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Ethical Cultures in Large Business Organizations in Brazil, Russia, India, and China

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Abstract This study focuses on comparison of perceptions of ethical business cultures in large business organizations from four largest emerging economies, commonly referred to as the BRICs (Brazil, Russia, India, and China), and from the US. The data were collected from more than 13,000 managers and employees of business organizations in five countries. The study found significant differences among BRIC countries, with respondents from India and Brazil providing more favorable assessments of ethical cultures of their organizations than respondents from China and Russia. Overall, highest mean scores were provided by respondents from India, the US, and Brazil. There were significant similarities in ratings between the US and Brazil.

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Introduction

This study focuses on managers' and employees' perceptions of the state of ethical cultures in business organizations and explores similarities and differences among the four largest emerging economies, commonly referred to as the BRICs (Brazil, Russia, India, and China). A recent review of the literature on ethical cultures in organizations from four Anglo-Saxon countries (USA, Canada, UK, and Australia) suggests that there are significant commonalities among these countries in perceptions of what constitutes ethical business culture (Ardichvili and Jondle 2009). However, comparative research on business ethics shows that perceptions of what constitutes ethical business culture are not universally shared around the world (Bailey and Spicer 2007; Christie et al. 2003; Jackson 2001; Robertson et al. 2003, 2008). Furthermore, although extant research includes comparisons among various developed and developing countries, none of the studies, to our knowledge, focused on comparisons of ethical business cultures in developed countries and four of the largest and most influential developing countries, commonly referred to as BRICs.

The term BRICs was coined at the turn of this century by analysts at Goldman Sachs who argued that Brazil, Russia, India, and China deserve special attention as the largest and fastest growing emerging economies of the world, and that by 2050, combined GDP of these four

Table 1 Economic and demographic characteristics of the four BRIC countries and the US

Country	Population (in millions)[a]	GDP (trillion dollars)[ab]	GDP/ Capita (dollars)[a]	GDP Annual growth rate (%)[a]	TI CPI[c]
Brazil	198	2.02	10,200	0.1	3.7
Russia	140	2.10	15,200	−8.5	2.1
India	1,166	3.55	3,100	6.1	3.3
China	1,338	8.76	6,500	8.4	3.5
USA	307	14.25	46,400	−2.4	7.1

[a] CIA (2009)

[b] Purchasing power parity

[c] TI Corruption Perceptions Index for 2010 (on 10-point scale, with ten least corrupt; www.transparency.org/)

countries will be larger than that of the G7 (seven largest developed economies: USA, Canada, UK, Germany, France, Italy, and Japan) (Goldman Sachs 2001). Ten years later, the evidence abounds that this prediction was largely accurate. As can be seen from Table 1, the latest annual GDP growth rates in the BRICs are much higher than in the US, and the combined GDP (in purchasing power parity terms) of the BRICs is already larger than that of the US. In addition, these four countries together represent more than 30% of world's population and control a large percentage of global reserves of strategic natural resources, including oil, natural gas, and coal. During the global recession of 2008–2009, three of the BRICs (Brazil, India, and China) have demonstrated impressive resiliency and recovered from the economic decline much quicker than most developed countries, largely because of their fast-growing domestic markets (Kimes 2009).

Because the BRICs are emerging as dominant economic powers, understanding the direction in which business ethics is developing in these countries is of high importance for policy makers, academics, and business leaders alike. However, since the introduction of the term BRICs 10 years ago, we have observed the tendency in media and sometimes even in academic publications to use this abbreviation to describe the four large emerging economies as part of some uniform entity. Such attempts to use a convenient shortcut for treating all four countries uniformly could be misleading and dangerous: The next logical step is to start assuming that there are no differences in business practices among these countries, when, in fact, they may have very little in common. Therefore, in this article, we focus on answering the following major research question:

> Is there evidence of convergence or divergence in ethical business culture among the four BRICs?

In addition to addressing this question, we are contrasting ethical cultures of business organizations in the BRIC countries and those in the US. In the remainder of this article, we summarize the results of our literature review on ethical business cultures in the four BRIC countries; describe our hypotheses, study methodology, data collection, and characteristics of the sample; present the research findings; and discuss implications for research and practice.

A Note on the Research Team

Four of the coauthors of this article are originally from the four BRIC countries, but have doctorates from North American universities and experience of living and working in the US.

Review of the Literature and Research Hypotheses

In this section, we discuss the concept of ethical business culture, summarize the results of our literature review on ethical business cultures in countries, covered by this study, and formulate research hypotheses, as informed by the literature review.

According to Schein (1985), organizational culture is a pattern of learned responses where "basic assumptions and beliefs that are shared by members of an organization… define in a basic 'taken-for-granted' fashion an organization's view of itself and its environment" (pp. 5–6). In Schein's conceptualization, culture consists of three levels: (i) observable artifacts, (ii) values, and (iii) underlying assumptions (Schein 1990). Schein points out that deep values and shared assumptions cannot be reliably assessed by quantitative survey instruments and, rather, should be studied by means of in-depth interviews or focus groups (Schein 2006). However, surveys are useful in identifying and categorizing artifacts and certain categories of cultural values. These artifacts and values comprise the formal and informal elements of organizational culture. *Formal* parts of cultures include codes of ethics, mission statements, reward systems, leadership, and decision processes, among other things (Cohen 1993). *Informal* elements include implicit norms of behavior, stories, rituals, and role models (Cohen 1993; Schein 1990). Therefore, ethical business cultures are "based on alignment between formal structures, processes, and policies, consistent ethical behavior of top leadership, and informal recognition of heroes, stories, rituals, and language that inspire organizational members to behave in a manner consistent with high ethical standards that have been set by executive leadership" (Ardichvili et al. 2009, p. 446).

Although a comprehensive review of the literature on ethical business cultures in the five countries, covered in this study, is beyond the scope of a single article, a summary of our review of relevant studies is presented and research hypotheses are formulated next.

