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Rules, standards, and ethics: Relativism predicts cross-national differences in the codification of moral standards[☆]

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ABSTRACT

This research examines the relationship between the code of ethics adopted by businesses in a country and the ethics positions of the inhabitants of that country. Ethics Position Theory (EPT) maintains that individuals' personal moral philosophies influence their ethical judgments, actions, and emotions. The theory, when describing individual differences in moral philosophies, stresses two dimensions: relativism (skepticism with regards to inviolate moral principles) and idealism (concern for positive outcomes). Extending previous research that identified differences in relativism and idealism between residents of different countries and world regions, we examined the relationship between relativism, idealism, and the regulatory standards governing commercial activities of firms headquartered in Australia, Austria, Belgium, Canada, Hong Kong, Ireland, Japan, New Zealand, Spain, the UK, and the US. The results indicated that the level of relativism of a nation's populace predicted degree of ethical codification of commerce in that nation. These findings suggest that the ethical conduct of business will be more closely regulated in countries where relativism is low (e.g., Australia, Canada) but less closely regulated in countries where the residents are more ethically relativistic (e.g., Hong Kong, Spain).

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1. Introduction

Businesses that operate internationally deal not only with differences in languages, time zones, and governmental regulations, but also differences in business ethics. Strategies and procedures that may be considered appropriate, legitimate, or even laudable in one country may be condemned as morally unacceptable elsewhere. Bribery, nepotism, and exploitation of the members of less privileged classes are taken for granted in some locales, but in others these actions cross a moral boundary (e.g., Al-Khatib, Robertson, D'Auria Stanton, & Vitell, 2002; Kaikati, Sullivan, Virgo, Carr, & Virgo, 2000). In some countries individuals scrupulously conform to governmental regulations pertaining to business practices, but in others these rules are flouted or even nonexistent (Ferrell, Gresham, & Fraedrich, 1989). In some cultures employees think little of maximizing their personal outcomes at the expense of others and the company as a whole. They dally during work breaks, call in sick so they can enjoy some time off, take credit for work they did not do, and pilfer company supplies for use at home, but in other cultures such selfish actions are roundly condemned (Al-Kazemi & Zajac, 1999). In Germany and the U.S. contracts are viewed as moral pledges, and to break such a pledge is a sign of moral turpitude. But in Japan contracts are

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practical commitments rather than morally charged prescriptions, and they often include a *jiji henco* clause permitting renegotiation should circumstances change (Mitchell, 2003).

A number of factors undoubtedly combine to create cultural variations in business ethics—religious traditions (e.g., Cornwell et al., 2005), cultural complexity (e.g., Trigger, 2003), historical and economic circumstances (e.g., Kluckhohn, 1951), and cultural dimensions (e.g., individualism, power distance, masculinity, uncertainty avoidance, and long-term orientation; Hofstede, 1980)—but the current work examines one specific determinant of these variations in ethics: individual and cultural differences in ethical ideology. The analysis is based on Ethics Position Theory, or EPT, which assumes that individuals' ethical judgments, actions, and emotions are influenced by their dispositional concern for others' well-being (termed *idealism* in the theory) and their skepticism with regards to inviolate, trans-situational moral principles (termed *relativism* in the theory). Forsyth (1980, 1992) developed this theory to explain individual differences in morality, but researchers have identified consistent cross-national differences in idealism and relativism. Al-Khatib, Stanton, and Rawwas (2005), for example, discovered that residents of Saudi Arabia were significantly more idealistic than Kuwaitis or Omanis. Robertson, Gilley, and Street (2003), in a study of employees in various industries and organizations, reported that Russians were more relativistic than their counterparts in the U.S.

In the current study we investigated these country-by-country variations in idealism and relativism to determine if they are related to variations in regulatory standards pertaining to business ethics. Those conducting business in international contexts may seek to comport themselves in ways that are consistent with the ethical standards of the country where they do business, but as they move from one country to another they often encounter pronounced differences in regulations pertaining to such practices as bribery, the rights of employees, and the protection of the environment. Here we test EPT's explanation of these variations by examining the codification of ethical standards in 11 nations: Australia, Austria, Belgium, Canada, Hong Kong, Ireland, Japan, New Zealand, Spain, the UK, and the US. We predict that (a) the codes that govern the ethics of business practices will be less extensive in countries where citizens are more relativistic and that (b) these codes will include human rights protections in countries where citizens are relatively idealistic.

2. Literature review

2.1. Ethics Position Theory

Ethics Position Theory is grounded in the work of psychologists Kohlberg (1976) and Piaget (1932). This theory assumes that moral actions and evaluations are the outward expression of a person's integrated conceptual system of personal ethics, or *ethics position* (Forsyth, 1980, 1992). These positions, which result from a lifetime of experience in confronting and resolving moral issues, differ along two general dimensions: relativism and idealism. At one end of the relativism continuum, highly relativistic individuals are skeptical about the possibility of formulating universal moral principles, so they avoid basing their judgments on moral rules. In contrast, people who are low in relativism argue that right actions are those that are consistent with moral principles, norms, or laws. Turning to idealism, most ethics positions explicitly consider the relative importance of minimizing harmful, injurious outcomes. Again to seek the extremes, highly idealistic individuals "assume that desirable consequences can, with the 'right' action, always be obtained" (Forsyth, 1980, p. 176). Those who are less idealistic, in contrast, pragmatically assume that in some cases harm is unavoidable, and that one must sometimes choose between the lesser of two evils.

Forsyth (1980) developed the Ethics Position Questionnaire (EPQ) to measure both relativism and idealism. The ethical relativism scale of the EPQ includes items like "Different types of moralities cannot be compared as to rightness" and "What is ethical varies from one situation and society to another." The idealism scale, in contrast, includes such items as "A person should make certain that their actions never intentionally harm another even to a small degree" and "If an action could harm an innocent other then it should not be done."

This scale has been used to account for some of the variance in people's responses to ethical challenges in a variety of business situations. Karande, Rao, and Singhapakdi (2002), for example, discovered that relativism predicted adherence to corporate ethics, whereas idealism was associated with corporate values. Barnett, Bass, Brown, and Hebert (1998) found that respondents with lower scores on relativism but high scores on idealism rated the actions of marketing professionals as more unethical than did other respondents. Tsai and Shih (2005) reported that managers who were more idealistic experienced greater role conflict, whereas increases in relativism were associated with reduced conflict. In general, relativism suggests ethical leniency, whereas idealism predicts more firm, and more judgmental, moral pronouncements.

Forsyth, O'Boyle, and McDaniel (2008) summarized the findings pertaining to cross-cultural variations in ethics meta-analytically, and related these differences to cultural values. They found that the residents of nations that Inglehart (1997), in his analysis of the World Values Survey, identified as adopting secular-rational values rather than more traditional cultural values had higher relativism scores. The residents of less relativistic countries—South Africa, Canada, the US, and Israel—in contrast, tended to express more orthodox, traditional values, such as importance of family values, patriotism, deference to authority, and rejection of such liberal social practices as divorce and abortion. Forsyth et al. (2008) also found that the residents of countries that were more production-focused and entrepreneurial, such as the US, Hong Kong, and China, had lower idealism scores. They concluded that the individuals in these countries are more prone to adopt a morality of expedience rather than caring (e.g., Schlenker, 2008).

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