Culture’s Role in Global Business Ethics: An Exploratory Study on Taiwanese Business Leaders’ Perceptions of Corporate Ethics

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ABSTRACT

This study uses an interview method to explore what corporate managers in Taiwan think about the need for formal codes of ethics in their businesses. Two major themes emerged from the interviews: concerns about the implications of globalization and the applications of American-style ethics in the Taiwanese cultural context.

Keywords: business ethics, codes of ethics, corporate ethics program, ethics

INTRODUCTION

Today, corporations suffer from many types of illegal and unethical behavior, such as insider trading, illicit accounting practices, looting of company assets, etc. Many executives, administrators, and social scientists are concerned about the lack of ethics and see unethical behavior as pervasive in society.

In order to reduce numerous business-related scandals and to enhance corporate ethics, many surveys, seminars, and programs have addressed the need for improved quality in business conduct and the proper development of corporate citizens. Many of these outcomes have focused on the development and implementation of corporate codes of ethics (Raiborn & Payne, 1990).

A survey of 264 major companies by the Conference Board (Berenbeim, 1992) showed that over 83% of the U.S., 68% of Canadian, and 50% of European companies surveyed had adopted written codes of conduct. Another survey conducted in 1992 by the Center for Business Ethics on 219 U.S. Fortune 1000 companies showed that 93% had codes (Weaver, 1993). According to Weaver, Trevino, and Cochran (1999) a study of Fortune 1000 firms in 1995 concluded that 98% of the firms claimed to address ethics and conduct issues in some kind of formal document. Of those 98%, 67% did so through regular policy manuals, and 78% did so through separate codes of ethics. This indicated that most organizations took a multi-faceted approach to setting forth their standards of appropriate conduct. In general, ethics code usage appears to have spread widely through the 1970’s, 1980’s and 1990’s.

Raiborn and Payne (1990) stated “Ethics is a system of value principles or practices and a definition of right and wrong” (p. 879). Clearly, ethics is indigenous to a society; therefore, while any code of ethics should stress the same basic values, each code will reflect the corporate culture from which it stems (Raiborn & Payne, 1990).

The usage of ethical codes may vary depending upon the organizational size, industry environment, and national culture (Weaver, 1993). Empirical studies have addressed how code content varies across cultures (Jackson, 2000; Langlois & Schlegelmilch, 1990), organizational size (Langlois & Schlegelmilch, 1990; Sweeny & Siers, 1990; White & Montgomery, 1980), and industry environment (Schlegelmilch & Robertson, 1995; White & Montgomery, 1980). In a study of ethics programs in global business, Weaver (2001) found that although there were widespread cross-cultural agreements on the normative issues of business ethics, corporate ethics management initiatives (e.g., codes of conduct, ethics telephone hotlines, ethics offices) which are appropriate in one cultural setting still could fail to mesh with the management practices and cultural characteristics of a different setting.

With the globalization of the business environment, the culture of contemporary Taiwan is a hybrid of Chinese traditional and Western culture. On the one hand, the traditional hierarchical society has been gradually losing its significance in terms of “structural strength and functional importance” (Yang, 1981, p.161); on the other hand, the multinational companies established in Taiwan have introduced the “universalistic norms” to guide employees’ behavior (Huang, 2000). Moreover, the new generation of corporate heirs frequently has received a Western education, and tends to adopt new and Western practices (Chen, 2001a). Within this culturally pluralistic society, an important question to be addressed is “What do corporate managers in Taiwan think about the need for a formal code of ethics in the business
operations they manage?” In addition, it is important to determine “How the corporate managers communicate the corporate ethics programs to the members of the business organizations they lead?” Therefore, this study seeks to answer, clarify, and support the following research questions:

1. How does a company in Taiwan guide the ethical business behavior of its employees?
2. Do companies in Taiwan have formal written codes of ethics for the operating procedures of the company?
3. In a globalized business environment, what do the Taiwanese executives and business leaders think about the applicability of American-style ethics in Taiwan companies?

