

# A Cross-Cultural Study of the Influence of Country of Origin, Justice, Power Distance, and Gender on Ethical Decision Making

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**ABSTRACT:** This study examines the impact of national culture on ethical decision making. We theorize and test a mediation model where country of origin influences perceptions of justice and power distance, which in turn influence behavioral intentions in regard to ethical dilemmas.

Our sample includes accounting students from four countries: China, Japan, Mexico, and the U.S. We find that country of origin, justice perceptions, power distance perception, and gender are all related to ethical decision making. We investigate these relationships with two different ethical scenarios, and find that these relationships differ between the two contexts. Additionally, power distance and justice partially mediate the relationship between country of origin and ethical decision making. We find that gender is significantly related to ethical decision making in one of the two scenarios, and explore gender differences in all of the measured constructs across countries.

Finally, we contrast the various measures of justice, power distance, and agreement with behavioral intentions in the two ethical scenarios between countries. We find that the two eastern countries (China and Japan) and the two western countries (U.S. and Mexico) demonstrate expected East-West patterns in power distance. However, this East-versus-West pattern is not supported when considering between-country differences in justice, agreement with the layoff decision, and agreement with whistleblowing.

**Keywords:** ethical decision making; culture; gender; justice; power distance.

## I. INTRODUCTION

In this increasingly international marketplace, the blending of national cultures has led to the development of inter-reliance among global business counterparts. One aspect of this reliance is the need for business organizations to understand and even to predict how individuals with different cultural backgrounds will react to given business situations—particularly those situations

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involving ethical dilemmas. This understanding is necessary for fostering cooperative interactions within and between organizations.

Another challenge to multinational organizations is the development of internal control structures that can function effectively across multiple cultures (Salter et al. 2004). For example, a practice that would be considered unethical in one country, such as nepotism or confidential reporting through whistleblowing hotlines, may be an effective control against unethical behavior in another country (Nasif et al. 1991). To develop adequate organizational control structures, organizations must understand the factors that motivate and pressure their employees. Thus, understanding the role of culture on ethical behavior could have a far-reaching effect on how organizations structure their operations and practices in the global marketplace (Patel 2003).

To contribute to this understanding, we first assess the impact of country of origin on ethical decision making. While there is a growing body of international research in the field of business ethics, there is little empirical research on the relative influence of social environmental source (Westerman et al. 2007). Therefore, we explore the mechanisms through which country of origin impacts ethical decision making by evaluating the mediation of justice and power distance perceptions on the relationship between country of origin and ethical decision making.

In a survey completed by 527 accounting students, we test this mediation relationship and also consider whether gender has a direct impact on ethical decision making. Using two different ethical contexts (agreement with how candidates for layoff are selected and with whistleblowing) and participants from four countries (China, Japan, Mexico, and the U.S.), we find that country of origin impacts ethical decision making. Justice is also significantly related to ethical decision making in both scenarios, while power distance is related only to the whistleblowing scenario. There is some support for the mediation of the country of origin ethical decision making relationship by justice and power distance. The impact of gender on ethical decision making is also found to be context specific, and we explore the pattern of gender differences for each country on each of our theoretical constructs. Finally, in analyzing the pattern of perceptions by country, we find that the two eastern countries (China and Japan) and the two western countries (U.S. and Mexico) demonstrate expected East-West patterns in power distance. However, this East-versus-West pattern is not supported when considering between-country differences in justice, agreement with the layoff decision, and agreement with the whistleblowing decision.

Our contributions stem from both our theoretical model and our samples. In regard to our model, we help to explain the relationship between country of origin and ethical decision making by testing two components of national culture. Nasif et al. (1991) assert that studies employing country of origin as a surrogate for national culture implicitly assume that the domestic populations within those countries are culturally homogeneous, when instead most nations in the world are multicultural. Therefore, our study is both cross-national and cross-cultural in that we consider the relationship between country of origin and ethical behavior, as well as two components of national culture (justice and power distance) as mediators of this relationship.

In regard to these two components, power distance is a commonly considered cultural component, and including it in our research serves to extend the existing literature. Justice, on the other hand, has had little consideration in cross-cultural research and we therefore contribute to the research in both justice and culture in our exploration of the impact of country of origin on justice perceptions, and those subsequent perceptions on ethical behavior.

Prior research suggests that ethical behavior is context specific; therefore, we consider the impact of cultural factors on behavior within two different contexts. Many international corporations have implemented ethics hotlines, and it is an important contribution of this study that we explore the cultural differences and influences on employees' willingness to use these mechanisms. Additionally, with the ever-changing business environment today, employee layoff

decisions are inevitable, but challenging. We also explore the cultural differences and influences on employees' perceptions of such decisions.

Additionally, our four-country data sample is unique to the debate on national culture, and findings that traditional East and West attitudes do not exist, at least with younger workers, may stimulate new research in this area. Further, conducting this study with accounting students provides the opportunity to observe the perception of future business leaders of these countries (Albaum and Peterson 2006; Dunn and Shome 2009). Globalization of business and political change has wrought significant transformation in the way younger generations view the world. Our sample captures these changes by eliciting the attitudes of our future business leaders who will soon be confronted by ethical dilemmas in the workforce. Finally, we help to explain the mixed findings regarding the impact of gender on ethical decision making by demonstrating that the relationship is context dependent and differs by country of origin.

## II. THEORY

### Country of Origin

Hofstede (1983, 76) asserts that individuals develop “collective programming of the mind” from their family in early childhood and this is reinforced in schools and organizations in the country in which they are raised. These mental programs contain, among other characteristics, national culture, through which new experiences are interpreted, and result in interpretations that are largely invisible and unconscious (Hofstede 1987).

Ethics theory supports the influence of instinctive reactions on ethical behavior, although to varying degrees. For example, Rest's (1986) definition of ethical judgment (on which the DIT [Defining Issues Test] scale was based) allows for intuitive ethical judgment, as does Forsyth's (1980) definition of ethical ideology (on which the Ethics Position Questionnaire [EPQ] scale was based). Sparks and Pan (2010) define ethical judgment as a fairly rational evaluative process, but which includes judgments that can be unconscious, intuitive, and therefore subject to innate beliefs and biases. Therefore, there is theoretical support for the notion that country of origin results in mental programs that result in instinctive reactions to ethically challenging situations.

There is empirical support for this contention as well, since a growing body of literature explores the impact of country of origin on ethical behavior. For example, Dunn and Shome (2009) find cross-national differences between Chinese and Canadian business students with respect to their assessment of the ethicality of various business behaviors. Chow et al. (2000) demonstrate the interaction effects of country of origin (China and U.S.) and contextual factors on employees' willingness to share knowledge with co-workers. Westerman et al. (2007) find that both country of origin and peer influence are significant influences on an individual's intention to behave ethically. Therefore, consistent with prior research, we first hypothesize:

**H1:** Ethical decision making differs with country of origin.

Despite this significant body of research delimiting culture to the nation-state (Sivakumar and Nakata 2001; Chung et al. 2007), such delineation ignores the multicultural nature of more developed countries (Nasif et al. 1991). In the following sections, we explore two mediating variables that help to explain the mechanisms through which country of origin impacts important human instincts: justice and power distance.<sup>1</sup> We believe these two factors can greatly enhance our

<sup>1</sup> Hofstede et al. (2010, 31) define a cultural dimension as “an aspect of a culture that can be measured relative to other cultures.” Because we demonstrate that justice can be measured relative to other cultures, we assert that it is equivalent to power distance in its cultural significance, even though it was not identified by the seminal research of Hofstede (1980). This is possibly because justice is relevant only in context and the Hofstede (1980) study employed attitude data.

understanding of how individuals from various countries may arrive at differing positions in ethically challenging situations. Since power distance was the first dimension to emerge from Hofstede's (1980) study and is a common cultural dimension in ethics research (cf. Schultz et al. 1993) due to its impact on ethical decision making, we include this construct to contribute to the existing body of cross-cultural literature in ethics. On the other hand, while the perceptions of justice have a far-reaching impact on individual behavior and are well recognized in the social psychology literature, little research has explored it in multicultural settings (Lin and Ho 2008). For the reasons discussed below, we believe consideration of justice theory has the potential to provide significant insight into differences in ethical perceptions across cultures and have included it in order to address this oversight in the cross-culture literature. Thus, we selected these variables because they inform our understanding of how individuals arrive at their ethical decisions and because we believed them to be at least partially derived from country of origin.

## Justice

People care about justice simply for the sake of justice (Rupp and Bell 2010). Research reveals that concerns about justice arise from a moral framework hardwired within the structure of the human mind (Rupp and Aquino 2009). This moral framework, observed across a variety of disciplines and national cultures, has evolved to help the human species manage the unavoidable conflicts and challenges of group life. Rupp and Aquino (2009) assert that the universality of justice norms suggests that fairness concerns produce an innate, intuitive understanding of how we should treat one another. In fact, in the deontic model (Cropanzano et al. 2003), justice is seen not just as a means to an end, but an end itself. Further, it has been demonstrated that perceptions of justice have a far-reaching impact on pro-social and anti-social behavior (Rupp and Bell 2010).

