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Economic Crises and the Evolution of Business Ethics in Japan and Korea

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Abstract: When business is booming, unethical behavior tends to go unnoticed as everyone is too busy making money. However, in bad times, when there is not enough to go around, people become keenly wary of those who seek to take more than is their due. Difficult times expose the opaque business practices usually bred during periods of economic prosperity.

This paper is the research of how economic crises in Japan and Korea exposed systemic corruption in both countries. We describe and compare the steps Japan and Korea took to remedy their business practices in the wake of prominent domestic scandals and compare them with the measures taken by the SEC and other US agencies following the accounting scandals involving Enron, Worldcom, and other prominent American companies. As perceptions often govern the formulation of policy, we also look at how the people of Japan and Korea think about corruption in their respective countries and the different ways they deal with hypothetical ethical dilemmas. We end our study by looking at how ethical standards have changed over the last ten years.

Key words: Business ethics, Korea, Japan, USA, Survey

JEL classification: M14, O57

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1 Introduction

The 1990s in Japan has been called the “lost decade.” After the asset bubble burst in the late 1980s, Japan suffered a long period of economic recession. From the mid-1990s, structural reforms began to take place as Japanese managers came to realize how unethical behavior had contributed to the national malaise. Korea also experienced serious economic difficulties in the late 1990s. The collapse of the Thai baht in 1997 triggered a regional economic crises that spread to Korea. Stock prices plummeted devastating Korean markets for several years. It has only been in the last decade that business leaders in both Japan and Korea paid much heed to questions of ethics. Institutionalized codes of conduct were either rudimentary or nonexistent. Unethical business practices were rampant with companies’ economic outcomes invariably trumping ethical business practices. While such behavior may have benefited the individual companies involved it had a corrosive effect on market efficiency. This situation prevailed while the Japanese and Korean markets remained more-or-less protected, but as trade barriers began to fall and companies from both countries found themselves exposed to greater competition from abroad, calls for more transparency (and, by extension, greater efficiency), became more pronounced. Rhetoric about ethics no longer sufficed. Concrete steps to restructure businesses along more ethical lines were made, often initiated by companies themselves. Concepts such as shareholder rights, transparency in accounting, and improved corporate governance began to take hold. This study looks at the evolution of business ethics in Japan and Korea over the last decade, a period marked by a series of historic business scandals. On the domestic front, Japan and Korea had to contend not only with economic crises but also with extreme cases of accounting fraud. A cluster of such events took place in the 1990s in Japan, including a \$15 billion case of accounting manipulation that lead to the failure of Hokkaido Takushoku Bank in 1997 and the accounting scandal surrounding Yamaichi Securities in 1998. Nor was Korea was immune to corruption. Daewoo Group, its second largest conglomerate, conducted a series of accounting manipulations to the tune of an astounding \$21 billion which eventually led to the collapse of the company in 1999. Further afield, several multi-national companies also came to grief under the weight of their respective scandals. Companies like Enron, Worldcom, Tyco, Royal Ahold, and Arthur Anderson have become synonymous with the widespread and deep-seated fraud that characterized the business environment of the early 2000s. Fall-out from these scandals served as a wake-up call for companies everywhere and brought light to the need for comprehensive ethics policies. Most prominent of these reforms

was the now-famous Sarbanes-Oxley Act passed by the US Congress in July 2002. Japan and Korea also passed several laws intended to institutionalize ethical business practices. Despite these measures, large-scale corruption cases still take place. To wit, Royal Dutch Shell overstating its oil reserves, Fannie Mae disclosing multi-billion dollar accounting errors, and the irregularities in Apple's stock option grants. Asia has had its share of problems. Many Japanese companies have been involved in financial scandals including the internet company Livedoor as well as Murakami Fund. ChuoAoyama PricewaterhouseCooper's was suspended by the Financial Services Agency in connection with accounting fraud at Kanebo. In Korea, the chairman of SK Corporation was poisoned in connection with a case of accounting fraud at SK Global. Finally, Hyundai Automotive was accused of accounting and raising slush funds. With this background of corruption in the midst of economic crises that marked the last decade, this study examines (1) Japanese and Korean managers' perception of business ethics, (2) the similarities and differences between the two countries in comparison with the US, and (3) the evolution of business ethics over the last decade.

