

The impact of normative influence and locus of control on ethical judgments and intentions: a cross-cultural comparison

John Cherry

ABSTRACT. The study extends the Theory of Planned Behavior (TPB) in a cross-cultural setting, incorporating ethical judgments and locus of control in a comparison of Taiwanese and US businesspersons. A self-administered survey of 698 businesspersons from the US and Taiwan examined several hypothesized differences. Results indicate that while Taiwanese respondents have a more favorable attitude toward a requested bribe than US counterparts, and are less likely to view it as an ethical issue, their higher locus externality causes ethical judgments and behavioral intentions to conform to normative influences of in groups and superiors. In the Taiwanese sample, locus externality effectively functions as a countervailing pressure against the unethical behavior in the scenario. No such effect is found in the US sample. A path model fitted to the data shows that locus internals exhibit more consistency among attitudes, judgments, and behavioral intentions than locus externals. Implications for managers and researchers are discussed, and suggestions and precautions for development of efficacy-enhancement programs are offered.

KEY WORDS: cross-cultural, ethical judgments, ethical intentions, normative influence, locus of control, marketing, perceived efficacy

ABBREVIATIONS: LOC: locus of control; PBC: perceived behavioral control; TPB: theory of planned behavior; TRA: theory of reasoned action

Introduction

In recent years, China, Taiwan, and other countries of Southeast Asia have exposed themselves to Western values and business practices through their rapid modernization programs and economic

expansion. The impact of this developing global business environment on the values held by Asian managers, and on business practice itself – its complexity, its centralization, and formalization – has been examined in a number of studies (e.g., Herndon and Snell, 2004; Herndon et al., 2001; Ottaway et al., 1989; Ralston et al., 1993a, b; Ricks et al., 1990). When researchers identify similar values and norms between the first world and the developing world, the conclusion usually drawn is that we are seeing the inevitable convergence of East and West, based on the assumption that economic reform in places like China has resulted in the importation of Western practices and value systems (Herndon et al., 2001; Spicer et al., 2004; Woodbine, 2004). However, Ralston et al. (1993a, b) actually find more support for divergence in some of the variables that ethics researchers are usually interested in: Machiavellianism, dogmatism, etc. Until a study emerges that conclusively demonstrates that both convergence and divergence are occurring at once (or that one or the other or neither one is), the discussion is likely to continue well into the future.

Taking up the theme of convergence, the popular press provides an indication of the scope and scale of these changes. Friedman (2005) describes a flattening of the world, bringing massive changes in economies, political systems, customs, and environments around the globe. However, according to Friedman, this flattening will not be accomplished without “bumps in the road” both in the countries of the first world and in emerging economies like China and India. Friedman’s book was still making its way up the US bestseller list when the Chinese

government, growing increasingly worried about unrest in the countryside, publicly warned its citizens that they must obey the law and that any threats to social stability would not be tolerated. The warning on the front page of *People's Daily* was intended to soften growing unease about widening inequality in China, dismissing it as an inevitable phase of development (Yardley, 2005).

Clearly, the events in China are dramatic, and it would be an overstatement to suggest that similar sweeping changes are taking place in Taiwan, for example. Not only do these two countries rank differently in terms of corruption – Taiwan ranks 32nd; China ranks 78th among nations (Transparency International Corruption Perceptions Index, 2005) – their political and economic infrastructures can be expected to interact differently with the forces of globalization. While the emerging nations of the Pacific Rim as a whole provide a variety of differences as well as similarities, each offers its own set of opportunities and challenges to global businesses. Some of the most important questions for these businesses will be questions of strategy, tactics, and implementation. The more compelling questions, however, will be the ethical ones. How will turbulence in China or the cultural differences of Taiwan affect the basics of business conduct? And at a deeper level, how will they affect the expectations of workers, owners, managers, and shareholders in terms of ethical norms and values?

The coming wave of change may hold promise for ethical progress in China, and elsewhere, but patterns of behavior built up over the centuries will not vanish overnight, and the prevailing emphasis on personal relationships, for example, will continue to attract the attention of Western academics and practitioners seeking opportunities in Asia. Personal relationships – especially those among coworkers, family, and supervisors – have deep roots in the ethical decision-making process, whether the decision maker operates a software firm in Silicone Valley or a call center in Dalian, China. It can no longer be assumed that Western practices transcend culture and national boundaries (Spector et al., 2002). Whether the world becomes fully flat in the near future, or persists in its roundness, there will remain a clear need for studies that examine Western norms and values in non-Western settings. In this study, the normative influence of personal relation-

ships and the effect of another variable, locus of control, are examined in samples of businesspersons from the US and Taiwan to shed light on ethical reasoning and behavior.

Theories of efficacy and control

In the past decade, new approaches to the study of ethical decision-making have been introduced into the literature. The longstanding and most often-cited theoretical accounts draw on such basic components as moral philosophy (Hunt and Vitell, 1986), contingency factors including significant others, organizational, and individual variables (Ferrell and Gresham, 1985), hybrid models featuring situational moderators and outcomes (Ferrell et al., 1989; Jones, 1991; Wotruba, 1990), and behavioral variables including vicarious rewards and punishments, outcome expectancies, and locus of control (Trevino, 1990). While these have spawned dozens of empirical tests, researchers have nevertheless continued to search for a parsimonious and testable account of the principal factors involved in forming moral judgments and ethical decision-making.

Although the Theory of Reasoned Action (TRA) (Ajzen and Fishbein, 1980) and the more recent extended Theory of Planned Behavior (TPB) (Ajzen and Fishbein, 1985, 1991) date from about the same time as the ethics models discussed, their appearance in the business ethics literature is, with few exceptions, of more recent vintage (e.g., Chang, 1998; Chiu, 2002, 2003; Flannery et al., 2000; Kuo and Hsu, 2001; Kurland, 1995) and both seem to hold promise by virtue of their parsimony and testability. Very briefly, the TRA (Ajzen and Fishbein, 1980) portrays intentions and behaviors as the products of two influences: attitudes and subjective norms about a specific behavior (subjective norms basically take the form: “*who else* believes I should or should not engage in this behavior, and how motivated am I to comply with their expectation of me?”). The TRB (Ajzen 1985, 1991) extends TRA by adding another factor, perceived behavioral control. PBC is significant because it specifies the role of an individual’s perceived control over a given behavior or behavioral goal (Feng and Hsu, 2001) and has been used with some success in the context of ethical

decision-making (Chiu, 2003; Randall and Gibson, 1991). Either construal of ethical reasoning – based on TRA or TPB models – fits well with Rest's (1986) widely-accepted portrayal of the sequence of ethical reasoning: recognizing moral issues, forming moral judgments, establishing moral intent, and engaging in moral action.

