An Empirical Investigation of International Marketing Ethics: Problems Encountered by Australian Firms

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ABSTRACT. This study identifies and categorises ethical problems in terms of frequency of occurrence and importance to a sample of Australian international business managers. The study determined that the most frequently cited ethical problem is gifts/favours/entertainment and that this problem may be related to the culture where the international business is being conducted. The most important ethical problem is large-scale bribery. When the frequency of occurrence and importance means are compared in a scatter plot, cultural differences, pricing practices and questionable commissions were catagorised in the high frequency/high importance quadrant. The Australian general managers stated that managerial action will be taken to control unethical behavior among their international marketing managers. It was conjectured that managers were not as firm in their attitudes concerning the necessity to compromise one's ethics to succeed in international business.

Introduction

Much of the research on marketing ethics is concerned with the responsibilities and duties of managers or the perception of the ethicality of particular marketing practices (Chonko and Hunt, 1985). Other than the study conducted by Chonko and Hunt, there has been a lack of research directed at the determination of major ethical problems. Murphy and Laczniak (1981) reviewed the research on marketing ethics and concluded that the research methods of most researchers are without theorectical foundation and creative methodology. They recommended that research be conducted in many areas including the following: rank ordering the importance of the various areas of ethical abuse in marketing and a determination of whether the general manager or chief marketing officer sets the "moral tone" of the organisation. This question was researched by Chonko and Hunt (1985) in terms of managerial actions and effect on ethics policy.

Vitell and Grove (1987) observed that as a business discipline, marketing is particularly vulnerable to criticism of its ethical practices. They posit that the subdisciplines of marketing (i.e., advertising, personal selling, pricing, marketing research and international marketing) offer extensive opportunities for unethical behaviour. Research identifying the ethical problems relating to international marketing is needed, yet as observed by Vogel (1986) very little currently exists.

Ethical issues of international marketing have been of great significance in recent years due to the publicity and controversy generated from certain international events and legislation occurring in the 1970s and 1980s. In the late 1970s, the Securities Exchange Commission (SEC) was involved in litigation with several large U.S. companies for alleged bribery overseas. According to Fadiman (1986), one company authorised \$59 million in political contributions to Italian political parties, while a second company paid \$4 million to a political party in South Korea. A third company reportedly contributed \$450 000 in "gifts" to Saudi generals. In response to these corrupt foreign payments and many others, the U.S. Congress passed the Foreign Corrupt Practices Act in 1977. The Bhopal disaster in India revealed that international companies sometimes do not

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maintain the level of safety requirements necessary to protect the people in the host country. In the 1980s, Wall Street insider trading scandals highlighted the need for a higher level of ethical behaviour among securities traders as well as increased surveillance from the Securities Exchange Commission.

A summary of the research methodologies used in business and marketing ethics research reveals that most of the marketing ethics studies involve the use of scenarios as research instruments and relate to the following marketing sub-disciplines: market research (Crawford, 1970; Akaah and Riordan, 1989), retail management (Dornoff and Tankersley, 1975; Levy and Dubinsky, 1983), purchasing management (Rudelius and Bucholz, 1979), advertising management (Krugman and Ferrell, 1981), marketing management (Ferrell and Weaver, 1978), industrial marketing (Dubinsky and Gwin 1981) and marketing education (Hawkins and Cocanougher, 1972; Lane and Schaupp, 1989). Few studies relate to international marketing where ethical practices have been most prominent in terms of legislation and publicity. Given the number and importance of problems encountered by firms involved in international marketing and the lack of research into the identification and importance of major ethical problems, this study examines the following questions:

(1) What are the major ethical problems facing business managers involved in international business?

(a) What is the perceived frequency of occurrence of the major ethical problems?
(b) What is the perceived level of importance of these problems?
(c) How do the ethical problems compare relative to "frequency of occurrence" and "level of importance."

(2) How do Australian managers rate their "management actions" and the "extent of the ethical problems" as defined by Chonko and Hunt (1985)?

Literature review

Ethics research

Over the history of the study of ethics, Solomon (1984) claims one paradigm has motivated philosophers – the idea that there exists a correct theory of ethics – that the goals, ideals, rules and principles governing behaviour, form a coherent and comprehensible system which it is the purpose of ethics to understand. He states that it is impossible to say anything at all about ethics and not betray one's own views and perspective.