A number of studies have found a connection between organizational justice and pro-social behavior (Moorman 1991; Bies et al. 1993; Colquitt 2001; Eskew 1993; Greenberg 1993; Moorman et al. 1993; Podsakoff and MacKenzie 1994; Robinson and Morrison 1995; Cohen-Charash and Spector 2001). For example, Seifert et al. (2010) theorize and find that whistleblowing increases when organizational whistleblowing procedures, outcomes, and related exchanges with superiors are perceived as just. In an analysis of which dimensions of the Multidimensional Ethics Scale (MES) most influence ethical judgment, Lin and Ho (2008) found that accounting students from the U.S. and Taiwan both emphasized the justice dimension as the primary determinant for their ethical judgments across a number of accounting-related scenarios. Cohen-Charash and Spector (2001) performed a meta-analysis of 181 studies to evaluate their impact on various dependent variables. In support of Social Exchange Theory, Organizational Citizenship Behaviors (OCB)—such as whistleblowing, helping behavior, civic virtue, altruism, and conscientiousness—were predicted by both distributive and procedural justice. Although no cultural differences were observed in these organizationally beneficial behaviors, the overwhelming majority of the students in the sample were raised in the U.S.

But, from where do these justice perceptions arise? Justice is considered to be influenced by (1) outcomes one receives from the organization, (2) organizational practices, and (3) characteristics of the perceiver (Cohen-Charash and Spector 2001). Because justice is a perception, it is subject to the same cultural, organizational, and individual differences and biases from which other human perceptions suffer (Rupp and Bell 2010). If concerns about justice arise from a moral framework hardwired within the structure of the human mind, and reactions based on justice perceptions are automatic, rather than deeply analyzed (Rupp and Aquino 2009), it is reasonable that a significant source of individual differences is the country in which one grows up when these hardwired moral frameworks are developing.

Messick (2009) asserts that ethical decision making is much more of an instinctive process than is usually recognized by those seeking to model ethics-related decision making. Based on Greenwald and Banaji (1995), Messick (2009) asserts that our brains make judgments outside of consciousness. Such unconscious decisions rely on implicit stereotypes, which tend to be culturally derived. Thus, if one can accept that ethical judgments are unconscious rather than conscious, methodical processes, then it stands to reason that national culture, a source of many of our stereotypes, will be a primary influence over such judgments. Indeed, if the purpose of justice is to help humans avoid conflicts and manage group life, the group within which one is reared must have a strong influence on the development of group perceptions. The “group” we seek to explore in our research is the nation within which individuals learn their ethical values.

However, it is not necessarily the case that all members of the same demographic group share all of their experiences during their formative years and hence have the same justice perceptions (Crosby 1984; Major 1994; Heilman et al. 1996; Truxillo and Bauer 1999; Bauer 1999). Thus, while country of origin may influence justice perceptions, country is not a substitute or proxy for justice perceptions. Since few studies address the individual determinants of justice perceptions, our study will contribute greatly to our understanding of this.

Based on the theory and literature described above, it can be asserted that justice perceptions impact ethical decision making and that country of origin impacts justice perceptions. Therefore we propose that one avenue through which country of origin impacts ethical decision making is through the mediating variable of justice perception.

Hypothesis 2: Justice and Ethical Decision Making:

**H2a:** Justice perceptions are related to ethical decision making, such that lower perceptions of justice will result in lower intention to engage in ethically challenged actions.

**H2b:** Justice perceptions mediate the relationship between country of origin and the individual’s ethical decisions.

## Power Distance

Power distance can be defined as the degree to which unequal distribution of power and wealth is accepted. In low power distance societies, there is a higher degree of interdependence between bosses and subordinates, and people with titles, rank, and status are less likely to be held in awe (Hofstede 1993).

Power distance is the most validated Hofstede cultural variable in the ethics literature and has been found to have a strong association to ethical behavior (Schultz et al. 1993; Arnold et al. 2007; Cohen et al. 1995; Costigan et al. 2006; Hughes et al. 2009; Patel 2003). Based on Hofstede’s conceptualization of this cultural variable, Vitell et al. (1993) proposed that there is an association between business practitioners’ degree of power distance and their tendency to take ethical cues from others within the firm. Goodwin and Goodwin (1999) suggest that power distance carries important ethical implications. For instance, the authors state that high power distance may lead to an individual being unwilling to challenge unethical behavior from superiors while low power distance would likely encourage individuals to challenge such unethical behavior, perhaps by whistleblowing. Westerman et al. (2007) look at the relative influence of country of origin and peer influence on an individual’s intention to behave ethically. They find that both are significant referents, and that the impact of peers on the decision depends on national culture levels of individualism and power distance.

In the accounting literature, Taylor and Curtis (2011) find that power distance perceptions are related to willingness to report observed unethical behavior, although their sample consists only of U.S. public accountants. Cohen et al. (2001) find few differences between the U.S. and Canadian



respondents, consistent with the two groups' very similar power distance rankings. Smith and Hume (2005) test power distance with accounting professionals from several countries and find that variations in power distance perceptions were not related to ethical judgments. Schultz et al. (1993) designed a study in which participants from France, Norway, and the U.S. responded to six ethically challenging scenarios. Not only did respondents show differences in willingness to report observed unethical behavior by country, but they also revealed country-level differences in the underlying factors that led to the reporting intention. The authors theorized that the level of power distance in the countries was one of the causal factors for the between-country differences.

The theory and literature described above suggest that power distance perceptions impact ethical decision making and that country of origin impacts power distance perceptions. Therefore we propose that one avenue through which country of origin impacts ethical decision making is the mediating variable of power distance. However, the way in which power distance influences ethical judgment is dependent upon the context, therefore we do not propose a directionality to this relationship.

Hypothesis 3: Power Distance and Ethical Decision Making:

**H3a:** Power distance perceptions are related to ethical decision making.

**H3b:** Power distance perceptions mediate the relationship between country of origin and the individual's ethical decisions.

## Gender

A gender effect occurs when males and females make different ethical choices (Cohen et al. 1998). An abundance of empirical studies examine its effect on ethical behavior (e.g., Ford and Richardson 1994; Robin and Babin 1997). Prior literature suggests that gender influences individuals' ethical behavior as well as their ethical decision-making processes (Lysonski and Gaidis 1991; Whipple and Swords 1992; Akaah 1989; Haswell et al. 1999; Bernardi and Guptill 2008). For example, studies show that females are more sensitive to ethical issues than males (Jones and Gautschi 1988). Differences in ethical behaviors between males and females have been attributed to the theory of moral reasoning (Kohlberg 1976; Gilligan 1977). According to Kohlberg (1976), males and females develop differently during the six universal stages of moral reasoning. Females develop their moral reasoning in Stage 3, which represents reasoning that is grounded in the need to maintain relationships and to meet others' expectations. Males, on the other hand, develop their moral reasoning in Stage 4, which reflects a desire to comply with laws and to preserve social order (Kohlberg 1976; Jaffee and Hyde 2000). Stedham et al. (2007) provide further insight into the different ethical decision-making processes of males and females, finding that while males prefer to make decisions based on objective and clear-cut criteria, females tend to use a relativistic perspective in evaluating ethical situations.

A significant quantity of business and accounting research examines the effect of gender on individual ethical behavior. For example, Akaah (1989) examined differences in ethical judgment between male and female marketing professionals and found that females are more concerned with ethical issues than males. Bernardi and Arnold (1997) used the Defining Issues Test (DIT) to measure the average level of moral development of a large sample of public accounting firms' seniors and managers. The authors found that female accountants scored higher on the DIT than their male counterparts, suggesting that females have a higher level of moral development than males. Individuals with a high level of moral judgment are not only more sensitive to ethical issues, but they are also more likely to whistleblow on unethical behaviors (Brabeck 1984; Bernardi and Arnold 1997). In another study, Cohen et al. (1998) used eight different business ethics vignettes to examine students' ethical orientation and found that females judged questionable business actions

as less ethical than males. In addition, female respondents indicated a lower intention to undertake the same questionable actions than their male counterparts. The authors suggest that females possess a higher degree of concern for duty and obligation than males. In comparing ethical evaluations by individuals born in Canada and China, Dunn and Shome (2009) found neither a main effect for gender nor an interaction with country of origin. However, all participants were currently residing in Canada, so it is possible that their Chinese participants may not reflect the same values that would be found in a sample of Chinese who had not lived in the west. Borkowski and Ugras (1998) conducted a meta-analysis of the relationship between gender and ethical behavior. Across 29 studies, they found that females generally exhibit more ethical behavior than males. These studies provided empirical evidence to support the overall notion that gender plays an important role in individuals' ethical decision-making process. Specifically, these studies show that females are more likely than males to take action when they encounter questionable business practices, and demonstrate lower intentions to engage in unethical behavior.

While certainly not conclusive, the prior literature does suggest that females tend to be more sensitive to ethical issues than males. However, ethical sensitivity does not lead to consistent predictions regarding behavior in specific contexts. For example, Nguyen et al. (2008) found that controlling for context negated the main effect of gender in their study. Taylor and Curtis (2011) found sensitivity to context led females to be less willing to whistleblow when costs of reporting were high. Thus, we anticipate that gender will impact the ethical decision making of our participants, but cannot anticipate a consistent pattern across contexts.

**H4:** Ethical decision making differs with gender.

### East versus West

A large body of research classifies and compares countries as East versus West (cf. Ramasamy et al. 2010), or considers only one country yet generalizes results to the broader geographical region (cf. the recent issue of *Journal of Business Ethics* 2009 [88, Supplement 3]). For example, to contribute to the ongoing debate on the convergence/divergence of managerial and organizational values, Dunn and Shome (2009) elicited the ethical attitudes of Chinese and Canadians students. The researchers found that students from these two countries exhibit different attitudes toward questionable business practices at the individual level but not at the macro business situations corporate level. Lin and Ho (2008) administered the Multidimensional Ethics Scale (MES), using accounting-specific scenarios, to accounting students from the U.S. and Taiwan. Results identified areas of both convergence and divergence: while the attitudes of the two groups suggest a convergence on the justice dimension, they diverge with egoism as U.S. students' second dimension and deontology as the Taiwanese students' second dimension. Lin and Ho (2008) found significant cultural differences in the awareness of accounting ethics between accounting students from the U.S. and Taiwan. This difference appears to support an East-versus-West approach.