2 Prior Studies

To date, the extant studies in the literature have investigated the issues related to the business ethics. Baumhart (1961) is one of the pioneers in empirical study of business ethics. In his a seminal survey study on business ethics, he examined managers' perception of business ethics, factors influencing ethical standards, existence of unethical industry practices, and institutionalization of business ethics. He shows that there are significant differences in the answer depending on how the respondents are asked. Same questions were asked in two ways to obtain more accurate answer. He argued that real world practice is arguably more closed to the answer for the question "what the average managers would do?" than the answer for the questions "what would you do?." For example, Each manager is asked to answer for both "What would you do?" and "What would the average managers do?" to fictitious scenarios where ethical dilemmas are involved.

A series of studies have replicated and expanded the initial study of Baumhart (1961) with respect to American managers. Brenner and Molander (1977) examined whether business ethics had changed since the early study in 1961. They found that there was significant disagreement among respondents with respect to the changes in ethical standard since the Baumhart (1961)'s study. Additionally, the result showed that majority of respondents had more responsibility to customers than other groups. In addition, they found that superi-

ors were the most influential factor in decision making involving ethical issues. Similarly, Vitell and Festervand (1987) examine the responses of 118 executives regarding their views of business ethics. They report that top management can influence on ethical behavior by emphasizing the value of social responsibility and professionalism.

In an era of global business environment, the discussions of business ethics have been increased in various countries. Since the 1990s, a series of papers have documented corporate managers' perception of business ethics in various countries (Okleshen and Hoyt, 1996; Lee and Yoshihara, 1997; Nakano, 1997; Park et al., 1997; Jackson and Calafell Artola, 1997; Milton-Smith, 1997; Nakano, 1999; Jackson et al., 2000; Handerson et al., 2001; Palazzo, 2002; Beekun et al., 2003; Christie et al., 2003; Sims and Gegez, 2004). In one of aforementioned papers, Lee and Yoshihara (1997) examine business ethics in Korea and Japan by investigating 288 Korean and 323 Japanese business executives. They concluded that the results of the surveys in both countries were very similar to the study conducted in the U.S.. They found little difference between the ethical view of Koran and Japanese executives. Nakano (1997) examined the differences and similarities between Japan and U.S. regarding the corporate managers' perception of business ethics. Surprisingly enough, he found that the managers in Japan and U.S. share similar views on business ethics in many aspects. On the other hand, the findings showed that there were two major differences between two countries pertaining to the views of corporate managers on business ethics. First, Japanese ethical orientation was more situational compared to that of American managers. For example, many Japanese managers tended to decide depending on the situation when their personal ethics conflicted with the interests of companies. With respect to such results, Picken (1987) noted that the corporate value of "group harmony or wholeness" common in Japanese corporation. Jackson et al. (2000) also provide similar empirical evidence in the sense that Japanese and Korean managers emphasize on consequential criteria for deciding ethical judgements. Second, the most influential factor for ethical decision to Japanese managers was the 'company policy' while the same factor to American managers was the 'personal codes of behavior'. A number have argued that there are substantial cultural differences among countries and, in turn, they have significant effects on managers' perception of business ethics (Picken, 1987; Jackson et al., 2000). In the meantime, theoretical studies have attempted to collaborate the cultural gap in business ethics (Weeks and Nantel, 1992; Donaldson and Dunfee, 1994, 1999a,b).

In this study, we take the initial step of comparing culturally diverse countries with respect to business ethics. We are particularly interested in the issues pertaining to the

Japanese managers' view on business ethics compared with managers' views in Korea.

3 Research Design

Survey studies are frequently used to gauge the managers' opinion on corporate business ethics. This method has been reliably used to assess the perceptions of corporate managers. This research is in line with prior survey studies in the field of business ethics.

The survey questionnaire used in this study was employed and modified from the survey currently used in Japan.¹ Most of these questionnaires were culled either from prior U.S. studies by or from the questionnaire that Nakano (1997) added for Japanese studies.² In order to avoid spurious results, a survey must be carefully designed and implemented. For the direct comparison with prior studies, the Japanese version of the questionnaire was translated into Korean. Because of linguistic similarity between Korean and Japanese, the lack of questionnaire equivalence is less likely to be problematic in this survey.