While researchers have debated the relative merits of TRA and TPB (Chang, 1998; Feng and Hsu, 2001), the emerging consensus seems to be that TRA may not be sufficient for explaining a certain specific behaviors, e.g., computer and software usage (Loch and Conger, 1996; Thong and Yap, 1998). Unfortunately, researchers have failed to reach consensus about the proper construal and measurement of PBC. Chang's study (1998) operationalized it as a function of locus of control and "perceived facilitation" (ease or difficulty of unethical acts). Randall and Gibson's conceptualization of PBC (1991) posits that two factors – an individual's personal control, combined with the facilitating effects of external factors – are the best construal of PBC. In Bandura's formulation (1977), outcome expectations (the person's estimate that a certain behavior will lead to a certain outcome) and efficacy expectations (a person's belief that one can successfully execute the behavior required to produce the outcomes) lie at the core of control and efficacy. Terry and O'Leary (1995) reported that self-efficacy and PBC were two empirically distinguishable constructs, and in their study, the effects of PBC and self-efficacy on intentions and behaviors differed. Finally, Judge et al. (2002), investigating the most widely-studied subjects in psychology – locus of control, generalized self-efficacy, self-esteem, and neuroticism – reported that the four constructs' discriminant validity was "suspect" and provided evidence that the traits share a common core construct.

Despite the lack of consensus concerning the construct, the concepts of control and efficacy have shown themselves to be good predictors of a variety of behaviors, including career choice and development, research productivity, sales performance, successful learning, and behavior modification (Kuo and Hsu, 2001). Smith et al. (1997) have argued for the connection between efficacy and internal locus of control: locus internality is associated with skills in planned behavior, including planning, effort, and motivation, and helps to foster an increased sense of

personal efficacy. Lajunen and Rasanen (2004) successfully fitted the locus of control construct and TPB to data concerning intentions to use a bicycle helmet, and in his study of whistle blowing, Chiu (2003) used locus of control within the context of the TPB as the measure of PBC.

As is often the case, the results viewed as a whole are diverse and difficult to synthesize into a meaningful set of expectations. However, the locus of control construct offers a proven and straightforward approach to PBC, and more significantly for this study, has been empirically linked with ethical judgments and behaviors in numerous studies. For example, Adams-Webber (1969) and Frost and Wilmesmeier (1983) suggest that, compared with locus externals, internals have a more developed moral sense. Researchers have demonstrated direct relationships between internal orientation and socially valued behaviors, such as altruism (Midlarsky and Midlarsky, 1973), helping behaviors (Ubbink and Sadava, 1974), political participation (Gibbs et al., 1986), and business ethics (Baehr et al., 1993; Singhapakdi and Vitell, 1991). Hegarty and Sims (1978, 1979) found that LOC externality was significantly related to paying kick-backs. Still other studies report strong and significant linkages between internal LOC and advanced moral reasoning (e.g., Connolly and McCarrey, 1978; Dewolf et al., 1988; Murk and Addleman, 1992). Trevino (1990) reports that locus internals display higher levels of cognitive moral development, less unethical behavior, and greater inclination to do what they think is right.

While the studies of efficacy and control have contributed substantially to our knowledge, these models typically look at prosocial or otherwise positively valenced behaviors such as recycling, wearing a bicycle helmet, blowing the whistle, etc. It is fair to ask, though, whether the efficacy construct can help to explain negatively valenced behaviors and avoidance of behaviors. Ordinarily, the purpose of efficacy studies is to understand an individual's confidence about her or his abilities to successfully execute a task within a given context (Kuo, 2001; Bandura and Wood, 1989), like losing weight, stopping smoking, etc. Clearly, the pressures to behave (un)ethically come from within and from without. To resist these pressures, however, to remain faithful to one's ethics indoctrination – and presumably to the ethics code one has read and

signed – is a goal-oriented behavior and is quite relevant to issues of efficacy and PBC.

The purpose of this study is to understand the dynamics of ethical decision-making, in a cross-cultural context incorporating the locus of control construct in an adapted version of the TPB. One additional variable of interest – ethical judgments – is added to the TPB framework used in this study. As an integral component of several models of ethical decision-making (Ferrell and Gresham, 1985; Ferrell et al., 1989; Hunt and Vitell, 1986), there is substantial reason to expect that ethical judgments will be affected by the variables in this study, and will also affect respondents' behavioral intentions. As noted earlier, Rest (1986) gives ethical judgments a pivotal position in his model of ethical decision-making, portraying them as a link between the recognition of ethical issues and subsequent moral action. Figure 1 shows the path model used for the study, along with the hypothesized path comparisons.

Hypotheses

In recent years, numerous studies involving locus of control have examined its effect on (un)ethical behaviors and decision-making (Chiu, 2003; Connolly and McCarrey, 1978; Frost and Wilmesmeier, 1983; Hegarty and Sims, 1978, 1979; Murk and Addleman, 1992; Singhapakdi and Vitell, 1991). Also, the connection between internality/externality has been related to national culture (Hamid, 1984; Hui, 1982), often relating locus externality to the Individualism/Collectivism dimension of Hofstede's well-known Theory of Culture (1979, 1980). The consistent trend within this research suggests clearly that individuals from collectivistic societies (such as Taiwan) are more externally oriented. Axin et al. (2004) summarize accordingly: "The Chinese believe...one cannot change the environment but must harmonize with it," and Abdullah (1992) adds the comment: "(in) the Eastern Tradition..., one's life is largely a matter of fate." Thus, there is substantial cause to hypothesize:

H1: Taiwanese respondents will show a more external locus of control than US respondents.

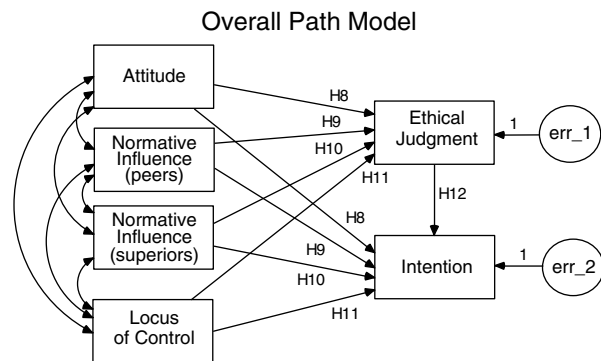


Figure 1. Path model used in the study.