We searched several major online databases, including the Academic Search Premier, Business Source Premier, and EconLit and online websites of key journals publishing business ethics-related articles: *Journal of Business Ethics*, *Business Ethics Quarterly*, *Business and Society*, *Business Ethics: European Review*, and *Business and Society Review*. In addition, we searched the tables of contents of major management and organization science journals: *the Academy of Management Journal*, *Academy of Management Review*, *Academy of Management Learning and Education*, *Organization Science*, *Organization Studies*, *Organization Dynamics*, and *Organization Behavior and Human Decision Processes*. The search yielded more than 300 relevant publications. The review of abstracts helped narrow down the results to more than 90 articles and books, which were studied in detail. In the sections to follow, literature on business ethics and ethical business culture in four BRICs and in the US is discussed.

Brazil

Brazil has surmounted formidable challenges; it is a large country with a diverse population, tackling numerous socioeconomic and political challenges throughout history and experiencing growth and development while facing economic and fiscal pressures in a context of regional inequalities (Baer 2008). Brazil has a dynamic presence in the global economy, producing a full range of products, from coffee and fruit juices to commercial jets. Organizations in Brazil are promoting change and experiencing fast-paced development to cope with this reality. According to Tanure and Duarte (2005), Brazilian managerial culture is characterized by paternalism (defined as a dyadic relationship between superiors and their subordinates in which superiors provide protection and guidance in exchange for loyalty and deference on the part of subordinated (Kjellin and Nilstun 1993), power concentration, personal relationships, strong loyalty to one's in-group and leader, and flexibility. Organizational ethics is based on the preference for social cohesion, which is cemented by loyalty to the group leader. The leader, on the other hand, is responsible for each group member's well-being. This web of reciprocal obligations could lead to both positive and negative outcomes. On the positive side, it can result in high performance on the part of individual employees if they feel loyalty to the group and the leader. On the other hand, such loyalty is associated with a fear of making a damaging collective mistake, thus with potential reduction in creativity and innovation.

Griesse (2007) discussed the historical roots of importance of personal loyalty in Brazilian business and traced this system back to colonial times:

> … Selection of captains to settle the Brazilian territory was based on their loyalty to the Crown. This system […] was perpetuated in the slave agricultural economy […] where favors were exchanged for work and protection. Kinship-type relations developed in which the ruling landowner represented the paternal figure. (p. 24)

Tanure and Duarte (2005) found that such cultural traits of the Brazilian society, as flexibility, power concentration, and importance of personal relationships can be deliberately used to create organizational cultures that are both effective and humane at the same time.

Flexibility in business reflects a realization that "there is an 'intermediary path' between what is and what is not allowed" (Tanure and Duarte 2005, p. 2206). Search for this intermediary path is conditioned by Brazilian cultural trait of *jeitinho*. Amado and Brasil (1991) viewed *jeitinho* "as a hermeneutic key for the Brazilian culture" (p. 53). "*Jeitinho* [is] a special way of managing obstacles in order to find a way out of bureaucracy" (p. 48). Page (1995) defined *jeitinho* as "a rapid, improvised, creative response to a law, rule, or custom that on its face prevents someone from doing something" (p. 10). It is a way to find the middle path between what is allowed by numerous laws and regulations, and what is practically possible and makes sense. Amado and Brasil (1991) asserted that *jeitinho* emerged as an adaptation mechanism which allows individuals and businesses to function despite the rigid and stifling legislative environment, massive bureaucracy, paternalistic management systems, and the oligarchic economic structure, dominated by powerful hereditary clans.

Page (1995) described historical factors that shaped Brazilian socioeconomic system and explained the simultaneous presence of paternalism, power concentration, and flexibility in finding ways around the obstacles. On one hand, Portuguese rulers of the colonial times created a rigid and cumbersome bureaucracy. On the other hand, because the colony was too large to control from one center, and was separated from Lisbon by a vast ocean, local authorities have developed "cavalier attitude toward legality that still exists today" (p. 124). *Jeitinho*, as a way of life, was a result of the attempt to satisfy the dictates of bureaucratic rules while still finding ways to accomplish business goals.

Another characteristic of the Brazilian society is significant income disparity and concentration of wealth in the hands of a small portion of the population. According to Griesse (2007), Brazil is among ten countries of the world with the greatest disparity in the distribution of wealth. The country is rich in natural resources and has experienced a succession of booms, triggered by the discoveries of new sources of wealth: from earlier cycles of sugarcane, gold, coffee, rubber to more current and diverse exports of soybeans, iron ore, chemicals, oil and fuels, food and beverages, aeronautics, and transportation materials (Baer 2008; Mueller and Baer 1998; Page 1995). Each of these booms created successive waves of powerful ultra-rich dynasties, which controlled and may still control a disproportionate share of country's wealth.

Mele et al. (2006) found that the majority of 100 largest companies in Brazil had some form of formal or informal ethics policies. The study participants believed that formal policies were important factors in developing ethical business cultures and central role in implementing ethical policies rests with CEOs. However, in a comprehensive review of documentation and publications, related to ethics and corporate governance, Bedicks and Arruda (2005) found that more than 50% of Brazilian companies still did not have formal codes of ethics. According to a recent nationwide survey, 189 organizations out of the top 500 companies operating in Brazil explicitly adopted corporate codes of ethics (a 27% increase from 2008) (Instituto Brasileiro de Ética nos Negócios [IBEN] 2009). The introduction of the corporate sustainability index (ISE), involving up to 40 publicly traded companies of the Sao Paulo Stock Exchange (BOVESPA) and based on responsible business practices, indicates the growing relevance of business ethics in Brazil (Rossi 2009). A total of 26 out of the current 28 companies listed in the ISE have explicit codes of ethics.