In contrast, Salter et al. (2004) examined differences in escalation of commitment between managers from the U.S. and Mexico, and found that higher power distance appears to moderate the higher risk-taking tendencies of Mexican managers. It was not an East-versus-West comparison, but instead a within-West comparison that suggests divergence within the western geographical category. Sugahara et al. (2010) found that Chinese students have a relatively higher ethical reasoning ability than that of the Japanese students. Again, a within-region comparison suggests divergence within the eastern geographical category. Finally, Chung et al. (2007) compared students from three "Confucian" cultures and the U.S. Their results suggest that differences within a common cultural area (East) can be as great as differences across cultures (East versus West).

They encourage further research to compare between and within supposedly common cultures so that practitioners of global business can fine-tune their expectations as to acceptable business practices within each culture and subculture.

Chan et al. (2009) assert that broad classifications of countries as eastern-rooted or western-rooted cultures may ignore political influence, colonial histories, and religious changes, and there is some evidence that these classifications based on historical cultural artifacts may no longer truly reflect current attitudes (Woodbine 2004). Therefore, we explore whether the attitudes between eastern and western countries conform to geographically related patterns.

**RQ:** How do the ethical attitudes within and between eastern and western geographical regions differ?

### III. METHOD

#### Method and Sample

The survey was developed in English, based on a review of the ethics and culture literature. It was then translated (using one native speaker to perform the initial translation and a second to compare the translated version to the original English version for efficacy and consistency) into Mandarin, Spanish (with Mexican dialect), and Japanese. In conducting the translations, we meet the requirements of Nasif et al. (1991) and Brislin (1986), who stress that equivalence of meaning is more important than direct translation. Thus, we employed individuals who understand the accounting ethics context to ensure that the notions contained in our scenarios and variable measures were appropriately communicated in all languages. Evidence that we were successful in our translation goals includes that there were no significant differences between countries in time taken to complete the survey or in responses to the statement, “There were words or ideas in this survey that I did not fully understand.”

The instrument contains two scenarios, depicted in Appendix A; both are general business ethics vignettes not specific to any industry or geographic region (Dunn and Shome 2009). One is a commonly used scenario in cross-cultural research (Cohen et al. 1996) relating to a company’s selection of the most appropriate employee to lay off, which Dunn and Shome (2009) label as a macro-level business decision with a focus on organizational matters. The second, which can be considered a micro- or individual-level business issue, involves the decision to whistleblow and is also based on prior cross-cultural research (Schultz et al. 1993; Patel 2003). In both of the scenarios, research participants were asked to identify their level of agreement with the statement: “I would do the same thing.”

We employ two scenarios in this research in order to more fully explore the impact of culture on behavior than could be possible from only one dilemma (see Appendix A). Evidence from the management and accounting literature supports the view that both situational features and individual characteristics (such as those deriving from culture) are powerful influences on ethical behavior (Near et al. 2004; Arjoon 2008; Robinson 2011),<sup>2</sup> although little prior research includes two different judgment contexts. Additionally, studies that do test multiple scenarios (cf. Curtis and Taylor 2009) are placed within only one country. Our approach allows us to assess the impact of our predictive variables in differing contexts, between the various countries. The contrast of contexts would not be effective, however, if national laws in any of our sampled countries interfere

<sup>2</sup> For example, Latent State-Trait (LST) theory proposes that behavior is dependent upon traits (such as culture), situational characteristics, and the interactions between traits and situations (Steyer et al. 1999).



with the cultural influences on behavior. Thus, we searched the laws in the four countries employed to ensure this was not the case.<sup>3</sup>

In developing our scenarios, we sought to place the participants into situations where their cultural differences would emerge. Thus, we created contexts infused with justice and power distance issues. To enhance the opportunity for power distance differences to be observed, we developed two versions of the instrument, where we manipulated power distance in the whistleblower case by stating that the wrongdoer is either peer (colleague) or superior (manager).

Our sample consists of upper-level undergraduate accounting students from universities in the four countries.<sup>4</sup> We recruited accounting faculty from universities in these countries, and these faculty recruited students to participate in the study. The surveys were completed anonymously, although we did offer a gift card to every tenth participant, for which those who wished to be enrolled in the drawing provided an email address.

It is quite common and acceptable in the U.S. to use accounting students as surrogates for business professionals (Peecher and Solomon 2001; Libby et al. 2002).<sup>5</sup> For example, accounting researchers have used students as proxies for business analysts (Rose et al. 1970), management consultants (Kadous and Sedor 2004), nonprofessional investors (Elliott et al. 2007), and accountants (Geiger and van der Laan Smith 2010; Borthick et al. 2006). There is evidence that this is reasonable for other countries, as well. For example, Lan et al. (2008) evaluated the personal values of Chinese accounting practitioners and students, while Emerson et al. (2007) and Cohen et al. (2001) examined ethical attitudes of U.S. and Canadian accounting practitioners and students. These studies found the students and practitioners to be very similar in regard to their perceptions. Additionally, prior ethics studies have used accounting students to complete ethical dilemma vignettes much like ours (Cohen et al. 1998; Lambertson et al. 2005), and Cohen et al. (2001) found few differences between professionals and students. Finally, a number of researchers have asserted that it is important to understand the ethical values of business students, as these are our future business leaders (Albaum and Peterson 2006; Chung et al. 2007; Dunn and Shome 2009).

Our sample consists of 115 students from China, 91 from Japan, 121 from Mexico, and 201 from the United States. Participants have an average age of 22.84 and are fairly evenly split by gender. There were no significant differences in age between males and females within each country. Additionally, each group is relatively homogeneous, with their family and work experience located within their local cultural environments. The average age was higher in the U.S., as was the average months of work experience. Therefore, age was employed as a covariate in our analyses (see Results section for results of sensitivity analyses regarding this demographic variable). The students did not differ on the number of college-level ethics courses they had taken, but did differ

<sup>3</sup> In regard to whistleblowing, there are initiatives in each country to encourage companies to set up whistleblower mechanisms, but no effective protection for whistleblowers exists in any of these countries. The U.S. did have nominal protection for whistleblowing through the Sarbanes-Oxley Act, but there is substantial agreement that these provisions have provided little protection of whistleblowers since they took effect. Thus, the whistleblower decision is one of culture and conscience, in the presence of potential personal cost. In regard to the layoff decision, norms in all countries tend toward protecting those with the longest tenure, but no laws either protect or refute these norms. Thus, this is more of a cultural issue than a legal one.

<sup>4</sup> These accounting students were chosen consistent with the sampling method defined by Kerlinger and Lee (2000). As is typical of college students in the four countries, there were differences in demographics between the countries. We initially controlled for all potentially relevant variables in our analyses, including ethics training, professional experience, age, and gender. Only gender and age were significant, and were retained in reported results.

<sup>5</sup> Peecher and Solomon (2001) and Libby et al. (2002) strongly advise researchers to match subjects to the goals of the experiment but to avoid using more sophisticated subjects than is necessary to achieve those goals. Specifically, Peecher and Solomon (2001) argue that accounting researchers should consider using students as the default condition for experimental subjects unless a theory, which is related to the study, suggests otherwise.

**TABLE 1**  
**Participant Demographics**  
**(n = 527)**

	Age <sup>a</sup>		Work Experience (Months)		Number of College/University-Level Accounting Courses Taken		Number of College/University-Level Ethics Courses Taken	
	Mean	Min./Max.	Mean	Min./Max.	Mean	Min./Max.	Mean	Min./Max.
China	22.08	19/28	2.9	0/48	1.0	0/12	0.33	0/4
Japan	21.96	20/42	12.5	0/42	3.8	0/16	0.73	0/4
Mexico	19.46	17/25	4.4	0/180	2.4	0/10	1.08	0/4
U.S.	25.67	19/52	22.1	0/180	7.7	0/18	0.55	0/3

Number of participants (females): 527 (285)

China: 115 (68)

Japan: 91 (27)

Mexico: 121 (78)

U.S.: 201 (112)

<sup>a</sup> Students who participated in our study are at the undergraduate level. We have a few older students in our U.S. sample. The exclusion of these students from our sample did not yield statistically significant differences in our results.

on the number of college-level accounting classes completed.<sup>6</sup> See Table 1 for a breakdown of the demographics of these samples.

### Measures

See Appendix B for our scales. We developed our justice scales according to Colquitt (2001). Each question addresses a component of either procedural or distributive justice, and participants assess agreement with the statements on a scale of 1 = strongly agree to 7 = strongly disagree. Social exchange theory states that the true target of fairness judgments are the parties with whom employees exchange relationships and tests of relationship-based perceptions of justice are robust. In this view, what is important is how individuals perceive that others have been treated; there is less focus on whether it is the process or outcome that created the injustice (Gilliland 2008). This approach removes the instrumental component from justice theory (Rupp and Aquino 2009). Thus, although we measure perceptions of both distributive and procedural justice for each scenario (see Table 2 for factor analyses and Table 3 for correlation analyses of the independent and dependent variables), there is significant cross-loading in the factor analysis between the two justice scales. We find that the combination of the two scales into an organizational justice measure provides the best explanation of justice perceptions on ethical decision making. Therefore, we employ a single measure of justice for each scenario, as an average of the distributive and procedural justice questions. The Cronbach's alpha for the combined Justice scales meet acceptable levels (Scenario 1: 0.736; Scenario 2: 0.851) (Nunnally 1978).

Power distance is a measure of a society's tolerance and preference for unequal hierarchical power on the job. Individuals from higher power distance societies have stronger fears of disagreeing with their superiors and show less questioning of authority. We measure Power Distance according to Hofstede (1980).