For the monetary unit 'Korean won' is used in Korea while 'Japanese yen' is used in Japan.³ Therefore, different monetary units are used in the questionnaires administered in Japan and Korea. As a result, the exact monetary amounts slightly vary in each sample. In Japan, questionnaires were distributed through mail to companies. However, in Korea, to increase return rate, researchers delivered the questionnaires to the respondents' companies and collected self-administered questionnaires at a later time in the sealed envelopes. Respondents were allowed to return the questionnaire anonymously. By doing so, researchers would less likely affect the outcome as well as they could maintain sufficient sample size.

4 Data, Sample Selection and Demographics of the Respondents

The data for this study were collected from managers of companies in Japan and Korea. The sample is comprised of business managers of various industries as well as various levels within companies. Respondents were from various levels. 227 were returned from Japanese

¹Nakano (2005) conducted a new business ethics survey in Japan which updated and expanded the survey used in Nakano (1997).

²The prior studies used the similar survey questionnaires include Baumhart (1961), Brenner and Molander (1977), and Vitell and Festervand (1987), and Nakano (1997).

³As of 21 July 2006, the conversion rate is 1 U.S. dollar(\$) = 950.10 Korean won(₩) and 1 U.S. dollar(\$) = 116.35 Japanese yen(¥).

companies. In Korea, a total of 391 useable questionnaires are collected to determine the extent of corporate managers' view on business ethics. Some questionnaires were collected partly uncompleted. Table 1 summarized general characteristics of companies and respondents. The survey was not restricted to any particular industries. The respondents were from numerous industry sectors. The companies split fairly equally between manufacturing and non-manufacturing companies. Almost half of respondents were from manufacturing companies for both samples. In addition, the managerial level and company size represented span a wide range.

5 Empirical Result

5.1 Differing Concepts of Social Responsibility

The survey instrument employed question regarding the company responsibility to various interest groups, which respondents were asked to rank according to a scale of 1 (most responsibility) to 7 (least responsibility). The results are reported and compared with the prior studies in Table 2. Nakano (1997) show that unlike prior belief, Japanese managers and American managers emphasize corporate responsibility in a similar manner. However, Hayes and Hayes and Abemahy (1980) demonstrate that there are different corporate cultures between Korea and U.S. in the sense that Korean managers emphasize corporate responsibility toward customers whereas American corporations stress the interest of stockholders as corporate objective and more concern short-term goals. The finding of this study confirms that majority of Japanese and Korean managers tend to have most responsibility to customers. In Korean sample, employees is a close second and stockholder are a distant third. Interestingly this rank is very similar to the most prior studies spanning last three decades. Brenner and Molander (1977) interpret this finding as a major shift from the doctrine of maximizing shareholders' wealth to the doctrine of long-term customer satisfaction. Another interesting observation concerning the findings of this question is that Korean managers tend to have more responsibility to suppliers compare to American or Japanese managers.

5.2 Perceptions of the Nature and Prevalence of Unethical Industry Practices

The respondents were asked if there were any unethical business practices. Table 3 shows that a significant portion of Japanese managers (37.3%) and Korean managers (49.1%)

chose “no.” Unethical practices seem to have decreased in both countries. The result is particularly noteworthy in the sense that Korean managers believe that there has been significant improvement in this field compared to the study in 1996. Park et al. (1997) show that mere 8.6% answered “no” for the same question. This change could be due to the major shift in the financial and social structure after IMF bailout. Further more the percentage of “no” is higher than American or Japanese studies. The result may draw several points; (1) unethical practices are actually less in Korea, or (2) disparity in ethical perception, i.e., many Korean managers may believe a particular misconduct to be ethical while American and Japanese managers may consider it as unethical. A further investigation is needed to speculate this results in detail. In the meantime, managers who reveal ambiguity have significantly increased in both countries.