In summary, the Brazilian business culture is as diverse as the larger sociocultural environment of this dynamic country. Such elements as loyalty and flexibility, personal relationships, and *jeitinho* exist side-by-side with Western cultural components, manifested in the use of codes of ethics and formal ethics programs.

Russia

Avtonomov's (2006) analysis of business ethics in post-Communist Russia suggested that universalist rule-based ethics, central to the Western market economies, failed to develop in modern Russia despite radical economic reforms of the last two decades. One of the main differences between Western market economies and the new economic arrangements in Russia is the state's dominance over the business sphere and legal institutions. In these conditions, business behavior is based on considerations of personal loyalty and in-group allegiances, not on universal considerations of right and wrong, or of potential impact on community and society (Avtonomov 2006).

Ahmed et al. (2003) studied business students' perceptions of what constitutes ethical business practices in six countries: China, Egypt, Finland, Korea, Russia, and the US. They found that all six groups agreed on basic foundations of ethical business behavior. However, Russian and Chinese students differed from the rest of the sample on one dimension: They displayed stronger inclination to engage in unethical behaviors, if these actions would lead to higher profits for their companies.

Bailey and Spicer (2007) compared business ethics attitudes of three groups: US managers working in the US, US expatriates living in Russia, and Russian managers. All three groups of managers agreed on higher-level ethical norms of business behavior (e.g., management's obligation to inform their employees about risks of exposure to hazardous materials). The groups differed, though, on evaluation of practices, which conform to localized norms (e.g., keeping a set of double books as a safeguard against mafia racket, or offering small personal payments to local officials to expedite government permits). Similarly, Robertson et al. (2003) found that Russian employees were significantly more relativistic than US American employees, and tended to subscribe to situational ethics principles.

Beekun et al. (2005) compared ethical criteria, used by USA and Russian managers in their decision making. Both Russian and US managers displayed preference for relativism in their decisions. However, US managers were driven more by justice considerations, whereas Russian managers were putting stronger emphasis on utilitarian considerations.

McCarthy and Puffer (2008) applied the integrative social contracts theory to the study of ethical decision making in Russia. According to McCarthy and Puffer, interpretation of Russian managers' ethical behavior should take into consideration two sets of values: traditional Russian cultural values (grounded in collectivism and Orthodox Christian beliefs) and market-oriented values, which have emerged recently as a result of the dissolution of the socialist system. McCarthy and Puffer (2008) argued that "For the foreseeable future, Russian managers and other stakeholders will likely continue to exhibit behaviors that reflect traditional Russian norms and values, and these behaviors might often be seen by Westerners as unethical" (p. 14). Compared to Western managers, Russians tend to display higher reliance on personal networks rather than on legal contracts and have lower degree of respect for private property and higher tolerance of corruption (McCarthy and Puffer 2008).

Another important issue, discussed by McCarthy and Puffer, is the ubiquity of *blat*. *Blat* is defined as "reliance for favors upon personal contacts with people in influential positions" (McCarthy and Puffer 2008, p. 37). McCarthy and Puffer pointed out that from the position of Western market-oriented business ethics *blat* would be viewed as a form of corruption, as unethical behavior. But many Russian managers tend to see *blat* as an absolutely normal and acceptable part of doing business. In their view, *blat* is ethical, whereas such forms of corruption as bribery and under-the-table payments are considered as unethical.

To summarize, we can expect significant differences between perceptions of Russian and Western managers and employees in several areas. First, Russians are likely to be more particularistic than universalistic in solving ethical dilemmas (Trompenaars and Hampden-Turner 1998). Trompenaars and Hampden-Turner (1998) defined universalism as a belief that laws and rules apply to all equally, regardless of specific circumstances, which contrasts with the particularistic assumption that rules can be interpreted more loosely based on the specifics of a situation and the nature of relationships with involved people. Thus, Russian managers are more inclined to apply situational decision rules when solving ethical dilemmas. Second, Russians are more likely to consider the exchange of favors with their informal network of business connections (*blat*) as part of standard and ethical business practices.

India

Christie et al. (2003) found that US managers differed significantly from their Indian counterparts on six out of seven statements about their attitudes toward ethical business behavior and agreed only on one: that business managers' main concern should be making profit and ethics should be secondary. The US managers rated such practices as gift giving, software piracy, nepotism, sharing insider information, and dishonesty in advertising as significantly more unethical than did Indian respondents. At the same time, Indians rated harming the environment as more dishonest, than did their US counterparts.

According to Chakraborty (1997), US managers are more analytical in their ethical decision making, whereas Indians rely more on intuition. Furthermore, US managers rely more on normative ethics, whereas Indians rely more on assessing relational attributes of specific cases. Jackson (2001) found that Indian managers consider unconditional loyalty to their organization a highly ethical behavior, being similar to the Chinese, but being significantly different from respondents from the US, Europe, and Australia.

Sheth (2008) identified several ways in which Indian business practices are unique—and may give rise to ethical behavior that may or may not be compatible with the prevailing Western viewpoint. Indian business culture places a premium on favors, friendship, and clanship. Friendship is highly valued, whether based on multigenerational family friendships, school friendships, or personal friendships. The Western concept of conflict of interest does not always align with the Indian value of loyalty to one's group. In terms of government rules and regulations, the government acts as a gatekeeper rather than an enabler, with slow approval, a complex bureaucracy and corruption. To get things done, money and influence within high levels of management play a pivotal role. Enforcement is also very lax. Sheth also noted how Indian management style differs from that in the West: Decisions are made by the person at the top, not in a participatory way. At the same time, according to Sheth, there is a strong belief in corporate social responsibility in India.