<sup>6</sup> Our tasks did not require knowledge of accounting.

**TABLE 2**  
**Factor Analysis of Procedure and Distributive Justice Measures**

Factors	S1: Procedure Justice	S1: Distributive Justice	S2: Procedure Justice	S2: Distributive Justice
S1_DJ1	0.552	0.429		
S1_DJ2	0.721	-0.467		
S1_DJ3	0.706			
S1_DJ4	0.758			
S1_PJ1	0.584	-0.601		
S1_PJ2		0.606		
S1_PJ3	0.574			
S1_PJ4	0.576			
S1_PJ5	0.406			
S1_PJ6	0.451			
S2_DJ1			0.812	
S2_DJ2			0.806	
S2_DJ3			0.634	0.511
S2_DJ4			0.747	
S2_PJ1			0.747	
S2_PJ2				0.793
S2_PJ3			0.756	
S2_PJ4			0.667	
S2_PJ5			0.806	
S2_PJ6			0.736	
Cronbach's alpha	0.514	0.739	0.746	0.787
		0.736		0.851

Please refer to Appendix B for the wording of each question.

Agreement, our dependent variable, was measured with the statement: The probability that you would undertake the same action is (value between 0 and 100, inclusive) for each of our two scenarios.

#### IV. RESULTS

##### Tests of Hypotheses

H1 predicts that ethical decision making (labeled Agreement) differs with country of origin (labeled Country). Table 4 depicts the MANCOVA and ANCOVA results for the two scenarios, indicating that the main effect of Country on ethical decision making is significant for Agreement with both the Scenario 1 decision ( $p = 0.000$ ) and the Scenario 2 decision ( $p = 0.002$ ).

H2a predicts that justice perceptions (labeled Justice) are related to ethical decision making. Bivariate correlations depicted in Table 3 support the association between Justice for each scenario and Agreement with actions taken in those scenarios ( $p < 0.01$  in each). Note that the negative correlations are due to the fact that the Justice scale is reverse coded with 1 = strongly agree and 7 = strongly disagree, while the dependent variable is on a scale of 0–100 percent agreement. Table 5 depicts the MANCOVA and ANCOVA results for Justice on Agreement for the two scenarios. Justice in the Scenario 1 decision is significantly related to Agreement with that scenario decision ( $p = 0.000$ ), and Justice in Scenario 2 is significantly related to Agreement with that scenario decision ( $p = 0.000$ ).

**TABLE 3**  
**Correlation of Independent, Dependent, Potential Mediators, and Covariates**

	<b>S1: Layoff Agreement</b>	<b>S2: Whistleblowing Agreement</b>	<b>S1: Justice</b>	<b>S2: Justice</b>	<b>Power Distance</b>	<b>Gender</b>	<b>Age</b>	<b>Version</b>
S1: Layoff Agreement	1							
S2: Whistleblowing Agreement	0.063	1						
S1: Justice	-0.360**	0.180**	1					
S2: Justice	0.065	-0.527**	-0.098*	1				
Power Distance	-0.117**	0.235**	0.281**	-0.178**	1			
Gender	0.115**	0.013	-0.012	-0.010	-0.111*	1		
Age	0.149**	0.100*	0.103*	0.025	0.094*	0.090*	1	
Version of Instrument	-0.071	0.027	0.019	-0.051	0.018	0.080	0.047	1

\*, \*\* Correlation is significant at the 0.05 and 0.01 levels, respectively (two-tailed).

**Scales:**

Agreement = 0–100 percent;

Justice = 1 = strongly agree to 7 = strongly disagree;

Power Distance = 1 = strongly agree to 7 = strongly disagree;

Gender = 0 = female, 1 = male; and

Version = 1, 2 for Scenario 2.

H3a predicts that power distance perceptions are related to ethical decision making. Table 5 depicts the MANCOVA and ANCOVA results for Power Distance on Agreement for the two scenarios. Power Distance is not significantly related to Agreement with the Scenario 1 decision ( $p = 0.484$ ) in the presence of the other variables, despite the significant bivariate correlation depicted in Table 3 ( $p < 0.01$ ). Power Distance is significantly related to Agreement with the Scenario 2 decision ( $p < 0.002$ ).<sup>7</sup>

H2b predicts that Justice mediates the relationship between Country and Agreement, and H3b predicts that Power Distance mediates this relationship. We test for mediation following the process suggested by Baron and Kenny (1986), as depicted in Figure 1. Step 1 requires that the independent variable significantly impacts the proposed mediator. In this study, we propose that both Justice and Power Distance mediate the relationship between Country and Agreement, therefore Country is the independent variable. Table 6 depicts that Country is significantly related to Justice (for each scenario,  $p = 0.000$  and  $p < 0.01$ , respectively) and to Power Distance ( $p = 0.000$ ). Step 2 requires that the proposed mediators be significantly related to the dependent variables. Our results, previously presented for H2a and H3a, address this. As Table 5 depicts, these relationships are significant except for Power Distance on S1: Agreement. Step 3 requires that the independent variable be significantly related to the dependent variables. Our results, previously presented for H1, demonstrate this relationship. As Table 4 depicts, Country is significantly related to Agreement for both scenarios. Finally, according to Baron and Kenny (1986), mediation requires that the

<sup>7</sup> Power Distance was manipulated in Scenario 2 regarding the level of the wrongdoer who was reported on. The manipulation indicator was not significant in the presence of the Power Distance measure, therefore it is not depicted in the tables or discussed further.

**TABLE 4**  
**Multiple Analysis of Variance**  
**Test of Independent Variable on Dependent Variables**  
**H1 and H4, and Mediation Path C**

Source	Multivariate		Univariate			
	F	p	Dependent Variable	df	F	p
Country	12.521	0.000	S1: Agreement	3	20.666	0.000
			S2: Agreement	3	4.862	0.002
Gender	5.227	0.003	S1: Agreement	1	8.854	0.003
			S2: Agreement	1	2.077	0.150
Country × Gender	1.180	0.315	S1: Agreement	3	0.470	0.703
			S2: Agreement	3	1.858	0.136
Age	5.479	0.002	S1: Agreement	1	9.583	0.002
			S2: Agreement	1	1.734	0.189
Total			S1: Agreement <sup>a</sup>	515 <sup>c</sup>		
			S2: Agreement <sup>b</sup>	515		

p-values are two-tailed.

<sup>a</sup>  $R^2 = 0.124$  (Adjusted  $R^2 = 0.117$ ).

<sup>b</sup>  $R^2 = 0.030$  (Adjusted  $R^2 = 0.023$ ).

<sup>c</sup> Gender unavailable for 12 participants.

Dependent Variables:

S1 = Agreement with layoff decision; and

S2 = Agreement with whistleblowing decision.

Independent Variables:

Country = Indicator for the four countries included in sample.

Gender

Covariate = Age.

relationship between the independent and the dependent variables should decline in the presence of the mediators. The ANCOVA models testing mediation for each dependent variable, presented in Table 7, indicate that Country does not decline in significance in the presence of the mediators for S1: Agreement and the significance of Country does decrease for S2: Agreement, although it remains significant. Therefore, given this methodology, it appears that Justice and Power Distance mediate the Country-Agreement relationship for Scenario 2, but not for Scenario 1.

However, these results are not as straightforward as they appear, because this approach requires the testing of multiple mediators simultaneously. Preacher and Hayes (2008) assert that the interrelatedness between multiple mediators renders the traditional Baron and Kenny (1986) analyses inappropriate in such circumstances, and provide scripts for assessing multiple mediations. Therefore, we also test for the indirect effect of Country on Agreement, considering Justice and Power Distance, by computing the Sobol test statistics for each scenario. As presented in Table 8, the full models of indirect effects are significant for both dependent variables. This supports H2b and H3b, with the qualification that Power Distance was not significantly related to S1: Agreement in the presence of the other mediating variables.

H4 predicts that gender is significantly related to ethical decision making. As depicted in Table 4, Gender is significantly related to Agreement with Scenario 1 (the layoff decision), but not to Agreement with Scenario 2 (the whistleblowing decision). Additionally, the interaction with Country is not significant for either scenario. Gender differences across countries for all measured



**TABLE 5**  
**Multivariate and Univariate Analysis of Variance**  
**Test of Proposed Mediators on Dependent Variables**  
**H2 and H3, Mediation Path B**

Source	Multivariate Results		Univariate Results			
	F	p	Dependent Variable	df	F	p
S1: Justice	46.540	0.000	S1: Agreement	1	78.636	0.000
			S2: Agreement		NA	
S2: Justice	96.004	0.000	S1: Agreement		NA	
			S2: Agreement	1	185.270	0.000
Power Distance	4.907	0.008	S1: Agreement	1	0.490	0.484
			S2: Agreement	1	13.231	0.000
Age	12.105	0.000	S1: Agreement	1	21.262	0.000
			S2: Agreement	1	7.349	0.007
Total			S1: Agreement <sup>a</sup>	527		
			S2: Agreement <sup>b</sup>	527		

p-values are two-tailed.

<sup>a</sup>  $R^2 = 0.164$  (Adjusted  $R^2 = 0.158$ ).

<sup>b</sup>  $R^2 = 0.306$  (Adjusted  $R^2 = 0.302$ ).

Dependent Variables:

S1 = Agreement with layoff decision; and

S2 = Agreement with whistleblowing decision.

Proposed Mediators/Independent Variables:

Justice = Average of justice questions for each of the two scenarios; and

Power Distance = Average of power distance questions.

Covariate = Age.