The proposition that ethics and morality bear some sort of relationship is acknowledged; however, disagreement exists as to the nature of this relationship. Solomon (1984) claims that the subject matter of ethics is as broad and as ranging as human behaviour itself, and that morality is a subset of ethical rules that are of particular importance, consisting of the most basic rules of society. Barry (1985) states that the study of ethics involves a search for what constitutes morally right human conduct, though he maintains it is more accurate to use morals to refer to conduct itself and ethics to refer to the study of moral conduct or to the code it follows.

Business and marketing ethics research

In an early study of business ethics, Baumhart (1961) catalogued the salient ethical problems perceived by business managers: gifts, gratuities, bribes, "call girls," price discrimination and unfair pricing, dishonest advertising, unfair competitive practices, cheating customers, unfair credit practices, overselling, price collusion by competitors, dishonesty in making a contract and unfairness to employees and prejudice in hiring. The findings revealed that 5 of the 8 questionable practices involve marketing. Brenner and Molander (1977) replicated Baumhart's study and found the same ethical problems. Chonko and Hunt (1985) investigated the major ethical problems confronting marketing managers and the managerial actions associated with the ethical problems. They found bribery, fairness, honesty, price, product, personnel, confidentiality, advertising, manipulation of data and purchasing to be the major ethical issues facing marketing management.

Little research has been conducted in the area of international marketing ethics. Most that has been conducted pertains to the effect of the Foreign Corrupt Practices Act of 1977 on international business. Longenecker *et al.* (1988) studied the opinions of the business community concerning the ethics of international payments and the restrictions of the Foreign Corrupt Practices Act and found that there was a large variance of opinions concerning international payments.

Table I summarises a large body of the research methodologies used in marketing ethics research. While the list is not exhaustive it does illustrate the concern mentioned by Murphy and Lacniak (1981) that most marketing ethics research is conducted utilising the scenario approach. This study seeks to extend the research of Chonko and Hunt (1985) into

TABLE I
Literature summary of research methods

Topic	Researcher(s)	Year	Research method
General business ethics			
	Baumhart	1968	Ethical scenarios
	Carroll	1975	10 Ethical propositions
	Newstrom and Ruch	1975	17 Questionable behaviours[1]
	Bowman	1976	10 Ethical propositions
	Brenner and Molander	1977	Ethical scenarios[2]
Marketing research			
	Crawford	1970	20 Ethical scenarios
	Akaah and Riordan	1989	20 Ethical scenarios[3]
Retail management			
	Dornoff and Tankersley	1975	14 Buyer/seller situations
	Levy and Dubinsky	1983	Ethical perceptions
Marketing management			
	Ferrell and Weaver	1978	17 Behavioural situations
Purchasing management			
	Rudelius and Bucholz	1979	13 Scenarios
	Dubinsky, Berkowitz and Rudelius	1980	13 Scenarios[4]
	Dubinsky and Gwin	1981	13 Scenarios[5]
Advertising			
	Krugman and Ferrell	1981	16 Behavioral items[6]
Marketing and business student perceptions			
	Hawkins and Cocanougher	1972	20 Ethical situations
	Goodman and Crawford	1974	19 Business situations[7]
	Dubinsky and Rudelius	1980	13 Scenarios[8]
	Grant and Broom	1988	Ethical dilemma
	Lane and Schaupp	1989	12 Ethical beliefs

[1] Replicated Carroll (1975) in the public sector.
[2] Replicated Baumhart (1968).
[3] Replicated Crawford (1970).
[4] Same instrument as Rudelius and Bucholz (1979).
[5] Ibid.
[6] Modified Newstrom and Ruch (1975).
[7] Adapted Crawford (1970).
[8] Same as Rudelius and Bucholz (1979).

the international business environment. This study also attempts to respond to the recommendation of Murphy and Laczniak in terms of research methodology, that is to perform "increasingly empirical and controlled studies" and to rank the importance of the major ethical issues (p. 262).

