

# The Cultural Roots of Ethical Conflicts in Global Business

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Received: 23 July 2012 / Accepted: 1 July 2013 / Published online: 6 August 2013  
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**Abstract** This study examines the cultural roots of ethical conflicts in the global business environment. It begins with a brief look at worldviews on ethical behavior in general. Based on this, it is argued that an in-depth understanding of ethical conflicts has been hampered by an overreliance on Western models and viewpoints. Three common sources, or bases, of ethical conflicts are discussed as they relate to business practices, including conflicts over tastes and preferences, the relative importance of moral imperatives compared to legal requirements, and people's level of tolerance for different values among others. It is then argued that an understanding of ethical conflicts can be facilitated through different levels of understanding, including the meaning of universal values, the relationship between values and practices, and the existence of multiple levels of conflict within the same organizations or industries. These specific and interrelated ingredients in cross-cultural ethical conflicts form the basis for a broader discussion of the meaning of truth as it relates to such conflicts. The paper concludes with the need for more research that is cross-cultural and multidisciplinary in order to improve theory building and managerial practice.

**Keywords** Ethical conflicts · Culture · Cross-cultural management · Global business

## Introduction

The topic of ethical behavior in global commerce is typically explored by managers and practitioners through personal experiences and random examples. We hear them say, for instance, that some countries are more “corrupt” than others or that some countries conduct business in a more “transparent” fashion than others. Such examples become the touchstone for generalizing about others, as well for subsequent actions. Comparisons are superficial and frequently undocumented, and efforts at systematic understanding are largely absent.

Consider just one example as directly portrayed to us by one of the affected parties: A US manager recently sent a package to a colleague in Mexico city using one of the principal air express companies. The package arrived on time and was sent to local customs for clearance. Nothing happened. After repeated efforts to complete the delivery of the package, the air express company suggested that a bribe to a customs agent would likely resolve the problem. The intended package recipient in Mexico refused to comply and requested that the package be returned to its original sender in the US again, nothing happened. Again it was suggested that a bribe might be necessary to have customs release the package so it could be returned to its original sender. The seemingly inescapable implication here is that ethical standards in business are “higher” in one country than the other.

Simplistic examples such as this are commonplace among global managers, and everyone seems to have his or her favorite stories about ethical misconduct. However,

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while such stories may serve a purpose in alerting managers to potential problems abroad, they seldom enhance our level of conceptual understanding of the problem itself. That is, managers' exploration of ethical behavior in business is more often focused on what than on why. While this practice may serve global managers in search of shortcuts, it fails to help develop a long-term understanding of ethical processes across cultures. Indeed, in the long run, it even fails to help the managers themselves to develop more sophisticated approaches to global management.

This study aims to expand this understanding by exploring the cultural roots of ethical conflicts in the global business environment. We begin with a brief look at worldviews on ethical behavior in general. Based on this, we argue that an in-depth understanding of ethical conflicts has been hampered by an overreliance on Western models and viewpoints. We then identify three common sources, or bases, of ethical conflicts as they relate to business practices, including conflicts over tastes and preferences, the relative importance of moral imperatives compared to legal requirements, and people's level of tolerance for different values among others. Moving one step deeper, we propose that an understanding of ethical conflicts can be facilitated through different levels of understanding, including the meaning of universal values, the relationship between values and practices, and the existence of multiple levels of conflict within the same organizations or industries. These specific and interrelated ingredients in cross-cultural ethical conflicts then form the basis for a broader discussion of the meaning of truth as it relates to such conflicts. In a concluding section, we point at the need for more research that is cross-cultural and multidisciplinary in order to improve theory building and managerial practice.

### **Framing Worldviews on Ethical Behavior**

It is often said that in a perfect world—including the world of global business—there would be little conflict, no corruption, and justice for all. Companies and their managers would seek compromise and mutual benefit, and would insure that all stakeholders (not just stockholders) to a venture benefited. Fairness and equality would abound and everyone would hold themselves accountable to the highest ethical standards. While everybody agrees on the desirability of such a perfect world, making it happen seems to many people to be impossible. Why is this? Poverty, class distinctions, competing social and political systems, social injustice, and greed—to name just a few. Indeed, people and social systems are different and local factor endowments vary considerably. But, we require a deeper explanation.

A relatively optimistic explanation of why we do not live in a perfect world cites research that suggests that poverty and corruption co-vary; that is, corruption and bribery, environmental degradation, and social injustice are most frequently found in poorer countries and regions, those with fewer social resources or educational opportunities. Thus, we find far more corruption in Nigeria than in Finland (The Economist 2008). Many of the people inhabiting poorer countries are more concerned with survival than success, the argument goes, and higher ethical standards are often considered a luxury people cannot afford. This is an optimistic view because it implies that improving socio-economic conditions across the board will move us closer to that perfect world. There is some truth to this position. For instance, many people will more easily expect and condone the stealing of food by a poor, starving person than the same behavior by a well fed, wealthy individual (Jones 1992; Werner and Smith 1982). However, the fact that corruption and poverty co-vary does not necessarily mean that one leads to the other. Philosophers still ponder how the Holocaust, for instance, took place in one of the most cultivated and industrialized countries in the world (Steiner 1971). Similarly, ratings of national corruption actually vary across countries of relatively equal economic status in similar geographic regions (e.g., Indonesia and Malaysia, Nigeria and Kenya, Canada and the US, Russia and Poland) (The Economist 2008). Hence, a causal relationship may be difficult to find.

A second explanation, which is decidedly more pessimistic, concludes that we do not live in a perfect world because of our imperfect human nature. Take greed, for instance. Some people seem overly driven to maximize their wealth and personal possessions at almost any cost. In this pursuit, ethical standards often take a back seat to the pursuit of profit (Schwartz 1986). This line of reasoning has value in helping us understand how some people seem to behave, but it fails to address the ultimate motives behind that greed (Miller 1999). An obsession with amassing wealth and possessions may actually mask a deeper, unbalanced obsession for security or status, for instance. This is relevant in order to attempt to build a world that gets increasingly closer to perfection because accounting for the more superficial obsessions and ignoring the deeper ones will not address the issue. The initial pessimism in this position, with its ring of "if someone is greedy, there is not much that can be done about it" may then turn into a somewhat more hopeful stance. Because, the anxiety and need for security or status has more to do with how people feel than with how they actually are, and the former is more malleable than the later (Gross 1998; McGrae and Costa 1994). Moreover, culture has a strong effect on how people define security or status, and one then must account for these differences when dealing with

ethical management behavior across societies (Kowner and Wiseman 2003).