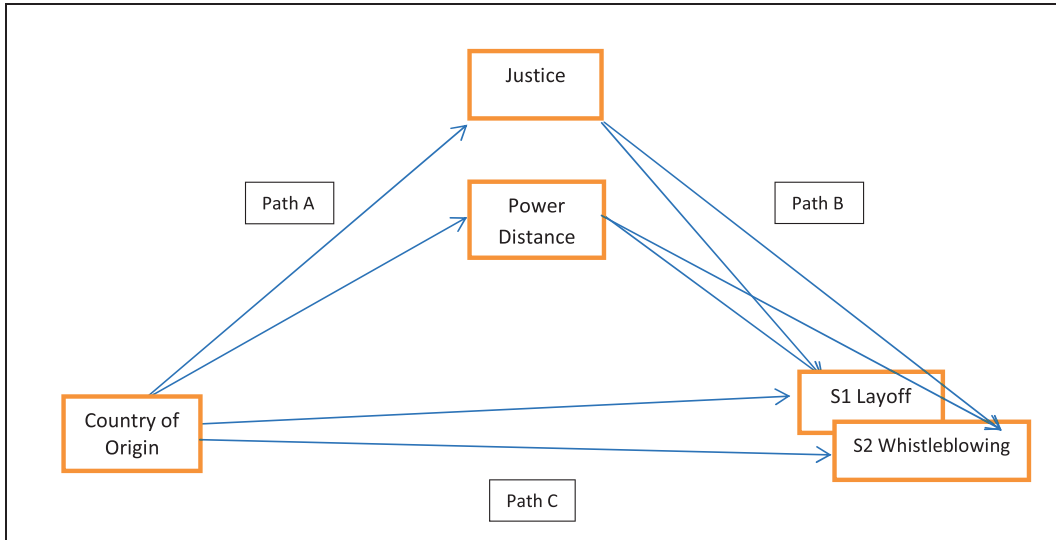
constructs are depicted in Figures 2 through 6. Figure 5 depicts that females in all countries indicated lower Agreement than males with Scenario 1 (the layoff decision), and those differences were statistically significant for the U.S. ( $F = 4.40$ ,  $p < 0.04$ ) and Mexico ( $F = 5.49$ ,  $p < 0.03$ ). This, along with the significance reported in Table 4, supports H4 in regard to Scenario 1. For Scenario 2, Figure 6 depicts that females in the U.S. indicated greater Agreement with whistleblowing than did males, whereas females from all other countries indicated less Agreement with whistleblowing. This figure demonstrates that a difference in gender does exist for whistleblowing, but the direction of that difference is dependent on country of origin, resulting in a non-significant main effect. Looking at individual countries, this gender difference was only significant for Japan ( $F = 7.08$ ,  $p < 0.01$ ). These results provide partial support for H4 in regard to Scenario 2.

### ***Supplemental Analyses of Gender and Consideration of East-West Research Question***

As depicted in Figure 2, there is a gender difference in Power Distance in all countries except the U.S. In the three other countries, females are less accepting of traditional power distance principles, with the lowest acceptance of those principles by the females from Mexico, and that difference is marginally significant in Mexico and China (Mexico:  $F = 2.94$ ,  $p < 0.09$ ; China:  $F = 3.20$ ,  $p < 0.08$ ).

In regard to Justice, females generally exhibited similar perceptions of justice as males for the layoff decision in Scenario 1, and the only significant difference was lower Justice by females than males from Mexico ( $F = 4.40$ ,  $p < 0.04$ ). In regard to Justice in Scenario 2, that of whistleblowing,

**FIGURE 1**  
**Depictions of Mediation**



females in Mexico and Japan indicated lower perceptions of Justice than did their male counterparts, but these differences were not statistically significant.

Our research question addresses contrasts and similarities of ethical attitudes between countries, to assess whether traditional East-versus-West differences prevail today. We depict tests of the contrasts in Table 9 for each mediator and dependent variable within each country. In regard to Power Distance, Figure 2<sup>8</sup> demonstrates that China and Japan do exhibit similar perceptions, and that these are greater than perceptions exhibited by Mexico and the U.S. Contrast tests support this East-versus-West pattern, with no significant differences between China and Japan, or between the U.S. and Mexico, but with significant differences between the two geographical groups. This relatively low level across genders is also important to note, given the traditionally high power distance reported by Hofstede (1980) for Mexico.

However, the other three constructs show very different patterns. Probably the most interesting patterns are depicted in Figures 3 and 4 for Justice. For Scenario 1, China and Japan exhibit divergent perceptions. Recall that in this scenario, a company favored an older worker over a younger worker in making layoff decisions. China and Mexico perceived greater Justice with this ethical decision. Contrast tests support a similarity between the U.S. and Japan on the one hand and China and Mexico on the other, with no significant differences between the U.S. and Japan, or between China and Mexico. For Scenario 2, China and Japan converge as do the U.S. and Mexico.

Figure 5 depicts agreement with Scenario 1, the layoff decision. Again, China and Japan exhibit opposite attitudes, with the U.S. in the middle and Mexico consistent with Japan. The Chinese participants had greater agreement with laying off the younger, more competent, recently hired employee. Contrast tests support a significant difference between China and the other three countries,

<sup>8</sup> Note that we reversed the scores for Justice and Power Distance for graphing purposes, so that larger values represent greater perceptions of these constructs.

**TABLE 6**  
**Multiple Analysis of Variance**  
**Test of Country of Origin on Proposed Mediators**  
**Mediation Path A**

<u>Source</u>	<u>F</u>	<u>p</u>	<u>Dependent Variable</u>	<u>df</u>	<u>F</u>	<u>Sig.</u>
Country	11.141	0.000	S1: Justice	3	20.376	0.000
			S2: Justice	3	3.790	0.010
			Power Distance	3	13.693	0.000
Age	5.913	0.001	S1: Justice	1	11.069	0.001
			S2: Justice	1	2.232	0.136
			Power Distance	1	4.434	0.036
Total			S1: Justice <sup>a</sup>	527		
			S2: Justice <sup>b</sup>	527		
			Power Distance <sup>c</sup>	527		

p-values are two-tailed.

<sup>a</sup>  $R^2 = 0.124$  (Adjusted  $R^2 = 0.117$ ).

<sup>b</sup>  $R^2 = 0.030$  (Adjusted  $R^2 = 0.023$ ).

<sup>c</sup>  $R^2 = 0.080$  (Adjusted  $R^2 = 0.073$ ).

Proposed Mediators/Dependent Variables:

Justice = Average of justice questions for each of the two scenarios; and

Power Distance = Average of power distance questions.

Independent Variable:

Country = Indicator for the four countries included in sample.

Covariate = Age.

with no significant differences between the U.S., Japan, and Mexico. Finally, Figure 6 depicts agreement with the whistleblowing decision. Those in the U.S. were in greatest agreement with the decision and the Japanese were on the other extreme, with the Chinese and Mexican participants between the two. Contrast tests support a significant difference only between the U.S. and Japan.

Based on these qualitative and quantitative analyses, we conclude that traditional East-West cultural differences no longer exist within the younger generations in these four countries. Additionally, the alignment of the various cultures is very context dependent. Only in power distance do the traditional perspectives emerge.

### **Supplemental Analyses: Age**

We also considered Age in our analysis of the full model, since our samples varied on this demographic characteristic. Age is significantly related to Agreement with Scenario 1, but not to Agreement with Scenario 2. Due to this, age was used as a covariate in our analyses and in developing the cell means for our graphs. To further assess our sample's sensitivity to age, we re-ran our analyses using the age quartiles instead of the continuous age variable and found that our results do not change qualitatively or quantitatively. We also re-ran the analyses with a reduced U.S. sample, in which we removed 79 of the oldest U.S. participants to bring the U.S. sample's average age into alignment with the other countries. Similar to the quartile results, the re-analyses using this reduced U.S. sample showed no change in the significance of any variables, except that age was no longer significant.

**TABLE 7**  
**Full Theorized Model**

Source	Multivariate		Univariate			
	F	p	Dependent Variable	df	F	p
Country	6.830	0.000	S1: Agreement	3	13.350	0.000
			S2: Agreement	3	1.075	0.359
S1: Justice	37.502	0.000	S1: Agreement	1	60.789	0.000
			S2: Agreement		NA	
S2: Justice	91.490	0.000	S1: Agreement		NA	
			S2: Agreement	1	176.377	0.000
Power Distance	3.555	0.029	S1: Agreement	1	0.019	0.891
			S2: Agreement	1	12.084	0.001
Age	6.707	0.001	S1: Agreement	1	11.434	0.001
			S2: Agreement	1	3.496	0.062
Total			S1: Agreement <sup>a</sup>	527		
			S2: Agreement <sup>b</sup>	527		

p-values are two-tailed.

<sup>a</sup>  $R^2 = 0.224$  (Adjusted  $R^2 = 0.215$ ).

<sup>b</sup>  $R^2 = 0.310$  (Adjusted  $R^2 = 0.302$ ).

**TABLE 8**

**Test of Mediation Using Sobel Test for Multi-Mediation Analyses<sup>a</sup>**

Mediation of the Effect of Country on	Mediator	Effect	se	Z	p
S1: Agreement	S1: Justice	-3.4359	1.0501	-3.2720	0.0011
	Power Distance				
S2: Agreement	S2: Justice	-2.5044	1.1630	-2.1534	0.0317
	Power Distance				

p-values are two-tailed.

