

## 4.4: The Role of Ethics and National Culture

### Learning Objectives

1. Consider the role of diversity for ethical behavior.
2. Consider the role of national culture on diversity.

### Diversity and Ethics

When managing a diverse group of employees, ensuring the ethicality of organizational behavior will require special effort. This is because employees with different backgrounds or demographic traits may vary in their standards of ethics. For example, research shows that there are some gender differences when it comes to evaluating the degree of ethicality of hypothetical scenarios, with women utilizing higher standards. Men and women seem to have similar standards when judging the ethicality of monetary issues but differ on issues such as the ethicality of breaking organizational rules. Interestingly, gender differences seem to disappear as people grow older. Age is another demographic trait that influences the standards of ethics people use, with older employees being bothered more by unethical behaviors compared to younger employees. Similarly, one study showed that older respondents found some questionable negotiation behaviors such as misrepresenting information and bluffing to be more unethical compared to younger respondents (Deshpande, 1997; Franke, Crown, & Spake, 1997; Peterson, Rhoads, & Vaught, 2001; Volkema, 2004).

In addition to demographic diversity, cultural diversity introduces challenges to managing ethical behavior, given that cultures differ in the actions they view as ethical. Cultural differences are particularly important when doing cross-cultural business. For example, one study compared Russian and American subjects on their reactions to ethics scenarios. Americans viewed scenarios such as an auditing company sharing information regarding one client with another client as more unethical compared to how Russian subjects viewed the same scenarios (Beekun et al., 2003). A study comparing U.S., Korean, and Indian managers found differences in attitudes toward business ethics, particularly with Koreans thinking that being ethical was against the goal of being profitable. Indian and Korean subjects viewed questionable practices such as software piracy, nepotism, or the sharing of insider information as relatively more ethical compared to subjects in the United States. At the same time, Korean and Indian subjects viewed injury to the environment as more unethical compared to the U.S. subjects (Christie et al., 2003). In other words, the ethical standards held in different societies may emphasize different behaviors as ethical or unethical.

When dealing with unethical behavior overseas, companies will need to consider the ethical context. Having internal reporting mechanisms may help, but research shows that in very high power distant societies, these mechanisms often go unused (MacNab et al., 2007). Even when a multinational company has ethical standards that are different from local standards, using the headquarters' standards in all cross-cultural interactions will not be possible or suitable. The right action often depends on the specifics of the situation and a consideration of the local culture. For example, in the 1990s, Levi-Strauss & Company found that some of its contractors in Bangladesh were using child labor consisting of children under 14 years old in its factories. One option they had was to demand that their contractors fire those children immediately. Yet, when they looked at the situation more closely, they found that it was common for young children to be employed in factories, and in many cases these children were the sole breadwinners in the family. Firing these children would have caused significant hardship for the families and could have pushed the children into more dangerous working conditions. Therefore, Levi-Strauss reached an agreement to send the children back to school while continuing to receive their wages partly from the contractor companies and partly from Levi-Strauss. The school expenses were met by Levi-Strauss and the children were promised work when they were older. In short, the diverse ethical standards of the world's cultures make it unlikely that one approach can lead to fair outcomes in all circumstances.

### Diversity Around the Globe

Demographic diversity is a fact of life in the United States. The situation is somewhat different in other parts of the world. Attitudes toward gender, race, disabilities, or sexual orientation differ around the world, and each country approaches the topic of diversity differently.

As a case in point, Japan is a relatively homogeneous society that sees the need to diversify itself. With the increasing age of the population, the country expects to lose 650,000 workers per year. At the same time, the country famously underutilizes female employees. Overt sexism is rampant, and stereotypes about female employees as unable to lead are part of the culture. While there is antidiscrimination legislation and the desire of the Japanese government to deal with this issue, women are seriously underrepresented in management. For example, while 25% of all Hewlett-Packard Development Company managers in the United States are female, in Japan this number is around 4%. Some companies such as Sanyo Electric Co. Ltd. have female CEOs, but

these companies are generally considered exceptions. Because of the labor shortage, the country is attracting immigrants from South America, thereby increasing the level of diversity of the country and increasing awareness of diversity-related issues (Kelly, 2008; Woods, 2005).

Attitudes toward concepts such as affirmative action are also culturally determined. For example, France experiences different employment situations for employees with different backgrounds. According to one study conducted by a University of Paris professor in which fake résumés were sent to a large number of companies, even when all qualifications were the same, candidates with French-sounding names were three times more likely to get a callback compared to those with North African-sounding names. However, affirmative action is viewed as unfair in French society, leaving the situation in the hands of corporations. Some companies such as PSA Peugeot Citroën started utilizing human resource management systems in which candidate names are automatically stripped from résumés before HR professionals personally investigate them (Valla, 2007). In summary, due to differences in the legal environment as well as cultural context, “managing diversity effectively” may carry a different meaning across the globe.

## Key Takeaways

Ethical behavior is affected by the demographic and cultural composition of the workforce. Studies indicate that men and women, as well as younger and older employees, differ in the types of behaviors they view as ethical. Different cultures also hold different ethical standards, which become important when managing a diverse workforce or doing business within different cultures. Around the globe, diversity has a different meaning and different overtones. In addition to different legal frameworks protecting employee classes, the types of stereotypes that exist in different cultures and whether and how the society tackles prejudice against different demographic categories vary from region to region.

## Exercises

1. Do you believe that multinational companies should have an ethics code that they enforce around the world? Why or why not?
2. How can organizations manage a workforce with diverse personal ethical values?

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