Research method

The sample frame for this survey research comprised 150 firms randomly drawn from a list of the 500 largest Australian exporters (*Australian Business*, July 26, 1989), a group that also encompassed firms with varying levels of international involvement. The target respondent in each of the firms was the general manager, CEO, or chief marketing officer. This level of responsibility and knowledge of international markets was stipulated in the cover letter sent with the survey. Sixty usable questionnaires were returned in two mailings, representing a response rate of 40 percent. This response rate was judged acceptable based on the response rate (22 percent) of a related study by Longenecker *et al.* (1988).

The questionnaire was adapted and refined based on the results of an exploratory study conducted by Armstrong *et al.* (1990). In this study, a random sample of 150 Australian international marketing managers were sent an instrument that in a series of open-ended questions asked managers to identify their three most frequent ethical problems in order of priority to their organisation. The results were tabulated and catagorised into the ten most common categories: traditional small-scale bribery, large-scale bribery, gifts/favours/entertainment, pricing, inappropriate products/technology, tax evasion practices, illegal/immoral activities, questionable commissions to channel members, cultural differences and involvement in political affairs. Figure 1 provides definitions of the ethical problems derived from the study.

The respondents are asked to identify "How *frequently* does the ethical problem occur" and "What *importance* would you attach to the following ethical problem" on an eight point scale (0 = Not at all/None and 7 = A Great Deal). A concern with the validity of the importance question relates to querying the respondents on the personal level (i.e., What importance would *you* attach . . .) and not at the organisational level. In this context an implicit assumption is made that the general manager of CEO sets the ethical policy of the organisation either formally through a written code of ethics or informally through reward/punishment behaviour (Alderson, 1964; Pruden, 1971; Westing, 1967). For example, if a particular ethical problem is important to the general manager of the organisation, the manager will reward or punish subordinates based on the leader's code of ethics, sending clear signals to middle management by verbally stating acceptable ethical behaviour and setting that behaviour into practice and developing corporate and industrial codes of ethics.

The "frequency" and "importance" scales were tested for reliability using the Cronbach's α test for internal consistency. The frequency measure yielded an alpha of 0.84, while the importance measure yielded an alpha of 0.93. According to Carmines and Zeller (1979), Cronbach's α should be greater than 0.80 for frequently used scales. At that level, it is expected that the correlations are not reduced significantly by random measurement error.

The second section of the instrument tested the attitudes of CEOs related to "top management actions" toward unethical behaviour and further examined the "extent of ethical problems." The instrument used for this analysis was an adaptation of the instrument developed by Chonko and Hunt (1985). Chonko and Hunt used three questions for the "management actions" measure, the instrument in this study dropped the third question related to corporate gain. This question was judged to be difficult to interpret by a pilot study group of Australian executives. The language used in the "extent of ethical problems" questions was also adapted to conform with the international arena.

Results

Background information

The company characteristics for the respondents are presented in Table II. The average total sales were \$195 million. The range of both total sales (\$4 million–\$2.6 billion) and the number of Australian employees (7–6,000) was considerable. The companies had a fair degree of international experience, *Traditional small-scale bribery* — involves payment of somewhat small sums of money, typically to a foreign official in exchange for him/her violating some official duty or responsibility or to speed routine government actions (e.g., "grease payments", kickbacks).

Large-scale bribery — a relatively large payment intended to allow a violation of the law or designed to influence policy directly or indirectly (e.g., political contribution).

Gifts/favours/entertainment — includes a range of items such as: lavish physical gifts, call girls, opportunities for personal travel at the company's expense, gifts received after the completion of a transaction and other extravagant expensive entertainment.

Pricing — includes unfair differential pricing, questionable invoicing — where the buyer requests a written invoice showing a price other than the actual price paid, pricing to force out local competition, dumping products at prices well below that in the home country, pricing practices that are illegal in the home country but legal in host country (e.g., price fixing agreements).

Products/technology — includes products and technology that are banned for use in the home country but permitted in the host country and/or appear unsuitable or inappropriate for use by the people of the host country.

Tax evasion practices — practices used specifically to evade tax such as: transfer pricing (i.e., where prices paid between affiliates and/or parent company are adjusted to affect profit allocation) including the use of "tax havens", where any profit arising would do so in a low tax jurisdiction, adjusted interest payments on intrafirm loans, questionable management and service fees charged between affiliates and/or the parent company.

