

A MULTI COUNTRY COMPARISON OF PERCEPTIONS ABOUT BUSINESS ETHICS

Pam Pringle, Christopher Newport University, U.S., ppringle@cnu.edu

Sally Sledge, Norfolk State University, U.S., sasledge@nsu.edu

ABSTRACT

Around the globe, corporate executives and managers make poor decisions that often result in very public and protracted scandals that can ruin the reputation of the organization, and in some cases destroy it. As a follow-up to a U.S. based project conducted last year, the authors expanded the scope to multiple countries recognizing that in today's global economy, domestic scandals can quickly extend to the global arena. This paper provides survey results from these countries focused on consumer perceptions and responses to lapses in business ethics. Our findings will provide insights for organizations and educational institutions on what is working for their counterparts in other nations, and how policies might be adapted to better reflect consumer perceptions in different markets.

INTRODUCTION

Corporate ethical scandals are a global reality. Ethical dilemmas have been making the news since the beginning of time but in today's technological environment the instant reach and impact of these revelations is unprecedented. From Enron and Arthur Andersen, BP, the Madoff Ponzi scheme, Deutsche Bank AG, to Rupert Murdoch and News Corp., the Dhaka factory collapse and ongoing International Olympic Committee scandals, the list of unethical business practices is long and widespread. The 24/7 environment in which most businesses operate, tough global competition, shortened product life cycles, today's technology reach, and the appetite for speculative sensational type media coverage of such scandals leads to increasing levels of mistrust of big business by average consumers.

Business Ethics is a complex issue. If we look to business schools to prepare reliable, responsible and effective business leaders for tomorrow then that preparation must include ethics. But the question of when education and the awareness of right and wrong begins cannot be ignored. Ethics teaching and training ideally needs to begin at birth and be sustained throughout life. It needs to be a vital part of all classes at all levels and be continued as employee training and reinforcement in all organizations. As technology advances, and global businesses incorporate greater diversity in culture, social and ethical norms, the opportunities for misconduct grow (Sledge and Pringle, 2013). The Corruption Perceptions Index (CPI) 2004, indicates wide variation in corruption levels across countries (Crittenden, Hanna and Peterson, 2009) and Anand, Ashford and Joshi (2004) suggest that corrupt actions encourage corrupt actions. In this environment Beets (2005) implies that ongoing ethics education and training in organizations is crucial to curb the rise in unethical practices.

With the increase in globalization of organizations and the continuing evidence of scandals and frequent inadequate response by management to the situation, it is fair to say that organizations need more guidance in mounting and sustaining ethics training programs that work. Tansey Martens (2006), President of International Business Ethics Institute (IBEI), reports that "online training is increasingly important for global companies yet current offerings...are very 'US-centric' and can alienate international employees." The findings in this paper will help to identify consumer and employee perceptions and responses that are similar across nations and cultures as well as those that are different. What consumers expect of organizations in response to ethical breaches will also be compared across the countries studied. This information will be helpful to both organizations and educational institutions in developing and updating training programs and class content on business ethics in the global environment.

LITERATURE REVIEW

The connections between business ethics and consumer behavior have already received some attention. DePelsmacker, Driesen, and Rayp (2005) stated that customers often display an "attitude-behavior gap" between making purchase decisions and their perceptions about ethical products. Conversely, they also note a growing trend whereby more companies and customers buy and sell products that have an ethical component or promote corporate social responsibility. Hines and Ames (2000) reported that the majority of U.S. consumers had purchased products because of a company's positive social reputation. According to Fullerton, Kerch and Dodge (1996) "ethical

behavior on the part of both buyers and sellers is tantamount to effectiveness of the market place". Unethical behavior damages this relationship leading to ineffective exchanges (Morgan and Hunt 1994).

In 2008, KPMG reported that 86% of Fortune Global 200 companies had ethics codes compared to 14% in 1990. Svensson et al. (2009) found similar results in a study of large corporations in Sweden, Canada and Australia. Ethics codes on their own however are not enough, they must be supported by comprehensive programs. Research findings from Singh (2011), state that an ethics code must be "supplemented by strict compliance measures and other ethics initiatives."