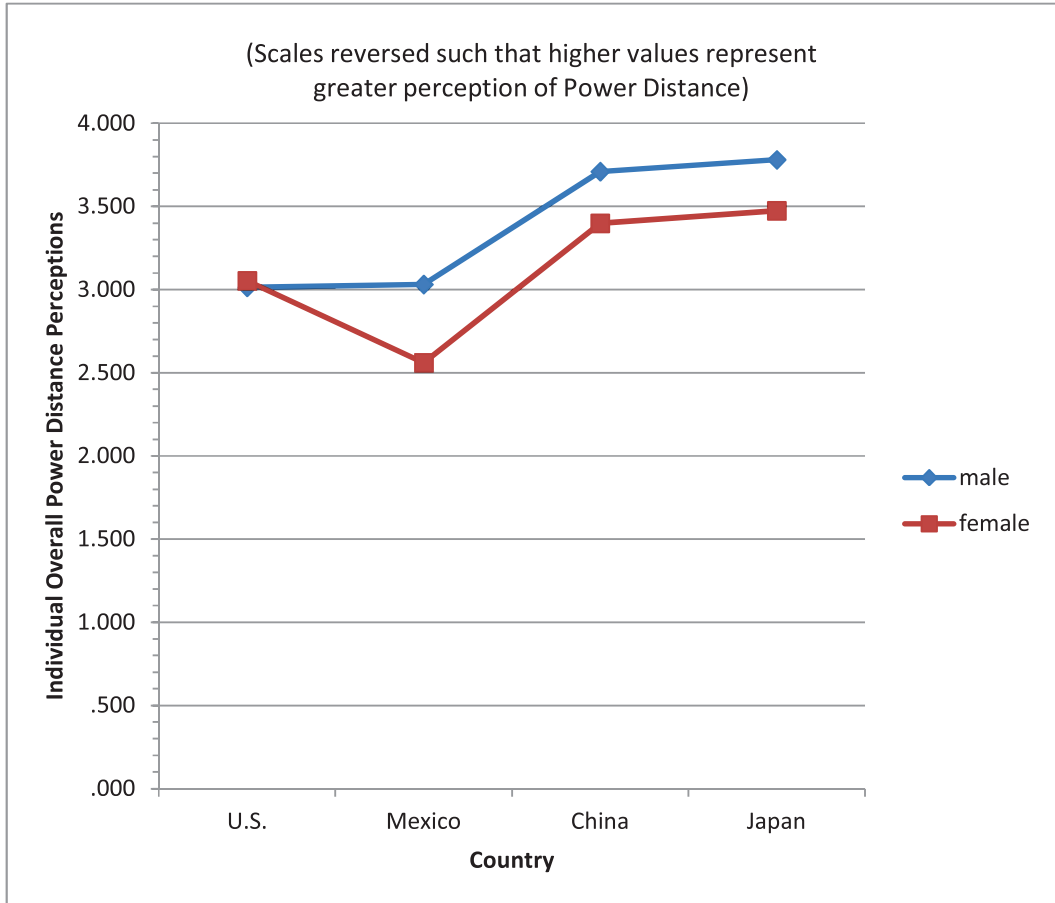
<sup>a</sup> This analyses uses the INDIRECT macro described in Preacher and Hayes (2008).

## V. DISCUSSION

We theorize that perceptions of justice and power distance mediate the relationship between country of origin and ethical decision making. We tested this model with accounting students in four countries—China, Japan, Mexico, and the U.S.—and for two different ethical decisions (agreement with the selection of a candidate for layoff and agreement with the decision to whistleblow).

First, in support for H1 and consistent with prior research, country of origin is significantly related to agreement with the actions described in both scenarios. However, the pattern of acceptance of the two scenarios is not consistent. We propose that response to ethical situations is more complex than can be explained by a country designation, and that while one's culture may help to explain his or her behavior, country of origin does not adequately convey one's culture. Considering country of origin provides cross-national analysis, but it does not allow for true cross-cultural analyses because it ignores potential cultural differences within countries. Thus, we

**FIGURE 2**  
**Power Distance**



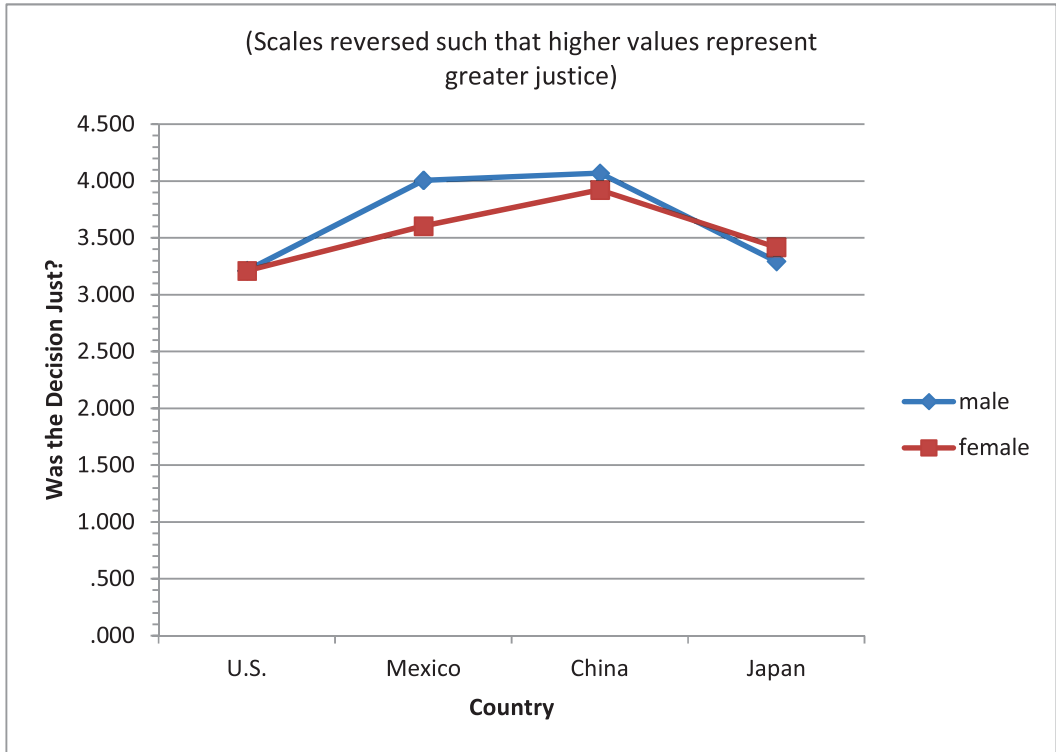
Means generated in the presence of the covariate Age.

further explore culture through two potential mediators to the country-ethical decision making relationship: justice and power distance.

In regard to justice, we found that Country is significantly related to Justice, Justice is significantly related to Agreement with actions taken in the ethically challenging situations, and Justice mediates the Country-Agreement relationship. These findings provide support for H2a and H2b. Our research into the cultural determinant of justice is a contribution to the literature because few studies have explored justice outside of the organizational characteristics that are believed to have an overriding influence on these perceptions. Our results also further our understanding of the impact of country of origin on ethical decision making: the country in which we are raised influences how we perceive the justice inherent in a particular situation, and these justice perceptions influence whether we would be likely to engage in a similar behavior. It is important to recognize that these perceptions are very contextually dependent; that is, one situation may be



**FIGURE 3**  
**S1: Justice**



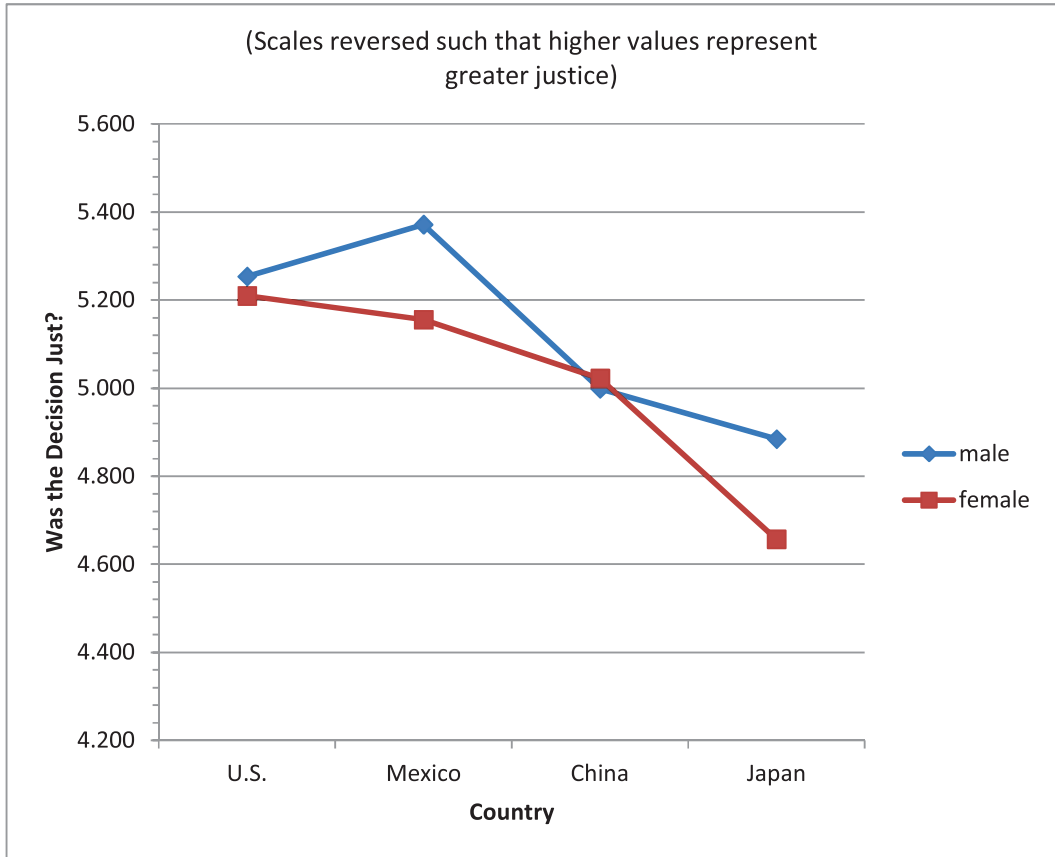
Means generated in the presence of the covariate Age.

viewed as just while another is considered unjust by those in one country, yet just the opposite pattern of views could be held by those in another country. For example, students from China considered the layoff decision as relatively more just than the whistleblowing, while those from the U.S. considered the whistleblowing decision as relatively more just than the layoff.