Illegal/immoral activities in the host country — practices such as: polluting the environment, maintaining unsafe working conditions; product/technology copying where protection of patents, tradenames or trademarks has not been enforced and short-weighting overseas shipments so as to charge a country a phantom weight.

Questionable commissions to channel members — unreasonably large commissions or fees paid to channel members, such as sales agents, middlemen, consultants, dealers and importers.

Cultural differences — differences between cultures involving potential misunderstandings related to the traditional requirements of the exchange process (e.g., transactions may regarded by one culture as bribes but be acceptable business practices in another culture). These practices may include: gifts, monetary payments, favours, entertainment and political contributions that are not considered part of normal business practices in your own culture.

Involvement in political affairs — relate to the combination of marketing activities and politics including the following: the exertion of political influence by multinationals, engaging in marketing activities when either home or host countries are at war and illegal technology transfers.

Fig. 1. Major ethical problems and definitions.

TABLE II
Sample characteristics

Company characteristics	Mean	S.D.	Range
Total sales ($million)	195	409	4–2600
Number of employees	681	1274	7–6000
Number of overseas employees	70	186	0–110
Age of the firm	46	38	3–144
Years of international experience	21	18	3–90

averaging 21 years. The product lines were varied within broad mining, agricultural and manufacturing industries, ranging from the specific, such as table wine and yacht fittings, to the broader areas such as minerals and engineering soft/hardware. The firms had a major marketing commitment in an average of 13 foreign countries (range 0—50, S.D. = 11). Although these firms averaged only one production site in a foreign country (S.D. = 2.26), overseas sales accounted for an average of 43% of the firms' total sales. Of the overseas sales, just over 80% of the respondents reported some percentage of sales of LDCs (Less Developed Countries), the average overseas sales being 32% of total sales (S.D. = 34). Meanwhile, 9% of the firms revealed that sales to LDCs accounted for 100% of their overseas sales and 19% reported that over half of the overseas sales came from LDCs. Twenty-one percent of companies possessed production facilities in LDCs and 32% had established sales offices.

Overseas sales to government controlled organisations appeared to be fairly small (i.e., less than 25% of total sales), as reported by three-quarters of the respondents. The remaining quarter of respondents constituted a fairly large percentage of overseas sales (i.e., greater than 60%). The most important avenue through which international operations were pursued was exporting, initiated by salespeople or export managers (mean = 5.87, scaled from 0 = not applicable to 7 = very important) or foreign middlemen (mean = 4.97). Wholly-owned direct foreign investment and joint ventures were also reasonably common (respective means = 2.52 and 2.26). The most common philosophy regarding marketing management personnel was to hire nationals in each locale (45%), while 34% of the companies had Australian expatriates overseas, typically in a management role. Twenty-four percent of the respondents identified Japan as their major overseas market, followed closely by the United States (17%) and New Zealand (11%) respectively.

Almost 17% of the respondents reported Indonesia to be the country where the greatest ethical difficulty was experienced, while China came next with 10%. ASEAN countries were mentioned by nearly 27% of the respondents. Fifteen percent of the total respondents did not answer this question and 22% responded with "none/not applicable." Thus, of those who did respond, 26% specified Indonesia, while in more general terms, ASEAN countries were specified by 42% of the sample.

The total sample was almost exclusively male with only one female respondent. The managers averaged 14 years of international experience (S.D. = 8.56), though the range was wide (0–35) and almost 60% were university graduates with only 16% not having any university education. The job title of 83% of the respondents incorporated or implied the terms general manager or managing director. Of the firms surveyed, 85% of the firms did not have a written code of ethics to guide international marketing managers.

Research question 1(a) and 1(b)

The first research question seeks to determine the "major ethical problems facing managers involved in international business." Chonko and Hunt (1985) researched this area with reference to general marketing management. This study endeavoured to determine the major ethical problems in international marketing. Respondents were asked to respond to the following question:

> In all professions (e.g., law, medicine, education, accounting, advertising, etc.), decision makers are exposed to at least some situations that pose moral or ethical problems. In the case of business executives, who may become involved in different cultures and environments, the potential for such problems undoubtedly increases. The following is a list of 10 ethical problems that may be faced in international marketing by executives such as yourself.