In addition to optimism and pessimism, a third explanation for ethical conflicts can be found in cultural differences. For example, in collectivistic societies, many people aspire to some form of socio-economic egalitarianism where income and benefits are roughly evenly divided; no one is either too rich or too poor, and harmony prevails as an ultimate goal (Gelfand et al. 2004; Hall and Hall 1987). By contrast, in individualistic cultures, many people argue the benefits of competition between individuals, with market forces driving out inefficiencies and reducing consumer costs, and superior rewards going to those who demonstrate greater drive, initiative, and mastery. If this perspective is used, the key question becomes what we mean by a perfect world, not merely how to get there. Relating this to global business is a perfect world characterized by an environment where everyone plays by the same rules on a level playing field or by a world where everyone (or at least every group) creates their own rules? And if everyone plays by the same rules, who gets to determine what those rules are?

Behind these, apparently simple and straightforward questions are a variety of complex issues, beginning with the various types or foci of cultural conflicts. A particular point of interest here are the cultural roots, the on-going conflict between what is ethical and what is legal in different geographies. What happens, or should happen, when ethics and the law stand in opposition to each other across cultures? Consider the following example. The Trique, an indigenous native community in rural Mexico, has long had a tradition of parents arranging the marriages of their children, and doing so at an early age. They also have a custom whereby the groom's family pays the bride's family a dowry, primarily to cover costs associated with the wedding ceremony. Such customs can be found in many communities throughout the world. In one such family, Marcelino Martínez arranged to marry his 14-year-old daughter to a neighbor's son. Both young people apparently agreed to the wedding. In Mexico, this wedding would have gone unnoticed, as following long-standing customs. However, the wedding occurred not in Mexico, but in the Californian farming community of Greenfield, where many Mexican farm workers live and work. As a result, Martínez was arrested on US felony charges of procuring a child under the age of sixteen for sex and for recklessly endangering the health of a minor. To make matters worse, Martínez had accepted \$16,000 in exchange for his approval of the marriage, considered a dowry in Mexico, but solicitation for financial advantage in California. As noted by the California prosecutor in the case, "This is not a traditional trafficking case, because there was no force or coercion in this. We are aware of the

cultural issues here, but state law trumps cultural sensitivity." The final irony of this case is that none of this would have come to light had Martínez not sought police assistance in forcing a recalcitrant groom's father to pay the dowry (The Register Guard 2009).

In this situation, the conflict involves two main decision makers, Marcelino Martínez and the state of California. But when conflicts like this happen in the business arena, we face the added complexity of involving a third decision maker. International organizations, for instance, know that visas to entry Iran are routinely denied to employees who admit to questioning Iranian custom officers that they have already visited Israel. Many firms then instruct their employees to answer that they have never been to Israel, regardless of whether that is true or not. It is not just that one decision maker's law (here, the Iranian government and its enforcement authorities at the customs office) contradicts another decision maker's ethical understanding (to tell or not to tell the truth), but that a third decision maker, the company, commands its employees to behave in a given ethical—or unethical—way in front of such conflicts.

### Limitations on Western Views

How can managers and scholars reconcile such diverse interpretations of ethical behavior? Everyday, global managers are faced with ethical dilemmas relating to both personal and societal beliefs and values. This arena includes both societal norms in general concerning right and wrong, as well as beliefs about what people should or must (or must not) do. As is the case with management theories in general, much of the readily accessible writings on business and managerial ethics have been developed by Western scholars educated in Western traditions of thought, and with an eye towards the specific circumstances of Western decision makers managing in largely Western environments (Steers Nardon et al. 2013). In the business ethics literature, a recent survey of 4,200 articles published between 1999 and 2008 in 10 leading journals in the field found that 80 % of those articles were authored by Western (i.e., North American and European) scholars (Chan Funget al. 2010). Efforts to broaden this analysis, even if only by incorporating the tensions faced by Westerners in contact with non-Westerners, are still in a somewhat primitive stage of development.

From a Western perspective, things would be simpler if a Western approach to business ethics gained total consensus among the experts, but such is not to be the case. Take, for instance, Thomas Donaldson's (1996) approach to deal with different, even contradictory ethical standards across countries. This author notes that core human values

define minimum ethical standards that all firms should respect. More specifically, he defines three of those values as “respect for human dignity,” “respect of basic rights,” and “good citizenship.” This is clearly a good starting point, but it needs contrasting with other, non Western elaborations, even if simply because the understanding and ulterior application of those concepts is always performed under the light of a particular cultural tradition, and different cultures do claim respect for those core values and yet lead to extremely diverse practices. In later work, Donaldson and Dunfee (1999):233 conclude that managers may need to exercise extreme creativity in respecting cultural diversity while rejecting “any form of relativism.” Similarly, in a defence of ethical universals in business, De George (1996) explains that ethics constitutes the foundation for legitimate business practices, and that contracts, truth and life should always be honored. For managers, however, the implementation of those principles and values is not always easy, for cultural differences often lead to alternative ways of interpreting and applying them, even in the presence of what might otherwise appear as clear and consistent legal frames (Rosen 2006) and common values shared by most religions (Moses 2001).

In fact, recent research shows that cultural differences influence both the ethical business profiles of people from other cultures (Gift et al. 2013) and how we interpret and characterize ethical cases and scenarios (Kuntz et al. 2013). Culture has also been shown to explain differences in ethical perception (Kim and Kim 2010), ethical attitudes and behaviors (Lam and Shi 2008), and ethical sensitivity (Chan and Cheung 2012). The impact of culture on business ethics is so deep and widespread, that some authors argue that the need to include non Western, developing country perspectives in ethical management research has become an ethical imperative by itself (Kim and Kim 2010).

