

Organizational Behavior v. 1.1

Licensing Information

This text was adapted by Saylor Academy under a [Creative Commons Attribution-NonCommercial-ShareAlike 3.0 License](https://creativecommons.org/licenses/by-nc-sa/3.0/) without attribution as requested by the work's original creator or licensor.



5.4 The Role of Ethics and National Culture

Learning Objectives

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

Motivation and Ethics

What motivates individuals to behave unethically? Motivation theories have been applied to explain this interesting and important question. One theory that has been particularly successful in explaining ethical behavior is reinforcement theory. Just like any other behavior such as performance or cooperation, ethical behavior is one that is learned as a result of the consequences following one's actions. For example, in an experiment simulating the job of a sales manager, participants made a series of decisions using a computer. Partway through the simulation, subjects were informed that salespeople reporting to them were giving kickbacks to customers. Subjects in this experiment were more likely to cut the kickbacks if there was a threat of punishment to the manager. On the other hand, subjects playing the sales manager were more likely to continue giving away the kickbacks if they made a profit after providing the kickbacks.

Hegarty, W. H., & Sims, H. P. (1978). Some determinants of unethical decision behavior: An experiment. *Journal of Applied Psychology*, 63, 451–457.

In a separate study highlighting the importance of rewards and punishments, researchers found that the severity of expected punishment was the primary predictor of whether subjects reported inclination to behave unethically. In addition to the severity of the punishment, the perceived likelihood of punishment was also a major influence of ethical behavior.

Rettig, S., & Rawson, H. E. (1963). The risk hypothesis in predictive judgments of unethical behavior. *Journal of Abnormal and Social Psychology*, 66, 243–248.

These findings highlight the importance of rewards and punishments for motivating unethical behaviors.

There are many organizational situations in which individuals may do unethical things but then experience positive consequences such as being awarded promotions for meeting their sales quotas. For example, in many hotels, staff members routinely receive kickbacks from restaurants or bars if they refer customers to those locations.

Elliott, C. (2007). Is your bellhop on the take? *National Geographic Traveler*, 24(3), 18–20.

Similarly, sales staff rewarded with spiffs (product-specific sales incentives) may give customers advice that goes against their own personal beliefs and in this sense act unethically.

Radin, T. J., & Predmore, C. E. (2002). The myth of the salesperson: Intended and unintended consequences of product-specific sales incentives. *Journal of Business Ethics*, 36, 79–92.

As long as unethical behavior is followed by positive consequences for the person in question, we would expect unethical behavior to continue. Thus, in order to minimize the occurrence of unethical behavior (and in some instances legal problems), it seems important to examine the rewards and punishments that follow unethical behavior and remove rewards following unethical behavior while increasing the severity and likelihood of punishment.

Motivation Around the Globe

Motivation is a culturally bound topic. In other words, the factors that motivate employees in different cultures may not be equivalent. The motivation theories we cover in this chapter are likely to be culturally bound because they were developed by Western researchers and the majority of the research supporting each theory was conducted on Western subjects.

Based on the cultural context, Maslow's hierarchy of needs may require modification because the ranking of the needs may differ across cultures. For example, a study conducted in 39 countries showed that financial satisfaction was a stronger predictor of overall life satisfaction in developing nations compared to industrialized nations. In industrialized nations, satisfaction with esteem needs was a more powerful motivator than it was in developing nations.

Oishi, S., Diener, E. F., & Suh, E. M. (1999). Cross-cultural variations in predictors of life satisfaction: Perspectives from needs and values. *Personality and Social Psychology Bulletin*, 25, 980–990.

People around the world value justice and fairness. However, what is perceived as fair may be culturally dependent. Moreover, people in different cultures may react differently to perceived unfairness.

Erdogan, B., & Liden, R. C. (2006). Collectivism as a moderator of responses to organizational justice: Implications for leader-member exchange and ingratiation. *Journal of Organizational Behavior*, 27, 1–17
Mueller, C. W., & Wynn, T. (2000). The degree to which justice is valued in the workplace. *Social Justice Research*, 13, 1–24.

For example, in cross-cultural studies, it was found that participants in low power distance cultures such as the United States and Germany valued voice into the process (the opportunities for explanation and appealing a decision) more than those in high power distance cultures such as China and Mexico. At the same time, interactional justice was valued more by the Chinese subjects.

Brockner, J., Ackerman, G., Greenberg, J., Gelfand, M. J., Francesco, A. M., Chen, Z. X., et al. (2001). Culture and procedural justice: The influence of power distance on reactions to voice. *Journal of Experimental Social Psychology*, 37, 300–315
Tata, J. (2005). The influence of national culture on the perceived fairness of grading procedures: A comparison of the United States and China. *Journal of Psychology*, 139, 401–412.

There is also some evidence indicating that equity (rewarding employees based on their contributions to a group) may be a culture-specific method of achieving fairness. One study shows that Japanese subjects viewed equity as less fair and equality-based distributions as more fair than did Australian subjects.

Kashima, Y., Siegal, M., Tanaka, K., & Isaka, H. (1988). Universalism in lay conceptions of distributive justice: A cross-cultural examination. *International Journal of Psychology*, 23, 51–64.

Similarly, subjects in different cultures varied in their inclination to distribute rewards based on subjects' need or age, and in cultures such as Japan and India, a person's need may be a relevant factor in reward distributions.

Kashima, Y., Siegal, M., Tanaka, K., & Isaka, H. (1988). Universalism in lay conceptions of distributive justice: A cross-cultural examination. *International Journal of Psychology*, 23, 51–64

Murphy-Berman, V., Berman, J., Singh, P., Pachauri, A., & Kumar, P. (1984). Factors affecting allocation to needy and meritorious recipients: A cross-cultural comparison. *Journal of Personality and Social Psychology*, 46, 1267–1272.

Key Takeaway

Motivation theories are particularly useful for understanding why employees behave unethically. Based on reinforcement theory, people will demonstrate higher unethical behaviors if their unethical behaviors are followed by rewards or go unpunished. Similarly, according to expectancy theory, if people believe that their unethical actions will be rewarded with desirable outcomes, they are more likely to demonstrate unethical behaviors. In terms of culture, some of the motivation theories are likely to be culture-bound, whereas others may more readily apply to other cultures. Existing research shows that what is viewed as fair or unfair tends to be culturally defined.

https://saylordotorg.github.io/text_organizational-behavior-v1.1/s09-04-the-role-of-ethics-and-nationa.html

6.6 The Role of Ethics and National Culture

Learning Objectives

1. Consider the role of job design, goals, and reward systems in ethical behavior.
2. Consider the role of national culture on job design, goals, and reward systems.

Designing a Motivating Work Environment and Ethics

The design components of an organization's internal environment, such as the presence of goal setting, performance appraisals, and the use of incentive-based reward systems, have a direct connection with the level of ethical or unethical behaviors demonstrated within a company. Although a large number of companies successfully use goal setting and rewarding employees based on goal accomplishment, there is an unintended consequence to using goals: Goal setting may lead to unethical behaviors on the part of employees. When goal accomplishment is rewarded, and when rewards are desirable, employees will have two basic options: Work hard to reach the goals, or cheat.

The connection between goal setting and unethical behaviors has been well documented. For example, teachers rewarded for their students' success were more likely to cheat by giving the answers to students. Sanitation workers on an incentive scheme were more likely to take their trucks to the landfill with loads exceeding legal limits.

Pfeffer, J. (2004). Sins of commission. *Business 2.0*, 5(4), 56.