They in turn were asked to identify "*How frequently does the ethical problem occur*" on an eight point scale (0 = Not at all to 7 = A Great Deal). Table III rank orders the "frequency of occurrence" response means

TABLE III
Ethical problems in international marketing: frequency rankings

Rank	Problem*	Mean**	Standard deviation
1	Gifts/favours/ entertainment	1.97	2.01
2	Cultural differences	1.59	1.98
3	Traditional small-scale bribery	1.44	1.91
4	Pricing practices	1.39	1.66
5	Questionable commissions to channel members	1.07	1.71
6	Tax evasion practices	0.54	1.07
7	Involvement in political affairs	0.40	0.97
8	Large-scale bribery	0.32	0.94
9	Illegal/immoral activities in host country	0.31	0.95
10	Inappropriate use of products/ technology transfer	0.20	0.76

* Explanations and definitions of the ethical problems are listed in Fig. 1.
** Means are based on an 8 point scale (0 = Never occurring or not important through 7 = great deal or great importance).

and standard deviations of the 10 major ethical problems. Table IV rank orders the ethical problems deemed to be most important by the respondents on the same eight-point scale. The managers were then asked, "*What importance would you attach to the following ethical problems*."

Gifts/favours/entertainment were perceived to be the most frequently occurring ethical problem with a mean of 1.97 on the 8 point scale. Cultural differences ranked second (mean = 1.59), with traditional small scale bribery (mean = 1.44), pricing (mean = 1.39) and questionable commissions to channel members (mean = 1.07) following. Although large-scale bribery ranked eighth on the frequency of occurrence variable, it was perceived to be the most important ethical problem with an average rating of 3.65. Cultural differences (mean = 3.43) and pricing (mean = 3.20) were ranked second and third respectively. Traditional small-scale bribery was perceived to be least important with a mean of 2.42. The

TABLE IV
Ethical problems in international marketing: important rankings

Rank	Problem*	Mean**	Standard deviation
1	Large-scale bribery	3.65	3.18
2	Cultural differences	3.43	2.75
3 (tie)	Involvement in political affairs	3.20	3.00
3 (tie)	Pricing practices	3.20	2.52
5	Illegal/immoral activities in host country	3.16	3.22
6	Questionable commissions to channel members	3.08	2.73
7	Gifts/favours/entertainment	2.96	2.24
8	Tax evasion practices	2.94	2.93
9	Inappropriate use of products/ technology transfer	2.56	3.11
10	Traditional small-scale bribery	2.42	2.37

* Explanations and definitions of the ethical problems are listed in Fig. 1.

** Means are based on an 8 point scale (0 = Never occurring or not important through 7 = great deal or great importance).

rankings for the importance variables varied considerably with standard deviations ranging from 2.24 for gifts/favours/entertainment to 3.22 for illegal/immoral activities.

Research question 1(c)

Figure 2 plots the frequency mean (*x*-axis) with the importance mean (*y*-axis) for each of the major ethical problems. The frequency and importance mean matrix was further subdivided into four quadrants using the grand mean for "frequency of occurrence" (0.92) and the grand mean for "level of importance" (3.06) as vectors. The quadrant with high importance and high frequency included cultural differences, pricing and questionable commissions to channel members. The second quadrant, high frequency and low importance, consisted of gifts/favours/entertainment and traditional small scale bribery. In the third quadrant, low frequency and low importance, tax evasion and inappropriate use of products/technology transfer predominated. The fourth quadrant, low frequency and high importance, incorporated large bribes, illegal/immoral activities and involvement in political affairs.

Research question 2

The second research question seeks to access the manager's level of agreement with "management actions" and the "extent of the ethical problems." The measurement provides further insight concerning the perception of the managers regarding the level of commitment necessary to ensure ethical behaviour within Australian organisations and their

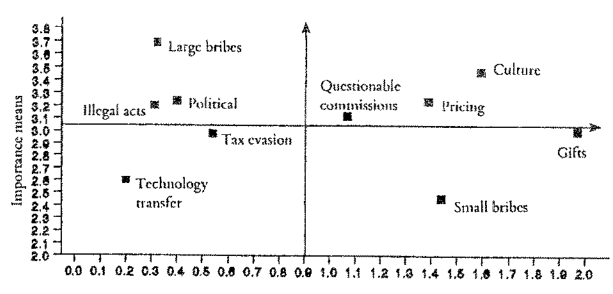

Fig. 2. Frequency and importance mean matrix.

perceptions regarding the extent of ethical problems. Both the "management actions" and "extent of ethical problems" measures were developed by Chonko and Hunt (1985). The variables were measured in a series of questions listed in Table V. Table V also lists the resultant means and standard deviations associated with the questions concerning "management actions" and the "extent of ethical problems." The scale extended from 1 (strongly agree) to 7 (strongly disagree).