On the one hand, the concentration of attention on largely Western models of managerial thought and action has served to limit our powers of both insight and analysis in better understanding ethical conflicts across cultural domains. On the other hand, we cannot say that current (Western) business ethics formulations are not completely inadequate to guide managerial decision making in foreign contexts. Chances are that part of those formulations will retain full validity, while other parts may need higher or lower degrees of reformulation when accounting for the peculiarities of other cultural viewpoints. The problem is current scholarship has not entered into differentiating which parts can be generalized across cultures and which parts cannot.

In sum, both managers and scholars face a difficult situation. First, people in organizations increasingly interact across boundaries and cultures. Second, little thought has been collectively given to cross-cultural management ethics, and organizational practitioners lack advice on issues

that can become quite complex. At the same time, researchers must recognize that business behavior transpires in a world that is far from perfect, and that culture plays a particularly formative role in this process.

### Sources of Ethical Conflict in Global Business

Seventeenth century French philosopher Blaise Pascal (1965), p. 90 is often quoted as saying that “There are truths on this side of the Pyrenees that are falsehoods on the other.” Control Data Corporation (CDC) founder William Norris once summarized a common cross-cultural business ethics dilemma along the lines of “The computer is on the dock, it is raining, and you have to pay \$100 bribe to get it picked up and delivered” (cited in Deresky 2008), p. 45. Both Pascal and Norris, coming from two very different time periods—and with two very different visions of globalization—seem reach much the same conclusion on the topic of ethics, albeit with a different focus. Pascal noted that the peoples of two different cultures (in his case, France and Spain) at times see the “facts on the ground” very differently from one another. We can either interpret this conflict in terms of who is right or wrong, or we can dig deeper and try to understand the bases for each point of view. In a nutshell, this is the primary tension underlying most cross-cultural conflicts: How to tease out the real facts and discover the truth as it really is. At the same time, William Norris points out that transnational firms are subject to local conditions and “realities on the ground,” whatever those may be. While such firms obviously have the option of withdrawal, remaining incurs obligations, commitments, and, many times, costs. Thus, the question for CDC and others is how to run a successful transnational organization in an efficient and effective way while accommodating differences of opinion from location to location.

The difference here between Pascal and Norris is one of seeing versus doing. That is, Pascal makes an observation about differences in worldviews, while Norris focuses on differences in required behavior. Both are important to global managers confronted with conflicts. Conflicts across borders most often involve two issues: First, what is ethical and fair? And second, what represents good stewardship of the resources controlled or impacted by the firm? Both issues deserve attention, not only because they relate to appropriate managerial behavior, but also because at the very least they can get managers and their firms into deep trouble very quickly. As Norris implies, ignoring the local environment comes with major risks.

Cultural conflicts can appear in many forms and formats. Consider the example of a discussion between a group of Chinese, French, and Ecuadorian business partners about some of the popular dishes in their home country cuisines. They could quickly fall into polite

disagreement over the soundness of rat soup, cooked snails, or fried ants. While this discussion could be lively and contain ample room for disagreement, few would describe this as a heart-felt conflict. Imagine further that the Ecuadorian convinced the French of the advantages of fried ants over cooked snails, and the French decided to open a new restaurant featuring fried ants on the fishermen's bay of the beautiful French village of Argenton. Chances are the new restaurant and its cuisine might face opposition from its Breton neighbors; it might even face challenges from French health officials who worry about food safety. On one level, cultures can foster manifestly different tastes (Do you really like fried ants?). On another level, however, they can foster manifestly different laws and regulations (Are fried ants safe?). As such, we need to differentiate between conflicts over matters of personal taste, on the one hand, and conflicts between what some may consider acceptable legal behavior on the other.

To represent the whole spectrum of cultural conflicts, we need to add a third and more delicate category: values. Keeping with our illustration, imagine a culture whose members believed that ants belonged to a particular group of beings that guided our human ancestors in their afterlife. In this context, eating ants may go beyond taste or the law, and into the deeper waters of value conflicts.

Thus, when we consider how cross-cultural conflicts can affect global business and success, we can readily summarize these challenges into three distinct categories:

- *Acceptance or rejection of different tastes and preferences:* Conflict between a person or group's tastes or preferences and those of others. People must determine which tastes or preferences will prevail or be tolerated. Impact can be influenced by the extent to which the parties are open to compromise.
- *Balance for moral imperatives and legal requirements:* Conflict between what a person or group thinks is moral and what they think is legal. People may have to choose between following their conscience or following prevailing laws and regulations. One has spiritual and moral implications; the other has enforcement or punishment implications.
- *Tolerance or intolerance of different values:* Conflict between the values of one individual or group compared to another. People must determine how tolerant or intolerant they are in relationship to the other party's values. Is there room for compromise (or at least separation) or not?

#### Conflicts Over Tastes and Preferences

People in different cultures have different tastes and preferences. In their simplest form, these tastes and preferences are usually so personal and subjective that they can be

easily ignored (e.g., being a vegan or vegetarian). As David Cooper (2004), p. 90 puts it, where tastes are concerned, we can simply agree to disagree. However, when these tastes or preferences affect other people in fairly direct ways (e.g., being a vegan sales representative for a major meat processor, but refusing to eat meat products with clients or customers), they are harder to ignore. In such cases, we often see increased pressures to think of ways to resolve the conflict or change personal behavior. Thus, knowing how and when to move beyond an agree-to-disagree strategy becomes crucial.

Consider the example of a small Dutch high tech firm that was recently acquired by a major US electronics firm. Consistent with Dutch tradition, the small company had long provided many of its middle managers with company cars to offset the country's high tax rate on personal incomes. In the eyes of its employees, this was part of their compensation package. However, after the acquisition, the American executive overseeing the acquisition sought to rescind the local company's car policy since it was far more generous than that of the parent company back in the US (following a number of resignations, the parent company policy change was dropped.) This example illustrates the conflicts and challenges faced by many of today's global managers. From his or her standpoint, the American executive was seeking equality in their employee personnel policies across the two countries, but from the Dutch standpoint the company cars were part of this equality since their income tax rate was substantially higher than their US counterparts.