Despite some mixed research findings, there also seems cause to expect less perception of an ethical issue among Taiwanese respondents than among US respondents. On the one hand, Blodgett et al. (2001) and Lu et al. (1999) report that, while US counterparts had more ethical sensitivity toward colleagues, Taiwanese salespeople have more ethical sensitivity toward employers and competitors. On the other hand, Singhapakdi et al. (1994) reported that a sample of Thai marketers were less likely to perceive ethical problems, which the authors attribute to the cultural trait of uncertainty avoidance – a trait shared with Taiwan (Lu et al., 1999). Laczniak (1993) suggests that emerging cultures typically have fewer well-established legal and ethical systems in place, with a resulting decrement in ethical sensitivity. And, since gratuities are an integral part of doing business in Asian markets (Wu, 2001), it is expected that:

H2: Taiwanese respondents will show less perception of an ethical issue in the ethics scenario than US respondents.

In a comparison of attitudes about business ethics between Hong Kong and the US, Dolecheck and Dolecheck (1987) found that only about 11% of US managers agreed that business ethics means simply operating a firm to stay within the law, compared with over 50% agreement with this attitude among Hong Kong managers. In other studies of ethical attitudes, McDonald and Kan (1997) found that Chinese managers from mainland China were more likely to endorse employee exploitation and to use a third party

to assist with bribery than Hong Kong managers who, in turn, were more likely than Canadians or Japanese to tolerate unethical behavior towards customers and suppliers (Nyaw and Ng, 1994). Adler (1991) explains that individuals express culture and its normative qualities through the operation of values or general beliefs about what is right and wrong. These values in turn influence their attitudes about the forms of behavior considered more appropriate and effective in any given situation. Again, given the culturally pervasive norm of gratuity-giving within Asian markets, it is expected that:

H3: Taiwanese respondents will have a more favorable attitude toward the requested payment in the scenario than US respondents.

The role of clan relationships and kinship within Confucian society has received substantial attention. King and Bond (1985) discuss kinship and group harmony as integral to the clan and family relationships prescribed within Confucianism. Ang and Leong (2000) describe the adaptive properties of such “in-groups,” saying these are necessary in a competitive environment, providing support and protection from the adversity associated with less dependable and less trustworthy out-of-group members. As collectivistic societies socialize members into in-groups of peers into which one is born, individuals experience normative pressures to adopt the opinions of their in-groups, gaining status within the group in exchange for their loyalty (Singhapakdi et al., 2001). These pressures ultimately lead members of collectivist cultures to define themselves in terms of enduring commitments to the groups in which they are members (Smith et al., 1997). Accordingly:

H4: Taiwanese respondents will show more normative influence of their peers than US respondents.

To form an expectation about the normative influence of superiors in the US and Taiwanese samples, it is useful to re-consider the Hofstede typology mentioned earlier. As noted by Lu et al. (1999) Taiwan is characterized by a relatively large power distance, i.e., acceptance of authority and willingness to tolerate sizeable gaps between the most and least

powerful elements of society. The US, on the other hand, is “lower” on this dimension of the Hofstede framework (Vitell et al., 1993). Thus it is expected:

H5: Taiwanese respondents will show more normative influence of their superiors than US respondents.

The earlier discussion about differences in attitudes concerning (un)ethical behaviors between Taiwanese and US respondents can reasonably be extended to respondents’ ethical judgments and intentions. A study by Whitcomb et al. (1998) found that, in a scenario involving bribery, the vast majority of the Chinese respondents almost unanimously considered the behavior acceptable. Moreover, Wu (2002) notes that within the small, family-owned businesses that typify Taiwan, nepotism, absolutist leadership, and the lack of incentive to practice social responsibility have resulted in “ethical laxity amongst one third of Taiwanese enterprises.” Thus:

H6: Taiwanese respondents will have a more favorable ethical judgment of the requested payment in the scenario than US respondents.

H7: Taiwanese respondents will have a greater intention to make the requested payment in the scenario than US respondents.

Most of the attitude → intention → behavior models in marketing hold as a central premise the direct link between attitudes and behaviors, a link which generally traces its origins to the seminal work of Fishbein and Ajzen (1975). The Hunt and Vitell General Theory of Marketing Ethics (1986) extends the Fishbein model to portray a direct connection between beliefs about an (un)ethical behavior’s outcomes (in that model referred to as “Teleological Evaluations”) and ethical judgments and intentions. In view of the earlier discussions, which suggest strongly that the Taiwanese sample will be more external in its locus of control, and more susceptible of normative influences, it seems reasonable to hypothesize that the links between Taiwanese respondents’ attitudes and their judgments and intentions should be weaker than their US

counterparts' linkages between attitudes and ethical judgments and intentions. In the slightly different context of career planning, Kishor (1981) suggests that externality generally impairs the connection between planning and action. In the realm of ethical decision-making, Trevino (1990) found a sample of locus internals to be more inclined to do what they think is right, i.e., to align attitudes and behaviors. Phares (1973) explains that externals doubt their ability to control events, often deferring to the judgments of significant others (Ernsberger and Manaster, 1981; Murk and Addleman, 1992). From this, it follows:

H8: Taiwanese respondents' ethical judgments and intentions will be less affected by their attitudes than US respondents' ethical judgments and intentions will be affected by their attitudes.

The deference to others' judgments, noted above by Phares (1973) should be more evident in a more external Taiwanese sample than in the US sample. Deflumeri (1982) reports that, in the workplace, more external employees look at others to decide appropriate behavior. Abdullah (1992) notes that the Eastern tradition emphasizes man's role as a member of a family, with a special emphasis on building smooth interpersonal relationships. Thus it seems logical to expect normative pressures to affect ethical judgments and behaviors in the Taiwanese sample especially:

H9: Taiwanese respondents' ethical judgments and intentions will be more affected by normative influence of their peers than will US respondents' ethical judgments and intentions.

H10: Taiwanese respondents' ethical judgments and intentions will be more affected by normative influence of their superiors than will US respondents' ethical judgments and intentions.

The expectation that locus internality/externality will affect ethical judgments and intentions differently between the two samples is also based, in part, on the presumption of externality in the Taiwanese

sample. Spector et al. (1997) argue that in collectivistic societies, behavior is more driven by the context and environment than such individual constructs such as judgments and intentions, with the reverse being true in individualistic societies like the US. Similarly, Chiu (2003) makes the case that internals rely on their own internal judgments to guide behavior, with the result that locus of control was found to directly influence ethical decision-making. On this basis, it is hypothesized:

H11: Taiwanese respondents' ethical judgments and intentions will be less affected by locus of control than US respondents' ethical judgments and intentions.

Also, the Chiu study makes the point that internally-oriented managers would exhibit higher consistency between moral judgment and moral action, and it is thus expected:

H12: Taiwanese respondents' intentions will be less affected by their ethical judgments than US respondents' intentions are affected by their ethical judgments.

The next section discusses the methodology used to test the hypotheses of this study, followed by a discussion of the results.