In regard to power distance, we found that Country is significantly related to Power Distance, Power Distance is significantly related to Agreement in the whistleblowing scenario but not for the layoff decision, and Power Distance mediates the Country-Agreement in the whistleblowing scenario but not for the layoff decision. These findings provide support for H3a and partial support for H3b, and contribute to the existing ethics research by furthering our understanding of the impact of country of origin on ethical decision making.

It is also informative to note that while Country was significantly related to Power Distance, those two variables do not appear to be measuring the same construct. In fact, in ANCOVA analysis of the impact of Country on Power Distance, the  $R^2$  is only 0.073. Thus, while the relationship between Country and Power Distance is significant, the majority of variance in the Power Distance measure is not explained by differences in country of origin. Hofstede (1980, 107) states, “The differences in hierarchical power distance found between equally educated employees in different countries are therefore of the same magnitude as those between unskilled workers and college-trained professionals within one country.” Thus, while all of our participants are fairly

**FIGURE 4**  
**S2: Justice**

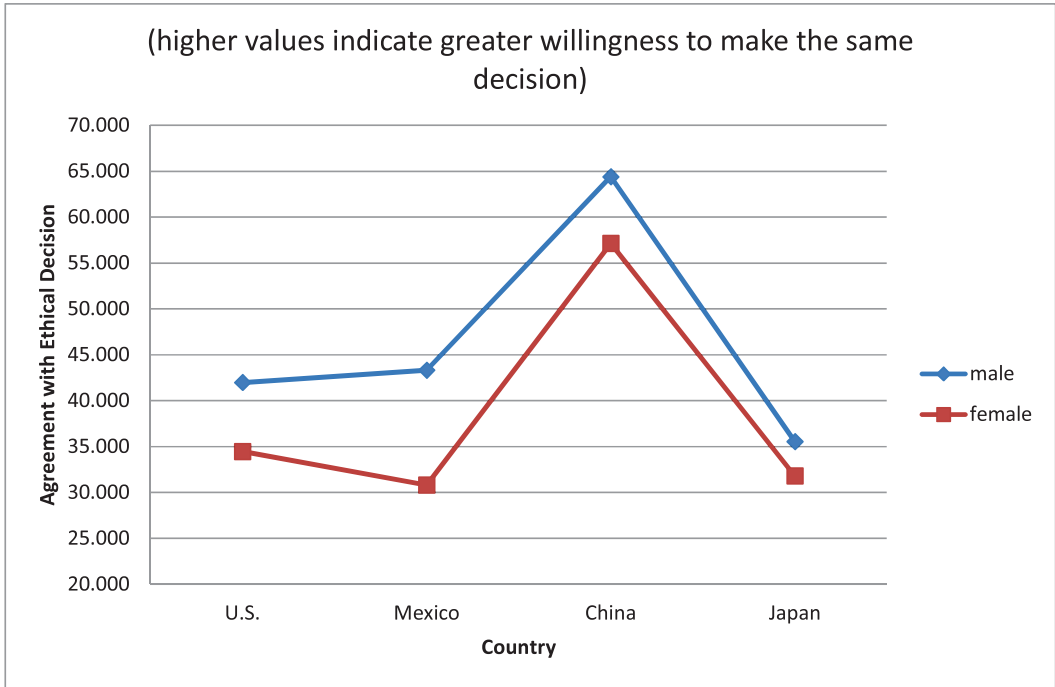


Means generated in the presence of the covariate Age.

equal on their level of education, it is not necessarily the case that those who influence their perceptions are equal in education and work experience. Further research is needed to more fully explore the source of this important influence on ethical judgment.

A contribution of our study is the comparison of power distance perceptions between young citizens of these four countries, and our ability to compare these to the rankings of power distance in Hofstede’s (1980) original study. Traditionally, the United States is categorized as a medium power distance country (score of 40), while Asian countries are generally considered high in power distance (China was scored at 80, although Japan was only 54) and Mexico very high (score of 81) (Hofstede 1980; Hofstede et al. 2010; Redpath and Nielsen 1997). The power distance perceptions we elicited show U.S. and Mexican college students’ power distance perceptions to be very similar, and significantly lower than Japan or China, which are similarly aligned. In 1991, Hofstede asserted that the relative ranking of countries on power distance is “likely to survive for a long time yet, at least for some centuries” (Hofstede 1991, 47). We have evidence that this cultural dimension is

**FIGURE 5**  
**S1: Agreement**



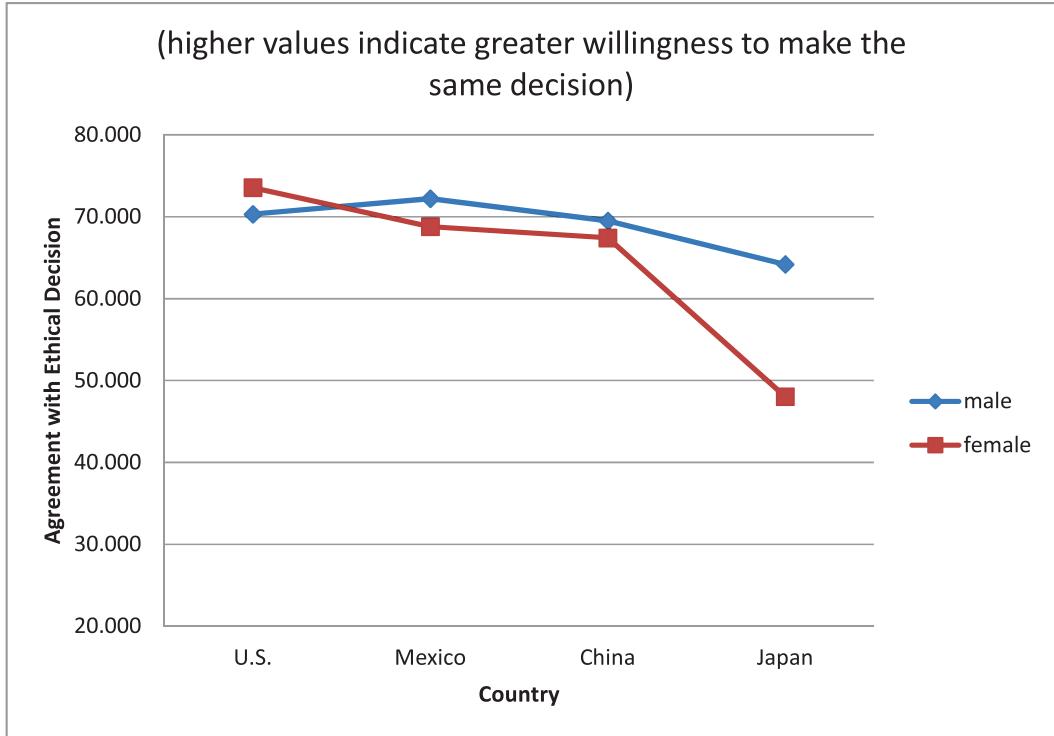
Means generated in the presence of the covariate Age.

changing more rapidly than experts anticipated. This suggests a need for reassessment of Hofstede’s original rankings.

We found that gender was significantly related to agreement with the layoff decision, but not to agreement with whistleblowing. Given the mixed results regarding gender and ethical decision making in the literature, it is important to test this effect with multiple ethics scenarios. Our results demonstrate that the gender-ethics relationship differs between context and country. The vast majority of gender-related ethics research employs participants from the U.S. Our graphs depict a smaller gender effect for U.S. participants, for every construct, than for those from the other three countries. In fact, the pattern for acceptance of whistleblowing shows a greater acceptance by females than males in the U.S., while the opposite exists in the other countries. Additionally, across constructs, Mexico and Japan demonstrate greater gender differences than do the U.S. and China, but this also varied by context. Ethics researchers should continue to seek an overriding descriptive model of the role gender plays in ethical decision making. Our results suggest that country of origin and other cultural variables must be considered in the process.

Our final analyses involved the comparison of four constructs between the four countries. We compared perceptions of justice, power distance, agreement with the layoff decision, and agreement with the whistleblowing decision. Power distance perceptions followed the traditional East-versus-West pattern found by Hofstede (1980). This is consistent with Arnold et al. (2007), who found no power distance differences between western countries. The other three constructs varied from the East-West pattern.

**FIGURE 6**  
**S2: Agreement**



Means generated in the presence of the covariate Age.

Our other results are consistent with recent studies that have found changes in the cultural dimensions first defined by Hofstede in 1980. For example, in a sample of six countries, Smith and Hume (2005) found that individuals from all countries demonstrated greater individualism than Hofstede initially measured. In contrast, the countries seem to be converging in regard to power distance, with traditionally low power distance countries increasing and traditionally high power distance countries declining in power distance perceptions. Chung et al. (2007) document significant differences in ethical perceptions among East Asian countries and suggest that the individual country's entry into the global economy and the influence of Maoist indoctrination can help to explain the extent to which those in each East Asian country continue to follow traditional cultural norms. Others have documented that traditional values may be changing as well (Woodbine 2004).

