regard to ethics, because of differences in microsocial contracts; different societies will vary in their expectations of members, due to differences in macrosocial contracts; and different individuals will vary in ethical reasoning because of individual differences that affect discretionary use of moral free space.

"These insights are used to recommend an empirical agenda for business ethics. Rather than trying to apply the most abstract moral theories (Utilitarianism, Kantian Deontology, or Aristotelian Eudaimonism) to ongoing ethical quandaries, business ethicists as well as managers of multinational enterprises can usefully examine the customs and mores of a particular community to discover viable ethical norms (or microsocial contracts). Such attention to the particular extant norms, however, must be leavened by the prerequisite conditions of voice, consent, and right of exit, as well as due corporate regard for broader, more universally applicable standards. These more universal standards are called hypernorms, and would limit the moral free space of microsocial contracts by forbidding acts which violate the most fundamental principles of human existence. Yet Donaldson and Dunfee have not fully developed their theories on the origins and content of hypernorms, and have acknowledged the methodological difficulties of 'discovering' hypernorms that would limit the moral free space of micro-contractors." (Mayer, 2001).

Cognitive Moral Development

"Cognitive moral development was developed conceptually and tested empirically by Lawrence Kohlberg (1984, 1976, 1973, 1969) as a way to describe and explain the ethical decision-making processes of individuals. Kohlberg argued that individuals proceed sequentially

through three levels of development – preconventional, conventional, and postconventional or principled level – before reaching moral maturity. Since Kohlberg's initial research, considerable support has been found for the cognitive moral development model.... "The preconventional level of cognitive moral development is characterized by decisions based on the individual's exclusive concern for his or her own self-interest without taking into consideration the impact of his or her actions on others. At this level, individuals often act in order to avoid punishment. Even when the individual appears to be interested in the well-being of others, the motive could be towards achieving one's long-term self-interest.... At the conventional level, the individual recognizes the importance of, and has respect for, the concerns of others affected by his or her ethical decisions. Rules, procedures, and laws serve as the basis for understanding the parameters of appropriate conduct.... Lastly, at the postconventional level he or she is aware of the values and rights which underly, and are prior to, social attachments and contracts. The individual determines appropriate conduct based on duty." (excerpted from Wimbush, 1999)

DESIGN

The basic design of this research is to survey subjects in countries that have been pre-selected to represent a range of cultural environments, each extending over several different combinations of political and socio-economic environments. Data can be grouped together for analysis around any shared characteristic, each of which can become the focus of a separate research paper.

For example, Eastern Mediterranean countries are similar in some regards including lifestyle, while differing widely in terms of religion and politics. This creates a natural lab setting for exploring the significance of differences in religious and political values for managerial ethics. Likewise, the former republics of the Soviet Union and Eastern bloc are similar in that they are all transitional economies, yet they differ widely in terms of culture and historical experience, e.g. between the Baltic states and Central Asian republics. This creates a natural lab setting in which to explore the significance of economic transition for managerial and economic ethics under different conditions.

Subjects will be chosen from comparable groups in order to facilitate meaningful comparison. For example, they can be MBA students with work experience, since MBA programs are now found in all countries under consideration. This insures a modicum of comparability across diverse locations, which is an important concern in cross-cultural research (Usunier, 1998). It is also advantageous in terms of convenience and access. Alternately, or perhaps in a later stage, subjects can be chosen from the employees of firms with extensive international operations in selected industries.

The questionnaire for this large-scale survey presents a series of common ethical dilemmas in the form of short vignettes. Subjects are requested to select one solution from each of nine pairs of alternatives, in a forced-choice format. Predictor variables consist of individual factors such as personality, values, and perception of moral issue intensity. Demographic characteristics will be included as control variables.

All questionnaire material will be translated into the local language using the standard procedures for back-translation (Campbell and Werner, 1970), blind-parallel translation (Deutscher, 1973; Mayer, 1978), pre-testing (Sood, 1990) and decentring as described by Usunier (1998).

