

Explaining the Fundamental Relationship between Corporate/Business Ethics and National Culture

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Corporate ethics is adapted from the words: 'sound moral values'. It attempts at putting in place some sense of 'sound moral values' within a company's employee population as regards how they could conduct business responsibly. The recent corporate scandals globally (which have been taken to unprecedented levels) have made managers and researchers to turn their attentions to questions of ethics management. This paper therefore examines how national culture influences 'sound moral values' in business enterprises. As the main objective of business enterprises is to maximise profit, this should be done within some acceptable 'sound moral values' or what can be referred to as business/corporate ethics. The study being qualitative relies on the interview research technique while employing primary and secondary sources of data collection. The study concludes that national culture determines corporate/business culture while corporate/business culture is fashioned after national culture. The implication of this is that multinational companies cannot expect that the same business ethics operating in their home countries can be 'exported' to the host countries. This is mainly because of differences in the culture of the host countries and the home countries. Secondly, a template of business ethics is therefore problematic if not impossible.

Keywords: corporate ethics, national culture, Cadbury (Nigeria) Plc

Introduction

The coming of corporate ethics within the discipline of corporate governance is a recent phenomenon (Machold, 2004); just as globalisation, multinationalisation and internationalisation is a recent phenomenon. The internationalization of businesses is followed closely by the persistence of national cultures and regulatory practices; this also applies to corporate ethics (Langlois & Schlegelmilch, 1990; Vogel, 1992). The theories of ethics are usually seen from two perspectives: relativist and universality (Machold, 2004). Relativist ethicists conceive that ethics and sound moral reasoning are closely associated with cultures, as well as individual predilections which invariably breed different systems of ethics and morals which can co-exist and remain equally valid. Moral philosophers refer to it as 'anything goes' (Brennan, 1999). Universal ethical theorists, according to Brennan (1999) are ethical standards which are common across cultures through which the rightness or fairness of an action can be established.

MacIntyre (1999a) argue that Aristotle believes that ethics or ethical behaviour (or moral agency as he prefers to call it) is founded upon a process of intra-personal character formation. One needs to therefore develop certain traits of character

or virtues that will marshal one to unswerving ethical behaviour in any and all spheres of life. Ethics or ethical behaviours are therefore closely related to the virtues of constancy and integrity (MacIntyre 1999a, p.317). Virtues refer to intra-personal characteristics or learned dispositions; this is not to say that it does not imply that individuals develop their virtues in isolation. MacIntyre's (1999a, 1999b) situates the development of virtues in a three dimensional concentric context that consists of practices, narrative and tradition; whereas Aristotle defines virtues in relation to the human *telos of eudaimonia*. Each of these contexts has a distinctly social character.

According to MacIntyre (1999) virtues originate within an environment or social settings where people work together and/or compete with one another in order to accomplish certain objectives which are already internalised by those involved in the social practices. People within these social settings acquire through effort, self-discipline and reciprocal learning excellences or virtues that are required to attain the objectives of that specific social endeavour (Rossouw, 2008). It should be stressed that virtues cannot merely be developed within the context of social practices; this is mainly because different social practices might make conflicting demands upon the individual. There is therefore a need for something more comprehensive than the demands of social practices to develop the appropriate virtues (Higgins, 2003); this wider context or second

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concentric circle is the chronicle of a human life as a whole (Rossouw, 2008).

MacIntyre (1999) further suggested that the virtues acquired in practices should be related and aligned to one's quest for living a meaningful life; unfortunately what constitutes a meaningful life is determined by members of the immediate cultural area. These virtues should also consequently find their importance and implication in relation to one's story of what makes one's life worth living. The individual's narrative of what constitutes a meaningful life is never designed in isolation from others, but in conversations which are significant to other people in one's life. The stories of our lives about the meaning of our social practices and individual lives need to be related to an even wider context, which are the traditions and culture within which both our social practices and our individual lives are situated (Rossouw, 2008). These traditions and culture have the nature of the on-going dialogue about what is good or bad and what matters both in our social practices and in our lives as a whole.

From the above discussions of MacIntyre's (1999a) idea of virtue ethics and ethical behaviours, it is apparent that although his ethic is an agent-centred one, it is by no means anti-social. His account of virtue ethics is in line with the Aristotelian theory of moral agency. MacIntyre (1999a, 1999b) is evidently aware of the fact that the social settings within which we work and live have a decisive impact on our intra-personal character development.