LITERATURE REVIEW

The intent of this study is to explore whether corporations’ management in Taiwan have similar policies, procedures, and perceptions as American corporations regarding what management ethical standards ought to be.

Formal Rationality and Substantive Rationality: A Contrast between the East and the West

Weber distinguished between the concept of ‘formal rationality’ and ‘substantive rationality.’ Formal rationality refers to the calculability of means and procedures for achieving a particular goal, emphasizing the value-free facts. On the contrary, substantive rationality refers to ‘value of ends or goals’ in some clearly defined domains. Although esoteric practices might be highly valued in a traditional society, the calculability of their means and procedures is very low (Hwang, 1990).

Confucianism is, according to Weber, a system of substantive ethics in nature. It is in sharp contrast to formalistic law in the modern Western world. The social norm for regulating interpersonal interactions in traditional Chinese society is conditioned by the substantive ethics of Confucianism but not by formal rationality. Formal rationality involves the impersonal application of a universal rule and characterizes the rational–legal bureaucracies. Substantive rationality, by contrast, aims to judge a case on its individual merits, the rule being available only as a rough guide to a decision-maker. Power therefore resides in the agent interpreting the rule, rather than in the rule itself, and the agent will tend to particularize the rule often to suit his own requirements (Boisot & Liang, 1992).

Moreover, according to Hofstede (2001), there are five cultural dimensions: individualism/collectivism, uncertainty-avoidance, masculinity/femininity, power distance, and long verse short-term orientation. Two of these dimensions are of critical importance with respect to ethical difference between Chinese culture and U. S. American culture. The first is individualism/collectivism, and Chinese society tends toward collectivism. The second dimension is power distance, and Chinese society tends toward large power distance. U. S. American ethics practices, rooted in individualist attitudes and behavior, are likely to prompt hostility or perceptions of illegitimacy in collectivist contexts. The general difficulties of applying formal ethics initiatives to collectivist situations suggest that collectivist organizations at most should seek ethical compliance through organizational culture management, rather than formal structuring. Large power distance reveals a culture’s acceptance of inequality and respect for the bounds of social status or class. Large power distance is reflected in hierarchical organizational relationships, such that organizational superiors are treated as somewhat inaccessible, beyond reproach, and entitled to their organizational power. Consequently, multinationals operating in large power distance settings are advised to focus their ethics management activities on organizational elites, as opposed to the egalitarian approach more common in U. S. American practices (Weaver, 2001).

Like other management issues, e.g., organizational culture (Adler & Jelinek, 1986), ethics initiatives and programs often seem to be characterized by applying U. S. American practices to non-U. S. American situations. Formal U. S. American-style ethics programs may be rejected as culturally inappropriate, because persons from different cultures often hold views of the role and practice of management different from prevailing U. S. American views. Therefore, a culturally inappropriate ethics program may be ineffective since people will not abide by the program (Weaver, 2001).

An International Perspective on Business Ethics

Over the years, the internationalization of ethical standards has been increasing. According to De George (1987), “the growth of multinationals and the closer integration of U. S. and non-U. S. firms makes all the more necessary the
development of business ethics on an international scale” (p. 209). Several initiatives have demonstrated the need to generate consensus around the world on the issue of ethical standards. For example, The Caux Principles (The Caux Roundtable, 1994), created by leaders from the Japanese, European, and U. S. business communities, emphasize the growing importance of international ethical standards:

The Caux Round Table believes … We seek to begin a process that identifies shared values, reconciles differing values, and thereby develops a shared perspective on business behavior acceptable to and honored by all (Izraeli & Schwartz, 1998, p.1050).