Research shows that consumer perceptions do impact consumer behavior. Singh, Iglesias and Batista-Foguet (2012) note that consumers exhibited a positive relationship between perceptions of brand ethicality, brand trust and brand affect (the brand image). Brand trust and affect (image) were positively related to brand loyalty, which directly impacts consumer purchasing decisions. So it makes sense for businesses to manage their brand image and their corporate reputations among consumers. Singhapakdi, Rawwas, Marta, and Ahmed (1999) pointed out the importance of culturally-based ethical values among consumers, and how they incorporate those sentiments into their purchasing decisions. Creyer (1997) reported that consumers who indicate that they do care about a firm's ethical behavior will make buying decisions based on that information. Trudel and Cotte (2008) reported that for goods produced ethically, patrons were willing to pay a premium.

The Business Ethics Index, used each year to measure consumer perceptions of business behavior, in 2009 showed perceptions of corporate ethical behavior had declined, while criticism of management conduct and remuneration had increased (Tsalikis 2011). The Institute of Business Ethics (IBE) (2013) surveys British consumers annually on perceptions of corporate behavior. The 2013 review showed that 40% consistently believe that businesses behave unethically while 35% believe businesses were less ethical than 10 years ago. The Edelman Trust Barometer (2013) which surveys over 25 countries annually showed "trust in business" globally at 50%, but only 18% believe business leaders tell the truth. Sledge and Pringle (2013) reported that the majority of consumers in their U.S. study indicated that unethical acts by corporations would impact their purchasing decisions. The report also indicated that it takes time to win consumers back after an ethical scandal but it can be achieved with honesty and transparency, and visible changes on the part of the corporation. These findings seem to point to the growing importance of consumer trust and the link to purchasing decisions. As scandals continue to surface, consumers' expectations of business responsibilities grow. Focus on the bottom line alone is no longer acceptable. Consumers are demanding care of the environment in terms of sustainability and other forms of social responsibility. Becchetti (2012) discusses a bottom up system known as "voting with the wallet" wherein a growing number of consumers choose to only purchase products produced in an ethical manner. He notes a corresponding executive shift to CSR programs as a response, and advocates an ethics rating system be made available to the public. This current study will add to the literature by identifying similarities and differences in consumer and employee perceptions of business ethics across different cultures. Additionally consumer expectations of and their responses to corporate actions once ethical misconduct has occurred will be discussed.

SURVEY AND SAMPLES

The survey was designed to assess consumer perceptions about business ethics, consumer intentions to purchase based on business ethical behavior, and employee ethics. Questions consisted of those framed after several national and international ethics surveys, including those from the International Center for Academic Integrity (www.academicintegrity.org), and the Ethics Resource Center (www.ethics.org). Additionally, the authors created questions of their own to address specific research agenda items. Using questions modeled after these pre-tested surveys addressed the concerns of reliability and validity for this project. The final survey consisted of a one page multiple choice instrument, with a few open-ended questions to allow for participants' comments.

223 college students were surveyed from 4 universities: 1 each in Bangladesh and Canada and 2 in the United States. All respondents participated voluntarily and anonymously. They were free to ask questions of the authors before, after and during the administration of the survey. The total survey response rate was 78%.