In addition, respondents were asked to list unethical industry practices that they wanted to eliminate most. The results in table 4 are extremely varied on this question. Japanese managers most like to eliminate unethical practices relating to marketing activities, which are “price collusion (29.9%)”, “price discrimination (23.4%)”, “giving of gifts, gratuities, and bribes (22.1%)”. In particular, to an greater extent than those in 1997, Japanese managers seem to evaluate that “giving of gifts, gratuities, and bribes” is problematic. This change could be due to an awareness of the provisions of the National Public Service Ethics Law enacted since 1999. The law strictly prohibits government officers from taking gifts or bribes. Korean managers overwhelmingly chose “giving of gifts, gratuities, and bribes (56.2%).” It is hard to believe that this unethical practices have substantially declined for the last decade. The result seems to be consistent with prior study in the sense that Korean sales personnel believe giving free gift to a purchaser is less unethical than do Japanese or American salespersons (Dubinsky et al., 1991). It is also consistent with the finding in fictitious situation 3 in which majority of Korean managers chose “pay the fee and feeling it was ethical.” Other marketing related misconducts are followed next including “price discrimination and unfair pricing (28.1%)” and “price collusion by competitors (19.8%).”

5.3 Means and Extent of the Institutionalization of Business Ethics

The result of Table 5 represents the degree of efforts to the extent that companies do anything to build ethical values into the organizations. On average, more of Japanese and Korean corporations have been making efforts since the last survey. It yielded two positive answers for Japan and Korea, “eagerly” and “to some extent” which together consisted 90.2% and 89.0% respectively. In particular, the proportion of Japanese managers who

choose “eagerly” have significantly increase from 14.7% to 36.8% for the last decade.

Table 6 summarizes the methods of building ethical values into the organization. Japanese corporations seem to have significant improvement in institutionalizing ethics system to the extent that more than half of corporations have adopted “code of ethics (68.8%)”, “punishment for unethical conduct (65.6%)”, “employee training in ethics (62.9%)”, “suggestion system (61.5%)”, and “ethics committee (57.5%).” Interestingly, the primary method of instilling business ethics in Korean corporations is “CEO’s frequent statements on ethics.” This result is far beyond the answer to the same question in the study of 1996 (37.4%). This result reflects the anecdotal evidence that CEO’s ethical commitments have been strongly emphasized by government, academies, media, and general publics since early 2000’s in Korea. The negative method of “punishment for unethical conduct” followed a distant second. However, while the result shows improvement, a far less portion of Korean companies have “code of ethics (47.9%)” compared to those of American corporations (93.0%) and Japanese corporations (68.8%). Combined with the results of American studies, it draws that both of Japanese and Korean companies still tends to use less formal ways for building ethical values into the organizations. Taka and Foglia (1994) note that Japanese corporations have been less concerned than the U.S. corporation in the necessity of monitoring system to prevent the unethical practices of employees because they place higher values of self-realization, appreciation of diverse abilities, and trust in others to their employees. On average, however, the institutionalize of business ethics seem to has been successfully improved in both countries.

Table 7 indicates that majority of respondents of Japan (68.0%) and Korea (82.4%) believe that institutionalizing efforts of corporations have been fairly successful. These numbers are significantly higher than those of prior studies. Combined together, the results on table 5, table 6, and table 7 draw several important implications. That is, the results do not necessarily mean the ethical standard in Japanese corporations is lower than that in Korean companies. It may merely indicates that, Korean companies have spent substantial efforts during the last decade. In other worlds, the Korea society (e.g., government, companies, academies, and general public) has fostered a spirit of transparent business since the economic crisis of 1997. The results seem to indicate that institutionalizing efforts for business ethics have been showing a secular improvement in both countries.

5.4 Effects of Cultural Determinants on Ethical Conflict

Corporate managers frequently experience ethical conflict between their own ethical belief and their obligations to the companies they work for. Hence respondents were asked if

they had ever experience a conflict between personal ethics and managers' role. Table 8 summarizes the results of this study and prior studies. Compared to the managers in U.S. companies, the managers in Japan and Korea have had considerably less experienced ethical conflicts. A comparative study by Nakano (1997) speculates one cause for the difference as the considerable difference between two countries (Japan vs. U.S.) in cognitive dissonance. However, compared to Japanese managers, Korean managers have exposed to more ethical conflicts.