Salespeople working on commissions may push customers to make a purchase beyond their budget. At higher levels within companies, a CEO's method of payment has been related to the ethical behaviors of companies. For example, when a large percentage of a CEO pay package consists of stock options, companies are more likely to misrepresent the financial situation of the company, particularly when the CEO is also the head of the board of directors.

Harris, J., & Bromiley, P. (2007). Incentives to cheat: The influence of executive compensation and firm performance on financial misrepresentation. *Organization Science*, 18, 350–367

Priem, R. L., Coombs, J. E., & Gilley, K. M. (2006). Do CEO stock options prevent or promote fraudulent financial reporting? *Academy of Management Journal*, 49, 483–500.

This does not mean that goal setting always causes unethical behavior. People who behave unethically tend to constitute a small percentage of the workforce. However, for this small percentage, goal setting and incentives act as motivation to behave unethically. The tendency to behave unethically under these systems also increases when goals are not met, but instead, employees come close to reaching them, particularly when they are competing against each other to receive the rewards.

Bellizzi, J. A. (1995). Committing and supervising unethical sales force behavior: The effects of victim gender, victim status, and sales force motivational techniques. *Journal of Personal Selling & Sales Management*, 15, 1–15

Schweitzer, M. E., Ordóñez, L., & Douma, B. (2004). Goal setting as a motivator of unethical behavior. *Academy of Management Journal*, 47, 422–432.

There are several ways companies can reduce the temptation to behave unethically. Specifically rewarding ethical behavior within the company is related to lower levels of unethical behaviors.

Trevino, L. K., & Youngblood, S. A. (1990). Bad apples in bad barrels: A causal analysis of ethical decision-making behavior. *Journal of Applied Psychology*, 75, 378–385.

Also, instead of only rewarding people who reach a high goal and not giving anything to those who come close, companies may consider creating multiple levels of goals and distribute rewards corresponding to the goal that is achieved.

Locke, E. A. (2004). Linking goals to monetary incentives. *Academy of Management Executive*, 18, 130–133.

Enforcing an ethical code of conduct and withholding rewards from those who are not demonstrating ethical behaviors are other ways of preventing goal setting from leading to unethical behaviors.

Designing a Motivating Work Environment Around the Globe

The effectiveness of methods such as job design, goal setting, performance appraisals, and the use of incentives is likely to be culturally determined. For example, research conducted in Western countries suggests that empowering employees is an effective method of motivating them. However, not all employees around the world respond favorably to concepts such as autonomy or empowerment. For example, it has been noted that the use of self-managing teams, a method of increasing employee empowerment in the workplace, is difficult to execute in Mexican companies because of the traditionally paternalistic and hierarchical nature of many Mexican organizations. In such a context, employees may not be willing or ready to take responsibility for individual action, while managers may be unwilling to share real power with employees.

Nicholls, C. E., Lane, H. W., & Brechu, M. B. (1999). Taking self-managed teams to Mexico. *Academy of Management Executive*, 13(3), 15–25.

Researchers also found in a four-country study that while employees in the United States, Mexico, and Poland responded positively to empowerment, Indian employees were actually less satisfied when they were empowered.

Robert, C., Probst, T. M., Martocchio, J. J., Drasgow, F., & Lawler, J. J. (2000). Empowerment and continuous improvement in the United States, Mexico, Poland, and India: Predicting fit on the basis of the dimensions of power distance and individualism. *Journal of Applied Psychology*, 85, 643–658.

In other words, we may expect both greater levels of difficulty and potentially different reactions to empowerment depending on the cultural context.

Are all employees around the globe motivated by goal setting? Even though there is limited research in this area, existing findings point to some differences. For example, we know that American employees respond negatively to goals when these goals are perceived to be extremely difficult. However, Chinese employees actually were most motivated when the goals were very difficult. This may be because Chinese employees believe that their performance depends on their effort, and therefore, they are able to respond to goals that are very difficult with very high effort. On the other hand, there is some evidence that while specific goals motivate Western salespeople, in China goals low in specificity were more motivational.

Fang, E., Palmatier, R. W., & Evans, K. R. (2004). Goal-setting paradoxes? Trade-offs between working hard and working smart: The United States versus China. *Journal of the Academy of Marketing Science*, 32, 188–202.

How about performance appraisals? You may predict that concepts such as 360-degree appraisal are not suitable to all cultures. The 360-degree appraisals require a climate of openness and social equality in the workplace. Therefore, countries high in power distance and authoritarianism may respond negatively to appraisal systems where lower level employees give performance feedback to their managers. Likewise, in cultures high in collectivism, using peer appraisals may not be as effective, because employees might be hesitant to give accurate performance feedback to their colleagues with the fear that negative feedback may damage interpersonal relationships.

Key Takeaway

Goal setting and reward systems influence the level of ethics in the work environment. When employees come close to reaching their goals but fall short, they are more likely to behave unethically. The type of incentive system used in a company may generate unethical behaviors. Moreover, job design, goal setting, performance appraisals, and incentives should be designed while considering the national culture context, because they may not be universally valid.

7.6 The Role of Ethics and National Culture

Learning Objectives

1. Consider the role of ethics and emotion.
2. Consider the role of national culture on stress.

Emotions and Ethics

We have seen before how a gap between our true feelings and the feelings we display at work can cause distress. What happens when there is a gap between our feelings and our true beliefs?

Joshua Greene is a philosopher and neuroscientist who uses magnetic imaging of the brain to show how our minds and bodies react to difficult questions. In one example, Greene asked a group of subjects to consider a situation in which a trolley is racing down a track, about to kill five people. The subjects have the ability to steer the trolley onto another track, where it will kill only one person. Most agree this feels like the right thing to do—the best of possible evils.

Greene then asks his subject to consider the same situation with one major shift: In this case, to save the five bystanders the subject must push a large man in front of the trolley to stop it in its tracks.

This time, Greene's subjects felt the sacrifice was emotionally wrong. Greene's research shows that the difference between his subjects' valuations of life in these cases was that the second was more emotional. The thought of pushing someone to his death, understandably, had brought up strong feelings among the group. If humans were computers, one person's death might be seen as "less bad" than the death of five. But human decisions are based on emotion. It was considered emotionally—and therefore, morally—unacceptable to push the man in front of the trolley to save five others.

Greene's magnetic images of his subject's brains showed that while considering the second scenario, people were using more of their brains. Greene writes, "These differences in emotional engagement affect people's judgments."

Greene, J., Sommerville, R. B., Nystrom, L. E., Darley, J. M., & Cohen, J. D. (2001, September). An MRI investigation of emotional engagement in moral judgment, *Science*, 2105–2108.

Emotions are a powerful force in work and life. They are spontaneous and unpredictable elements of human beings that separate us from machines, and in some moments, from one another. By learning to identify and maximize the uses of our emotions at work, we can more appropriately respond to emotional situations.

Lack of Leisure Time and Stress Around the Globe

As economist Steven Landsburg notes, "Compared with Europeans, Americans are more likely to be employed and more likely to work longer hours—employed Americans put in about 3 hours more per week than employed Frenchmen. Most important, Americans take fewer (and shorter) vacations."

Landsburg, S. (2006, May 23). Why Europeans work less than Americans. *Forbes*. Retrieved June 1, 2008, from http://www.forbes.com/2006/05/20/steven-landsborg-labor_cx_sl_06work_0523landsborg.html.

That is, if they take a vacation at all. A recent poll showed that 40% of Americans do not plan to take a vacation within the next year.