#### Conflicts Between Moral Imperatives vs. Legal Requirements

For millennia, societies have worked to separate the sphere of the legal from that of the ethical. To understand this, it might be helpful to look at the mediating role of religion. In Christian doctrine, for example, social relations emphasize the need to clearly separate the spheres of government (that which "belongs to the Caesar") from the spheres of spirituality (that which "belongs to God"). Other religions and philosophies have tended to be somewhat less clear on how distinct this separation should be. For example, Confucianism (really more of a secular system of ethics than a religion) saw in the virtues of the emperor and public officials the ultimate model for everyone's behavior, and proposed that social relations generally mirror the relationships that ought to be established between rulers and the ruled. Hinduism reserves to members of the Kshatriya caste all military and governance duties. Islam, too, conflates the public and private spheres negating the separation of legal and religious duties and rulers.

With time, however, the doctrines and practices of many of these faiths have increasingly begun to separate the ethical and religious domains from the legal one, the exception being Muslim countries that continue to adhere to the Islamic legal-and-religious regulation known as the Sharia.<sup>1</sup> The major practical implication of this separation of the ethical and the legal is that only the most fundamental parameters of human behavior (e.g., major crimes against society) are mandated by the law and oftentimes punished, while the ethical is often seen as being self- or group-regulating and largely excluded from direct government intervention. For this dichotomy to work in actual practice, however, few contradictions can exist between the mandates of the law and of ethics, and this is clearly not always the case.

We can then differentiate ethical conflicts on the one hand, and institutional conflicts on the other. Ethical conflicts represent disagreements that arise when two or more people (or groups) disagree on what is ethically correct. This disagreement is often posed in terms of right and wrong, moral and immoral, and each group gets to decide its own version of these two polar opposites. Cheating on income taxes is a case in point. While some societies believe that failure to pay one's share of corporate or personal taxes represents a theft from society and is morally reprehensible, other societies (and other people in the same society) merely pay lip service to their tax obligations and acknowledge—and, indeed, sometimes encourage—people's efforts to minimize or eliminate such a financial imposition.

By contrast, institutional conflicts represent differences over what is legal or consistent with legitimately determined public policy. The fundamental difference here is that, while ethical conflicts focus on what is moral, institutional conflicts focus on what is legal. For example, many governments adopt strong consumer protection laws to protect their citizens from unhealthy, unsafe, or poorly constructed products. Other governments take a more *laissez-faire* approach (or *caveat emptor*—let the buyer beware). Still others have laws on the books, but seldom enforce them. In addition to laws, governments and public

agencies also sanction a number of public policies, policies designed for the common good. For example, many governmental organizations issue edicts, recommendations, or targets on issues relating to social policy (e.g., automobile emissions, greenhouse gases, and sustainable development). Some of these public policies have various means of (usually mild) enforcement, while others are enforced only by social pressure.

What is interesting here is that many institutional requirements (laws, regulations) are implemented to reinforce a society's normative (moral) beliefs. For example, if social norms or religious beliefs forbid theft, laws are often enacted to back this up by making such actions illegal. As a result, normative beliefs and institutional regulations tend to correlate highly with one another in most societies, particularly those that are relatively homogeneous. Moreover, in some cultures, legal requirements are directly integrated into religions' beliefs (e.g., Islam's Sharia).

Even so, what is moral or legal in one society may not necessarily be so in another. For example, while some Western countries consider insider trading (where corporate officers and others close to the executive wing use confidential information that is not publicly available to general stockholders to purchase or sell shares before adverse or unexpected news becomes public) to be both unethical and illegal, others see such behavior as inevitable (i.e., how can society expect executives not to act on future knowledge about their firms?) and do not attempt to proscribe it.

What should managers do, then, when confronted with a conflict between their ethical beliefs, on the one hand, and local laws and regulations, on the other? When all reasonable efforts to reconcile these conflicting forces fail, precedence in most cultures is often given to the ethical over the legal.<sup>2</sup> That is, people will follow their conscience before they follow the law. This obviously does not suggest

<sup>1</sup> It should be noted that some Western philosophers see this lack of separation of the legal and the ethical/religious in Islamic countries as transitory, with the expectation that Muslim societies will eventually move toward separating both spheres. Of course, some people in Islamic cultures disagree strongly with this assessment, sensing that this hypothetical evolution may be an attempt to interfere with fundamental tenets of the Islamic faith and way of life. The fact remains, however, that strict *Sharia* regulations are less dominant than they used to be in the past. In the financial scene, for instance, Islamic banking and finance is alive and well in all countries with significant Islamic populations but, with very few exceptions—including Iran, Sudan, and Pakistan—it coexists naturally with conventional approaches.

<sup>2</sup> Sometimes ethics will demand obedience to a law that contradicts an ethical mandate if, for instance, not doing so will cause unfair and disproportionate harms to third parties. Here, however, the legal is not preferred over the ethical because of it being legal, but because of the ethical mandate. In other cases of conflict, the ethical mandate may allow to either follow or oppose the law (ethics, for instance, does not allow us to make injustices, but it allows us to suffer them if we so choose). Again, this is a case of eventually following the law not because the law should be given prevalence but because ethics will allow it. The universal nature of the priority of the moral over the legal should not surprise us once we understand that the ultimate justification for a legal mandate—what the state should impose—always rests on a moral mandate—what people ought to do. Because of this, it is commonly argued that laws that go against ethics are not real laws to be obeyed but arbitrary impositions to be opposed. This, for instance, was the core of the argument against the defence of the Nazi leaders in the Nuremberg trials. The law is the main instrument through which states specify how people ought to behave in specific situations in application of fundamental principles of justice.

that doing so will be easy. In many cases, following one's moral conscience risks the penalties that breaking the law entails. Even so, most cultures most of the time reinforce the importance of doing what is right over doing what is legal. Indeed, this is how many local heroes are born. Moreover, many companies encourage their employees to adhere to this doctrine.

For example, in-house training programs at Motorola advised their global managers to check out whether the consequences of applying the law in various countries may violate basic principles of human rights or environmental protection prior to taking action (Moorthy et al. 1998). Motorola's reasoning seems to be attractive to many people, yet it assumes implicitly that instances of conflict between ethical and legal prescriptions will take place only in foreign land, not inside the US far less training in this area is provided to many of its local managers.