What are the implications of these differences for business ethics? We can expect to find differences in ethical perspective between the US and India mainly because of the diverse cultural perspectives: US culture is predominantly individualistic, whereas Indian culture is collectivistic that in turn accounts for greater emphasis on the role of individual decision in ethical practices in the US, whereas India places a greater emphasis on corporate social responsibility (Hofstede 2003). This is reflected in the move from a focus on shareholders to focusing on stakeholders and placing more importance on environmental sustainability. The rich culture of India, immersed in spirituality and religion, is focused on intuitive ethical decision making, which sets it apart from the Western analytical approach to ethical decision making based on norms. Factors, such as culture, education, and gender, play a significant role in shaping moral perspectives and ethical values. Although India is a liberal democratic country, the business environment is highly bureaucratic and nonparticipatory. The government often acts as a gatekeeper rather than an enabler of business transactions.

China (Including Hong Kong)

China is the largest of the four BRICs in terms of its population and size of the economy, and the second largest in territory (after Russia). Compared with all countries of the world, China has the largest population, second largest economy, and fourth largest territory. During the last half of the twentieth century and the first decade of the twenty-first century, mainland China has experienced several major social transformations: The transition to socialism after the Communist party took power in 1949, the Cultural Revolution in the 60s, the economic reform in 1978, and the subsequent 30 years of continuous economic development and exposure to Western business practices. Values and business ethics practices change as the result of social transformations, because people try to acclimate to the social, political, and economical circumstances of the country (Hitlin and Piliavin 2004). It must be noted that during the same period, Hong Kong has enjoyed a relatively stable business environment.

The literature suggests a strong Confucian influence on Chinese business ethics practices. For example, despite Communist rule, some of the more successful Chinese state-owned enterprises (SOEs) adhere to the Confucian values: Ren, I, Li, and Chi (*Compassion*, *Appropriateness*, *Norms*, and *Wisdom*) to deliberately develop a corporate culture with uniquely Chinese characteristics (Ip 2003, p. 68). Similarly, Cheung and Chan (2005) found that CEOs of five Hong Kong companies displayed leadership approaches based on the Confucian principles of "benevolence, harmony, learning, loyalty, righteousness, and humility" (p. 47). Overall, Cheung and Chen concluded that the CEOs' style was characterized by a combination of paternalism and collectivism.

Koehn (2001) emphasized the central importance of the Confucian moral principle of trustworthiness. She provided specific examples suggesting that, in keeping with Confucian principles, Chinese business people rely less on formal contracts and prefer to use informal agreements and personal assessment of trustworthiness of business partners. Koehn also stressed the difference between Confucian and Western concepts of trustworthiness. In Confucianism, blind adherence to rules and prior arrangements is not equated with trustworthiness. From Confucian perspective, it is perfectly fine for a person to break the prior arrangement for an important business meeting, if his or her presence was needed elsewhere to help people in need. Such a person is perceived as even more trustworthy, because he or she demonstrated good judgment. "From the Confucian perspective, there can be no algorithm for assessing other people's trustworthiness. We must always judge the particular action, looking at the context in which the actor operated and at the relevant factors" (Koehn 2001, p. 418).

When studying Chinese business ethics, two interrelated concepts, *guanxi* and *mianzi*, which are grounded in the Confucian value system, have to be considered (Ang and Leong 2000). In fact, it might not be possible for researchers to truly understand Chinese managers' behaviors when *guanxi* and *mianzi* are not considered (Gold et al. 2003). Chatterjee and Pearson (2003) define *guanxi* as "a deep rooted socio-cultural phenomenon which enhances social harmony, maintains correct relationships and addresses the sensitive issue of face, and is a reciprocal obligation to respond to requests for assistance" (p. 206). Similarly, Koehn (2001) argued that the practice of *guanxi* is rooted in Confucian concepts of fulfillment of role-base duties, filial piety, and cultivation of reciprocal support relationships between more and less powerful individuals. *Mianzi* (face) is the image that a person strives to maintain before others (Hwang et al. 2003). It is "prestige and honor that accrues to a person as a result of successes and/or ostentatious behavior before others" (Li et al. 2007, p. 49).

Guanxi plays an important role in the overall Chinese value system (Robertson et al. 2008). The rules of *guanxi* are that the humble cannot assail the noble, the distant cannot overrun the closer, and the individual cannot override the group (Su and Littlefield 2001). If one violates the rules of *guanxi*, one can be seriously damaged in terms of social reputation, lose *mianzi*, and will be humiliated. *Guanxi* creates an environment for in-groups and out-groups. Within the in-groups, *guanxi* enables managers to acquire needed resources, personnel, information, and other supports in substitute of formal institutional structure (Xin and Pearce 1996). It provides privileges to members of in-groups by favoritism and personal benefits and discriminates against members of out-groups. When *guanxi* takes precedence, it could skew managers' judgments in making ethical decisions. It is sometimes difficult, particularly for Westerners, to separate reciprocation and corruption (Su and Littlefield 2001) if unethical conduct is driven by *guanxi* (Provis 2008; Warren et al. 2004).

The above review suggests that ethical practices in Chinese business organizations are based on such cultural values as paternalism, collectivism, and *guanxi*. In their ethical decision making, Chinese managers and employees are more likely to use situational and particularistic than universalistic criteria (Trompenaars and Hampden-Turner 1998). Ethical behavior is shaped by the emphasis on informal agreements as opposed to formal contracts and by a significant role of informal networks of support and reciprocal exchanges of favors. Furthermore, we can expect that Chinese business organizations rarely have formal codes of ethics. In addition, business ethics is influenced by the emphasis on personal assessment of individual's trustworthiness and leaders' benevolence.