RESULTS

PERCEPTIONS OF BUSINESS ETHICS SURVEY RESULTS

N = 223

| CORPORATE ETHICS | TOPIC | COMMENTS |
|--|--|---|
| BANGLADESH: 88% CANADA: 100% UNITED STATES: 97% | participants who expressed an interest in learning about corporate scandals in the news | "Keep everyone updated, informed and aware" |
| BAN: 47% CAN: 82% U.S.: 50% | said that one person acting inappropriately constitutes unethical behavior in a company | "Ensure they won't do it again. Fire responsible parties." |
| BAN: 41% - a year or less CAN: 45% - a year or less U.S.: 56% - more than a year | amount of time to gain back a good reputation after corporate ethical scandals | "Prove time and time again that they are ethical and trustworthy" |
| BAN: 47% vs. 41% CAN: 49% vs. 46% U.S.: 42% vs. 42% | respondents who rated environmental concerns greater than profit concerns when resulting from a scandal | "They can do a SWOT analysis" "Bring in new leaders" |
| BAN: 29% vs. 29% CAN: 67% vs. 30% U.S.: 50% vs. 24% | said making consumers sick was a worse scandal than misleading consumers | "Take the sufficient punishment for their ethics and publicly apologize" |
| BAN: 41% ok vs. 18% not ok CAN: 6% ok vs. 52% not ok U.S.: 15% ok vs. 40% not ok | report it is ok for companies to display different ethics in different parts of the world vs. it is not ok | "Try its best to repair most damaged parties relationships first, public opinion second" |
| CONSUMER BEHAVIOR | TOPIC | COMMENTS |
| BAN: 59% CAN: 61% U.S.: 64% | said an unethical action would affect their decision to do business with the company | "The company can address the issues and give the customers an incentive to come back" |
| BAN: 53% CAN: 70% U.S.: 57% | might do business with a company involved in a scandal, if it took proper actions afterwards | "Utilize time to build back trust and stay on their best behavior" |
| BAN: 47% CAN: 55% U.S.: 47% | said companies should release all scandal details to the public | "Be honest about it and do whatever it takes to fix the problem. Show improvement" |
| BAN: 53% CAN: 61% U.S.: 52% | said that a company should inform U.S. consumers about a scandal in Europe and vice versa | "Hire new people to manage, have an open policy" |
| BAN: 59% CAN: 72% U.S.: 61% | said always tell the truth is the best business motto | "Tell the truth, be honest and be sure to change and prove to outsiders the company has changed" |
| BAN: 41% do vs. 12% don't CAN: 13% do vs. 23% don't U.S.: 13% do vs. 23% don't | indicated they mind paying more for products from ethical companies | "Bargain with the so offer them some type of free or discounted service" |
| ON THE JOB | TOPIC | COMMENTS |
| BAN: 64% CAN: 61% U.S.: 60% | observed unethical behavior at work among co-workers | "Replace unethical employees, put in place new rules then tell all consumers" |
| BAN: 47% CAN: 85% U.S.: 74% | had never reported unethical behavior at work | "Change habits that created the scandal then reprove ethics" |
| BAN: 53% CAN: 41% U.S.: 33% | did feel pressure to compromise their standards at work | "Show consumers that the company is taking concrete steps towards an ethical business structure." |
| BAN: 47% CAN: 41% U.S.: 66% | received ethics training at work | "Employee retraining, everything necessary to make sure it does not happen again" |

TAKEAWAYS

Below are some key points from the research.

1. The results definitively illustrate that adults are interested in business ethics. Too often, this information comes to the public via the media, versus directly from the company. Thus, businesses should use multiple mechanisms to highlight their ethical practices to potential customers.
2. In all countries in our study, a single person acting unethically impacts consumer sentiments about a company's reputation. Therefore, all employees must act ethically on a regular basis and be held accountable for their actions. Corporate codes of conduct are recommended for all organizations.
3. The results show that consumers vary in their belief about how long it will take to repair the corporate reputation in the public eye after an ethical scandal. Companies should have crisis management plans, public relations programs, and marketing campaigns in place to address this type of behavior.
4. In the countries of interest, respondents showed varied distaste for the different types of scandals, such as environmental issues, misleading consumers, making consumers sick or insider trading. Thus companies that compete globally need to incorporate multiple layers of prevention tactics into their strategies.
5. Some consumers believe it is ok to have different ethics in different countries, while others do not. Executives must emphasize to consumers that they are operating within the law, and in fact, often going above and beyond it.
6. Participants state that the reputation of a business affects their purchasing decisions. Fewer than 3% said that unethical behavior would not impact their purchasing decisions. Corporations should use corporate social responsibility content in their marketing and packaging to keep consumers aware of these efforts.
7. Less than 5% of respondents were unwilling to do business with a company after a scandal, if the company took action such as retraining and organizational redesign. Thus companies can likely gain back most customers after revamping policies and being open with the public.
8. About half of the survey participants want to know all details of corporate scandals. Others are satisfied with pertinent details. So, companies should be forthright about providing this information. Using websites, social media, and other outlets will reach different populations.
9. Consumers have the technology and interest to learn about scandals around the world. Managers must recognize this trend and alert consumers everywhere about ethical incidents before the news media does. Over 50% of those surveyed in each country wanted to know about ethical incidents around the world.
10. The majority of participants want the truth from the companies they buy goods and services from. The timely release of information is critical. Sharing facts early on during an incident shows that a company is prepared and concerned about its constituents.
11. Participants varied in their willingness to pay more for products from ethical companies. However, with more consumer education and access to technology, we expect this segment to grow. Companies with ethical practices can gain consumer loyalty which can increase market power over time.
12. Over 60% of each sample had observed unethical behavior by co-workers, yet the rates of nonreporting of such behavior varied from 47% to 85%. This finding indicates that businesses need to make reporting unethical actions simple, accessible, anonymous and a part of standard operating procedures. Employees are not reporting these actions, and this lack of information is impacting the competitiveness of the companies. Related to this finding was the fact that most respondents reported pressure at work to compromise their standards. Managers need to reinforce the proper procedures for employees and provide feedback mechanisms for follow up.
13. Over half of the Bangladesh and Canadian participants noted that they had not received ethics training at work, while about two-thirds of U.S. participants noted that they did receive such training. These numbers are too low for organizations that must compete with companies that do emphasize corporate social responsibility. We advocate that ethics training and education occur early and often for all employees as noted by Beets (2005).