Egan, T. (2006). The rise of the shrinking-vacation syndrome. *New York Times*. Retrieved June 1, 2008, from <http://travel2.nytimes.com/2006/08/20/us/20vacation.html>.

Juliet Schor, a senior lecturer in economics and director of women's studies at Harvard University, adds to the portrait of the overworked American with a shocking statistic on Americans' free time. According to Schor's book, *The Overworked American: The Unexpected Decline of Leisure*, Americans have 16.5 hours per week of leisure time after their work and household obligations are fulfilled.

Schor, J. B. (1993). *The overworked American: The unexpected decline of leisure*. New York: Basic Books.

This is a huge concern, as research has established that recovery is a key to well-being and that the lack of recovery can lead to health concerns associated with stress.

Sonnentag, S., & Zijlstra, F. R. H. (2006). Job characteristics and off-job activities as predictors of need for recovery, well-being, and fatigue. *Journal of Applied Psychology*, 91, 330–350.

Even more challenged for leisure time are some Japanese employees, working an average of 236 more hours per year than their American counterparts and 500 more hours than employees in France or Germany.

Nishiyama K., & Johnson, J. (2006). Karoshi—death from overwork: Occupational health consequences of Japanese production management. *The Fordism of Ford and Modern Management: Fordism and Post-Fordism. Volume 1* [e-book]. An Elgar Reference Collection, 462–478.

Leisure and recovery are key aspects to remaining healthy throughout one's lifetime. While Europeans normally plan on taking the month of August off, Americans do not have a similar ritual. PricewaterhouseCoopers became so concerned that they have instituted a 10-day shutdown as a winter break and a 5-day shutdown around July 4 so that everyone takes that time off without feeling peer pressure to work through vacations.

Key Takeaway

Emotions play a role in shaping what we feel is ethical and what is not. Leisure time is important for avoiding the exhaustion phase of the stress cycle. Countries vary a great deal in how many hours the average worker puts in at work, with Japan working the most hours, followed by those in the United States.

8.5 The Role of Ethics and National Culture

Learning Objectives

1. Consider the role of ethics in communication.
2. Consider the role of national culture on communication.

Ethics and Communication

“People aren’t happy when the unexpected happens, but they are even unhappier if they find out you tried to hide it,” says Bruce Patton, a partner at Boston-based Vantage Partners LLC.

Michelman, P. (2004, December 13). Sharing news that *might* be bad. Harvard Business School Working Knowledge Web site. Retrieved July 2, 2008, from <http://hbswk.hbs.edu/item/4538.html>.

To speak or not to speak? One of the most challenging areas of effective business communication occurs in moments of crisis management. But in an age of instant information, the burden on business to speak out quickly and clearly in times of crisis has never been greater.

The alternative to a clear message is seen as a communication blocker, in addition to being guilty of the misdeed, disaster, or infraction at hand. The Exxon Valdez disaster is a classic example of ineffective crisis management and communication. When millions of barrels of oil spilled into Prince William Sound, the company’s poor response only added to the damage. Exxon Mobil Corporation executives refused to acknowledge the extent of the problem and declined to comment on the accident for almost a week. Exxon also sent a succession of lower level spokespeople to deal with the media.

Holusha, J. (1989, April 4). Exxon’s public-relations problem. *New York Times*. Retrieved July 2, 2008, from <http://query.nytimes.com/gst/fullpage.html?res=950DE1DA1031F932A15757COA96F948260>.

Instead, a more effective method of crisis communication is to have the company’s highest ranking official become the spokesperson who communicates the situation. This is the approach that James Burke, the chairman of Johnson & Johnson Services, Inc., took when tampering was discovered with Tylenol bottles. He became the face of the crisis, communicating with the public and explaining what J & J would do. His forthrightness built trust and allayed customer fears.

Ethical, forthright communication applies inside the company as well as externally with the public. “When the truth is missing, people feel demoralized, less confident, and ultimately are less loyal,” write leadership experts Beverly Kaye and Sharon Jordan-Evans. “Research overwhelmingly supports the notion that engaged employees are ‘in the know.’ They want to be trusted with the truth about the business, including its challenges and downturns.”

Kaye, B., & Jordan-Evans, S. (2008, September 11). Tell them the truth. *Fast Company*. Retrieved January 27, 2009, from <http://www.fastcompany.com/resources/talent/bksje/092107-tellthemthetruth.html>.

Cross-Cultural Communication

Culture is a shared set of beliefs and experiences common to people in a specific setting. The setting that creates a culture can be geographic, religious, or professional. As you might guess, the same individual can be a member of many cultures, all of which may play a part in the interpretation of certain words. The different and often “multicultural” identity of individuals in the same organization can lead to some unexpected and potentially large miscommunications. For example, during the Cold War, Soviet leader Nikita Khrushchev told the American delegation at the United Nations, “We will bury you!” His words were interpreted as a threat of nuclear annihilation. However, a more accurate reading of Khrushchev’s words would have been, “We will overtake you!” meaning economic superiority. The words, as well as the fear and suspicion that the West had of the Soviet Union at the time, led to the more alarmist and sinister interpretation.

Garner, E. (2007, December 3). Seven barriers to great communication. Retrieved July 2, 2008, from <http://www.hodu.com/barriers.shtml>.

Miscommunications can arise between individuals of the same culture as well. Many words in the English language mean different things to different people. Words can be misunderstood if the sender and receiver do not share common experiences. A sender's words cannot communicate the desired meaning if the receiver has not had some experience with the objects or concepts the words describe.

Effective communication. (2004, May 31). Retrieved July 2, 2008, from DynamicFlight.com:

<http://www.dynamicflight.com/avcfibook/communication>.

It is particularly important to keep this fact in mind when you are communicating with individuals who may not speak English as a first language. For example, when speaking with nonnative English-speaking colleagues, avoid "isn't it?" questions. This sentence construction does not exist in many other languages and can be confusing for nonnative English speakers. For example, to the question, "You are coming, aren't you?" they may answer, "Yes" (I am coming) or "No" (I am coming), depending on how they interpret the question.

Lifland, S. (2006). Multicultural communication tips. *American Management Association*. Retrieved July 2, 2008, from

<http://www.amanet.org/movingahead/editorial.cfm?Ed=37&BNKNAVID=24&display=1>.

Cultures also vary in terms of the desired amount of situational context related to interpreting situations. People in very high context cultures put a high value on establishing relationships prior to working with others and tend to take longer to negotiate deals. Examples of high context cultures include China, Korea, and Japan. Conversely, people in low context cultures "get down to business" and tend to negotiate quickly. Examples of low context cultures include Germany, Scandinavia, and the United States.

This section draws on work by: Hall, E. (1976). *Beyond culture*. Garden City, NY: Doubleday; and ideas in Munter, M. (1993).

Cross-cultural communication for managers. *Business Horizons*, 36, 69–78.

Finally, don't forget the role of nonverbal communication. As we learned in the nonverbal communication section, in the United States, looking someone in the eye when talking is considered a sign of trustworthiness. In China, by contrast, a lack of eye contact conveys respect. A recruiting agency that places English teachers warns prospective teachers that something that works well in one culture can offend in another: "In Western countries, one expects to maintain eye contact when we talk with people. This is a norm we consider basic and essential. This is not the case among the Chinese. On the contrary, because of the more authoritarian nature of the Chinese society, steady eye contact is viewed as inappropriate, especially when subordinates talk with their superiors.

Chinese culture—differences and taboos. (n.d.). Retrieved January 27, 2009, from the Footprints Recruiting Inc. Web site:

http://www.footprintsrecruiting.com/content_321.php?abarcar_Session=2284f8a72fa606078aed24b8218f08b9.