In summary, despite cultural differences between the four BRICs, it is evident that significant similarities in business ethics practices exist among these countries (Table 2). All four BRIC countries are characterized by paternalism and significant power concentration in business organizations. In all four countries, ethical decision making is likely to be more situational (particularistic) and context-specific than universalistic. Allegiance or loyalty to organizations and/or in-groups is likely to override the considerations of ethical norms in many cases. All four countries have a long history of strong centralized bureaucracies and, thus, the business organizations have developed various ways of overcoming bureaucracy and circumventing rigid rules. Finally, all four countries have developed systems of informal practices and arrangements, which serve as alternative to formal business contracts (cf. Brazilian *jeitinho*, Russian *blat*, Chinese *guanxi*, and Indian emphasis on in-group and kinship relationships in business transactions). Therefore, our first research hypothesis (stated as the null hypothesis) is:

H1 There are no significant differences in perceived ethical culture among the BRIC countries.

To produce actionable recommendations for Western companies, operating in the BRICs, we need to be able to compare ethical business cultures of the BRICs with those found in developed countries of the world. However, an attempt to compare the BRICs with a diverse group of developed countries (e.g., G7) would not be fruitful, because various studies have found significant differences in business ethics among these countries (Ardichvili et al. 2010; Palazzo 2002; Tsalikis and Seaton 2007). Therefore, we focus on only one comparison: between the BRICs and the US.

According to a recent review of literature on ethics in US business organizations:

> Ethical business cultures are based on an alignment between formal structures, processes, policies, related training and development programs, consistent value-based ethical behavior of top leadership, informal recognition of heroes, stories, and the use of rituals, metaphors and language that inspire organizational members to behave in a manner consistent with high ethical standards. Personal moral development and authenticity of leaders is an important contributor to the overall ethical climate and culture of the organization. (Ardichvili and Jondle 2009, p. 237)

US business organizations place a strong emphasis on the development and institutionalization of ethics-based mission and value statements (Trevino and Nelson 2004) which directly affects the building and sustaining of ethical business culture (Ardichvili et al. 2009). Furthermore, US companies foster environments conducive to ethical culture through the creation of incentive systems that reward employee behavior in concert with organizational codes of ethics (Trevino and Weaver 2001).

These findings suggest that differences in ethical business cultures between the US and the BRICs should exist, particularly when considering the role of leaders in shaping ethical culture and the degree to which they influence the formalization of ethics-related procedures and regulations within the organization. According to Ralston's (2008) crossvergence hypothesis, countries' economic ideologies and national cultures interact with a trend toward uniformity of corporate cultures, driven by globalization. As a result, corporate cultures have some similar attributes across nations, but also display unique national characteristics (Ralston 2008). Because we do not have sufficient evidence to state which trend is stronger in the development of ethical business cultures—toward convergence or divergence—we hypothesize that:

H2 There are no significant differences in perceived ethical culture between the US and the BRIC countries.

Methodology and Data Collection

This study was based on survey data collected from more than 13,000 managers and employees of large business organizations in the United States (USA; $n = 9{,}998$), China (CHN; $n = 1{,}011$), Brazil (BRA; $n = 1{,}012$), India (IND; $n = 1{,}000$), and Russia (RUS; $n = 758$). The analysis was conducted using a random sample consisting of 504 respondents from each of the five countries. The data were collected in 2009 as part of the WorkTrends™ survey of work-related attitudes and behaviors, conducted by the Kenexa Research Institute (KRI), the research branch of Kenexa, an international human resources consulting company. The survey was administered online to adult full-time (more than 32 h per week) employees of organizations larger than 100 employees.

KRI employed a third-party survey and sampling administration vendor. Participants were recruited through online advertisements and hyperlinks, using an "opt-in" panel-sampling methodology that generated a large pool of potential volunteer respondents willing to participate in online surveys. The administration vendor authenticated the participant's identity and country of residence. Each potential participant provided demographic information used to select the sample pool. From the sample pool, qualified participants were randomly selected for the survey. Respondents in the US may or may not have been incented to participate, whereas in other countries, respondents were paid. However, safeguards were in place to prevent respondents from taking the survey more than once. For each country sampled, the survey was translated into the predominating spoken language. The translations

Table 2 Summary of characteristics of business cultures in BRICs and the US

Country	Paternalistic	Particularistic (situational)	Universalistic	Collectivistic	Individualistic	Formal	Informal
Brazil	x	x		x			x
Russia	x	x		x			x
India	x	x		x			x
China	x	x		x			x
USA	x		x		x	x	

were subjected to two independent translation checks by native speakers.

In total, survey participants responded to 118 items that measure employee attitudes about their job and organization. For this study, we used eight items that pertained to ethical culture (see Table 2 for a paraphrased list of items). Responses were given on a 5-point Likert scale 5 (*strongly agree with the statement*) to 1 (*strongly disagree*). The average response rate for countries included in this study was 30.9%.

Items Q1–Q5 are part of a 28-item assessment tool (the CEBC Integrity Survey™) derived from theory first advanced by Mitchell (2001) and reported by Jondle and Shoemake (2006). The tool was developed to assess ethical organizational culture. Each item represents one of the five aspects of an ethical business culture covered by the assessment tool:

- Trust, Integrity, and Honesty
- Leadership Effectiveness
- Stakeholder Balance
- Mission, Vision, and Values
- Process Integrity

The survey questions, created through a collaborative effort with Gantz Wiley Research (now Kenexa; www.kenexa.com) employing content experts and focus groups, are grounded in *The Minnesota Principles: Toward an Ethical Basis for Global Business* (CEBC 1992). The principles provide the foundation for the Caux Round Table *Principles for Business* (Caux Round Table, http://www.cauxroundtable.org/) (Ryan 2005). To provide a baseline assessment of an organization's ethical culture that can be benchmarked, CEBC and Kenexa created the CEBC Integrity QuickCheck™, composed of the five items, which was incorporated into Kenexa's WorkTrends survey starting in 2004.