Thus, people frequently become more apprehensive when what is at stake is the law of their home country than that of a foreign nation. For example, we saw above that business travelers to Iran will often lie to Iranian authorities about ever having visited Israel. The point here is that if these same travelers were asked how they might feel about similarly violating the immigration laws of their own country, not a third one, would we be much surprised to see their responses become much more nuanced and, in the end, typically showing a clearer reluctance to break the law? We know of no research that has addressed this specific point, but our first intuition is that we would not be that surprised. The question for global managers, then, is when and where to place personal convictions above the law.

#### Tolerance for Differences in Values

Finally, many managers see conflicts between values as almost natural and unavoidable in cross-cultural encounters. Such conflicts are obviously an important issue, but their relevance may at times be a bit overstated. First, much of this conflict also happens within cultures, especially in cultures that pride themselves on integrating different viewpoints or prize high levels of heterogeneity and diversity. Second, much of what appears to be conflicts between competing values from different cultures actually masks conflicting practices emanating from similar, non-competing values. Third, anthropologists consistently point out that entering another culture promotes awareness and understanding of values and practices already present in our own culture, but perhaps taken for granted and forgotten.

A principal issue here has to do with the harmonization of different values within, not across, cultures. Not all values are equally valued at all times, and some values are not easily amenable to simultaneous implementation. On

the one hand, because of increased globalization pressures, cultures may end up differing not so much in the values they espouse, but rather in how they weight and combine these values for specific purposes through specific practices. On the other hand, with cultures becoming increasingly intermixed, what may initially appear as value conflicts can become more salient within cultures than among them.

Hence, tolerance can play a critical role in the extent to which ethical conflicts emerge. In this regard, research on what it means to be an ethical leader in different cultures is particularly illuminating. For example, researchers in the GLOBE project examined the endorsement of ethical leadership across cultures by surveying the ethics and leadership literatures to find several key attributes that characterize ethical leadership (House et al. 2004; Resick et al. 2006). These attributes included character and integrity; ethical awareness; community and people orientation; motivating, encouraging, and empowering people; and managing ethical accountability. Using the GLOBE data, they derived four factors that matched closely four of the six attributes from the literature review, which they named "character and integrity," "altruism," "collective motivation," and "encouragement." The results showed that the endorsement of each of the four dimensions of ethical leadership differed significantly across the country clusters used in their study. However, because the average endorsement of the attributes was beyond the midpoint average for all dimensions, the authors concluded that some degree of common agreement existed in the endorsement of the components of ethical leadership. This research suggests that the four dimensions of ethical leadership represent a somewhat universal principle according to which, while all cultures appreciate and value some common ethical leadership dimensions, they also allow for significant differences in their enactment.

To illustrate this situation, take, for instance, the "character and integrity" factor in the GLOBE study (House et al. 2004). This dimension received the highest endorsement by societies in the Nordic European cluster, and the lowest among the Middle Eastern cluster. Nordic and Middle Eastern countries, the authors pointed out, both value character and integrity in their leaders, but consistently rank very differently in international indexes of corruption. The same Nordic European countries, however, show the lowest endorsement of the "altruism" dimension, while societies in Southeast Asia rank it the highest. One could argue that this relates to the fact that Southeast Asians also rank higher than Nordic Europeans on in-group pride, loyalty, and a humane orientation. Whatever the reason, however, a logical conclusion here would be that ethical values and acceptable or desired leadership roles vary across country clusters.

## Levels of Understanding of Cultural Ethical Conflicts

For purposes of both study and practice, cross-cultural ethical conflicts can be understood as operating on three levels. First, what is meant by the concept of universal values regarding ethical behavior? Second, what is the interplay between values and practices in cross-cultural ethical conflicts? And third, how do individual and organizational ethical values relate to each other and to subsequent managerial action? Taken together, the answers to these questions help explain why cross-cultural conflicts are so challenging and difficult for global managers who try to behave honestly.

### What is the Meaning of Universal Values?

On a purely descriptive level, ethical mandates differ across time and space.<sup>3</sup> Concepts of right and wrong vary through time within any given culture, as well as through cultures themselves at any given time. What is significant here, however, is whether we think of the evolution of what people consider to be right or wrong, through time and space, in terms of a specific pattern of meaning or, to the contrary, whether no discernible pattern can be identified from the temporal and geographical evolution of ethical mandates. Moreover, regardless of whether people behave in more or less ethical ways, each generation often sees itself as being more advanced than its predecessors in the accuracy, completeness, and validity of its ethical awareness and understanding.

When examining how each society answers the basic questions of life, very few, if any, would want to renounce the intellectual advancements that their culture has achieved through time. For example, who would seriously want to return to the times when one man owned another, women were not allowed to express themselves in social life, caring for the environment did not systematically cross anyone's mind, or "an eye for an eye" appeared as the most sophisticated inducement against disproportionate forms of revenge? To the extent that people across cultures find this a reasonable argument when applied to their own traditions, we can conclude that some values and principles are indeed universal. But beyond some presupposition of the continuous advancement of ethical standards, however defined, we suggest that no ethical position that any

tradition may hold at any point of time can genuinely be considered universal in the long run if by universal we understand that its final definition, one that is not subject to further eventual improvement, has already been reached. This idea of improvement in the definition of values lies at the heart of some philosophical approaches of human progress. For instance, Manuel García Morente (2011), p. 57 one of the most influential Spanish philosophers of the past century, talks of progress as the manifestation and culminating of the kingdom of values through human effort. Japanese Nobel Laureate Kenzaburo Oé, for instance, wonderfully illustrates the idea of values that are universal but the universalism of which can only be accessed incrementally. Writing on the suffering that followed the atomic bombing of Hiroshima, Oé explains (2011) how the richness of the concept of human dignity is beyond words, how no human language will ever fully make it justice, and how one improves on its understanding through time and space.