Figure 8.15 Gestures Around the Globe

	<i>“V” for victory.</i> Use this gesture with caution! While in North America it signs victory or peace, in England and Australia it means something closer to “take this!”
	<i>The “OK” gesture.</i> While in North America it means things are going well, in France it means a person is thought to be worthless, in Japan it refers to money, and in Brazil, Russia, and Germany it means something really not appropriate for the workplace.
	The <i>“thumbs up”</i> means one in Germany, five in Japan, but good job in North America. This can lead to confusion.
	<i>“Hook ‘em horns.”</i> In Texas this is the University of Texas rallying call because it looks like the horns of a bull. However, in Italy it means you are being tricked, while in Brazil and Venezuela it means you are warding off evil.
	<i>Waving your hand.</i> In much of Europe waving your hand indicates a disagreement. However, in North America it is routinely used as a way to signal greetings or to get someone’s attention.

Adapted from information in Axtell, R. E. (1998). *Gestures: The do’s and taboos of body language around the world*. New York: John Wiley.

It's easy to see how meaning could become confused, depending on how and when these signals are used. When in doubt, experts recommend that you ask someone around you to help you interpret the meaning of different gestures, that you be sensitive, and that you remain observant when dealing with a culture different from your own.

Key Takeaway

Ethical, forthright communication applies inside a company as well as externally with the public. Trying to cover up or ignore problems has been the downfall of many organizational members. There are differences in word meanings and nonverbal communication. For example, in North America, the nonverbal V means victory or peace, but in Australia means something closer to "take this," which could still fit if your team wins a championship but probably isn't exactly what was meant.

https://saylordotorg.github.io/text_organizational-behavior-v1.1/s12-05-the-role-of-ethics-and-national-culture.html

9.6 The Role of Ethics and National Culture

Learning Objectives

1. Consider the role of ethics and teams.
2. Consider teams around the globe.

Ethics and Teams

The use of teams, especially self-managing teams, has been seen as a way to overcome the negatives of bureaucracy and hierarchical control. Giving teams the authority and responsibility to make their own decisions seems to empower individuals and the team alike by distributing power more equitably. Interestingly, research by James Barker shows that sometimes replacing a hierarchy with self-managing teams can actually increase control over individual workers and constrain members more powerfully than a hierarchical system.

Barker, J. R. (1993, September). Tightening the iron cage: Concertive control in self-managing teams. *Administrative Science Quarterly*, 38, 408–437.

Studying a small manufacturing company that switched to self-managing teams, Barker interviewed team members and found an unexpected result: Team members felt more closely watched under self-managing teams than under the old system. Ronald, a technical worker, said, "I don't have to sit there and look for the boss to be around; and if the boss is not around, I can sit there and talk to my neighbor or do what I want. Now the whole team is around me and the whole team is observing what I'm doing." Ronald said that while his old supervisor might tolerate someone coming in a few minutes late, his team had adopted a "no tolerance" policy on tardiness, and members carefully monitored their own behaviors. Team pressure can harm a company as well. Consider a sales team whose motto of "sales above all" hurts the ability of the company to gain loyal customers.

DiModica, P. (2008, March 13). Managing sales team ethics and sales morality. *Value Forward Group*. Retrieved August 1, 2008, from <http://www.valueforward.com/20080313.html>.

The sales team feels pressure to lie to customers to make sales. Their misrepresentations and unethical behavior gets them the quick sale but curtails their ability to get future sales from repeat customers.

Teams Around the Globe

People from different cultures often have different beliefs, norms, and ways of viewing the world. These kinds of country-by-country differences have been studied by the GLOBE Project, in which 170 researchers collected and analyzed data on cultural values, practices, and leadership attributes from over 17,000 managers in 62 societal cultures.

Javidan, M., Dorfman, P., Sully de Luque, M., & House, R. (2006, February). In the eye of the beholder: Cross cultural lessons in leadership from Project GLOBE. *Academy of Management Perspectives*, 20, 67–90.

GLOBE identified nine dimensions of culture. One of the identified dimensions is a measure called collectivism. Collectivism focuses on the degree to which the society reinforces collective over individual achievement. Collectivist societies value interpersonal relationships over individual achievement. Societies that rank high on collectivism show more close ties between individuals. The United States and Australia rank low on the collectivism dimension, whereas countries such as Mexico and Taiwan rank high on that dimension. High collectivism manifests itself in close, long-term commitment to the member group. In a collectivist culture, loyalty is paramount and overrides most other societal rules and regulations. The society fosters strong relationships in which everyone takes responsibility for fellow members of their group. Harrison, McKinnon, Wu, and Chow explored the cultural factors that may influence how well employees adapt to fluid work groups.

Harrison, G. L., McKinnon, J. L., Wu, A., & Chow, C. W. (2000). Cultural influences on adaptation to fluid workgroups and teams. *Journal of International Business Studies*, 31(3), 489–505.

The researchers studied groups in Taiwan and Australia. Taiwan ranks high on collectivism, while Australia ranks low. The results: Australian managers reported that employees adapted more readily to working in different teams, working under different leaders, and taking on leadership of project teams than the middle managers in Taiwan reported. The two samples were matched in terms of the functional background of the managers, size and industries of the firms, and local firms. These additional controls provided greater confidence in attributing the observed differences to cultural values.

In other research, researchers analyzed the evaluation of team member behavior by part-time MBA students in the United States and Mexico.

Gomez, C., Kirkman, B. L., & Shapiro, D. L. (2000). The impact of collectivism and in-group/out-group membership on the evaluation generosity of team members. *Academy of Management Journal*, 43(6), 1097–1106.

The United States ranks low on collectivism while Mexico ranks high. They found that collectivism (measured at the individual level) had a positive relationship to the evaluation of a teammate. Furthermore, the evaluation was higher for in-group members among the Mexican respondents than among the U.S. respondents.

Power distance is another culture dimension. People in high power distance countries expect unequal power distribution and greater stratification, whether that stratification is economic, social, or political. An individual in a position of authority in these countries expects (and receives) obedience. Decision making is hierarchical, with limited participation and communication. Countries with a low power distance

rating, such as Australia, value cooperative interaction across power levels. Individuals stress equality and opportunity for everyone.

Another study by researchers compared national differences in teamwork metaphors used by employees in six multinational corporations in four countries: the United States, France, Puerto Rico, and the Philippines.

Gibson, C. B., & Zellmer-Bruhn, M. E. (2001). Metaphors and meaning: An intercultural analysis of the concept of teamwork. *Administrative Science Quarterly*, 46(2), 274–303.

They identified five metaphors: military, family, sports, associates, and community. Results showed national variation in the use of the five metaphors. Specifically, countries high in individualism (United States and France) tended to use the sports or associates metaphors, while countries high in power distance (Philippines and Puerto Rico) tended to use the military or family metaphors. Further, power distance and collectivistic values were negatively associated with the use of teamwork metaphors that emphasized clear roles and broad scope. These results suggest that the meaning of teamwork may differ across cultures and, in turn, imply potential differences in team norms and team-member behaviors.