Items Q6–Q8 are derived as the result of the United States Sentencing Commission's (2004) *Federal Sentencing Guidelines of Organizations* (FSG) and in response to the "Seven Minimum Steps" toward implementation of an effective compliance program. The three items encompass: (1) the commitment of the organization to establish and sustain a compliance program through the adaption of standards and procedures and provide ranking personnel responsible for oversight of the program, (2) taking appropriate measures to establish a system for reporting misconduct, and (3) providing the appropriate safeguards to ensure that employees use the reporting system.

Together, the eight items measure both informal (items Q1–Q5) and formal (items Q6–Q8) elements of ethical business cultures and reflect the results of previous empirical research (Jondle and Shoemake 2006), international principles (Caux Roundtable), and government guidelines (United States Sentencing Commission 2004).

Previous research involving Multi-Group Factor Analysis (MFA) demonstrated that the eight items form one factor (Ardichvili et al. 2010). As a result, the items represent a model where there is no significant difference in factor structure among countries.

Demographically, the sample was diverse. About 53% of respondents were male. The two largest age groups were 25–34 years (48.4%) and 35–44 years (21.5%). About 32% of the participants held various managerial positions (from supervisory levels to senior management), with the remainder classified as individual contributors. The majority of respondents had university/college or technical college degrees (61.5%) and 26.3% had graduate and postgraduate degrees.

Results

To test the hypotheses, MANOVA was conducted with country as the independent variable and the items about ethical practices as the dependent variables (Table 3). To evaluate the significance of pairwise comparisons between countries, Scheffe's test was conducted (Table 4) (Steel and Torrie 1980).

The results do not support hypothesis H1 (that there are no significant differences among the BRIC countries). Respondents in India and Brazil provided more favorable assessments of ethical business cultures of their organizations than respondents in China and Russia. In all cases, Indian respondents scored significantly higher relative to Chinese respondents. With only one exception, Q5—*employee advancement*, Indian respondents recorded significantly greater mean item scores relative to Russia. Compared with Brazil, Indian respondents scored significantly higher in three cases (Q4—*employee behavior*, Q6—*company commitment*, and Q8—*reporting violations*). Brazil and China exhibited no significant differences. Comparisons of Brazil to Russia indicated significant differences in mean item scores in four cases (Q2—*senior management supports*, Q6—*company commitment*, Q7—*process to report*, and Q8—*reporting violations*). In three examples (Q2—*senior management supports*, Q6—*company commitment*, and Q8—*reporting violations*), Chinese respondents scored significantly higher when compared with Russian respondents.

With H1 rejected, it was decided to conduct comparisons to the US on a country-by-country basis when testing hypothesis H2 (that there are no significant differences between the US and the BRIC countries). Based on this perspective, H2 was rejected.

Table 3 Descriptive statistics and tests of between-subjects effects

Source	Dependent variable	Country group	Mean	SD	Type III sum of squares	df	Mean square	*F*	Significance
Country	Q1: Ethical issues can be discussed without *negative consequences*	BRIC	3.51	0.979					
		USA	3.57	1.093					
		Total	3.52	1.003	54.197	4	13.549	13.739	0.000
	Error				2,480.278	2,515	0.986		
	Q2: *Senior management supports* and practices high ethical standards	BRIC	3.63	0.927					
		USA	3.70	1.022					
		Total	3.64	0.947	80.708	4	20.177	223.313	0.000
	Error				2,176.714	2,515	0.865		
	Q3: Company serves multiple *stakeholders*	BRIC	3.67	0.919					
		USA	3.76	0.955					
		Total	3.69	0.927	39.930	4	9.983	11.820	0.000
	Error				2,124.038	2,515	0.845		
	Q4: *Employee behavior* is consistent with company values	BRIC	3.60	0.915					
		USA	3.51	1.048					
		Total	3.58	0.944	44.740	14	11.185	12.796	0.000
	Error				2,198.421	2,515	0.874		
	Q5: *Employees' advancement* depends on the alignment of their behavior with company values	BRIC	3.54	0.915					
		USA	3.39	1.053					
		Total	3.51	0.946	28.375	4	7.094	8.017	0.000
	Error				2,225.335	2,515	0.885		
	Q6: Company is committed [*company commitment*] to ethical business conduct	BRIC	3.68	0.889					
		USA	3.69	0.973					
		Total	3.68	0.906	77.258	4	19.314	24.405	0.000
	Error				1,990.385	2,515	0.791		
	Q7: Company has *processes to report* policy violations	BRIC	3.57	0.959					
		USA	3.84	0.956					
		Total	3.62	0.964	84.049	4	21.012	23.408	0.000
	Error				2,257.569	2,515	0.898		
	Q8: Employees are comfortable *reporting violations* of company policy	BRIC	3.48	1.010					
		USA	3.66	1.119					
		Total	3.52	1.035	119.082	4	29.770	29.017	0.000
	Error				2,580.345	2,515	1.026		

Italics—key for referencing in text

Comparing mean item scores from the US to Russia and China, US respondents generally scored higher. Greater significant differences in mean item scores were reported by US respondents relative to Russian and Chinese respondents four times (Q2—*senior management supports*, Q6—*company commitment*, Q7—*processes to report*, and Q8—*reporting violations*) and two (Q3—*stakeholders* and Q7—*processes to report*), respectively.

India when compared with the US demonstrated higher mean item scores in all but one case, Q7—*process to report*. In three instances, the differences between the US and India were significant (Q4—*employee behavior*, Q5—*employee advancement*, and Q5—*company commitment*). Only when comparing the US to Brazil, no significant differences in pairwise mean item scores were found.

Regarding item response variability as measured by the amount of significant pairwise difference between the BRIC countries and the US within any one item, Q1—*negative consequences* and Q5—*employee advancement* demonstrated the least variability. The greatest variability occurred with item Q6—*company commitment*, followed by Q8—*reporting violations*. The following distribution of item variability was revealed: Q6 > Q8 > (Q2 and Q7) > Q4 > Q3 > (Q1 and Q5).