Methodology

To provide the data needed to test the hypotheses, a survey was constructed based on several measures and a scenario drawn from previous studies of marketing ethics (Dabholkar and Kellaris, 1992; Fritzsche and Becker, 1984; Vitell, 1986). In the scenario, respondents are asked to pay a bribe to gain entry into a foreign market. Alexander and Becker (1978) have suggested that such vignettes offer not only a standardized stimulus for comparing responses, but also provide an element of realism not readily available in survey-based research. The attitude measure used here was developed specifically for this study using Dubinsky and Loken's elicitation procedure (1989). The procedure involves the participation of respondents similar to those in the

population of interest in developing and refining the items for the measure. More than 100 marketing practitioners offered comments and suggestions in the pretest of the measure, ensuring the content validity of the measure. After three iterations of this process, the final six-item measure was produced.

Normative influence of peers (family, friends, and colleagues) and superiors (immediate supervisor, top management) was measured by asking respondents the likelihood that each referent would think they should make the payment requested in the scenario. Each of these statements was weighted by a statement of respondents' motivation to comply with each referent's expectations. The measure of locus of control is taken from MacDonald and Tseng's (1971) eleven-item internal/external orientation scale, and has a six-item, forced-choice format. Ethical judgments about the behavior were measured using a four-item semantic differential originally used by Dabholkar and Kellaris (1992), and intentions were also measured with a semantic differential scale used by Fritzsche and Becker (1984). Except for the locus of control measure, all measures in the study are standard seven-point agree/disagree Likert-type items or semantic differential, and may be seen in Appendix A. Reliabilities for the measures are reported in Table I.

The mailing list for US respondents was comprised of 2000 individuals randomly selected from a commercially available national mailing list of marketing managers; for the Taiwanese sample, 450 business alumni of Taiwan's Feng Chia University who currently are business practitioners throughout Taiwan were randomly selected. The final count of completed and usable surveys shows 431 US respondents and 267 from Taiwan; response rates of 21.5% and 59.3%, respectively, figures well within

the normal range for studies of this type. The Armstrong and Overton method (1977) was used to ensure that non-response was not a significant problem within the US sample. Results confirm that early and late responders' responses to the variables of interest in this study were not significantly different.

A demographic comparison of the samples revealed some potentially important differences: while the US sample is predominantly male, the Taiwanese sample is almost evenly split across genders. Perhaps more significantly, the US sample is older than the Taiwanese sample, has a much higher proportion of married individuals, and more work experience. Although differences like these between samples are not without precedent (Blodgett et al., 2001; Herndon et al., 2001; Lu et al., 1999), a MANOVA was nevertheless used to determine if the research variables in the survey differed across the levels of all the demographic variables in the study, following Blodgett et al. (2001). MANOVA results indicate that only one demographic factor (the interaction of country and age) is significant (Wilks Lambda = 0.958, $p < 0.039$). Looking at the univariate statistics for the country by age interaction, results show that only two of seven variables of interest in this study differ across the samples: attitude and normative influence of peers ($p < 0.052$ and 0.05 , respectively). Previous studies offer an ambiguous account of the effects of age on ethics variables. While Rawwas and Singhapakdi (1998) found age-related differences on moral philosophy variables, and Longenecker et al. (1989) report younger business persons more ethically permissive, Callan (1992), Izraeli (1988), and Stevens (1984) all report age to be insignificant in previous ethics studies. In view of this ambiguity and as a precaution, subsequent analyses of the data to test for expected differences in hypotheses 1 through 7 were MANCOVA analyses, using the metric variable job tenure as a covariate to remove any biasing effects of age on the research variables.

The AMOS structural modeling software was used to analyze the paths and hypothesized differences between path loadings, hypotheses 8 through 12. Table II shows the demographics for this study and Table III presents the results of the MANOVA test for differences based on demographics in the research variables differences across the samples.

TABLE I
Reliability of the measures

Variable	Items	Alpha
Attitude	6	0.610
Normative Influence (peers)	3	0.852
Normative Influence (superiors)	2	0.964
Locus of Control	11	0.905
Ethical Judgment (EJ)	4	0.917
Intention (IN)	2	0.973

TABLE II
Demographic profile of the sample

Variable	Grouping	All ($n = 698$)	US ($n = 431$)	Taiwan ($n = 267$)	X^2	p
Sex	Male	536	392	144	126.770	0.000
	Female	162	39	123		
Marital status	Single	181	22	159	267.412	0.000
	Married	482	380	102		
	Divorced	29	29	0		
Age	18–24	30	3	27	414.110	.000
	25–34	182	14	168		
	35–44	192	130	62		
	45–54	182	172	10		
	55–64	95	95	0		
	65 and over	17	17	0		
Job tenure (yrs)			26.75	7.63		$p < 0.000$

TABLE III
Multivariate tests of demographics and primary research variables

Demographic effect	Test	Value	F	p	
Country	Wilks Lambda	0.818	18.104	0.000	
Age	Wilks Lambda	0.919	1.390	0.064	
Sex	Wilks Lambda	0.988	0.978	0.446	
Marital Status	Wilks Lambda	0.977	0.940	0.514	
Education	Wilks Lambda	0.968	0.660	0.913	
Country \times Age	Wilks Lambda	0.958	1.768	0.039	
Variable	Univariate test(s) of significance: country \times Age				
	SS	df	Mean square	F	p
Ethical issue	6.673	2	3.336	1.241	0.290
Attitude	5.666	2	2.833	2.973	0.052
Normative influence (peers)	795.131	2	397.566	3.004	0.050
Normative influence (superiors)	1087.105	2	543.553	2.500	0.083
Locus of control	1.559	2	0.779	1.001	0.368
Ethical judgment	9.236	2	4.618	2.595	0.075
Intention	11.672	2	5.836	2.055	0.129

Results

The MANCOVA analysis of hypotheses 1 through 7, reported in Table IV shows a significant main effect for country (Wilks Lambda = 0.531, $p < 0.00$) indicating that the research variables as a set did vary significantly between the US and Taiwanese sam-

ples. Univariate tests reveal that, examined separately, each of the research variables – perceived ethical issue, attitude, normative influences of peers and superiors, locus of control, ethical judgment, and intention – was significantly different between the samples ($p < 0.000$ in all cases). For all variables except attitude and normative influence of superiors,

TABLE IV.
MANCOVA tests of significance and descriptive statistics

Effect	Test	Value	F	p	
Country Variable	Wilks Lambda	0.531	85.463	0.000	
	Country		Test(s) of significance		
	USA	Taiwan	F	p	adj r^2
<i>Univariate tests of significance and mean scores on variables of interest</i>					
Ethical issue ^a	1.685	4.693	267.855	0.000	0.405
Attitude ^b	4.706	4.236	17.997	0.000	0.083
Normative influence (peers) ^c	25.251	18.222	31.596	0.000	0.137
Normative influence (superiors) ^d	19.697	26.890	18.815	0.000	0.030
Locus of control ^e	2.386	3.277	57.168	0.000	0.214
Ethical judgment ^f	5.912	3.453	266.520	0.000	0.459
Intention ^g	6.166	4.033	131.008	0.000	0.294

^a1 = "ethical issue present", 7 = "no ethical issue present", ^b1 = "not likely to cause harms", 7 = "likely to cause harms", ^clower score = "weak influence of peers", higher score = "strong influence of peers", ^dlower score = "weak influence of superiors", higher score = "strong influence of superiors", ^elower score = "more internal", higher score = "more external", ^f1 = "behavior is ethical", 7 = "behavior is unethical", ^g1 = "likely/definitely would", 7 = "unlikely/definitely wouldn't".

explained variance is substantially adequate, with adjusted r^2 values ranging from 0.137 to 0.459.