Key Takeaway

Self-managing teams shift the role of control from management to the team itself. This can be highly effective, but if team members put too much pressure on one another, problems can arise. It is also important to make sure teams work toward organizational goals as well as specific team-level goals. Teams around the globe vary in terms of collectivism and power distance. These differences can affect how teams operate in countries around the world.

https://saylordotorg.github.io/text_organizational-behavior-v1.1/s13-06-the-role-of-ethics-and-national-culture.html

10.6 The Role of Ethics and National Culture

Learning Objectives

1. Consider the role of ethics in negotiation.
2. Consider the role of national culture in negotiation.

Ethics and Negotiations

Are hardball tactics OK to use? Sometimes a course of action is legal but is questionable in terms of ethics. A good rule of thumb is that hardball tactics should not be used because the negotiation is likely not to be the last time you will interact with the other party. Therefore, finding a way to make a deal that works for both sides is preferable. Otherwise, if you have the complete upper hand and use it to “destroy” the other party, it’s likely that at a future date the other party will have the upper hand and will use it to retaliate mercilessly against you. What’s more, your reputation as a negotiator will suffer. As J. Paul Getty said, “My father said: ‘You must never try to make all the money that’s in a deal. Let the other fellow make some money too, because if you have a reputation for always making all the money, you won’t have many deals.’”

Quote retrieved January 29, 2009, from <http://www.saidwhat.co.uk/keywordquotes/money>.

Ethics establish a way of doing what is right, fair, and honest. If your counterpart feels you are being unfair or dishonest, he or she is less likely to make any concessions—or even to negotiate with you in the first place.

Here are some tips for ethical negotiations:

- Be honest.
- Keep your promises.
- Follow the Platinum Rule. The Golden Rule tells us to treat others the way we want to be treated. Author Tony Alessandra goes a step further with the Platinum Rule: “Treat people the way they want to be treated.” Caring about others enough to treat them the way they want to be treated helps build long-term relationships based on ethics and trust.

Stark, P. B., & Flaherty, J. (2003). Ethical negotiations: 10 tips to ensure win–win outcomes. *Negotiator Magazine*. Retrieved November 11, 2008, from <http://www.negotiatormagazine.com/showarticle.php?file=article106&page=1>.

Negotiation Around the Globe

Not understanding cultural differences is another common mistake. Some cultures have a higher or lower threshold for conflict. For example, in countries such as Japan or Korea, the preference is for harmony (called *wa* in Japan) rather than overt conflict.

Lebra, T. S. (1976). *Japanese patterns of behavior*. Honolulu, HI: University Press of Hawaii.

Americans and Germans have a much higher tolerance for conflict as a way of working through issues. In a study of Japanese, German, and American cultures, it was found that almost half of the preference for different conflict management styles was related to the country in which participants were raised.

Tinsley, C. (1998). Models of conflict resolution in Japanese, German, and American cultures. *Journal of Applied Psychology*, 83, 316–323.

In Japan, much like Pakistan, the tendency is not to trust what is heard from the other party until a strong relationship is formed. Similarly, in China, conversations start out with innocuous topics to set a mood of friendliness. U.S. Commerce Department. (2007).

Retrieved November 11, 2008, from <http://www.Buyusa.gov>.

This differs a great deal from American negotiators who tend to like to “get down to business” and heavily weigh first offers as reference points that anchor the process as both sides make demands and later offers.

There are also differences in how individuals from different cultures use information and offers during the negotiation process. Observations show that Japanese negotiators tend to use offers as an information exchange process.

Adair, W. L., Weingart, L., & Brett, J. (2007). The timing and function of offers in the U.S. and Japanese negotiations. *Journal of Applied Psychology*, 92, 1056–1068.

Research has found that American negotiators tend to reveal more information than their Japanese counterparts.

Adair, W. L., Okumua, T., & Brett, J. M. (2001). Negotiation behavior when cultures collide: The United States and Japan. *Journal of Applied Psychology*, 86, 371–385.

Japanese negotiators might learn little from a single offer, but patterns of offers over time are interpreted and factored into their negotiations. Since Japan is a high-context culture, information is learned from what is not said as well as from what is said.

Even the way that negotiations are viewed can differ across cultures. For example, the Western cultures tend to think of negotiations as a business activity rather than a social activity, but in other cultures, the first step in negotiations is to develop a trusting relationship. Negotiators in Brazil, for example, seriously damaged relationships when they tried to push negotiations to continue during the Carnival festival. “The local guys took that as a disrespectful action,” said Oscar Lopez, commercial director for Hexaprint, S.A. De C.V. in Mexico. “It took several weeks to restore confidence and move on.”

Teague, P. E. (2006, August 17). Collaboration trumps negotiations. *Purchasing*, 135(11), 58.

Also keep in mind what agreement means in different cultures. For example, in China, nodding of the head does not mean that the Chinese counterpart is agreeing to what you are proposing, merely that they are listening and following what you are saying. “Culturally, Chinese companies and workers do not like to say no,” says a buyer at a manufacturer based in the United States. Here’s how to overcome the problem. Instead of phrasing a question as, “Can you do this for us?” which would put the Chinese official in an uncomfortable position of saying no (which they likely would not do), rephrase the question as, “How will you do this for us and when will it be done?”

Hannon, D. (2006, May 18). DO’s and DON’Ts of doing business in China. *Purchasing*, 135(8), 52.

Key Takeaway

Being honest during negotiations, keeping your promises, and treating others as you would like to be treated all help you negotiate ethically. Not understanding the culture of a person or group of people you are negotiating with can be a major mistake. Try to learn as much as you can about the culture of others involved and be sure to clarify key points along the way. Also, keep in mind that agreement (e.g., nodding one’s head up and down or saying “yes, yes”) may not mean the same thing in all cultures.

https://saylordotorg.github.io/text_organizational-behavior-v1.1/s14-06-the-role-of-ethics-and-national-culture.html

11.5 The Role of Ethics and National Culture

Learning Objectives

1. Consider the role of ethical behavior on decision making.
2. Consider the role of national culture on decision making.

Ethics and Decision Making

Because many decisions involve an ethical component, one of the most important considerations in management is whether the decisions you are making as an employee or manager are ethical. Here are some basic questions you can ask yourself to assess the ethics of a decision.

Adapted from ideas contained in Kenneth Blanchard and Norman Vincent Peale (1988). *The power of ethical management*. New York: William Morrow.

- Is this decision fair?
- Will I feel better or worse about myself after I make this decision?
- Does this decision break any organizational rules?
- Does this decision break any laws?
- How would I feel if this decision were broadcast on the news?

The current economic crisis in the United States and many other parts of the world is a perfect example of legal yet unethical decisions resulting in disaster. Many experts agree that one of the driving forces behind the sliding economy was the lending practices of many banks (of which several no longer exist). In March of 2008, a memo from JPMorgan Chase & Co. was leaked to an Oregon newspaper called "Zippy Cheats & Tricks" (Zippy is Chase's automated, computer-based loan approval system). Although Chase executives firmly stated that the contents of the memo were not company policy, the contents clearly indicate some of the questionable ethics involved with the risky loans now clogging the financial system.

In the memo, several steps were outlined to help a broker push a client's approval through the system, including, "In the income section of your 1003, make sure you input all income in base income. DO NOT break it down by overtime, commissions or bonus. NO GIFT FUNDS! If your borrower is getting a gift, add it to a bank account along with the rest of the assets. Be sure to remove any mention of gift funds on the rest of your 1003. If you do not get Stated/Stated, try resubmitting with slightly higher income. Inch it up \$500 to see if you can get the findings you want. Do the same for assets."

Manning, J. (2008, March 27). Chase mortgage memo pushes "Cheats & Tricks." *The Oregonian*. Retrieved November 1, 2008, from http://www.oregonlive.com/business/index.ssf/2008/03/chase_memo_pushes_che.html.