In short, people and cultures evolve over time and space, as do their ethical beliefs and values. At times, these values run somewhat in tandem across cultures to give the impression of a universal form of access—understanding and application—to those values. This can be seen very clearly in many commonly espoused beliefs to "respect one's neighbors" or "protect the defenceless" that can be found in various forms in such widely dispersed writings as the Bible, Dharma, Koran, Puranas, Analects and Talmud (Danto 1972; de Lubac 1951; Yearley 1990). However, at other times, this convergence seems to disappear. It is difficult, for instance, to talk of full and final convergence on the understanding of women's rights (e.g., Should women have equal rights? What does "equal" mean? Is "equal" better than "different?"), as already achieved. In that sense, from a descriptive viewpoint, ethical values are not universal over time and space but they do *become* universal through time and space. In old philosophical parlance, values are universal in fieri and the process of accessing universalism is what we can properly call progress. If this is correct, the global manager lives in parallel cultural universes of at times conflicting definitions and implementations of values and modes of behavior that tends towards convergent universalization. This universalizing progress may proceed at different speeds, with ups and downs, in different times and places, but with an overall direction of fulfillment.<sup>4</sup>

<sup>3</sup> Some authors differentiate between descriptive and normative ethics. Descriptive ethics would deal with how people are and act, while normative ethics would account for how people ought to be and act. Others argue that "descriptive ethics" is more about psychology and sociology than about ethics strictly speaking. We are not interested in this polemic right now, but want to emphasize that when we talk about ethical mandates differing across cultures we are basically taking a descriptive stance unless otherwise noted.

<sup>4</sup> This sense of process and progress is implicit in most definitions of truth that look for some form of "adequatio" between reality and its representation ("adequatio intellectus rei" in the classical formulation). Strictly speaking those definitions are not talking of mere "equatio" but *equatio* "that is tendentially achieved, towards which one progressively tends", for that is the sense of the Latin "ad" preposition. Like in the process of pursuing the universal, achieving



## What is the Relationship Between Values and Practices?

A second issue that requires some clarification is the relationship between values and practices in cross-cultural ethical conflicts. Many people believe that conflicting values, as opposed to conflicting practices, are the root cause of most conflict. Accordingly, it is argued that if people could only reach agreement on the values from which contrasting practices emanate across countries, this would pave the way to ethical consensus. In our experience, however, the opposite is correct. Disagreement over practices, not values, lay at the heart of many of the more complex ethical conflicts.

Long ago, Herodotus (2007), 3, 38, 1–2 observed “If someone were to assign to every person in the world the task of selecting the best of all customs, each one, after thorough consideration, would choose those of his own people, so strongly do humans believe that their customs are the best ones.” He advised people not to interfere with the customs and practices of others as the principal way in which to avoid, or at least minimize, conflict. However, when this is not possible, perhaps the best course of action is to focus first on areas of agreement, where commonalities across cultures can be found. As such, rather than focus on objectionable practices, perhaps managers should direct more attention to how to build mutually acceptable practices that are based on common values.

## How Can We Reconcile Ethical Conflicts Both Within and Between Organizations?

Finally, we need to differentiate the focus of cross-cultural ethical conflicts between organization-to-organization conflicts and organization-to-individual conflicts. In many cases, what is at stake is a conflict between the positions of a given company and some external party, such as consumers, suppliers, strategic partners, and so forth. In other cases, however, the conflict is internal, between the values that a firm espouses and those held by one or more of its employees.

Consider the plight of the pharmacist who disagrees with selling certain drugs that his or her employer, as well as the medical community and pharmaceutical industry,

support. Or consider the plight of a US Department of Agriculture employee who is asked to participate in promoting tobacco exports to foreign countries in spite of his (and his own government’s) public opposition to smoking. (indeed, the US government subsidizes both local smoking abatement efforts and tobacco export promotion programs.)

While it may be tempting to disregard such situations by saying that firms must uphold their values as part of their culture, vision, and mission (and if employees disagree they may always leave for another firm), things are seldom this simple. Controversial organizational values can seldom be imposed successfully on individual employees who disagree with them, even if these employees act publicly as if they agreed. In Japan, for example, doing or saying the right thing according to what is expected of you (*tatemae*) can be quite different from what an individual actually thinks or prefers to do (*honne*). Thus, understanding conflict requires an understanding of the parties to the conflict, as well as their respective roles (expected and preferred) within the organization.

## The Pursuit of Truth

Communications consultant Richard Lewis (1999), p. 8 once joked, “For a German and a Finn, the truth is the truth. In Japan and Britain, it is all right to tell the truth if it doesn’t rock the boat. In China, there is no absolute truth. And in Italy, the truth is negotiable.” British actor Peter Ustinov (quoted in Hill 1998), p. 230 performed a related pun when observed that “In order to reach the truth the Germans add, the French subtract, and the British change the subject. I did not include the Americans, since they often give the impression that they already have the truth.” Does this mean that truth is in the eye of the beholder and that the “truth” is not always the “truth?” clearly not and, joking aside, we need to differentiate between truth and the different ways people across cultures deal with how to seek and communicate truth under apparently similar situations.

We can see that the concept of truth is fundamental to understanding the impact of culture on how people see right and wrong and make sense of their responsibilities to themselves and others. To do so, we need to work on two different levels. First, culture has an effect on whether groups of people might be treated differently based upon their cultural backgrounds—what might be called the who question, which relates to the parties to an exchange over ethics and the role that cultural memberships may come to play in that exchange. Second, culture can also affect the content of what one considers proper behavior towards oneself and others—the what question. This is an important distinction and global managers who fail to understand this often end up characterizing acceptable behaviors as

Footnote 4 continued

truth talks more about the a priori unending process of search than about realizing its final state of complete “equatio”. This is so because full and final truth, like the full and final universal, are so much bigger than us as humans that some philosophers feel the need to point that, properly speaking, truth is not something that one may hold or have. To the contrary, if anything, it is truth that may *have* and *hold* you (see, for instance, in Spanish, Alejandro Llano, 2007, “Cultura y pasión”, Pamplona: Ediciones Universidad de Navarra, p. 27-42).

unethical, thus escalating tensions and conflicts in their relations with others.

### Should We Hold Everyone to the Same or to Different Standards?

The answer to the who question is directly linked to where cultures stand in terms of universalism and particularism. This conflict can be illustrated in a classic confrontation between a driver and a pedestrian (Stouffer and Jackson 1951). Imagine that you are riding in a car driven by a close friend and he hits a pedestrian. You know he was driving too fast in a limited speed zone. You know further that there are no other witnesses, and your friend's lawyer asks you to testify that he was actually driving more slowly. Indeed, if you testify honestly to his actual speed at the time of the accident, your friend will face serious legal consequences. What would you do?