The first hypothesis that respondents from Taiwan would have a more external locus of control than US respondents was supported. For this measure scaled from 1 to 6, a higher score reflects more externality. The average for Taiwanese respondents, 3.28 is significantly higher than for the US sample, 2.39 ($p < 0.00$). Also, Taiwanese respondents were significantly less likely to agree that the scenario represented an ethical issue. With a lower score indicating agreement with the statement "...the scenario presents an ethical issue," the Taiwanese sample mean of 4.69 (compared with the US score of 1.69) suggests this group did not tend to see bribery as an ethical issue ($p < 0.00$). Accordingly, H_2 , that Taiwanese respondents would show less perception of an ethical issue is also supported. Hypothesis 3 also received support: Taiwanese respondents indicated a more favorable attitude toward the requested payment than US respondents, with mean scores of 4.24 and 4.71, respectively, where a lower score suggests less concern about the negative consequences of making the payment and thus a more favorable attitude ($p < 0.00$). Hypothesis 4 predicts that Taiwanese respondents will show

more normative influence of peers than US respondents. Contrary to this expectation, Taiwanese respondents' mean score was significantly lower (where a lower score indicates less normative influence of peers) than the US sample, and thus H_4 is not supported.

A comparison of normative influence from superiors between Taiwan and US shows significantly and substantially more influence of superiors within the Taiwanese sample than the US sample (26.89 versus 19.70, respectively, where a higher number indicates more influence, $p < 0.00$). Thus H_5 is supported. Ethical judgments also differed significantly between the two groups: the Taiwanese sample made a significantly more favorable ethical judgment of the payment than the US sample (3.45 versus 5.91, respectively, where a lower score indicates more favorable judgment, $p < 0.00$), giving support to H_6 . The last MANCOVA analysis examined the prediction that Taiwanese respondents would show a higher intention to make the payment than the US sample. Again, the hypothesis is supported, with the Taiwanese sample's mean of 4.03 significantly lower than the US sample mean of 6.16 ($p < 0.00$), where a lower score reflects a higher likelihood of making the payment. It should be

noted here that the Taiwanese respondents' mean score on intention, while lower than the US score, is approximately the midpoint of the scale, indicating some equivocation overall. It is suggested below that this is due to a combination of the Taiwanese respondents' locus externality and the normative pressures modeled in this study. All results of the MANCOVA analysis are reported in Table IV.

To test the path model used in the study, the AMOS software package was used. To determine the fit of the data to the model, the restricted model with all paths constrained to be equal between the two samples is compared to an unrestricted model, with all paths free for estimation. The comparison suggests the restricted model and data fit poorly ($X^2 = 197.27, p < 0.00$). The unrestricted model, however, shows an acceptable fit to the data ($X^2 = 11.69, p < 0.07$), indicating very little difference between the data and the path model. Other fit indices support the suitability of the unrestricted model: the goodness-of-fit index is 0.99 and the adjusted goodness-of-fit index is 0.9607, with the root mean residual value of 3.21 for the model. On the basis of these findings, it appears that unrestricted model is suitable for testing the hypothesized path differences across the two samples. Figure 2 shows the model with path loadings for both US and Taiwanese samples.

Hypothesis 8 predicts that the two path loadings for attitude → ethical judgment and attitude → intention will both be lower in the Taiwanese sample than in the US sample. Data in Table V confirm this expectation. The path loadings from attitude → ethical judgment and attitude → intention in the US sample show values of 0.48 and 0.17, respectively, with *t* values showing both paths significantly different from 0. The path values for the same paths in the Taiwanese sample, though in the opposite direction, are nevertheless lower (weaker) with values of -0.30 and -0.09, also both significantly different from zero. The appropriate statistical comparison of the paths across samples is the one-degree-of-freedom test. In this test, all the paths in the model are constrained to be equal across the two samples, with the exception that the one path (e.g., attitude → ethical judgment) being compared across samples is freed for estimation (hence, one degree of freedom). If the resulting change in X^2 between the restricted model and the model with one path freed

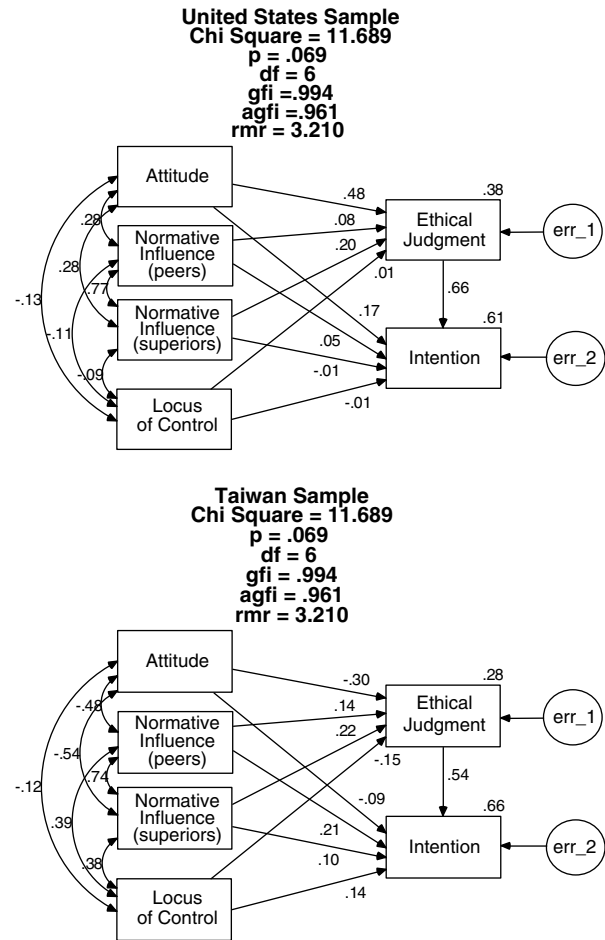


Figure 2. Path loadings for US and Taiwanese samples.

for estimation is significant, the conclusion to be drawn is that the loadings for that path are significantly different. One-degree-of-freedom tests are reported at the bottom of Table V, and indicate that the paths for both attitude → ethical judgment and attitude → intention are significantly different between the Taiwanese and US samples, again, in support of H_8 .