While it is not possible to determine how widely circulated the memo was, the mentality it captures was clearly present during the lending boom that precipitated the current meltdown. While some actions during this period were distinctly illegal, many people worked well within the law and simply made unethical decisions. Imagine a real estate agent that knows a potential buyer's income. The buyer wants to purchase a home priced at \$400,000, and the agent knows the individual cannot afford to make payments on a mortgage of that size. Instead of advising the buyer accordingly and losing a large commission, the agent finds a bank willing to lend money to an unqualified borrower, collects the commission for the sale, and moves on to the next client. It is clear how these types of unethical yet legal decisions can have dramatic consequences.

Suppose you are the CEO of a small company that needs to cut operational costs or face bankruptcy. You have decided that you will not be issuing the yearly bonus that employees have come to expect. The first thing you think about after coming to this decision is whether or not it is fair. It seems logical to you that since the alternative would be the failure of the company and everyone's losing their jobs, not receiving a bonus is preferable to being out of work. Additionally, you will not be collecting a bonus yourself, so that the decision will affect everyone equally. After deciding that the decision seems fair, you try to assess how you will feel about yourself after informing employees that there will not be a bonus this year. Although you do not like the idea of not being able to issue the yearly bonus, you are the CEO, and CEOs often have to make tough decisions. Since your ultimate priority is to save the company from bankruptcy, you decide it is better to withhold bonuses rather than issuing them, knowing the company cannot afford it. Despite the fact that bonuses have been issued every year since the company was founded, there are no organizational policies or laws requiring that employees receive a bonus; it has simply been a company tradition. The last thing you think about is how you would feel if your decision were broadcast on the news. Because of the dire nature of the situation, and because the fate of the business is at stake, you feel confident that this course of action is

preferable to laying off loyal employees. As long as the facts of the situation were reported correctly, you feel the public would understand why the decision was made.

Decision Making Around the Globe

Decision-making styles and approaches tend to differ depending on the context, and one important contextual factor to keep in mind is the culture in which decisions are being made. Research on Japanese and Dutch decision makers show that while both cultures are consensus-oriented, Japanese managers tend to seek consensus much more than Dutch managers.

Noorderhaven, N. G. (2007). Comprehensiveness versus pragmatism: Consensus at the Japanese-Dutch interface. *Journal of Management Studies*, 44, 1349–1370.

Additionally, American managers tend to value quick decision making, while Chinese managers are more reflective and take their time to make important decisions—especially when they involve some sort of potential conflict.

Another example of how decision-making styles may differ across cultures is the style used in Japan called *nemawashi*. Nemawashi refers to building consensus within a group before a decision is made. Japanese decision makers talk to parties whose support is needed beforehand, explain the subject, address their concerns, and build their support. Using this method clearly takes time and may lead to slower decision making. However, because all parties important to the decision will give their stamp of approval before the decision is made, this technique leads to a quicker implementation of the final decision once it is decided.

Key Takeaway

Asking yourself some key questions can help you determine if a decision you are considering is ethical. A decision being legal does not automatically make it ethical. Unethical decisions can lead to business failures for a variety of reasons. Different cultures have different styles of decision making. In countries with a collectivist orientation, a high value is placed on building consensus. Some national cultures value quick decision making, whereas others believe in taking time to arrive at a decision. Taking national culture into account is important in effective cross-cultural business interactions.

https://saylordotorg.github.io/text_organizational-behavior-v1.1/s15-05-the-role-of-ethics-and-national-culture.html

12.6 The Role of Ethics and National Culture

Learning Objectives

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

Leadership and Ethics

As some organizations suffer the consequences of ethical crises that put them out of business or damage their reputations, the role of leadership as a driver of ethical behavior is receiving a lot of scholarly attention as well as acknowledgement in the popular press. Ethical decisions are complex and, even to people who are motivated to do the right thing, the moral component of a decision may

not be obvious. Therefore, employees often look to role models, influential people, and their managers for guidance in how to behave. Unfortunately, research shows that people tend to follow leaders or other authority figures even when doing so can put others at risk. The famous Milgram experiments support this point. Milgram conducted experiments in which experimental subjects were greeted by someone in a lab coat and asked to administer electric shocks to other people who gave the wrong answer in a learning task. In fact, the shocks were not real and the learners were actors who expressed pain when shocks were administered. Around two-thirds of the experimental subjects went along with the requests and administered the shocks even after they reached what the subjects thought were dangerous levels. In other words, people in positions of authority are influential in driving others to ethical or unethical behaviors.

Milgram, S. (1974). *Obedience to authority; an experimental view*. New York: Harper & Row

Trevino, L. K., & Brown, M. E. (2004). Managing to be ethical: Debunking five business ethics myths. *Academy of Management Executive*, 18(2), 69–81.

It seems that when evaluating whether someone is an effective leader, subordinates pay attention to the level of ethical behaviors the leader demonstrates. In fact, one study indicated that the perception of being ethical explained 10% of the variance in whether an individual was also perceived as a leader. The level of ethical leadership was related to job satisfaction, dedication to the leader, and a willingness to report job-related problems to the leader.

Brown, M. E., Trevino, L. K., & Harrison, D. A. (2005). Ethical leadership: A social learning perspective for construct development and testing. *Organizational Behavior and Human Decision Processes*, 97, 117–13

Morgan, R. B. (1993). Self- and co-worker perceptions of ethics and their relationships to leadership and salary. *Academy of Management Journal*, 36, 200–214.

Leaders influence the level of ethical behaviors demonstrated in a company by setting the tone of the organizational climate. Leaders who have high levels of moral development create a more ethical organizational climate.

Schminke, M., Ambrose, M. L., & Neubaum, D. O. (2005). The effect of leader moral development on ethical climate and employee attitudes. *Organizational Behavior and Human Decision Processes*, 97, 135–151.

By acting as a role model for ethical behavior, rewarding ethical behaviors, publicly punishing unethical behaviors, and setting high expectations for the level of ethics, leaders play a key role in encouraging ethical behaviors in the workplace.

The more contemporary leadership approaches are more explicit in their recognition that ethics is an important part of effective leadership. Servant leadership emphasizes the importance of a large group of stakeholders, including the external community surrounding a business. On the other hand, authentic leaders have a moral compass, they know what is right and what is wrong, and they have the courage to follow their convictions. Research shows that transformational leaders tend to have higher levels of moral reasoning, even though it is not part of the transformational leadership theory.

Turner, N., Barling, J., Epitropaki, O., Butcher, V., & Milner, C. (2002). Transformational leadership and moral reasoning. *Journal of Applied Psychology*, 87, 304–311.

It seems that ethical behavior is more likely to happen when (a) leaders are ethical themselves, and (b) they create an organizational climate in which employees understand that ethical behaviors are desired, valued, and expected.

Leadership Around the Globe

Is leadership universal? This is a critical question given the amount of international activity in the world. Companies that have branches in different countries often send expatriates to manage the operations. These expatriates are people who have demonstrated leadership skills at home, but will these same skills work in the host country? Unfortunately, this question has not yet been fully answered. All the leadership theories that we describe in this chapter are U.S.-based. Moreover, around 98% of all leadership research has been conducted in the United States and other western nations. Thus, these leadership theories may have underlying cultural assumptions. The United States is an individualistic, performance-oriented culture, and the leadership theories suitable for this culture may not necessarily be suitable to other cultures.

People who are perceived as leaders in one society may have different traits compared to people perceived as leaders in a different culture, because each society has a concept of ideal leader prototypes. When we see certain characteristics in a person, we make the attribution that this person is a leader. For example, someone who is confident, caring, and charismatic may be viewed as a leader because we feel that these characteristics are related to being a leader. These leadership prototypes are societally driven and may have a lot to do with a country's history and its heroes.