The management action question responses reveal that general managers strongly agree that unethical behaviour will not be tolerated (mean = 2.13) and the managers engaging in unethical behaviour will be reprimanded (1.73).

The extent of ethical problems section provides additional insight into the respondents' attitudes towards ethics in international business. Most managers agree that industry standards in their country were higher than in the host countries in which they operate (mean = 3.38). The executives also agree that there are many opportunities for unethical behaviour among foreign managers (3.21) and are more neutral when the same question is posed for Australian marketing managers (4.02). The general managers disagreed that it is necessary to compromise one's ethics to succeed in international marketing (5.18). The respondents were almost neutral concerning the ethical behaviour of channel members in international marketing (3.73). There is a moderate level of agreement concerning the importance of ethics in international marketing (2.47). The same is true of managers' perceptions of the level of ethical problems when dealing with less developed countries compared to developed countries (2.95). The CEOs slightly disagreed that marketing man-

TABLE V

Extent of ethical problems in international marketing correlated with total frequency ratings

Question	Mean*	Standard deviation
A. Management actions		
Top management in my company has let it be known in no uncertain terms that unethical behaviour will not be tolerated.	2.13	1.67
If a manager in my company is discovered to have engaged in unethical behaviour he/she will be promptly reprimanded.	1.73	1.29
B. Extent of unethical behaviour		
The industry standards in my country are generally higher than those in the host countries in which we operate.	3.38	1.81
There are many opportunities for foreign marketing managers in international business to engage in unethical behaviour.	3.21	1.73
There are many opportunities for Australian marketing managers in international business to engage in unethical behaviour.	4.02	1.83
In order to succeed in international marketing it is often necessary to compromise one's ethics.	5.18	2.03
Distribution channel members (e.g., agents, middlemen) in international marketing often engage in unethical behaviour.	3.73	1.74
Ethics plays an important role in international business decisions in my company.	2.47	1.90
Managers in international marketing encounter more ethical problems when dealing with less developed countries than when dealing with developed countries.	2.95	1.86
Marketing managers in international business often engage in behaviour that I consider unethical.	4.44	1.60
Top management often do not want to know how results are obtained, so long as one achieves the desired outcome.	5.15	1.91

* Means are based on an 7 point scale (1 = Strongly Agree through 7 = Strongly disagree).

agers in international business engage in behaviour that is unethical (4.44). There is a greater level of disagreement when general managers are asked about their opinion of how results are obtained compared to outcomes (5.15).

Discussion

This research study sought to identify and categorise ethical problems that confront international business managers in Australia. Additionally, the research investigated "managerial actions" and "the extent of ethical problems." The study focused on ten major ethical problems developed from previous exploratory research. The study did not attempt to define appropriate ethical behaviour in international business or evaluate Australian business's conduct in the international arena. It did empirically measure ethical problems in terms of frequency of occurrence and importance to the general manager, CEO or marketing director.

The Table III findings reveal that *gifts/favours/entertainment* is the most frequently cited ethical problem. However, based on current business practices, this behaviour may be acceptable in most circumstances and only becomes an ethical problem when culturally based influences are present. Different cultures evaluate the ethicality of *gifts/favours/entertainment* in different ways. With this in mind, it is not surprising that *cultural differences* were ranked second. *Small-scale bribery* was ranked third. These findings should be interpreted cautiously, in that the mean perceptions of these variables were very low on the eight point scale. The *Gifts/favours/entertainments* mean was 1.97 (0 = never occurring and 7 = a great deal) and the tenth ranked item, *product/technology*, yielded a mean of 0.20.