The effect of normative pressure of peers on ethical judgments and intentions is the focus of H_9 , which predicts that Taiwanese respondents will have a higher loading on these paths than their US counterparts. Since neither samples' normative influence of peers → ethical judgment loading was significantly different from zero, it is not appropriate to interpret apparent differences in path loadings. For the comparison of the normative influence of peers → intention path, only the

TABLE V
Model comparison and parameter estimates

Model	X^2	df	p	gfi	agfi	rnr
Restricted	197.2691	15	0.000	0.9237	0.7863	3.8539
Unrestricted	11.6886	6	0.0693	0.9944	0.9607	3.2104
X^2 change	185.5805	9	0.000			
<i>Path loadings</i>						
Parameter	US	t	Taiwan	t		
Attitude → Ethical judgment	0.48	11.96*	-0.30	-4.78*		
Attitude → Intention	0.17	4.73*	-0.09	-2.04*		
Normative influence (peers) → Ethical judgment	0.08	1.41	0.14	0.07		
Normative influence (peers) → Intention	0.05	0.98	0.21	3.91*		
Normative influence (superiors) → Ethical judgment	0.20	3.33*	0.22	2.62*		
Normative influence (superiors) → Intention	-0.01	-0.30	0.10	1.76		
Locus of control → Ethical judgment	0.01	0.23	-0.15	-2.62*		
Locus of control → Intention	-.01	-.22	0.14	3.51*		
Ethical judgment → Intention	0.66	17.39*	0.54	12.87*		
Squared multiple correlation, Ethical judgment	0.38		0.28			
Squared multiple correlation, intention	0.61		0.66			
			* $p \leq 0.05$			
One degree-of-freedom tests: US and Taiwan parameters compared						
Freed path	X^2 change	p				
Attitude → Ethical judgment	86.549	0.000				
Attitude → Intention	39.808	0.000				
Normative influence (superiors) → Ethical judgment	11.726	0.001				
Ethical judgment → Intention	17.877	0.000				

gfi = goodness of fit index, rnr = root mean square residual, agfi = adjusted goodness of fit index.

Taiwanese sample has a significant path loading, and again, a comparison with the US sample is unwarranted. On the basis of these findings, H_9 is not supported. It is useful to point out, however, the significant path loading in the Taiwanese sample; the effect of normative influence of peers on respondents' intentions in Taiwan is discussed in the next section.

Hypothesis 10, concerning the normative influences of superiors on ethical judgments and intentions also was not supported. Neither the US nor Taiwanese loadings for the normative influence of superiors → intention paths were significant. The loadings for the normative influence of superiors → ethical judgment paths were significant in both samples, however. The one-degree-of-freedom test

at the bottom of Table V substantiates this finding, which is discussed below. A similar negative result was found for locus of control. Despite the strong empirical and anecdotal evidence concerning locus internality/externality on a wide variety of variables, the loadings for locus of control – either to ethical judgments or intentions – were insignificant in the US sample, and accordingly no comparison with the Taiwanese sample is possible. Thus H_{11} is not supported. On the other hand, in the Taiwanese sample, locus of control is a significant predictor of ethical judgments and intentions. The implications of this will be discussed in the next section.

Finally, hypothesis 12 compares the path from ethical judgment to intention between the samples. Significant loadings from both samples, and the

results of the one-degree-of-freedom test show that the intentions in the Taiwanese sample are less affected by ethical judgments than in the US sample, in support of H_{12} .

Discussion of results

In a cross-cultural study such as this one, it is worthwhile to remember that such studies cannot, in any objective sense, provide insights concerning whether one or another cultures' practices are ethically *correct*. Philosophers may debate the topics of cultural and ethical relativism, ethical universality, and the like, but such normative prescriptions are beyond the scope of this study, which is essentially a descriptive exercise. The data in this study identify some differences between the US and Taiwanese samples, but it is for someone else to make the ultimate determination of right or wrong. Surveys, scales, and structural modeling cannot provide further guidance in this area.

In the US sample, the results are fairly straightforward: ethical judgments are a function of only two factors, attitudes and normative influences of superiors. In turn, intentions are also a function of only two factors: attitudes and ethical judgments. Responses to the ethical scenario among US respondents seem basically to reflect Rest's four-stage process (1986). Although the finding that locus of control did not affect either ethical judgments or intentions in the US sample is disappointing, it is nevertheless plausible to offer a locus of control account of the results in the US sample: the more internal US respondents' attitudes of the bribe were clearly unfavorable, which lead directly to unfavorable ethical judgments and intentions not to make the payment. In other words, respondents' "inner voice" gave consistency to the entire nexus of attitudes, judgments, and intentions – a consistency that fits neatly with the preponderance of evidence from the locus of control literature. The finding of a significant path from normative influence of superiors to ethical judgments in the US sample can perhaps be explained by US respondents' longer job tenure, and (although not measured) presumably deeper identification with the goals and objectives of their companies.

In Taiwan, the process is considerably more complex, very likely because of respondents' greater

externality. Looking first at attitudes, the negative path loadings for attitude → ethical judgment and attitude → intention suggest that as Taiwanese respondents' internal beliefs (attitudes) about the requested payment become more favorable, both ethical judgments and intentions become more unfavorable with respect to the payment. In contrast with the US sample, and in keeping with Taiwanese respondents' greater externality, we see less consistency between thought and action. An inspection of the normative influences in the path model sheds light on this apparent inconsistency. Taiwanese respondents' ethical judgments are also influenced by normative expectations of their superiors: the positive path loading for normative influence of superiors → ethical judgment indicates that as respondents feel more pressure from superiors, they are inclined to make the ethical judgment that the payment is unethical – even against their own attitudes about the action. Although normative pressures from superiors did not affect actual intentions in the Taiwanese sample, the normative influence of peers did affect intentions, and in the same way (albeit a different source) as pressures from superiors affected judgments: as Taiwanese respondents felt greater pressure from peers, their intention becomes more disinclined to make the payment – again, in contradiction of their own personal attitudes about the behavior.

