

## 11.6: The Role of Ethics and National Culture

### Learning Objectives

1. Consider the role of culture in ethical behavior.
2. Consider the role of national culture on organizational culture.

### Organizational Culture and Ethics

A recent study of 3,000 employees and managers in the United States confirms that the degree to which employees in an organization behave ethically depends on the culture of the organization (Gebler, 2006). Without a culture emphasizing the importance of integrity, honesty, and trust, mandatory ethics training programs are often doomed to fail. Thus, creating such a culture is essential to avoiding the failures of organizations such as WorldCom and Enron. How is such a culture created?

The factors we highlighted in this chapter will play a role in creating an ethical culture. Among all factors affecting ethical culture creation, leadership may be the most influential. Leaders, by demonstrating high levels of honesty and integrity in their actions, can model the behaviors that are demanded in an organization. If their actions contradict their words, establishing a culture of ethics will be extremely difficult. As an example, former chairman and CEO of Enron Kenneth Lay forced all his employees to use his sister's travel agency, even though the agency did not provide high-quality service or better prices (Watkins, 2003). Such behavior at the top is sure to trickle down. Leaders also have a role in creating a culture of ethics, because they establish the reward systems being used in a company. There is a relationship between setting very difficult goals for employees and unethical behavior (Schweitzer, Ordenez, & Douma, 2004). When leaders create an extremely performance-oriented culture where only results matter and there is no tolerance for missing one's targets, the culture may start rewarding unethical behaviors. Instead, in organizations such as General Electric Company where managers are evaluated partly based on metrics assessing ethics, behaving in an ethical manner becomes part of the core company values (Heineman, 2007).

### Organizational Culture Around the Globe

The values, norms, and beliefs of a company may also be at least partially imposed by the national culture. When an entrepreneur establishes an organization, the values transmitted to the organization may be because of the cultural values of the founder and the overall society. If the national culture in general emphasizes competitiveness, a large number of the companies operating in this context may also be competitive. In countries emphasizing harmony and conflict resolution, a team-oriented culture may more easily take root. For example, one study comparing universities in Arab countries and Japan found that the Japanese universities were characterized by modesty and frugality, potentially reflecting elements of the Japanese culture. The study also found that the Arab universities had buildings that were designed to impress and had restricted access, which may be a reflection of the relatively high power distance of the Arab cultures. Similarly, another study found that elements of Brazilian culture such as relationships being more important than jobs, tendency toward hierarchy, and flexibility were reflected in organizational culture values such as being hierarchical and emphasizing relational networks (Dedoussis, 2004; Garibaldi de Hilal, 2006). It is important for managers to know the relationship between national culture and company culture, because the relationship explains why it would sometimes be challenging to create the same company culture globally.

### Key Takeaways

Without a culture emphasizing the importance of integrity, honesty, and trust, the mandatory ethics training programs are often doomed to fail. The values, norms, and beliefs of a company may also be at least partially imposed by the national culture.

### Exercises

1. Have you seen examples of ethical or unethical organizational cultures? Describe what you observed.
2. Have you seen examples of national culture affecting an organization's culture?
3. What advice would you give to someone who was interested in starting a new division of a company in another culture?

### References

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