Recently, a large group of researchers from 62 countries came together to form a project group called Global Leadership and Organizational Behavior Effectiveness or GLOBE.

House, R. J., Hanges, P. J., Javidan, M., Dorfman, P., & Gupta, V. (2004). *Culture, leadership, and organizations: The Globe Study of 62 societies*. Thousand Oaks, CA: Sage.

This group is one of the first to examine leadership differences around the world. Their results are encouraging, because, in addition to identifying differences, they found similarities in leadership styles as well. Specifically, certain leader traits seem to be universal. Around the world, people feel that honesty, decisiveness, being trustworthy, and being fair are related to leadership effectiveness. There is also universal agreement in characteristics viewed as undesirable in leaders: being irritable, egocentric, and a loner.

Den Hartog, D. N., House, R. J., Hanges, P. J., Ruiz-Quintanilla, S. A., & Dorfman, P. W. (1999). Culture specific and cross-culturally generalized implicit leadership theories: Are attributes of charismatic/transformational leadership universally endorsed? *Leadership Quarterly*, 10(2), 219–256

Javidan, M., Dorfman, P. W., De Luque, M. S., & House, R. J. (2006). In the eye of the beholder: Cross cultural lessons in leadership from project GLOBE. *Academy of Management Perspectives*, 20(1), 67–90.

Visionary and charismatic leaders were found to be the most influential leaders around the world, followed by team-oriented and participative leaders. In other words, there seems to be a substantial generalizability in some leadership styles.

Even though certain leader behaviors such as charismatic or supportive leadership appear to be universal, what makes someone charismatic or supportive may vary across nations. For example, when leaders fit the leadership prototype, they tend to be viewed as charismatic, but in Turkey, if they are successful but did not fit the prototype, they were still viewed as charismatic.

Ensari, N., & Murphy, S. E. (2003). Cross-cultural variations in leadership perceptions and attribution of charisma to the leader. *Organizational Behavior and Human Decision Processes*, 92, 52–66.

In Western and Latin cultures, people who speak in an emotional and excited manner may be viewed as charismatic. In Asian cultures such as China and Japan, speaking in a monotonous voice may be more

impressive because it shows that the leader can control emotions. Similarly, how leaders build relationships or act supportively is culturally determined. In collectivist cultures such as Turkey or Mexico, a manager is expected to show personal interest in employees' lives. Visiting an employee's sick mother at the hospital may be a good way of showing concern. Such behavior would be viewed as intrusive or strange in the United States or the Netherlands. Instead, managers may show concern verbally or by lightening the workload of the employee.

Brodbeck, F. C., Frese, M., Akerblom, S., & Audia, G. (2000). Cultural variation of leadership prototypes across 22 European countries. *Journal of Occupational and Organizational Psychology*, 31, 1–29

Den Hartog, D. N., House, R. J., Hanges, P. J., Ruis-Quintanilla, S. A., & Dorfman, P. W. (1999). Culture specific and cross-culturally generalized implicit leadership theories: Are attributes of charismatic/transformational leadership universally endorsed? *Leadership Quarterly*, 10, 219–256.

There were also many leader characteristics that vary across cultures.

Dorfman, P. W., Howell, J. P., Hibino, J. P., Lee, J. K., Tate, U., & Bautista, A. (1997). Leadership in Western and Asian countries: Commonalities and differences in effective leadership processes across cultures. *Leadership Quarterly*, 8, 233–274;

Gerstner, C. R., & Day, D. V. (1994). Cross-cultural comparison of leadership prototypes. *Leadership Quarterly*, 5, 121–134.

Traits such as being autonomous, conflict avoidant, status conscious, and ambitious were culturally dependent. For example, in France, employees do not expect their leaders to demonstrate empathy. Leaders demonstrating self-sacrifice are also viewed negatively, suggesting that servant leadership would be an improper style there. In Middle Eastern cultures such as Egypt, leaders are expected to be superior to lay people. They are supposed to have all the answers, be confident, and authoritarian. In fact, leading like a benevolent autocrat (someone who cares about people but acts alone) may be an appropriate style.

Javidan, M., Dorfman, P. W., De Luque, M. S., & House, R. J. (2006). In the eye of the beholder: Cross cultural lessons in leadership from project GLOBE. *Academy of Management Perspectives*, 20(1), 67–90.

Even within the same geography, researchers identified substantial cultural differences. For example, in Europe, there were five clusters of cultures. Directness in interpersonal relationships was viewed positively in Nordic cultures such as Finland, but negatively in Near Eastern cultures such as Turkey. Similarly, leaders who are autonomous were viewed positively in Germanic cultures such as Austria, but negatively in Latin European cultures such as Portugal.

Brodbeck, F. C., Frese, M., Akerblom, S., & Audia, G. (2000). Cultural variation of leadership prototypes across 22 European countries. *Journal of Occupational and Organizational Psychology*, 31, 1–29.

Finally, in some cultures, good leaders are paternalistic. These leaders act like a parent to employees, give advice, care for them, and get obedience and loyalty in return.

Aycan, Z., Kanungo, R. N., Mendonca, M., Yu, K., Deller, J., Stahl, G., et al. (2000). Impact of culture on human resource management practices: A 10-country comparison. *Applied Psychology: An International Review*, 49, 192–221.

Pellegrini, E. K., & Scandura, T. A. (2008). Paternalistic leadership: A review and agenda for future research. *Journal of Management*, 34, 556–593.

Given all these differences, effective leaders should develop a sensitivity to cultural differences and adapt their style when they work in different societies or with people from different cultural backgrounds. It seems that flexibility is an important trait for global leaders.

Key Takeaway

People get their cues for ethical behaviors from leaders. Therefore, leadership characteristics and style will influence the level of ethical behaviors employees demonstrate. Being ethical is related to being perceived as a leader, and ethical leaders create a more satisfied workforce. More contemporary approaches such as servant leadership and authentic leadership explicitly recognize the importance of ethics for leadership effectiveness. Some leadership traits seem to be universal. Visionary, team-oriented, and to a lesser extent participative leadership seem to be the preferred styles around the world. However, traits such as how confident leaders should be and whether they should sacrifice themselves for the good of employees and many others are culturally dependent. Even for universal styles such as charismatic and supportive leadership, how leaders achieve charisma and supportiveness seems to be culturally dependent.

https://saylordotorg.github.io/text_organizational-behavior-v1.1/s16-06-the-role-of-ethics-and-nationa.html

13.6 The Role of Ethics and National Culture

Learning Objectives

1. Consider the role of ethics and power.
2. Consider the role of national culture on power.

Ethics and Power

Power brings a special need for ethics, because the circumstances of power make it easy for misuse to occur. As we have seen, a company president wields at least three sources of power: legitimate from the position they hold, coercive from the ability to fire employees, and reward such as the ability to give raises and perks. Expert power and referent power often enter the mix as well. Now take the example of setting the CEO's pay. In a public company, the CEO presumably has to answer to the board of directors and the shareholders. But what if the CEO appoints many of the people on the board? What if the board and the CEO are friends? Consider the case of Richard Grasso, former chairman of the New York Stock Exchange (NYSE), whose compensation was \$140 million plus another \$48 million in retirement benefits. At that time, the average starting salary of a trader on the NYSE was \$90,000, so Grasso was being paid 1,555 times more than a starting employee. The NYSE Board of Directors approved Grasso's payment package, but many of the board members had been appointed to their positions by Grasso himself. What's more, the NYSE's function is to regulate publicly traded companies. As Hartman and Desjardins noted, "The companies being regulated by the NYSE were the very same companies that were paying Grasso."