All of society stands to benefit from a re-education in corporate crime and unethical activity. As mentioned by DiMaggio and Powell (1983), adopting American style practices may be a strong tendency because world businesses tend to imitate a model of more prominent and successful companies of American business practices. The U.S. Federal Sentencing Guidelines provide a model which to date appears to be successful in achieving this goal (Izraeli & Schwartz, 1998). In November 1991, the U.S. Federal Sentencing Guidelines (Guidelines) was enacted in the United States and had a profound effect on corporate America. Empirical evidence indicated that the implementation of these programs is raising the level of legal and ethical behavior in corporations (Izraeli & Schwartz ,1998). It may be time for Taiwan to consider the development of legislations similar to the U.S. Guidelines, using the Guidelines as a model or framework to follow. However, businesses that adopt U. S. American methods may not realize the implications of the cultural consequences, or the impact of cultural inappropriateness, of adopting and accepting these business practices in an uncritical manner. A culturally inappropriate ethics program may be ineffective because people will neither use nor abide by the program. Therefore, it is an important issue to address how Taiwanese business leaders view corporate ethics as appropriate to their cultural and business environment.

METHOD

The literature review indicates cultural differences may have an impact on views towards acceptable ethical behavior in Taiwan. This study should be of interest to academics and business managers because it showed how Taiwanese business leaders viewed management ethics programs.

Interview Procedure

Taiwanese business leaders, as an elite informant group, were interviewed as subjects who could provide depth, insight, and meaning to the application of U. S. American-style ethics programs. Business leaders constitute a small, unique group that has special knowledge and special status. They are key informants and decision-makers about the operation of a corporation and are responsible for guiding ethical behavior within their organizations.

This study was conducted in one-on-one interviews with an interview protocol (Creswell, 1998). Interviewees were identified through a snowball sampling technique (Neuman, 2000), which is used when interviewing subjects in elite populations.

The selection of the first respondent, or “seed,” is guided by the selection criteria, that is, the person is in a key position in one of the Top 1000 companies in Taiwan. Subsequent selection will follow the snowballing technique for the selection of other business leaders from the Top 1000 companies. The interview followed a set protocol, focusing on three open-ended questions regarding the informants’ perspectives on programs, policies, and applicability of ethics management.. Before interview, the protocol reviewed by two experts of this field for content validity. Also, this study was approved by the Research Ethics Committee of Spalding University in Louisville, Kentucky, U.S. A.

Interview Analysis

For qualitative data, this study used methods grounded in network analysis and cross-case analysis techniques (Patton, 1990). Responses from interviews were analyzed for patterns and emergent themes. Themes emerged through comparison and reflection on interview notes in light of the researcher’s own view or views of perspectives in the literature. The researcher employed descriptive detail, classification, or interpretation or some combination of these analysis procedures.
Because the business environment is a complex setting, cross-case analysis techniques can help the examination of similarities and differences across a sample of Taiwanese business elites’ views.

**Participant Profiles**

In this study the researcher interviewed nine Taiwanese business executives. The corporate position profile showed that among the interviewees there were two Chairmen, three Vice Presidents, one Vice General Manager, one branch Vice President and General Manager, and two Engineering Department Managers. Three of them were working in the manufacturing industry, two in banking/financing, and four in service industries. There were eight males and only one female. Most of them had overseas work experience. Some spoke English fluently, and some Japanese fluently. Some of the companies that they direct cooperate with U. S. American, Japanese, and European companies, and some of the companies have subsidiary companies in the U. S. A. In the process of conducting the interviews, two potential participants declined to participate in the interviews, and one interviewee declined to recommend someone else for an interview. Most of the executives expressed reservations about having their sessions tape-recorded. The researcher respected their wishes and took verbatim notes. The length of the interviews was between 30 and 60 minutes. In addition to asking questions that used the exact wording on the interview protocol, the researcher listened carefully, wrote legibly, and accurately recorded (Neuman, 2000).

**THEMATIC RESULTS**

Two major themes emerged from the transcribed conversation notes taken during the interviews. These themes were about the implications of globalization and the application of U. S. American-style ethics in the Taiwanese cultural context. Examining the results of the interviews with the nine business executives yielded the following themes and specific perspectives on ethics management programs.