When presented with this dilemma, people from "universalistic" and "particularistic" cultures tend to behave in different ways (Trompenaars 2003).<sup>5</sup> In a typical case, about half the managers from universalistic cultures are likely to answer that friendship should play no role in their decision, objectivity should take precedence, and you should testify against your friend. The other half of this group first tries to escape, rather than resolve the dilemma, by refusing to testify one way or another. This is not always an easy position for them, since they realize that they fail their fundamental duties of collaborating with both a friend and the administration of justice, but they see this as less morally onerous than either lying or somehow taking part in the imposition of serious consequences to their friend. Coming from universalistic cultures, they see the reasonableness of a system that rests on the assumption that people will either tell the truth (which they would favor in most circumstances) or refrain from testifying under special circumstances. They would clearly reject a system where people could either tell the truth or tell a lie at their convenience, since they believe that life would then become excessively chaotic and unreliable. In other words, they need predictability in their world, but retain for themselves an option not to participate.

At the same time, managers from particularistic cultures respond to the scenario in a very different way. They also tend to split into halves, with one group immediately stating that they would lie for their friend, and the other half asking for additional information before making a decision. Interestingly, they do not tend to avoid testifying

as a way out of the dilemma, at least not as much as universalists do. This is less of an option for particularists either because they do not seem initially interested in anything else than their friend's welfare or because they feel like they should not abstain from contributing to restore some sort of "state of justice" or equilibrium that the accident has broken. Thus, universalists tend to emphasize norms and value objectivism and predictability, while particularists tend to favor relationships, subjectivism, and ambiguity. There is nothing intrinsically ethical or unethical about those preferences, even if they obviously lead to contrasting, even contradictory, behaviors towards others.

Performance appraisal in organizations, for instance, may be eventually practiced through objective, pre-established standards that will be equally applied to each employee. Not coincidentally, this is the preferred method in mostly universalistic Western countries, as well as in most HR management books. In other cultures, like particularistic ones, the specific circumstances regarding each employee may be given a more salient role in assessing performance and behavior. As a result, we see questions such as this: Why is it inherently wrong to award greater recognition and rewards to those who have worked harder to achieve the same results as their more able peers? The issue in this case, then, is not so much who is right or wrong, but rather what frames of reference are used in making the assessment.

These are cultural choices that may make sense within their own cultural environments more than in foreign territories, but that does not speak of their ethical value. Columbia University anthropologist Lawrence Rosen (2006), p. 98–100 notes, for instance, the differences between Western and Islamic countries with respect to the functioning of the legal system. In the West, property is viewed for legal purposes in terms of ownership (who owns this land?); this is an objectivist approach. By contrast, under Islam, property is viewed in terms of its relationships to others (who is associated with this land?); this is a subjectivist approach. Because the idea of a divisible self is unimaginable in Islam, power is both institutional and personal, with the implication that judges (and managers, we may add) are expected to rule without consciously trying to exclude their personal feelings and attitudes. Judges, then, will open widely the bounds of relevance to ascertain ties of indebtedness of the various parties to a dispute, often getting people back to negotiate their own agreements within their kin rather than enunciating particular rights. Judges will assess witness reliability according to the nature and intensity of the witnesses' social ties rather than primarily relying on their objective expertise, and they will ascertain facts according more to their evaluation of the person and their past history than by

<sup>5</sup> Universalistic, or rule-based, cultures believe that everyone should be held accountable to the same rules that are equally applied; while particularistic, or relationship-based, cultures allow room for exceptions to rules based on close personal relationships or unique situations.

observable circumstances. Rosen also stresses that because of their greater effect on their networks of relationships, educated and wealthier people are also held to higher legal standards in Islamic cultures. For managers, the ethical landscape looks very much the same. Business contracts make heavy use of both personal contacts and networks and are largely transitory when conditions change in more particularistic cultures than in universalistic ones.

#### What is Considered to be Proper Behavior Towards Others?

We have now seen that one aspect of an ethical exchange focuses on the particular cultural group to which the parties to the exchange belong—the who question—and the different implications that universalistic and particularistic viewpoints assume. Beyond this, we also need to look at how cultures view ethical demands in different ways, and the implications that this holds for international management. In other words, we turn now to the what question. That is, how can cultures affect the content of what people consider to be proper or acceptable—ethical—behavior towards oneself and others. How should people be treated from an ethical standpoint across cultures?

It is often said that truth is the first casualty when conflict escalates. We often hear managers complain that their counterparts across borders fail to keep their commitments, refrain from clearly explaining how they see the issues and, at times, simply fail to tell the truth. In fact, viewed from the vantage point of only one culture, such behaviors would easily be defined as mendacious. The question, then, is whether we need to account for different cultural approaches to the idea of truth before simply concluding that one of the parties is behaving unethically.

The concept of truth has been extremely difficult in history. Whichever the approach to truth, there are always two elements in its definition that are not easy to combine. On the one hand, truth refers to some external reality. On the other hand, truth talks about how we approach that reality, so that when what we think basically agrees or disagrees with the external reality we talk, respectively, of truth and falsehood. One set of issues, then, derives from the fact that mental models and reality are not co-extensive and some degree of incommensurability will always be present. Another issue is that the same realities are often viewed differently across times and places. The quote above from Pascal, for instance, refers to the reality of two contiguous countries, France and Spain, with different laws and judicial systems. The implications can be striking. Someone may be considered a murdered in one country and not in the other, for instance. These conflicts are not really conflicts of truth, but of a given set of incompatible practices. Only a few pages later, Pascal talks about the

history of the Church as “the history of truth” (1965, p. 102), which shows that he did not hold a relativistic view of truth and was actually pointing at conflicting practices between the two neighbors. This is worth pointing for two reasons. First, because it is becoming increasingly common to use this quote by Pascal as an example and justification of relativism, and nothing is actually further away from Pascal’s thought. Second, because this type of misunderstanding is easily solved by distinguishing practices (legal and judicial practice in Pascal’s mind) and values.

Many instances in which someone says something that is believed to be false result from the different cognitive filters that culture bring to their members. These are not necessarily instances of ethical conflict, just misunderstanding, and they are easily resolved once a miscommunication is detected and corrected. In other cases, however, one of the parties to an exchange is consciously making statements that are not formally true. Of course, when this falsehood is discovered, the other party is likely to accuse the speaker of misrepresentation or worse. We are not interested here in the phenomenon of lying just because the liar belongs to a certain culture. In fact misrepresentations of the truth can be found in all cultures, and all cultures agree that such behavior is improper. What interests us here is the issue of intentional misrepresentations when a cultural rationale underlies what is said. That is, in these instances, while one party may feel offended, the other party may consider this as a natural way of conducting an exchange. In such cases, serious conflicts are likely to follow.