MacIntyre (1999a, 1999b, p.145), harbours deep doubts about the importance of modern social structures on the development of character; and he is particularly scornful in his assessment on the corporations of our late modern era and the role that they play in undermining our sense of moral agency and virtues. The kind of social institutions that will be conducive to the process of moral character formation are rather than been utopian, but then he immediately pre-empted any critique on his utopian ideas by insisting that trying to live by Utopian standards is not Utopian (1999). This paper will rely on MacIntyre's (1999a, 1999b) theories. This is because he had laid down the explanations for ethics but unfortunately did not look at how the so called individual ethics are national culture determined; this is one of the gaps in the literature that this paper sets out to bridge.

National Culture

Culture has been variously defined as the way of life of a group of people (Akporkherhe, 2002). Oluode (1994) suggests that culture is that whole, which includes knowledge, belief, art, moral, law, custom and other capabilities and habits acquired by man as a member of the society. Rugman and

Hodgetts (2000) suggest that culture is the acquired knowledge that people use to interpret experience and to generate social behaviour, they (2000) further suggested that culture is shared by members of a community, organisation or a group and that through culture, values and attitudes are formed which invariably shape individuals as well as group behaviour. Culture to them (2000) is learned through education, socialisation and experience and passed from one generation to another; therefore it can be said to be enduring.

This is not to overlook the fact that cultures do undergo constant changes as people are more or else forced to adjust to new environments and new ways of doing things (Barney, 1968; Steward, 1972). Culture to Hofstede and Hofstede (2005) and Hofstede (2001, p.9) is the 'collective programming of the mind that distinguishes the members of one group or category of people from another'.

Hofstede (2005) concluded that national culture is embedded deeply in everyday life, although it is relatively impervious to change. This programming does evolve from generation to generation and this stand is supported by researchers such as Ralston et al (1997) and as well as Newman and Nollen (1996). Kluckhohn (1951, p. 86) summarises all the above by defining culture as the 'patterned ways of thinking, feeling and reacting, acquired and transmitted mainly by symbols, constituting the distinctive achievements of human groups, including their embodiments in artefacts; the essential core of culture consists of traditional (i.e. historically derived and selected) ideas and especially their attached values'.

In the international business literature, culture is seen as the acquired knowledge people use to interpret experiences and to guide their behaviour in their various workplaces (Mirohnik, 2002). Culture is one of the major determinants of how people think and behave (Kessapidou and Varsakelis, 2002). Hofstede and Hofstede (2005, pp.2-3) suggest an analogy between culture and mental programming. They (2005) submit that culture is the patterns of feeling, thinking and acting to mental programmes which constitute what he refers to as the software of the mind. Hofstede's (2001, 2005) theories will be adopted for this study although his work on IBM was in the economically developed countries and between 1973 and 1978. This study targeting the economically developing and economically underdeveloped countries of Africa and in 2012 will bridge the gap in Hofstede's (2001, 2005) works.

Theoretical Background

The fundamental conjecture of corporate ethics is mostly premised upon the fact that moral character of a company as well as that of its members of staff

is based on the fact that some form of moral character formation needs to exist within the corporation and its members (Rossouw, 2008). The dilemma with most modern business organisations lies in the fact that they have been able to successfully eliminate any emphasis on personal moral development. This is mainly because the main objective of businesses is to maximise profits for its shareholders, and this is in line with assumption that the only interest of a rational economic man or “homo economicus” ‘is to maximise personal wealth, an instrumental mentality that seeks to find the most effective means to financial gain became dominant in business’ (Mintzberg et al., 2002, p. 68; Rossouw, 2008, p.81).

This state of mind makes personal moral values not only irrelevant, but also unnecessary to the modern corporation. The financial and the ‘reputational’ damages suffered by corporations which are mostly brought about by scandals and unethical behaviour, compelled corporations to be conscious of the fact that economic objectives need to be pursued within the ‘rules of the game’. This made them to put more emphasis on codes of ethics so as to make sure that all the employees stay within the limits of ‘acceptable behaviour’ (Rossouw, 2008, p.82). This brought about the development of codes of ethics.

However, unfortunately this did not bring about the expected development of moral character within the contemporary business enterprises. Scandals and unethical behaviours continued despite the introduction of codes of ethics and ethics management programmes that are supposed to guarantee compliance to the codes of ethics (Rossouw, 2008). There is therefore a need to find a way round this challenge; which brought about the thought of corporate ethical culture. This is expected to centre around not only on actions but also focus on the moral quality of the character of the business enterprise as well as its employees (Rossouw, 2008).