**Cultural Themes**

1. The informants thought that U. S. American-style ethics management programs are rooted in U. S. American culture, and different cultures have different viewpoints. One informant mentioned: “Some management programs work very well in Western or U. S. American society, but after introducing them to Taiwan, then the programs had lost the original or desired expectation. Why? The reason is ‘cultural inappropriateness,’ because the Taiwanese have only ‘superficially’ learnt American practices, without extracting the ‘essence’ of the culture, thus creating a ‘negative effect’ on Taiwanese society”. Therefore, when applying an U. S. American-style programs, they should modify and adapt Taiwanese local culture.

2. Eastern business leaders are expected not only to be moral persons but also moral managers. Regarding ethical leadership, one informant mentioned, “Business leaders, including their images, thoughts, morals, and justifications, should be an example for their employees. Leaders need to absolutely justify, and cannot have any defects in terms of ethics. Business leaders in an Eastern society not only should have competence and ability, but also many virtues in their personalities”. In order to guide the behaviors and actions of all employees, business leaders may “make a moral encouragement speech” or a statement in the company’s magazine.

3. Behaviors and actions of employees in Eastern society are guided by their internal, self-imposed discipline. This perspective on employees’ values is a product of education in school, family, and societal culture. The informants commented that U. S. American-style ethics program management, such as a code of ethics, is often found in a written formal document. Although such documents provide clear guidance to employee behavior, employees in an Eastern culture do not welcome them. One informant said, “Eastern society emphasizes moral ethics, a kind of self-restraint on behavior, and consider written ethics documents as no friend to the employee. Leadership is a kind of art, with a leader leading people by example. Employees in an Eastern culture do not like the employer to control their behavior. If an employer wants to formally control the employees in a certain way, there may be an adverse reaction from the employees, thus cause a negative effect”. Therefore, Eastern corporations prefer to guide employee behavior in an informal way. One informant mentioned that he has seen one company that has a
one-word credo, “morality.” This response mirrors Chen’s research in Hong Kong (2001b) indicating that “the best control mechanism was self-discipline as the highest level of ethical control…” (p. 397).

4. Basically, the policies of the corporation are not formally stated. The decision-making and operation are based on personal influence and personal relationship. One informant said, “Western or U. S. American companies have detailed regulations about employee job descriptions, lay-offs, and firing rules. The employer in U. S. America may tell the employee ‘do not come to the office tomorrow’, which means the employee no longer works for the company. U. S. American companies’ pay is hourly-based and it is easy for the company to replace the worker. However, in Taiwan, the situation is different. The employer and employees all work together and dedicate themselves to the company”. Nevertheless, such relationship has been gradually changed since Taiwan has become more westernized. He also commented, “Today, some younger business leaders, most earning degrees from Western universities, tend to adopt U. S. American-style ethics. A few years from now, after Taiwan has become more westernized, this kind of U. S. American-style program may interfere with and replace the traditional Eastern employment rule ethics, and at that time, employers in Eastern companies will also tell employees, ‘do not come to the office tomorrow.’”

5. In a typical Chinese family business, the employers are unwilling to delegate and have relatively low trust and confidence in their subordinates. Employers tend to assign family members to occupy key positions in their business. One informant commented, “Major U. S. American companies, such as Boeing, GE, Honeywell, Soundstrand and Airbus, are not family businesses. They built a system emphasizing performance, promotion, and training programs. They are responsible to their shareholders. However, in Taiwanese family businesses, the hiring and promotion of employees depends on the relationships with internal organization. U. S. American companies generally select their middle-level managers generally from outside the organization. This sometimes even includes the Chief Executive Officer (CEO) or Chief Financial Officer (CFO). On the other hand, Eastern companies do not trust foreign employees; they send cadres to foreign subsidiary companies, but American subsidiary companies in Taiwan are localized and hire local Taiwanese people for cadres.”

Globalization Themes

1. Since Taiwan is a member of the WTO, the management of Taiwanese corporations has to adhere to global standards. One informant mentioned, “As a member of WTO, the idea of internal and external company’s management should take global viewpoints. But in the application of an U. S. American-style ethics program, they should modify and adapt to Taiwanese corporation culture and ethics, they cannot carbon copy U. S. American style.”