In order to investigate the situations which cause the most ethical conflicts, the respondents who answered "Yes" in Table 8 were asked to choose all situations which produced ethical conflicts. The result is summarized in Table 9. The most common situations producing ethical conflict in Japan are the "fairness and discrimination (38.0%)" and "firing and layoffs (25.4%)." "gift, entertainment, and kickbacks (41.5%)" and "fairness and discrimination (39.8%)" are the most common answers for same situation in Korea. Nakano (1997) shows that the Japanese managers choose "firing and layoffs" for the most ethical conflict situation. We expected the ethical conflicts for Korean managers are similar to those for Japanese managers. However, surprisingly, the result shows that the rank of the conflict situation in Korea is most akin to the survey result of Vitell and Festervand (1987). Unlike the common belief that Korean managers would have considerable conflicts with respect to "firing and layoffs" the result shows no such indication. Contrastingly, Korean managers rank it only the second from the least conflicting situation. One possible explanation might be that there is a considerable difference between Japan and Korea in perceiving employment relations. For example, Korean corporation have had experienced devastating restructuring processes following massive layoffs since the IMF bailout. As a result, the survived managers may accept "firing and layoffs" as inevitable routine under current circumstance. Jackson et al. (2000) also interprets in a different context that the decision to lay off employees seem to be less unethical in Korean than the same decision in Japan or U.S. because Korean managers consider the company interests first. Another possible explanation is that they have less experience in firing and layoffs situation because Korea had stronger legislative restrictions on layoffs. The result examined in 1996 seem to support the same argument. Further investigation is advisable why there is such a big gap between two countries.

Additionally, respondents were asked to list the parties that caused the ethical conflicts. Table 10 shows the diverse result among three countries. Japanese managers choose the relation with superior (42.3%) and customers (42.3%) cause the most ethical conflict. This perception has not changed since the last survey. On the other hand Korean managers

choose that relations with suppliers (55.3%) and customers (43.1%) cause the most ethical conflict. The aforementioned bribery issues seem to be most potent force for the ethical conflict with suppliers in Korea. This rank is quite similar to that of Vitell and Festervand (1987). Contrary to our expectation, the relations with superior (38.2%) was ranked third while it was the most popular cause in the Japanese survey. Nakano (1997) explains that due to the vertical human relationship in Japanese companies, the relations with “superior” is the most significant factor causing ethical conflicts. Lower level managers frequently feel extreme pressure from superiors to satisfy organizational targets. The Korean managers seem to experience less pressure from superior in ethical decision making. Another interesting result is that 11.4% of respondents answered that they encountered conflicts in relation with “stockholders.”

In addition, respondents who had experienced ethical conflicts were asked to choose what the decisions would be when they are faced with ethical conflicts. Table 8 shows that Japanese managers, especially lower level managers, tend to make decisions depending on the situation. Interestingly, to an greater extent than those in 1994, Japanese managers choose to make decisions following their personal ethics. The result seems to show a major shift in employees’ ethical mind since the last survey while the majority of employees still make decision based on the situation. On the contrary, a significant portion of Korean managers (54.5%) answer to make decision for the company interests. In particular top & upper managers overwhelmingly chose “company interest (66.7%).” Hofstede (1980) and Hofstede (2004) document that Korea is a high collectivism culture. The difference in the collectivism have significant impacts on the ethical decision making of managers (Vitell et al., 1993; Ford et al., 1997). This finding suggests that Japanese managers seem to behave more on ‘situationalism’ while Korean managers, even lower level managers, seem to behave more on ‘group egoism’ or ‘collectivism.’