In order to aid the transition mentioned above, business enterprises must first implement the formation of moral character; this is because business owners (and other stakeholders) including managers are expected to emphasis the fact that the attainment of business goals/objectives (i.e. profit maximisation) is closely related to the moral quality of the business enterprise and its members. With this in mind, the emphasis on short-term financial gain will have to be less emphasised, while the crucial role of moral character for sustainable relations with the business stakeholders will have to be more emphasised. The thin consistency of the Aristotelian ‘homo economicus’ will thus have to be traded in for a broader rationality that allows for both economic and

ethical concerns within business as usual’ (Rossouw, 2008, p.83).

Cultural Dimensions

Hofstede (2001, p. xv) recognises that ‘the survival of mankind will depend to a large extent on the ability of people who think differently’ and that ‘international collaboration presupposes some understanding of where others people differ from us’. There is therefore a need to understand that there exists ‘invisible cultural differences’ which will go a long way in helping ‘policy makers in governments, organizations, and institutions’. With this fact in mind, Hofstede (2001, p. xix) explored the ‘differences in thinking and social action that exist among members of more than 50 modern nations’ and he argues that people “carry ‘mental programs that are developed in the family in early childhood and reinforced in schools and organizations, and that these mental programs contain a component of national culture’. These ‘mental programs’ are usually ‘expressed in the different values that predominate among people from different countries’ (Hofstede 2001, p. xix).

Hofstede identified at first four main areas of differences of national cultures, they are: (1). Power distance: this has to do with the degree to which the less powerful members of the organisation accept and expect that power is distributed unequally. The main issue is the degree of human equality that underlies the functioning of each society. (2). Uncertainty avoidance: this is the degree to which a culture programs its members to feel either uncomfortable in unstructured situations. Unstructured situations are novel, unknown, surprising, and different from usual. The main problem has to do with the extent to which a society tries to control the uncontrollable (3). Individualism versus Collectivism: this is the extent to which individuals are expected to look after themselves or remain integrated into groups; usually around families. This is usually problematic. (4). Masculinity versus femininity: this has to do with how emotional roles are distributed between genders; it is usually problematic for most society to find a solution if it goes by the theme of ‘tough’ masculine and ‘tender’ ‘feminine’.

Hofstede (2001) later added the fifth cultural dimension which is: Long-term versus short-term orientation: this demotes the degree to which a culture programs its members to accept delayed gratification of their material, social, and emotional needs. It should be noted that Inkeles and Levinson (1954/1969) had predicted the first four cultural dimensions before it was empirically identified by Geert Hofstede and his team who worked with him on the IBM survey between from late 1973 to the end of 1978 (Hofstede, 2001, pp. xv- 1).

Discussions and Conclusions

Businesses can no longer earn moral legitimacy by just pursuing profit maximisation within the rules of the game; this has given birth to concepts like corporate social responsibility, corporate social investment and corporate citizenship. Businesses should therefore be faced with the challenges of significant discussions regarding the question about the principle and responsibility that they have to play in maintaining a secure and healthy society.

Following the hypothesis of MacIntyrean neo-Aristotelian ethics, one is bound to conclude that it is not enough to only pay attention to moral virtues of businesses as well as their members in pursuit of economic objectives only; to do this will be very myopic as it will only pay attention only to the moral discrepancies (Rossouw, 2008). What should be done therefore is to amend the deficiency of a business morality/ ethical culture that has evolved while chasing economic objectives only. This brings to mind the catchphrase of 'what is good for business should be good for the society'. This is where the relationship between business/corporate ethics and national culture emanates.

The national culture which according to Hofstede's (2001, 2005, p. 3) is the 'software of the mind' is carried into the workplaces so the society defines the 'ethical culture' in the workplaces while the workplaces define their ethical culture based on the moral definition of what is morally acceptable and what is not morally acceptable in the communities where they are located. Therefore the moral virtues that businesses require in quest of their profit maximisation goals should be allied to that of the communities where they are located.

Implication of the Study

The Cadbury (Nigeria) Plc scandal in Nigeria in 2006 was a wake-up call to Cadbury Worldwide and other multinational companies; they should not expect that the same business ethics operating in their home countries can be 'exported' to the host countries. This is mainly because of differences of culture between the host countries and the home countries. It therefore implies that a template of business ethics formulated in the host countries under different socio-cultural realities cannot be transferred to the host countries with different socio-cultural realities; the transfer will be problematic if not impossible.

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