Some of this variation could be explained by the individuals who make up our sample. Hofstede's (1980) initial sample was taken from professional employees (of IBM), while Smith and Hume's (2005) sample came from accounting professionals and ours came from students entering the accounting profession. However, perceptions of the dimensions remain informative, because our sample participants will become the business leaders in the near future and it is doubtful their perceptions will change significantly in that short time. Additionally, the constructs of power distance and justice were significant in their relationship with ethical decision making. Thus, it

**TABLE 9**  
**Bonferroni Multiple Comparisons**  
**Significance of Differences in Perceptions between Countries**

		<u>Power Distance</u>	<u>S1: Justice</u>	<u>S2: Justice</u>	<u>S1: Agreement with Layoff</u>	<u>S2: Agreement with Whistleblowing</u>
U.S.	China	0.001	0.000	0.899	0.000	0.869
	Japan	0.000	1.000	0.027	0.401	0.002
	Mexico	1.000	0.000	1.000	0.066	1.000
China	U.S.	0.001	0.000	0.899	0.000	0.869
	Japan	1.000	0.000	1.000	0.000	0.278
	Mexico	0.000	0.261	0.478	0.000	1.000
Japan	U.S.	0.000	1.000	0.027	0.401	0.002
	China	1.000	0.000	1.000	0.000	0.278
	Mexico	0.000	0.007	0.015	1.000	0.200
Mexico	U.S.	1.000	0.001	1.000	0.066	1.000
	China	0.000	0.261	0.478	0.000	1.000
	Japan	0.000	0.007	0.015	1.000	0.200
		Scale 1–9	Scale 1–9	Scale 1–9	Scale 0–100	Scale 0–100

p-values are two-tailed.

Analysis conducted with Gender as covariate.

could be that, while national differences in these constructs are disappearing to some extent, the individual perceptions of the constructs remain important determinants of ethical decision making.

Sparks and Pan (2010) define ethical judgment as an evaluative process, where one may consider several possible courses of action, judge the suitability of each, and then act accordingly. Judgment lies in the evaluation of each option. Thus, they propose a fairly rational ethics-related decision-making process, but which includes judgments that can be unconscious, intuitive, and therefore subject to innate beliefs and biases. Thus, when we explore how individual characteristics—such as country of origin, justice perceptions, and gender—impact ethical decisions, it may be in the judgment portion of the decision process where options are evaluated and, therefore, cultural differences influence the end result.<sup>9</sup> A fruitful future avenue of study might combine the various ethical frameworks proposed in the literature with national culture research to explore the particular point in the decision process where such hard-wired influences come into play.

<sup>9</sup> Sparks and Pan (2010) discuss the economic versus psychological views of ethical judgment where rationality is assumed in an economic perspective, such that decision making is conscious and effortful. A psychological view overlaid on the economic perspective allows this process to be grounded more as directed toward achieving personal goals, while an extreme psychological perspective proposes that individuals apply simple decision rules or heuristics to aid in reaching judgments, with little conscious thought. They suggest that the complexity of the judgment context determines which strategy is employed, while others suggest that motivation influences information processing modes, moving an individual between heuristic and systematic processing. It appears that Rest's (1986) definition of ethical judgment allows for this type of intuitive ethical judgment: psychological construct that characterizes a process by which an individual determines that one course of action in a particular situation is morally right and another course of action is morally wrong, but doesn't require head-to-head comparisons of the options.



We employ age as a covariate in our analyses because there is considerable variation of age within and between countries in our sample. Therefore, it was considered important to eliminate, to the extent possible, differences in judgment that relate to age. We intentionally target students because of the call from other researchers to understand the ethical views of these young professionals and how they differ from those traditionally held in their countries. We do acknowledge that this may limit the generalizability of our results, however.

Multinational research of this type is extremely difficult to conduct, and there are resulting limitations to this research. For example, college students may differ demographically between countries. While we have measured and controlled for all obvious variables, it is possible that a previously unidentified factor has influence in this study. We also attempted to develop broad samples within each country, but it is possible that our samples within a country may not be perfectly representative of accounting college students in general in each country.

We were also faced with the problem of presenting these ethical dilemmas in four different languages. In the financial reporting area, concerns have been raised that the process of translation may alter the meaning of the original financial statements. Not all English-language terms have perfect parallels in other languages. We did use native speakers from each country to translate our instrument from English, and a second native speaker from each country to review the translation for efficacy and consistency with the original English meaning. We took all possible steps to prevent, to the extent possible, deviations in connotative meaning between countries by using accountants to perform the translations and by using the translation/re-translation procedure. We considered all written comments made by participants and did not find any that suggested a lack of understanding. However, it is possible that a question or concept was not converted perfectly, and this contributed to the observed differences between countries.

Additionally, scholars have viewed that the criteria an individual uses to judge ethical situations are developed over time (Wynd and Mager 1989). Thus, one could argue that the use of student subjects may not be appropriate since their ethical orientation may change over time. Alternatively, other studies have shown that there are no statistically significant differences in the personal ethical philosophy of students at varying educational levels. Thus, there is no conclusive evidence as to whether students' ethical position will change over time or that student subjects are inappropriate for business ethics research. Given that our study is focused on the newer generation's ethical perspective, as many of our student subjects will be professionals and be called upon to make professional decisions within the next few years, we believe that our sample choice is appropriate. However, longitudinal research exploring differences in ethical judgments over time would be an important contribution to this body of research.

Finally, all ethics research of this nature presents limitations in methodology. For example, scenario research may be the most common approach to eliciting ethical decision making, but it does carry the risk that participants were not able to fully place themselves in the described context. Selecting the most appropriate scenarios to use across cultures and countries can create difficulties, depending upon whether the researchers are seeking culturally similar or contrasting contexts. This is particularly true in the study of more than two countries. For example, in Scenario 1, we may have inadvertently created an undesired cultural confound when we stated that the senior employee's poor job performance was related to his illness. It is possible that this would excuse poor performance more so in one country than in another. Finally, despite our attempts to ensure anonymity of responses, those completing ethically challenging research instruments may exhibit social desirability bias in their responses.

Despite these limitations, we feel that our results provide important insights into the ethical decision making of young professionals in these four countries. An understanding of the cultural influences on ethical decision making is important for many reasons. We contribute to this understanding through our exploration of justice and power distance. However, many of our

findings suggest a need for further research. For example, while it is informative to find that these theoretical relationships vary by context, there is a need to develop a deeper understanding of the reason for the contextual differences. Additionally, the influence of gender on ethical decision making has been inconsistent in the literature, and our findings that gender is significant in one context, but not in the other, only adds to this inconsistency. Further theoretical understanding is needed to clarify the relationship between gender and ethical decision making. Finally, longitudinal research or research between different age groups with these eastern countries will help to explain how the cultures are changing in response to globalization.

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## APPENDIX A EXPERIMENTAL CASES

### Situation 1—Layoff Choice

A firm has been hard hit by recessionary times and the partners realize that they must reduce expenses. An analysis of productivity suggests that the person most likely to be terminated is a long-time employee with a **history of absenteeism due to illness in the family**.

**Action:** Instead, the partner-in-charge fires a **younger, but very competent, recent** hire.

The following question elicits S1: Agreement:

The probability that . . . you would undertake the same action is \_\_\_\_\_.  
(The value should be between 0 and 100, inclusive.)

### Situation 2—Whistleblower

Steve (a staff auditor) is on the audit team engaged by a local car dealer. The client needs audited financial statements to complete a loan application for a significant line of credit from a bank. Steve’s **colleague (manager) shows up in a new car**, which Steve recognizes from the client’s inventory. Steve’s colleague tells him that the controller “made him a good deal.” Further, Steve’s colleague (manager) has **discouraged** Steve from performing significant audit procedures indicated in the original audit plan and performed in prior years.

**Action:** Steve **reports** his colleague’s (manager’s) behavior to the audit partner.

**Note:** This scenario contains a manipulation. Half of the participants received the version containing “colleague,” and half received the version containing “manager,” who would be a superior.

The following question elicits S2: Agreement:

The probability that . . . you would undertake the same action is \_\_\_\_\_.  
(The value should be between 0 and 100, inclusive.)

**APPENDIX B**  
**INDEPENDENT VARIABLES**

The following questions are designed to elicit justice perceptions and appear after each scenario. The scale is 1 = strongly agree to 7 = strongly disagree:

**Scenario 1**

- The decision process used here was ethical and meets my moral standards (PJ1).
- The person dismissed would be able to appeal the outcome arrived at by these procedures (PJ2).
- The decision process described here is free from bias (PJ3).
- The decision process described here would allow all involved to express their views and feelings (PJ4).
- This process is based on accurate information (PJ5).
- The decision process described will be consistently applied across the company (PJ6).
- This outcome reflects the effort the dismissed individual put into his work (DJ1).
- This outcome is appropriate for the situation (DJ2).
- This outcome reflects the value the dismissed person has to the organization (DJ3).
- This outcome is justified, given the dismissed person's performance (DJ4).

**Scenario 2**

- The decision process used by Steve was ethical and meets my moral standards (PJ1).
- The colleague/manager who Steve reported on would be able to appeal the outcomes arrived at by these procedures (PJ2).
- Steve's decision process described here is free from bias (PJ3).
- Steve's decision process would allow all involved to express their views and feelings (PJ4).
- Steve's decision is based on accurate information (PJ5).
- Steve's decision process will be consistently applied to everyone (PJ6).
- Steve's report reflects the effort the colleague/manager put into his work (DJ1).
- Steve's report is appropriate for the situation (DJ2).
- Steve's report reflects the value the colleague/manager has to the organization (DJ3).
- Steve's report is justified, given the colleague's/manager's performance (DJ4).

The following questions are designed to elicit Power Distance. The scale is 1 = strongly agree to 7 = strongly disagree:

- In general, I feel that the higher a person's position or status is, the greater right he [or she] has to do whatever he [or she] wants.
- Norms would dictate that I not question the actions of my superior.
- People should not question the actions of those in authority.

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