Demographic characteristics will be surveyed for incorporation into the statistical analysis as control variables. These include for example: *age; sex; educational level; years of work experience; and profession*. Individual factors encompass personality characteristics, values, and attitudes. Personality characteristics to be measured *ideocentrism/allocentrism* (Triandis, 1985); *locus of control* (Rotter, 1954) and *gendered work values* (Spence, 1991). Subjects' *stage of moral development* will also be measured (Kohlberg, 1969).

Organizational measures may be included, e.g. size, industry, growth stage, age, and performance. However, data from MBA students on these points may not be sufficiently reliable for substantive evaluation and would have to be treated as perceptual data in interpreting the results of analysis. In subsequent studies of MNCs, organizational data will be obtained independently from other sources.

REFERENCES

Fritzsche, David & Helmut Becker (1984) *Academy of Management Journal*.

Kohlberg, Laurence (1969) "Stage and Sequence: The Cognitive-Developmental Approach to Socialization", in D.A. Goslin (ed.), Handbook of Socialization: Theory and Research, Rand-McNally, Chicago, pp. 347-480.

Mayer, Don 2001. Community, Business Ethics, and Global Capitalism, *American Business Law Journal*, Winter, 38/2: 215-61.

Rotter, J.B. (1954) Social Learning and Clinical Psychology, Englewood Cliffs, New Jersey: Prentice-Hall.

Spence, J.T. 1991. Do the BSRI and the PAQ measure the same or different concepts? *Psychology of Women Quarterly*, 15: 141-165.

Triandis, H. C., K. Leung, M. Villareal & F. Klack (1985) "*Allocentric versus ideocentric tendencies*," *Journal of Research in Personality*, 19, pp. 395-415.

Usunier, Jean-Claude (1998) International and Cross-Cultural Management Research, Thousand Oaks, California

Victor, Bart & John B. Cullen (1988) "*The organizational bases of ethical work climates*," *Administrative Science Quarterly*, 11:101-125.

Wimbush, J. C. (1999) "*The effect of cognitive moral development and supervisory influence on subordinates' ethical behavior*," *Journal of Business Ethics*, 18/4: 383-395.

ETHICS RESEARCH BY ERDENER

Erdener, C.B. (1999) "*Are 'Asian Values' an American Virtue?*" *AmCham: Journal of the American Chamber of Commerce in Hong Kong*, April 1999

Erdener, C.B. (1998) "*Confucianism and business ethical decisions in China*," *International Journal of Management*, 15/1: 72-78

Erdener, C.B. & A. Pacheco (1998) "*Business ethical thinking in Mexico and the U.S.*," *Journal of Global Business*, 10/17: 53-63

Erdener, C.B. & R.-S. Yeh (1998) "*Sex and sex role identity: A cross-cultural analysis of ethical thinking in China, Hong Kong, and the US, with implications for Hofstede's masculinity/femininity dimension*," *Proceedings, Sixth Conference on International Human Resource Management*, University of Paderborn, Germany, June 22-25

Erdener, C.B. (1996b) "*Ethnicity, nationality, & gender: A cross-cultural comparison of business ethical decisions in four countries*," *International Journal of Human Resource Management*, 7/4: 866-877

Erdener, C.B. (1996a) "*Some effects of ethnicity and nationality on business ethical decisions in Mexico, Korea, China, & the USA*," Paper presented at the Fifth Conference on International Human Resource Management, 24-28 June, San Diego, California

Erdener, C.B. (1996c) "*A cross-cultural study of ethical decision patterns in five countries*," Paper presented at National Meetings of the Academy of Management, Aug, Cincinnati, Ohio

Erdener, C.B., A. Lau & S. Lo (1998) "*Entrepreneurship and marketing ethics: An analysis of ethical decisions of Chinese entrepreneurs in Hong Kong*," *Proceedings, University of Illinois at*