While some countries focus on codes of conduct/ethics codes, others rely on ethical traditions and societal norms. As business becomes more global, all organizations must incorporate inclusive policies to ensure that ethical behavior is encouraged and upheld. Employee exposure to ethics issues and challenges on a regular basis will mean more familiarity with the topic, and better decisions are made when all the key facts are known. Discussion and collaboration will increase the likelihood of solid ethical decisions being made. Transparency is so important in today's competitive business environment. Globally, consumers expect this form of data sharing and today shareholders are demanding it.

LIMITATIONS AND FUTURE RESEARCH

This study was limited by small sample size and limited number of countries. We are currently in the process of expanding this research to Mexico, countries in Europe and Asia through the use of an online survey. Our goal is to disseminate our findings not only through academic conferences and journals but also directly to local global organizations with the intent of working in tandem with them on further research. This will extend our research outside the student realm and gain insights both internal and external to global organizations. A further direction for research is to look at the area of information privacy. With the growth in technology, organizations today collect a substantial amount of information on their customers. How are they using this information and what privacy regulations do they have in place to protect this information. Does the consumer have any say in how their information can be used and what information can be retained by a company? These types of ethical issues will continue to develop as technology makes it easier to mine consumer information.

CONCLUSION

The findings of this study emphasize the fact that consumers and employees around the world are interested in the topic of business ethics, and they take actions in the workplace and in the marketplace based on their perceptions of good or poor ethical practices among corporations. The results can be used by organizational managers as well as educators to inform employees, consumers and students about the importance of business ethics. Research supports this viewpoint. McCabe, Trevino and Butterfield (2002) of the International Center for Academic Integrity showed that students from schools with Honor Codes were less likely to cheat on exams and assignments than students from non-Honor Code schools. Additionally, LRN Research, Incorporated (2006) found that 73% of employees with a code of conduct at work said it made the company a better place to work, while 82% reported applying the code of conduct often on the job.

Yet recent events show the need for more action. Businesses must respond to scandals with concrete steps that show good faith. Following the Dhaka factory collapse in Bangladesh, retailers in both U.S. and E.U. have signed in on safety pacts. "We can prevent future tragedies by consolidating and amplifying our individual efforts to bring about real and sustained progress." Both groups have provided funds and with the International Labor Organization have helped the Bangladesh government to bring in new Labor laws (BBC News, 2013). In Canada and the U.S., Doggett (2014) reports a disconnect between consumer and worker ethical perceptions in the financial services industry, which underscores the need for regular ethics training as well as surveying from organizations to gauge changes in ethical stances and to identify relevant issues. These results illustrate direct links between ethics education and policies, and applied ethical knowledge. We intend to share these results with organizations directly to improve the ethical climate for their managers, employees and customers. By paying attention to these constituent groups on a regular basis, global businesses can be proactive in attaining excellent ethical reputations that create win-win situations for the producers and consumers of goods and services everywhere.

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