2. Globalization is a trend for every business. The evidence of globalization includes the growth of multinational corporations and international composition of employees. One high-tech industry’s informant who earned his Ph. D. in U. S. America suggested, “Basically, U. S. American-style ethics programs are more intact than other ethics programs. Moreover, U. S. America is a ‘multinational melting pot.’ If businesses can adapt to U. S. American-style ethics programs, it will facilitate their speed for globalization.” As another informant has mentioned previously, “…the younger business leaders who earned degrees from Western universities tend to adopt new and Western practice.”

3. The trend to globalize has created pressure for business to be in line with international business standards and practices. In order to survive and enhance competitiveness, Taiwanese businesses should adjust their management systems to comply with international management standards. The informants mentioned, “American company’s management systems, such as the accounting systems and auditing systems, are very good. Building a sound management system is necessary for Taiwanese companies so that they do not always remain as family businesses. Taiwanese businesses should dare to reform and change the constitution and structure of family business to meet international management standards so they can survive and compete in the world.” “Western management tools are more advanced than those of developing countries. Today, Taiwan, under the impact of a globalizing environment, must unavoidably pay attention to the essence of Western management philosophy, and then make cultural changes to meld them into Taiwanese society.” According to the informants’ comments, Taiwanese family business management practices need to be revised and take into account more formal and professional management. A typical Chinese family business underestimates the importance of the formal regulatory system, and shows much
deficiency in management. The business world is globalizing. Izraeli and Schwartz (1998) indicated, “As the international corporate world becomes more closely inter-connected, the obligation of multinational corporations to take measures to comply with worldwide legislation increases” (p. 1050).

CONCLUSION

This part includes the conclusion, implications, limitation, and future research.

Conclusion

According to results of the interviews, the majority of Taiwanese companies had some kinds of manuals, such as an employee manual and operation manual for employee guidance, but the leadership focus voiced by Taiwanese business leaders was on the importance of leading people by example. Culture is an important factor that enables and creates the expectation of business leaders to make a “moral encouragement speech.” They also make statements in the company’s newsletter to guide employee behavior. There is the widespread expectation that employee behaviors are guided by employees’ internalized, self-imposed self-discipline. This employee value is a reflection of the effects of education in school, family, and societal culture.

For the Chinese, business has always been connected to family. In traditional Chinese culture, the family serves as the basis for all organizations. The new generation of heirs to business frequently receives a Western education, and adopts new and foreign practices. Globalization has been creating pressure for them to comply with international business standards and practices, and has been pushing for more formal specialized and professional management (Chen, 2001a). Therefore, Chinese business family structures and the strict Confucian hierarchy of roles and relationships principles will undergo conflict.

Implications

1. Globalization is putting cultures into increasing contact, thereby increasing opportunities for cultural and legal misunderstandings. The results of this study suggest that managers may avoid some misunderstandings encountered by companies in the changing global environment by carefully examining the introduction of ethics programs and codes within the changing Taiwanese corporate culture.

2. Taiwanese corporations need to recognize and promote business ethics in their organizations because of the complexity and challenges arising out of emergent multinational operations and the global business environment.

3. The “traditional” Chinese business employee does not like the employer to control him directly in a formal way. Written codes of ethics assume a “directive-ness” and “control” function that may place them in conflict with the aforementioned perceptions of employees that was concerned by one informant. The results of this study suggest that any measures taken to implement U. S. American-style ethics programs should be conducted carefully, with awareness of these employees’ feelings, especially if written documents are seen as “no friend to the employee.”

Limitations

1. The study was limited to the information supplied during the duration of the study in 2002.

2. Interview responses were limited to the respondents who were participants in the interviews.

Future Research

Within the cultural context, it is further suggested that an exploratory study on code users’ perceptions regards their companies’ code of ethics, the companies include the U. S. subsidiary in Taiwan and Taiwanese companies. This study will move beyond examining the mere existence of a code of ethics to consider the effectiveness of codes in influencing behavior. This examination would further contribute to the understanding of the status of business ethics and necessity for ethics programs in Taiwan.
REFERENCES


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