Chicago/American Marketing Association Annual Research Symposium in Marketing and Entrepreneurship, June 12-13, Hong Kong

Erdener, C.B. & S. Lee (1996) "*Confucianist influences on business ethics in China*," Proceedings, International Conference on Cross Cultural Management in China, August 26-28, Hong Kong

Erdener, C.B. & S. Lo (1998) "*Business ethical decision making in Hong Kong*," Paper presented at the Asian Academy of Management, Dec 28-30, Hong Kong

Erdener, C.B., A. Pacheco & B.T. Mayes (1995) "*Cross-national differences in business ethical decisions: Mexico, the U.S. & Canada*," Proceedings, International Decision Case Western Reserve University, Cleveland, Ohio

Sciences, June 12-14, Puebla, Mexico, p. 102

Erdener, C.B. & C.P. Dunn (1995) "*International business ethics research*," Proceedings, Sixth Annual Conference of the International Association Business and Society, June 26-29, Vienna, Austria

Erdener, C.B. & L.L. Whitcomb (1995) "*The transformation of ethics and values in the shift from a centrally planned to a market economy: The Chinese experience*," Electronic Proceedings, Academy of Management Joint Divisional Conference on the Organizational Dimensions of Global Change: No Limits to Cooperation," May 3-6,

Erdener, C.B. & L. Whitcomb (1994) "*Internationalizing business ethics research*," Proceedings, Academy of International Business West Regional Conference, May 19-21, San Francisco, California

Etheredge, J. & C.B. Erdener (1999) "*Ethical decision patterns in four countries: Contrasting Theoretical Perspectives*," in: G. Enderle (ed.), International Business Ethics: Challenges and Approaches, University of Notre Dame Press, pp. 51-66 [*Best Papers* of the 1996 First World Congress of Economics & Ethics, July 1996, Tokyo, Japan]

Etheredge, J.M. & C.B. Erdener (1996) "*Ethical decision patterns in four countries: Contrasting theoretical perspectives*," Paper presented at the First World Congress of Economics & Ethics, July 25-28, Tokyo, Japan

Kim, E., C.B. Erdener & I. Duhaime (1995) "*Ethical values in business decisions in Mexico, Korea, China & the U.S.: Implications for international strategic alliances*," Paper presented at the 19th Annual International Conference of the Strategic Management Society, Oct 15-18, Mexico City, Mexico

Kim, E., C.B. Erdener & Y.R. Park (1995) "*Ethical values in business decisions in the U. S. and South Korea: Implications for international strategic management,*" Proceedings, International Decision Sciences Institute, June 12-14, Puebla, Mexico, pp. 103-104

Leung, A. & C.B. Erdener (1996) "*Gender differences in business ethical decisions: A comparison of Hong Kong and China,*" Proceedings, Seminars on China's Economic Reform and Social Development, Qinghua University, June 11-13, Beijing, China

Li, C., C.B. Erdener, L. Whitcomb & P. Zhao (1994) "*Ethical values in business practice: A cross-cultural study of China and the U.S.,*" Proceedings, Academy of International Business Conference on Asia-Pacific Business in the Year 2000, June 23-25, Beijing, China

Pacheco, A., C.B. Erdener & B.T. Mayes (1995) "*One aspect of the impact of Mexican-U.S. immigration patterns for strategic management under NAFTA,*" Proceedings, International Decision Sciences Institute, June 12-14, Puebla, Mexico, pp. 111-112

Whitcomb, L.L., C.B. Erdener & C. Li (1998) "*Business ethical values in China and the U.S.,*" Journal of Business Ethics, 17: 839-852

Whitcomb, L.L., C.B. Erdener, C. Li & P. Zhao (1994) "*Business ethics in China,*" Proceedings, Academy of International Business West Regional Conference, May 19-21, San Francisco, California

|