Table 4 Post hoc test Scheffe's homogeneous subsets. Mean item scores and levels of significance for five countries

	Q1: Negative consequences		Q2: Senior management supports		Q3: Stakeholders		Q4: Employee behavior		Q5: Employee advancement		Federal sentencing guidelines					
											Q6: Company commitment		Q7: Processes to report		Q8 Reporting Violations	
	Mean[1]	Subset[2]	Mean	Subset	Mean	Subset	Mean	Subset	Mean	Subset	Mean	Subset	Mean	Subset	Mean	Subset
US	3.57	ab	3.70	bc	3.76	bc	3.51	a	3.39	a	3.69	b	3.84	cd	3.66	bc
BRIC																
Russia	3.35	a	3.34	a	3.56	ab	3.53	a	3.52	ab	3.40	a	3.35	a	3.15	a
China	3.40	a	3.56	b	3.54	a	3.45	a	3.45	a	3.63	b	3.52	ab	3.44	b
Brazil	3.55	ab	3.77	bc	3.70	abc	3.58	a	3.50	ab	3.72	b	3.59	bc	3.54	b
India	3.76	b	3.85	c	3.87	c	3.84	b	3.70	b	3.95	c	3.81	cd	3.79	c

[1] Mean item score

[2] Scheffe's Test homogeneous subset—mean item scores with the same alpha character are not significantly different from one another at $\rho = 0.01$. The number of unique alpha characters for each item represents the number of Scheffe's homogeneous subsets (e.g., Q1 has two unique homogeneous subsets)

Discussion

A central finding of our study is that no homogeneity of responses is evident among the BRIC countries. The results show that significant country differences exist across all the ethical business culture-related items. Furthermore, the country differences were not consistent across items. In general, India and Brazil had higher scores than Russia and China, which could be interpreted as a sign that respondents in the latter two nations find that standards of business ethics are lower in their organizations. In Russia, scores for Q2—*senior management support*, and for all three questions, related to the existence of formal procedures (Q6–Q8) were significantly lower compared with other BRIC countries. Employees in Russia and China provided significantly similar ratings on most items, and these ratings were lower compared with Brazil and still lower compared with India. India's mean item scores were higher relative to all the other BRICs.

One possible reason for observed similarities in ratings, provided by Russian and Chinese respondents, could be that Russian and Chinese societies share a number of sociocultural traits. For example, both cultures are paternalistic with a high importance placed on loyalty. Furthermore, the two countries share a recent legacy of communist economies and political arrangements, which could have shaped the trajectory of development of business cultures in general and ethical business cultures in particular.

Our results are generally supported by the *2011 Edelman Trust Barometer* (Edelman 2011) reporting on trust in business within the BRICs. Brazil exhibited the highest regard for business—"to do what is right"—with a 72% (2-year average) favorable response rate, followed by India, China, and Russia at 69, 62, and 42%, respectively.

An inflated response bias might explain the results obtained for India and warrants further study. According to Seshadri et al. (2007), business ethics and compliance is at an early stage of development with in Indian companies. Thus, high responses of Indian participants to our items would not have been expected. Furthermore, Tsalikis et al. (2008), in their comparison of consumers' sentiments toward business ethics practices (the International Business Ethics Index, BEI) in China and India showed that, compared with the Chinese, Indian consumers had much lower level of confidence that business organizations in their country are behaving ethically (the Chinese score was 117.7, whereas the score for India was 77.1). In the Tsalikis et al. studies, the BEI for the US was around 100 and scores greater than 100 indicate that consumers have more positive perception of ethical behavior of businesses, whereas scores less than 100 indicate that consumers tend to assess business practices as unethical (Tsalikis et al. 2008; Tsalikis and Seaton 2008). Overall, the BEI finding that

Chinese customers reported relatively high confidence in ethicality of businesses despite a recent spate of product quality and product safety allegations leveled against various Chinese companies seems to be counterintuitive. However, the responses to both the BEI and to our survey questions may be influenced by unspoken cultural assumptions, associated with the concept of *guanxi* and/or state censorship of the media.

According to Michaelson (2010):

> A fundamental question of global business ethics is, "When moral business conduct standards conflict across borders, whose standards should prevail?" Western scholarship and practice tends to depict home country standards as "higher" or more "restrictive" or "well-ordered" than the "lower" standards of emerging market actors. As much as the question appears culturally neutral, many who ask it do so with a culturally-specific lens shaped by prevailing conditions of Western economic strength. However, the dominant economic powers of the future are not likely to be the same North American and Western European markets that have reigned supreme in the recent past. As corporations increasingly re-examine their political roles in global governance, we need also to re-examine the moral authority of global ethical norms so they do not merely reflect the dominant ideologies of the most economically powerful market actors.

Although the influence of Western business ideology (including the ideas related to business ethics and ethical business culture) is felt all over the world, our study suggests that there are significant country variations in the rates and extent of adoption of Western paradigms. Indeed, our results demonstrate that Western business norms as they pertain to ethical business cultures are not uniformly accepted in a large segment of the global market: Russia, India, and China present significant differences relative to the US.

The indigenous multinational corporations (MNCs) from BRIC countries are gaining increasing presence and influence in global trade. It appears that these countries are following unique paths, determined by specific combinations of internal cultural and institutional conditions and legacies and influenced by societal norms and behaviors. This finding seems to support Ralston's crossvergence hypothesis: "the global corporate culture concept may be viable in the long term, especially if crossvergence proves to be a transitional state, and values assimilation is a mutual process," in the short-term, national culture influences are likely to lead to significant differences in business cultures and practices (Ralston 2008, p. 23).