Hartman, L., & Desjardins, J. (2008). *Business ethics*. New York: McGraw-Hill, p. 43.

Grasso ultimately resigned amid public criticism but kept the \$140 million. Other CEOs have not faced the same outcry, even though average CEO pay increased 200% to 400% during the same time period that average worker pay increased only 4.3%.

CEO paycharts. (2005). Retrieved January 4, 2008, from the *Fair Economy* Web site:
http://www.faireconomy.org/issues/ceo_pay.

Some CEOs have earned a great deal of respect by limiting what they are paid. For example, Japan Airlines CEO Haruka Nishimatsu earns the equivalent to \$90,000 per year while running the 10th largest airline in the world. In addition, he rides the bus to work and eats in the company cafeteria with everyone else.

Petersen, B. (2009, January 28). Japan Airline boss sets exec example. *CBS Evening News*. Retrieved January 28, 2009, from <http://www.cbsnews.com/stories/2009/01/28/eveningnews/main4761136.shtml>.

Video Connection: Haruka Nishimatsu

If you are interested in learning more about CEO Haruka Nishimatsu, view this CBS News video segment, available at the following Web site:

<http://www.cbsnews.com/video/watch/?id=4761187n>

Figure 13.13



CEOs like James Sinegal of Costco Wholesale Corporation note that compensation is not the main motivation for their work. Consistent with this sentiment, by choice, Sinegal remains one of the lowest paid CEOs of a Standard & Poor's 500 company, and he has not received a raise in 7 consecutive years.

Source: Used with permission. Photo by France Freeman, Costco Wholesale.

Power Around the Globe

Power also has a cultural dimension. In some countries, power is centralized in the hands of a few. This type of distribution makes up high power distance countries. Within organizations in these countries, the structure is hierarchical, and compensation is based on your position in the hierarchy. People in high power distance countries expect unequal distribution of power, such as large differences in pay and status.

Javidan, M. Dorfman, P., Sully de Luque, M., & House, R. (2006, February). In the eye of the beholder: Cross cultural lessons in leadership from project GLOBE. *Academy of Management Perspectives*, 20, 67–90.

People in positions of authority in these countries expect (and receive) obedience. In Brazil, for example, there are formal relationships between the leader and followers, and it's clear who has the most power in any given work environment. Important decisions, including decisions on hiring and raises, are made by the person in charge, and decisions are often based on loyalty rather than on formal review mechanisms. Japan is also a higher power distant country and has unequal power and wealth among its citizens. But, people do not perceive this inequity as inherently wrong; rather, they accept it as their cultural heritage. Other examples of high power distance countries include the Arab nations, the Philippines, Venezuela, and Spain.

Countries with a low power distance rating, such as Australia, the Netherlands, and Sweden, value cooperative interaction across power levels. They emphasize equality and opportunity for everyone. For example, Australians want their leaders to be achievement-oriented, visionary, and inspirational, but they don't want their leaders to stand out too much. Leaders need to be seen as “one of us.”

Ashkanasy, N. (1998, August). What matters most in leadership: A 60 nation study—implications of GLOBE country-specific

empirical findings for organizational behavior and management. Presentation at Academy of Management Conference, San Diego, CA.

Organizational structures in low power distance countries are flatter with higher worker involvement. Status is based on achievement rather than class distinction or birth. People in power cannot arbitrarily hire their relatives or reward those loyal to them. There are formal review mechanisms in place to give everyone a fair chance at pay raises, and the difference in pay between high-level and lower level jobs is smaller.

These differences in perceptions of power become especially important in international ventures in which people of different countries work together. For example, in a joint venture between an American and a Mexican company, American managers were continually frustrated with what they perceived to be slow decision making by Mexican managers. Even the e-mails sent to the Mexican subsidiary were taking a long time to be answered. Mexico ranks higher on the power distance dimension than the United States—company structures are more hierarchical, and decisions are made only by top managers; therefore, lower level managers in Mexico could not make decisions on behalf of their bosses. In the case of e-mails, employees were consulting with their managers before answering each e-mail, taking a long time to answer them.

In addition to differing perceptions of power, how people influence each other seems to be determined by culture. Cross-cultural research shows that the more task-oriented influence tactics, such as rational persuasion, are seen as more effective in the United States than in China, and that Chinese managers rated tactics involving relationships such as coalitions as more effective than did the American managers.

Fu, P. P., & Yukl, G. (2000). Perceived effectiveness of influence tactics in the United States and China. *Leadership Quarterly*, 11, 251–266.

Yukl, G., Fu, P. P., & McDonald, R. (2003). Cross-cultural differences in perceived effectiveness of influence tactics for initiating or resisting change. *Applied Psychology: An International Review*, 52, 68–82.

Key Takeaway

Power can be easily abused. This is especially the case of CEOs who are rewarded by a board of directors that is often staffed by trusted friends and colleagues of the CEO. It is not hard to imagine that this might become a conflict of interest. Countries differ in terms of power distance. Some countries such as Brazil see a formal relationship between leaders and followers based on a rigid hierarchy.

https://saylordotorg.github.io/text_organizational-behavior-v1.1/s17-06-the-role-of-ethics-and-national-culture.html

14.4 The Role of Ethics and National Culture

Learning Objectives

1. Consider the role of organizational structure and change in ethical behavior.
2. Consider the role of national culture for organizational structure and change.

Organizational Structure, Change, and Ethics

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, R. D. (1999). Organizational design and ethics: The effects of rigid hierarchy on moral reasoning. *International Journal of Organization Theory & Behavior*, 2, 431–457.

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, J. R., Hanada, M., & McBride, K. (1986). Organizational structures in Japanese and U.S. manufacturing. *Administrative Science Quarterly*, 31, 338–364.

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, G. L., McKinnon, J. L., Panchapakesan, S., & Leung, M. (1994). The influence of culture on organizational design and planning and control in Australia and the United States compared with Singapore and Hong Kong. *Journal of International Financial Management & Accounting*, 5, 242–261.

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, G., Fu, P. P., & McDonald, R. (2003). Cross-cultural differences in perceived effectiveness of influence tactics for initiating or resisting change. *Applied Psychology: An International Review*, 52, 68–82.

Key Takeaway

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.

https://saylordotorg.github.io/text_organizational-behavior-v1.1/s18-04-the-role-of-ethics-and-nationa.html

15.6 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, D. (2006, May). Creating an ethical culture. *Strategic Finance*, 87, 28–34.

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, S. (2003, November). Former Enron vice president Sherron Watkins on the Enron collapse. *Academy of Management Executive*, 17, 119–125.

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, M., Ordóñez, L., & Douma, B. (2004). The role of goal setting in motivating unethical behavior. *Academy of Management Journal*, 47, 422–432.

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, B. W., Jr. (2007, April). Avoiding integrity land mines. *Harvard Business Review*, 85, 100–108.

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, E. (2004). A cross-cultural comparison of organizational culture: Evidence from universities in the Arab world and Japan. *Cross Cultural Management*, 11, 15–34.

Garibaldi de Hilal, A. (2006). Brazilian national culture, organizational culture and cultural agreement: Findings from a multinational company. *International Journal of Cross Cultural Management*, 6, 139–167.

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 Takeaway

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.

https://saylordotorg.github.io/text_organizational-behavior-v1.1/s19-06-the-role-of-ethics-and-nationa.html