Consider the following example: the Chinese HR manager of a Latin American multinational in Shanghai told one of the authors how difficult it was for him to deal with half-truths and mistruths by expatriate employees of the firm. The expatriates would approach their managers, for instance, with a request for vacation time that the manager thought was inappropriate, largely because of work schedules. While in their own countries these managers would have openly answered “no” to these requests, such an approach is considered rude in a Chinese context. Therefore, the managers would answer something along the lines of “I will have to think about it and get back to you.” Of course, some of the expatriates lacked the experience to understand that they had already been given a negative answer in a subtle way that spared either party any embarrassment, thus saving face. Instead, they kept waiting for the manager to get back to them and, since this never happened, they considered themselves cheated and the manager a liar. That this is not an issue regarding the global meaning of truth is demonstrated here by the fact that no Chinese employees ever misread the real answer behind the rather neutral response.

To see another example concerning Russia and Eastern Europe, management ethicist Eileen Morgan (1998) argues

that much of the conflict between Western and some of these former communist countries results from a misunderstanding about the concept and meaning of corruption. That is, historically, “business” is not a concept that comes naturally in the Russian language. To begin with, there is no original Russian word for business. *Biznez*, as it is incorporated into the language, carries with it a strong cultural baggage dating from communist times, and it is still associated with ideas like exploitation and corruption. Unlike Westerners, Russians differentiate ethics from corruption. Corruption is seen as institutionalized, hierarchical behavior that falls out of the control of individuals. Ethics, on the other hand, is seen as the set of values that should guide one-on-one relationships, between individuals. Corruption, then, refers to the institutional environment in which individuals, like it or not, must operate. Individual behavior is not commensurate with the presence or absence of corruption. If one partner steals from another partner, there is a breach in ethical behavior, but not an incidence of corruption. The implications here are very important. If institutions systematically behave in a certain “corrupt” manner, alternative behaviors from individuals may become extremely unsustainable. Even more, when corruption becomes part of the business environment, concepts like guilt and shame lose some of their saliency because free will by individuals regarding corrupt behavior may have disappeared altogether. When corruption is part of the institutional fabric, it becomes something to be expected in the normal course of events. The problem here is that all parties to a deal or partnership should understand how this works and, not surprisingly, many global managers with little or no experience in this region can easily be taken in.

Next, consider bribery. Western countries tend to see bribery as an unfair practice that destroys the good will that is so fundamental in international business transactions. By contrast, in other countries, bribery is often seen as an enabler of business relationships, not an inhibitor, thus losing some of its negative connotations. Bribery is also seen in many countries simply as the way things are, some peculiar trait of the social environment and not unlike the Russian example just noted. As a result, it is easy to suggest that personal accountability under such conditions could not be expected to operate in the same way it would in Western countries. This, of course, is not to condone corruption. But it helps understand the different meanings of corrupt and corrupting behaviors in different countries.

Finally, some have suggested that the basic problem with corruption and other forms of unethical behavior is that it introduces unreliability into social interactions. This may be correct in some places. However, in locations where corruption is part of the system, people often come to expect it, and its effects can be readily discounted. Corrupt systems, then, need not be necessarily unreliable, only corrupt. Under such circumstances, many corporations

refrain from operating in those environments and pursue other alternative and honest alliances. This is understandable and may become the only sensible reaction to legal systems that will punish giving into corrupt environmental pressures, or to decision makers that prefer not to engage in what they see as profoundly unethical behavior. But there is a side effect to such attitudes. First, only parties who feel more comfortable in the corrupt environments will operate there, thus compounding the problem for those who would rather change the way things are. Second, what happens to those with no alternative deals available, like most people living in the local environment? How is it possible to argue against the chorus from poorer families that are stuck in these environments that only if you are wealthy enough to flee the area can they afford to behave ethically?

### Concluding Comments

All we have seen so far may sound stimulating and thought provoking to global managers, but they will immediately wonder what is that they can actually do when confronting ethical conflicts across cultures like the ones just outlined. Managers may personally hold whatever convictions they see fit, but they know that their companies need to hold some set of common basic principles and guidelines across cultures to guide collective action in consistent ways.

For the practical purpose of decision-making, companies are extremely unlikely to adhere to strong forms of relativism, for that could bring unpredictability, lack of coordination, and overall uncertainty to organizational outcomes. To the extent that there is social consensus around some concept of universal ethics, chances are that companies will share on that consensus and develop policies and practices consistent with that concept. If companies do not find that consensus, they will have to define on their own some substitute to inspire and guide their policies and practices. When they do that, they talk about the organizational values behind the culture, mission and vision of their particular firm. And no organizational decision maker will ever be legitimated to act against those organizational values on his or her own, without an explicit authorization that is extremely unlikely to happen. The question then arises: Is it reasonable to leave in the hands of each organization the definition and development of their own organizational ethical guidelines as they see fit? Should not also society as a whole and, increasingly, at a global scale help provide the fundamentals of a universal ethics upon which companies may then build their own applied guidelines and policies? We think that society should not escape that responsibility and this requires some agreement on how to proceed towards building those fundamentals for a universal ethics. Even if it is beyond the scope of this paper to deal with the fundamentals of a universal ethics, we would like to

suggest that an interesting starting point can be found, for instance, in search for universal ethic: a new look at the natural law, a 2009 document by the International Theological Commission. One way or another, building such fundamentals for a universal business ethics is a task we cannot keep on delaying.

Having pointed at the limitations of making sense of this issues from one single cultural lens, it is natural to call for the joint efforts of researchers from all cultural traditions to contribute their insights. Research in this area does not only require cross-cultural efforts, but also with a multi-disciplinary approach, since virtually all fields in the social sciences—philosophy, anthropology, management, psychology, and sociology—can and should contribute in the effort. Research that is cross-cultural and multidisciplinary is never easy, but we cannot afford postponing it.

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