As mentioned earlier, although Russia, India, and China demonstrated significant differences from the US, the findings of this study provide evidence of convergence between the US scores and scores in Brazil (the average score for all eight items for the US was 3.64 and for Brazil 3.62). There is evidence of growing convergence between USA and Brazilian practices on the use of codes of ethics (IBEN 2009; Mele et al. 2006). This could be a reflection of the growing interconnections between the US and Brazilian businesses as evidenced by significant foreign direct investment from the US and associated transfer of best practices in management (United States Department of State 2010). In addition, the Brazilian postsecondary management education system faces significant and growing external influence, predominantly from North American universities (Paula 2009).

Overall, the largest differences between the BRICs and the US were in the formal elements of ethical business culture. For MNCs, the implication is the need to address, without bias, how corporate codes of conduct and ethics (prevalent in 52.5% of the largest 200 MNC in the world; Kaptein 2004) can be most effective across diverse cultures. As corporate mergers and acquisitions (M&A) of MNCs across sovereign borders intensify (e.g., China's Geely Automotive Holdings Ltd., purchase of Volvo of Sweden from US-based Ford Motor Company, and Indian Tata Group's acquisition of Jaguar), the focus on cross-cultural differences might become more apparent fostering a need for heightened vigilance and due diligence on the part of companies regardless of their country of origin. Assessment tools designed specifically to evaluate organizational ethical behavior and corporate cultural norms might become standard practice in decision making both pre- and post-M&A.

Furthermore, with MNCs bound by country laws (e.g., US companies must comply with the standards related to the Foreign Corrupt Practices Act, Federal Sentencing Guidelines for Organizations and Sarbanes–Oxley Act of 2002) in which they originate and operate, our results suggest that the ability to comply might be increasingly challenged. For example, in countries where the practice of "gift giving" is an accepted and even expected cultural practice, US-based companies can experience unfair disadvantage as the result of corporate policy prohibiting or severely limiting acceptance of gifts from business associates. Data from the Transparency International Corruption Perceptions Index 2010 (CPI; Transparency International 2010) that measured the relative amount of corruption within the 180 countries (Table 1) support the notion of tension between differences in cultures and national law. The CPI includes scores that range from 10 (*least corruption*) to 0 (*most corruption*). The CPI for all of the BRICs is below 5.0 (3.7, 3.5, 3.3, and 2.1, for Brazil, China, India, and Russia, respectively relative to a score of 7.1 for the US). The relative differences in CPI scores between the US and the BRICs underscore the significance of the potential problem.

Conclusion

The goal of this study was to compare perceptions of ethical business cultures in four largest emerging economies (Brazil, Russia, India, and China) and in the US. Our literature review presented an inconclusive picture, with some sources suggesting that ethical business cultures in these countries may be quite similar, with others pointing to potentially significant differences. Therefore, our study made a novel contribution by demonstrating that there were significant differences not only between the US and the BRICs but also among the BRIC countries. The only BRIC country where ratings were similar to the US was Brazil. Within the BRICs, respondents from India and Brazil provided more favorable assessments of ethical business cultures of their organizations than respondents from China and Russia. Our findings suggest that practical recommendations, related to business ethics, should not be based on general comparisons of the BRICs with the US or other Western countries. Each case should be treated on country-by-country basis.

As the BRICs and their resident MNCs grow economically, the potential for their cultures to influence employee behavior globally increases. As workforces become increasingly diverse, violations of universally applied ethical principles are likely to increase and could lead to increased misconduct as defined by corporate code of ethics and compliance. As MNCs' human capital demands grow, this study reveals that the need to evaluate new hires for alignment of corporate and personal values and desired behaviors becomes more critical particularly in light of the impact of financial decisions, associated with hiring, training, and firing employees.

Although our study was based on a robust dataset and sound analytical methodology, two limitations need to be discussed. First, the study was conducted using survey questions, developed in the US by North American researchers. Therefore, there may be cultural bias in how the questions were constructed. Second, although there is a definite advantage to using large samples of respondents from a large number of organizations, the survey methodology does not allow us to study organizational cultures in more depth, especially to identify deep-rooted assumptions. Here, we agree with Schein's (1990) assertion that in-depth investigations of organizational culture can be conducted only using qualitative methods, including focus groups, in-depth interviews, and observations.

Future research directions, indicated by our study, include at least two possibilities. First, although we have found differences between the BRICs and the US, a follow-up study could compare the BRICs with other developed countries. Because significant differences among the BRICs were found, future studies should focus on comparing individual BRIC countries with select developed countries.

Second, ethical business cultures in the BRICs should be compared with ethical cultures of business organizations from other large emerging economies. For example, Cooper (2006) included in his comparative study not only the BRICs but also other fastest growing emerging economies of the world, including inter alia, Mexico, Indonesia, and South Africa. It would be especially useful to compare the ethical business cultures of the growing number of MNCs, originating from developing countries.

The research reported in this article exposes the complexities of universalizing ethical business norms and the potential business threats in an environment defined by cultural differences. For example, in its annual 2010 Report to the Nations on Occupational Fraud and Abuse, the Association of Certified Fraud Examiners (2011) reported that globally a typical business organization "loses 5% of its annual revenue to fraud… [which] translates to a potential total fraud loss of more than $2.9 trillion." Although all companies are exposed to increasingly complex threats when operating in numerous and diverse countries, no threat is more significant than operating under potential penalty resulting from violation of government mandates or assailing and ostentatiously displaying disregards for widely accepted social norms. The consequences related to breakdowns in organizational ethics perpetrated by individuals from diverse backgrounds and cultures are a loss in trust, honesty, and integrity; tarnishing of corporate goodwill and reputation; incurrence of financial penalties and fines (at the corporate and individual level); and conviction and sentencing of corporate executives and employees. One size does not fit all and we hope that the results presented in this article prompt corporations to pause, reflect, and then take steps toward reassessing the inherent risks associated with conducting business globally. Reassessment encompasses evaluating, understanding, and implementing changes to the processes employed when institutionalizing ethical practices and behaviors, while taking into account the introduced variability in ethical perceptions when expanding business operations globally.

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