Finally, the influence of locus of control in the Taiwanese sample – nonexistent in the US sample – on ethical judgments and intentions requires some interpretation. With respect to ethical judgments, the negative path loading for locus of control → ethical judgment indicates that as Taiwanese respondents' internality increased, they made the ethical judgment that the bribe was unethical, in keeping with orthodox views about locus of control. And similarly, with increases in externality, they took the view that the payment was more ethical. On the other hand, we see that as Taiwanese respondents' externality scores increased, they are less inclined to make the payment (again, even as they judge it to be more ethical and have more positive attitudes toward the behavior). So again, we see a sample of externally oriented individuals with some inconsistency between internal attitudes and judgments, and actual intentions, beginning with a more favorable view of the bribe than the US

sample, and ending with normative influences of peers guiding their judgments and intentions away from making the payment, effectively leaving them on the midpoint of the intention scale.

Some researchers have drawn a distinction between primary and secondary control. In the US, individuals emphasize primary control: the exercise of direct control over situations through independent action (Spector et al., 2002; Weisz et al., 1984). On the other hand, it has been suggested that individuals from collectivistic societies believe in a form of secondary control whereby individuals experience feelings of control indirectly, what Bandura (1995) calls “group directedness.” If, as Spector et al. suggest, the Taiwanese respondents see their control as coming from networks of relationships with others, this would explain the apparent joint operation of normative influences and locus of control on their ethical judgments and intentions. Finally, with respect to the matter of whether TPB and an efficacy/control construct perform well in the context of a negatively valenced behavior, this study does not provide conclusive evidence. In the US sample, locus of control effectively dropped out of the path model. In the Taiwanese sample, on the other hand, significant path loadings for the locus variable provide a plausible explanation of the results. Limitations in the design of the study and operationalization of the constructs may partly account for the mixed results, and these are discussed in the following section.

Limitations of the research

As with many studies of culture and ethics, the subtle and dynamic nature of the phenomena under investigation presents numerous challenges, and inevitably there are some limitations of this study that should be addressed. For example, the use of a single scenario presumably limits the generalizability of the results. Even though the behavior in the scenario represents the most troubling ethical issue facing US managers (Hunt and Chonko, 1984), and despite the appropriateness of the topic for this context, future studies should take the opportunity to examine other ethical issues. As outsourcing and strategic alliances become standard practice for global firms, ethical issues having to do with power rela-

tions in distribution channels, conflict of interests, and cultural expectations will become more problematic.

Possibly a related problem is that the behavior in question – paying a bribe – is not a public, social behavior *per se*, and this may compromise our ability to fully examine the effects of normative influences on ethical judgments and intentions. Respondents may have thought “no one will know if I make the payment anyway,” and this may partly explain why respondents in the Taiwanese sample took a more favorable attitude of the payment – in spite of their expectations that peers and superiors wouldn’t approve. Another possibility not addressed in this study is that Taiwanese respondents are more situational in their ethical reasoning. While situationalism may explain some or all of the findings better than collectivism, for example, additional studies would be needed to address this possibility. Whatever the cause for the Taiwanese respondents’ perception that the scenario does not particularly present an ethical issue (recall their score was around the midpoint of the scale), it seems likely that a relatively lower level of involvement on their part may have compromised the quality of the data and the statistical analyses of the Taiwanese sample.

From the standpoint of methodology, this study – and all those that consider the roles of efficacy and control in ethical decision making – would benefit from reliable and validated measures of these constructs. The freedom to choose among extant measures and to incorporate them into explanatory models creates multiple opportunities for researchers, but this freedom also comes with a price. Some of the measures used in this study demonstrate only marginal adequacy (e.g., the reliability for the attitude measure was .6) or otherwise leave something to be desired in terms of explanatory power (e.g., the locus of control measure and its disappointing performance within the US sample).

A final set of limitations has to do with the sampling methodology used. The US sample was drawn from a national mailing list of marketing managers, while the Taiwanese sample was restricted to alumni of one particular university, raising concerns about how well the Taiwanese sample represents the Taiwanese population as a whole. Also researchers should address the challenges of finding

demographically similar samples in cross cultural research. While the samples used in this study were randomly drawn, these kinds of differences have the effect of reducing the power of statistical tests and explained variance, especially as covariates are introduced into the statistical models, as is the case here.

Managerial and research implications

As Western firms continue to expand their operations into collectivistic cultures, it seems likely they will encounter more externally oriented workers, based on the findings of this study. It is therefore appropriate for managers of Western companies to consider the interplay of externality and a variety of other behavioral variables, particularly perceived self-efficacy. Hoffman et al. (2003) found that externally oriented persons generally doubt their skills to become effective problem solvers in addition to having tendencies toward procrastination, avoiding difficult situations, and withdrawal and retreat. Bandura (1995) provides considerable evidence that persons with a low sense of self-efficacy have low aspirations and weak commitment to the goals they choose. To the extent that effective (ethical) problem-solving, and keeping faith with pledges made both overtly and implicitly to corporate standards of conduct requires keeping faith with prior commitments, an external attribution of causes and outcomes is clearly problematic.

If we accept that much of personal conduct and ethical behavior is a matter of self-control, a consideration of individuals' self-regulation in social and business settings becomes a priority for ethics training and socialization. Bandura's self-regulatory master model (1995) suggests some basic requirements for the development of efficacy beliefs, which can be readily adapted to an efficacy-enhancement regime for employees. First, self-evaluation of one's own performance attainments (along moral or ethical dimensions, for example) will help build perceptions of efficacy. Care must be taken to include realistic assessments of achievements and setbacks, aimed at developing perseverant effort. A second element of the model is the observation of others' experiences, founded upon clear and unambiguous criteria to make vicarious observations (as charts, graphs and other clearly visible information in

quality improvement programs). Presumably, seeing or visualizing others perform successfully can raise self-confidence in one's own ability to perform. The third element of Bandura's model is verbal persuasion: people who are persuaded verbally that they have the ability to master given tasks are likelier to mobilize greater and sustained effort. In the right circumstances, then, individuals are encouraged by a combination of self-examination, the model of vicarious others, and positive verbal feedback. Subsequently, these effects are integrated into an enhanced sense of efficacy in which persons measure success in terms of self-improvement (Bandura, 1995, p. 4). It is often said that the best persuasion is self-persuasion, and the saying itself summarizes the precepts of self-efficacy and self-regulation. In this way, a program for enhancing individuals' self-perceptions of efficacy and control may substantially improve managers' ability to effect better ethical reasoning and behavior in the workplace.

The process and requirements for enhancing perceived efficacy suggest a cautionary note, however. Merely requiring employees to read and sign an ethics code without helping employees to develop the self-regulatory skills and sense of efficacy to exercise personal control will have little impact on patterns of behavior (Bandura, 1995). Ethics training therefore requires careful consideration of the effects of self- and other-based appraisal, if the hope is to have an ethically-empowered workforce.

