Cross-cultural Issues in Business Ethics

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Outline of the argument

- A new economic order.
  - Based on cultural comparative advantage.

- Implications for business ethics.
  - Acknowledge and understand differences in cultural norms.
  - Rather than universalize ethics along Western lines.

- Example: corruption.
  - Activity that undermines a cultural system.
A new economic order

- Movement toward a **multi-polar equilibrium**.
A new economic order

- Based on **comparative cultural advantage**.
  - Much more than “outsourcing.”
  - Many countries have cheap labor.
  - Only a few have become economic powerhouses.

- Such as...
  - Japanese quality.
  - Korean manufacturing.
  - Indian information technology.
  - Chinese entrepreneurship.
  - Western technological innovation.
A new economic order

Japanese quality

- Continuous improvement.
  - Group-oriented, rather than requiring individual reward.
  - Long time horizon.
  - No need for cause-and-effect manipulation.
  - Maintain group harmony by honoring everyone’s ideas.
  - Nemawashi.

Hanko stamp
Traditionally a part of nemawashi
A new economic order

- **Superior operations management**
  - Just-in-time inventory management
  - *Kanban* systems minimize rework, maximize flexibility.
  - Lean manufacturing, reduced setup times.
- **Outgrowth of *keiretsu* (formerly *zaibatsu*).**
  - Old-boy networks, trust relationships.
  - *Keidanren.*
A new economic order

- Indian IT
  - Pantheism vs. secularism
    - No need to maintain & manipulate nature.
    - Other coping mechanisms
  - Inner discipline
    - Get control of one’s mind rather than the environment.
    - Modern form: intellectual discipline, academic competition.

IIT Mumbai
A new economic order

- Networking.
  - Efficient way to absorb technical knowledge.
- A verbal culture.
  - Well suited to academic discourse, information age.
- Case study: software development
  - No need for the technology, but well suited to create it.
  - Create an orderly world of the mind, rather than an orderly world externally.
- Indians see themselves as Westernizing
  - There is a common reliance on rationality.
  - But Indians are leveraging their own cultural traits.
A new economic order

- Korean Manufacturing
  - Initially an imitation of Japanese zaibatsu.
    - High power distance culture allowed Park Chung Hee to create the chaebol.
  - Cozy relationship between leading industrial families and the government
    - Allowed Korea to build major private corporations in a relationship-based culture.

Park Chung Hee
Korean dictator 1961-79
A new economic order

- Loyalty to the boss.
  - Paternal relationship.
- Highly disciplined, hierarchical groups.
  - Organized by age.
- Highly competitive, masculine culture.
  - Strong national solidarity.
- Focus on loyalty to boss.
  - Bottom line and short-term profitability are secondary.

Korean chaebol
A new economic order

Chinese entrepreneurship
- A cultural trait of coastal Chinese.
  - Particularly, speakers of Yuè (Cantonese), Mǐn (Fujianese), and Wú (Shanghaiese) dialects.
- Uncertainty tolerant culture.
- Self esteem tied to wealth and status.
  - “To be rich is glorious” (Deng Xiaoping).
- Masculine culture, competitive.

Guangzhou
A new economic order

- Relationship-based business.
  - *Guānxì* is a time-tested mechanism.
  - World’s largest economy for 8 of last 10 centuries, soon to be again.

- Making inroads into South America, Africa, Middle East.
  - These countries are more comfortable with Chinese relationship-based business style than Western rule-based transparency.

President Hosni Mubarak of Egypt with Chinese Trade Minister Bo Xilai, who headed a delegation of 150 Chinese businessmen.
A new economic order

- Western technological innovation
  - Disenchantment of nature.
    - Opened the way to manipulation of a secular world.
    - Greek rationality.
  - Technology as coping mechanism
    - Controlling the environment rather than oneself.
    - Support from family, friends less important.

Max Weber
A new economic order

- **Individualism.**
  - Individuals have the right to rethink everything.
  - Students asked to reason from first principles.
  - Do experiments, prove theorems.
  - Individual expression, originality valued.

- Payoff: new ideas for technological coping mechanism.
Implications for business ethics

- Successful countries will retain and emphasize the cultural traits that bring them success.
  - Including their ethical norms.
  - They may see themselves as Westernizing.
- We must understand their norms and value systems.
  - ...to succeed in the new world order.