The overall perception among Australian managers is that there are low levels of ethical problems present in their international business environment. The reasons for this low frequency of ethical problems may be explained either through the product composition of Australia's international markets or through measurement problems associated with surveys which ask questions related to ethics. Firstly, most of Australian international business is concerned with selling commodity products (i.e., wheat, beef, wool, etc.), which in many ways is different from the value-added industrial products sold by many industrialised countries (e.g., military hardware). Commodity products have more clearly defined prices and distribution channels and have lower levels of overseas investments than do industrial products. Another factor is the level of regulation within Australia related to these exports. The high level of regulation allows international managers less latitude in international business. These factors may create a business environment that is less susceptible to ethical problems. Secondly, the measurement of ethical questions is predisposed to non-response bias. Managers are reluctant to discuss ethical problems in light of the publicity generated by breaches in business ethics. Therefore, it is possible that managers artificially reduce the frequency of ethical problems and overstate the importance rating. Both of these speculations are conjecture and need to be tested to identify the underlying causes.

The ranking results are consistent with the findings of Chonko and Hunt (1985), where marketing managers cited bribery as the most frequently occurring ethical problem. The differences in the results relate more to the exploratory nature of the Chonko and Hunt study and the method of measurement utilised in this study.

Concerning the perceived importance of the ethical problems (Table IV) to managers, *large-scale bribery* was deemed to be the most important with a mean of 3.65 (0 = not important and 7 = great importance). Again *cultural differences* were ranked second with a mean of 3.43. *Involvement in political affairs* tied with *pricing practices* for third with means of 3.20. These findings indicate that managers differ in their attitudes towards the importance of the ethical problems compared to the problems' frequency of occurrence. These differences are revealed in terms of rank ordering as well as the mean differences on the scale (means of 3.65 compared to 1.97).

Findings in Figure 2 provide a comparative measure of "frequency of occurrence" and "perceived level of importance" means. The means of each ethical problem were plotted in a four quadrant matrix. The findings reveal that *cultural differences, questionable commissions* and *pricing practices* were plotted in the high importance and high frequency grouping. It is not surprising that the international marketing variables of *questionable commissions to* *channel members* and *pricing practices* were found in this category. However, the position of *cultural differences* is intriguing. On one hand, the relative position of *cultural differences* may be based on the general nature by which the variable is defined (Fig. 1), resulting in a category that overlaps other ethical problems and is too broad in scope to be measured in a discreet fashion. Alternatively, *cultural differences* may provide an explanatory measure of perceived ethical differences in international business transactions.

Research question 2 sought to measure perceptions related to "management actions/extent of ethical problems." The resultant means in Table V are consistent with the results of previous tables. Australian business managers perceive a low frequency of ethical problems in their international business environment. The mean for the question involving whether one must compromise one's ethics to be successful in international business was 5.18 which is 1.18 points above the neutral point (4.00) with a standard deviation of 2.03 which reflects the largest variance of any of the managerial actions/extent of ethical problem questions. The executives were much more neutral and variant on this statement than on the managerial action statements. The result indicates that managers are not in total agreement concerning the need to compromise one's ethics in order to succeed in international business.

Conclusions

The following conclusions are suggested based on the findings of this research:

(1) The most frequently cited ethical problem *gifts/favours/entertainment*. This problem may be related to the culture where the international business is being conducted.
(2) The most important ethical problem to Australian general managers is *large-scale bribery*.
(3) When the frequency of occurrence and importance means are plotted, *cultural differences* was found in the high frequency/high importance quadrant reflecting either a measurement problem or an explanatory measure of perceived ethical differences in international business transactions.
(4) Australian managers believe that managerial action will be taken to control unethical behaviour among their international managers.
(5) There is some evidence to suggest that there is less agreement among the managers related to the question on the need to compromise one's ethics to succeed in international business.

Chonko and Hunt (1985) concluded that bribery is the most frequently cited ethical problem among marketing managers. This study delineates 10 major ethical problems and the gray area of *gifts/favours/entertainment* emerges as the most frequent ethical problem. Conclusions 4 and 5 support Chonko and Hunt's study of American marketing managers.

The study generates future research questions related to the possible relationship between cross-cultural differences and the 10 major ethical problems, the relationship between commodity and value-added industry and the perceived frequency of ethical problems and studies which compare these measures across countries, industries, organisations and business disciplines.

Note

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