

## 12.4: The Role of Ethics and National Culture

Is there a relationship between how a company is structured and the degree of ethical behavior displayed within an organization? Research indicates that such a link exists. Specifically, when corporate culture is too rigid and hierarchical, employees have fewer opportunities to develop their moral intelligence. Understanding what is ethical or not requires employees to be regularly confronted with ethical dilemmas. When employees do not have any autonomy to make decisions, and when such decisions are usually referred to a higher level, they do not find the opportunity to experience moral development, which may have implications for the degree of ethical behaviors demonstrated by employees (White, 1999).

Organizational change is a time when managers are expected to behave ethically, because many moral dilemmas are likely to emerge when an organization is faced with change. One of the common issues occurs when organizational change takes the form of downsizing or rightsizing. Many organizations realize the human impact of downsizing on employees and prefer to deal with the rising cost of human resources in other ways. Retraining employees in different areas, early retirement programs, hiring freezes, and job sharing are all alternatives to downsizing. There are also ethical issues that arise when the decision to terminate some employees is made, such as whether employees are going to be given advance notice regarding the layoffs, if they will be allowed to return to their work stations and say good-bye to their colleagues, or if they will be escorted to the door by security. If the company takes precautions to soften the blow of layoffs, such downsizing is likely to be perceived as more ethical.

### Organizational Structure and Change Around the Globe

Organizations around the globe are not uniform in terms of organizational structure. In fact, there seem to be systematic differences in how companies are structured based on the country of origin. For example, one study compared Japanese, Swedish, and British organizations and found significant differences in the degree of centralization and formalization of these structures. Japanese organizations were much more centralized, as evidenced by a decision making system named *ringi*. The *ringi system* involves proposals at lower levels being signed and passed along to higher level management in an effort to build consensus (Lincoln, Hanada, & McBride, 1986). In another study, organizations in the United States and Australia were found to be characterized by higher levels of decentralization, whereas organizations in Singapore and Hong Kong emphasized group-centered decision making and higher levels of centralization. These differences can be traced to the degree of individualism inherent in the national culture. Individualistic cultures attach greater importance to autonomy and personal freedom. Therefore, in these cultures, structures giving responsibility to lower level employees will be more common (Harrison et al., 1994).

How change is instituted depends at least partly on national culture. Cultures differ in the degree to which they are open to change. Cultures that are uncertainty avoidant (such as Germany and France) are relatively uncomfortable with change and prefer structured situations that reduce ambiguity, whereas cultures low in uncertainty avoidance (such as the United States and China) are more comfortable with change.

Additionally, the way in which change is introduced to an organization is likely to differ across cultures. Research shows that in the United States, change agents are more likely to use inspirational appeals and rational persuasion (such as “This change will ensure that we will remain competitive in the marketplace.”). On the other hand, in China a more effective influence strategy seems to be asking for the help of a higher level person to ensure the success of the change process. The change agent may visit the higher status individual outside the work environment (such as going to the person’s home to discuss the issue), and then the cooperation of this person becomes instrumental in achieving change (Yukl, Fu, & McDonald, 2003).

### Key Takeaways

Structure has implications for the degree of ethical behaviors that may be found in an organization. Moreover, organizational change involves events during which a company’s ethics may be put to test. National culture is one reason companies are structured in a certain way, and individualistic societies may have a greater frequency of organizations that are decentralized. National culture affects the extent to which organizations are open to change and how change is executed within an organization.

### Exercises

1. What is an ethical way of conducting layoffs?
2. Do you believe that it is an organization’s ethical obligation to share all information about the planned changes with employees? Why or why not?
3. What is the relationship between organizational change and national culture?

## References

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