Electronics City, near Bangalore
Implications for business ethics

- Communication technology **reinforces** cultural divergence.
  - Rather than homogenizing the world.
  - Mobile phones and web sites facilitate relationship-based cultures.
  - TV programming is increasingly regionalized.

"Orkut.com is an online community that connects people through a network of trusted friends."

Wildly popular in Brazil.
Implications for business ethics

Different ethical norms derive from different conceptions of human nature.

- Rule-based cultures
  - Humans are autonomous, rational individuals.

- Relationship-based cultures
  - Human existence is defined by its relatedness to others.
  - Family, community.

Filipino family
Implications for business ethics

Rule-based cultures

- Autonomous, rational individuals must have equal status.
  - Ethic of justice, equality, human rights.
  - Grounded in rationality (e.g., Kant).
- ...and equal authority.
  - Allegiance is to rules rather than persons.
  - The rules must be self-evident and therefore universal.
Implications for business ethics

- Relationship-based cultures
  - Persons do not exist apart from their participation in a larger unit.
    - Family, ancestors, community, even the universe as a whole.
  - This leads to an ethic of care.
    - Synonymous with self-interest.
    - Justice and human rights are secondary and derivative.

Ndebele village
Implications for business ethics

- We must **change the focus** of business ethics.
  - **Away** from primary emphasis on Western ethics.
  - **Toward** a deeper understanding of value systems that stem from different conceptions of human nature.

- Abandon the project of **universalizing** ethics along Western lines.
  - It is difficult to ground a distinction between “fundamental” international norms and culturally-specific norms.
Implications for business ethics

Rather, investigate how each ethical system can deal with cross-cultural issues.

- For example, Western system might use a generalizability test.
- Act only in a manner that, if generalized, would be consistent with the survival of the cultural system that allows the purposes of the action to be achieved.

Immanuel Kant
**Implications for business ethics**

Does this allow coexistence?

- This is an empirical question.

- Most cultural/ethnic conflicts are between peoples of very similar cultures.
  - Perhaps because Territorial conflict with neighbors was once ecologically sound.

- Perhaps radically different cultural systems can coexist in a mutually beneficial way, much as ecosystems.
  - Let’s take advantage of differences rather than pretend they don’t exist.

Marvin Harris
Example: Corruption

Corruption may be defined as behavior that **corrupts**.
- It undermines a cultural system.
- So, behavior that is corrupting in one culture may be functional in another.
- or corrupting for **different reasons**.

Can apply generalizability test.
- Avoid actions that would corrupt the system if generalized.
Corruption

- Cronyism
  - Corrupting in **rule-based** cultures.
    - For example, Europe, USA.
    - Creates a conflict of interest.
  - Can be functional in **relationship-based** system.
    - System is based on personal trust relationships.
    - Rather than trust in the system.
    - Possibly no conflict of interest.
Corruption

- Lawsuits—and overt disagreements in general.
  - Can be corrupting in relationship-based cultures.
    - For example, Japan and other Confucian cultures.
    - Undermines harmony.
    - No overarching rule system for resolving differences.
    - Important not to give offense.
  - Functional in rule-based cultures.
    - Disputes resolved by appeal to rules.
    - Courtesy, face are less important.
Corruption

Bribery

- A weakness of relationship-based cultures.
  - A shortcut to relationship building.
  - Corrupting because it undermines long-term predictability, stability.

- Also corrupting in rule-based cultures
  - It undermines respect for the rules.

Zheng Xiaoyu
Former head of China’s Food and Drug Administration, sentenced to death for accepting bribes
Corruption

- **Cheating**
  - A weakness of rule-based cultures.
    - Relative lack of supervision makes these cultures more efficient.
    - But it makes cheating easy.
    - It undermines stability and trust in the system, e.g. business scandals.
  - Also corrupting in relationship-based cultures
    - It undermines authority.

Jeffrey Skilling, sentence to prison for fraud and insider trading in the Enron scandal
Corruption

To fight corruption...

- Preserve/restore the **integrity** of the system in which it occurs.
- Rather than try to impose incompatible practices from a different system.