It is also important to consider normative influences and the ways they exert a regulative influence on behavior that feeds back into and complements self-regulation. On the one hand, social norms convey standards of conduct, which enable the self-regulatory system to establish internalized self-sanctions, and provides "data" for self-appraisal (the first step of the model above). On the other hand, behavior is also regulated by social sanctions. Due to proximity, immediacy, and prevalence, the norms and sanctions of one's immediate social network have a more pronounced regulatory impact than general normative prescriptions, such as company codes of ethics, which are more remote and applied only sporadically (Bandura, 1995, p. 31). In collectivist cultures, the evaluation by in-group members should be the most important source of efficacy information, with modeling by other in-group members also being influential (Oettingen, 1995).

For researchers, this investigation suggests a number of important areas for further work. Although an internal locus of control seems to have many benefits, we should not assume that having more internally oriented employees or managers is a final solution to ethics challenges. Personal control can be selectively disengaged by diffusion or displacement of responsibility, disregarding the injurious consequences of one's actions, blaming the victims, linguistic obfuscations, social arrangements that obscure personal agency, or by reconstruing negative conduct as serving worthy purposes (Bandura, 1996, 1997). It is important for researchers to discover the contingencies associated with this temporary switching off of responsibility and control. It is quite possible to surmise that top officers at Enron, WorldCom, and elsewhere would appear "internal" using most of the locus of control scales out there. The issue remains: why did they disengage their restraining mechanisms? Were the causes emotional ones, or possibly intellectual calculation, or pressure (or the lack thereof) from referent others? Research in this direction holds great potential.

Viewing ethical behavior as a goal – as opposed to behavioral response to demographic factors and environmental contingencies – potentially has much promise. The usefulness of efficacy-enhancement programs in collectivistic societies remains to be demonstrated, however. In the West, we accept without question the positive effects of conflict and confrontation; we feel it stimulates change, progress, and improvement. In Confucian society, the tendency is to avoid conflict in order to preserve harmony (Yau and Powell, 2004). The question for researchers, therefore, is whether a candid and possibly confrontational efficacy-improvement effort as discussed above is compatible with norms and values (e.g., *mianzi*, or face saving) in places like Taiwan. And finally, an additional question following from this line of reasoning is whether presenting ethical behavior as an individual goal or as a group-oriented goal will be more effective in collectivistic societies. Whether the answers to these questions will be pursued primarily through efficacy and control studies, or through cross-cultural studies, better understanding of these issues should go far to help managers smooth out some of the bumps in the road as East meets West.

Appendix A

This survey is aimed at understanding how people think about business problems. In this questionnaire, there are no "right" answers in the way there are right answers to math problems. In exchange for your help, your privacy is guaranteed: your responses in this questionnaire will be completely anonymous.

Scenario

Rollfast Bicycle Company has been barred from entering the market in a large Asian country by the concerted efforts of local bicycle manufacturers. Rollfast could expect to net very substantial profits from sales if it could penetrate the market. Last week a businessman from the country in question contacted you and stated that entry into this market could be had for an "under the table" payment of \$5000. However, the payment must be received by the end of the day, tomorrow.

It seems quite likely that the increase in profits from making the payment and entering this market would pretty much guarantee your bonus for this year. However, your immediate supervisor has let it be known that he expects all employees to adhere to the "highest ethical standards;" anything short of this goal may adversely affect the employee's bonuses and/or opportunity for advancement.

Your organization's guidelines are somewhat unclear about the appropriateness of such payments, and in addition, you have no information concerning what is usually done in these situations. Since the payment is expected tomorrow, you have no time to gather additional information, although you know the payment is not actually illegal.

Attitude

The payment described in the scenario may have several outcomes. Please indicate the likelihood that the payment may lead to the each of the following outcomes:

If you were to make the requested payment, how likely is it the requested payment would: (Extremely Unlikely = 1; Extremely Likely = 7)

Lead to still further demands	1 2 3 4 5 6 7
Conform to customary business practices*	1 2 3 4 5 6 7
May hurt business or ethical standards in Rollfast's industry	1 2 3 4 5 6 7
Benefit Rollfast and its employees*	1 2 3 4 5 6 7
Endanger your job	1 2 3 4 5 6 7
Guarantee your bonus*	1 2 3 4 5 6 7

*items reverse scored

Normative Influence of peers:

How likely is it that ___ think(s) you should make the payment? (Extremely Unlikely = 1; Extremely Likely = 7)

My peers	1 2 3 4 5 6 7
My family	1 2 3 4 5 6 7
Friends	1 2 3 4 5 6 7

Normative Influence of superiors

How likely is it that ___ think(s) you should make the payment? (Extremely Unlikely = 1; Extremely Likely = 7)

Top management in my company	1 2 3 4 5 6 7
My immediate supervisor	1 2 3 4 5 6 7

Ethical Judgment (All are seven-point semantic differential items; 1 = correct, moral, right, good; 7 = incorrect, immoral, wrong, bad)

- Correct or Incorrect
- Immoral or Moral (reverse scored)
- Right or Wrong
- Bad or Good (reverse scored)

Intention

If you were responsible, what are the chances that you would make the payment?

(Both are seven-point semantic differential items; 1 = likely, definitely would; 7 = unlikely, definitely would not)

- Likely/Unlikely
- Definitely Would/Definitely Would Not

1. Many times I feel that we might just as well make many of our decisions by flipping a coin.	1 2 3 4 5 6
2. Getting a good job seems to be largely a matter of being lucky enough to be in the right place at the right time.	1 2 3 4 5 6
3. It is difficult for ordinary people to have much control over what politicians do in office.	1 2 3 4 5 6
4. It isn't wise to plan too far ahead because most things turn out to be a matter of good or bad fortune anyhow.	1 2 3 4 5 6
5. When things are going well for me I consider it to be due to a run of good luck.	1 2 3 4 5 6
6. I have usually found that what is going to happen will happen, regardless of my actions.	1 2 3 4 5 6
7. Success is mostly a matter of getting good breaks.	1 2 3 4 5 6
8. There's not much use in worrying about things...what will be will be.	1 2 3 4 5 6
9. Success in dealing with people seems to be a matter of the other person's moods and feelings at the time rather than one's own actions.	1 2 3 4 5 6
10. I think that life is mostly a gamble.	1 2 3 4 5 6
11. Many times I feel that I have little influence over the things that happen to me.	1 2 3 4 5 6

Locus of Control (1 = Strongly Disagree; 6 = Strongly Agree)

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John Cherry

Department of Management and Marketing

Southeast Missouri State University

Harrison College of Business, Mail Stop 5875

One University Plaza,

Southeast Missouri State University

Cape Girardeau

MO

U.S.A.

E-mail: jcherry@semo.edu