5.5 Factors Influencing Managers’ Decisions

While there are many factors that can influence corporate managers to make ethical/unethical decisions, respondents were solicited to rank five important factors according to the degree of influence of each of these factors, making a scale of 1 (most influential responsibility) to 5 (least influential). The five factors are: (1) one’s personal code of behavior, (2) company policy, (3) behavior of superiors, (4) behavior of one’s equals in the company, and (5) ethical climate of the industry. Table 12 presents the result. “one’s personal code of behavior” tops the list for Japanese and Korean managers. They ranked “company policy”

as a distant second. This result is different from Japanese study of 1994, but very similar to the American study of 1961. The result is not surprising in the sense that Japanese and Korean business cultures have been substantially influence by western business culture during the last decade. In Japanese studies, however, personal ethics and company policy have reversed rankings for the 1994 study versus the 2004 study. “company policy” influences most Japanese managers’ ethical decision in the 1994 study. Following company policy has been considered as a traditional ethical perspective of Japanese managers. What has caused this significant shift in the ethical perspective for Japanese managers during the last decade? One line of interpretation is that a series of unethical business scandal have incurred in Japanese society during the ‘lost decade’, and a major cause for the scandal is now believed as sacrificing customers or society for company interest. The result reflects the anecdotal evidences that sacrificing for company interest is no longer considered as a virtue in Japanese business environment. The collapse of so called ‘lifetime employment’ during the period could be another reason for the result since Japanese employees have realized that companies cannot protect themselves anymore under competitive global business environment. Hence, it is not surprising even though employees no longer do sacrifice themselves for company interests.

Table 13 summarizes the rank of five similar questions according to the influence managers exert for unethical decisions. The result of the current study was strikingly similar to that of the American study in 1976. “behavior of superiors” tops the list for Japanese and Korean managers, with “company policy or lack thereof” a distant second which Japanese manager ranked as the most influential factor to unethical decision. This result also reflects that the influence of company policy on Japanese managers has been weaken while superiors’ unethical influence has risen under competitive business environment during the period. Interestingly, the most popular answer for Korean managers is “ethical climate of the industry” in 1996 study. Taken together, Korean managers tend to believe that unethical business climate has been significantly improved. This result reflects that Korean society has spent substantial efforts to reduce unethical business practices since the economic turmoil in 1997.

5.6 Comparison of Responses to Hypothetical Ethical Dilemmas

Respondents were asked what they would do and what the average managers would do when faced various ethical situations. Prior studies in the U.S. (Baumhart, 1961; Brenner and Molander, 1977; Vitell and Festervand, 1987) as well as the study in various countries (Izraeli, 1988; Alderson and Kakabadse, 1994; Nakano, 1997) show that they believe that

they are more ethical than the average managers. In other words, managers are more cynical about colleagues' business ethics.

To measure this cynicism, prior studies have presented fictitious cases in two different ways. In other words, the respondents were asked for the same situation in two ways: "What would you do?" and "What would the average manager do?" This study also uses same approach to each scenario.

The four fictitious case situations were presented respondents as follows:

Situation 1: An executive earning \$400,000 a year has been padding his/her expense account by about \$20,000.

Situation 2: Imagine that you are the president of a company in a highly competitive industry. You learn that a competitor had made an important scientific discovery which will give him an advantage that will substantially reduce the profits of your company. If there were some hope of hiring one of the competitor's employees who knew the details of the discovery, would you try to hire him?

Situation 3: The minister of a foreign nation, where extraordinary payments to lubricate the decision-making machinery are common, asks you, as a company executive, for a \$300,000 consulting fee. In return, he promises special assistance in obtaining a \$100 million contract which should produce, at least, a \$500,000 profit for your company. What would you do?

Situation 4: Imagine that you are a regional sales manager for a large industrial supply company and your salespeople are giving money to purchasing agents to obtain sales. This is beyond the generally acceptable meal or promotional item. Assuming that no laws are being violated, what would you do?

Table 14 summarizes the hypothetical cases used in the prior studies and our survey. For example, situation 3 and 4 are not used in Baumhart (1961).

Table 15 shows the result of fictitious situation 1. Most respondents (Japanese 90.7% and 68.6% Korean) think that padding an expense account is unacceptable. However, the percentage of Korean managers are much lower than that of American or Japanese managers. Interestingly, more Japanese managers tend to believe that the average managers would behave ethical than the American managers and Korean managers do. Nakano (1997) explains that the result might suggest that Japanese managers usually place more strict moral responsibility on corporate managers.

Of Japanese managers, 26.5% believe that average manager would consider it acceptable if executive's superior knows and say nothing while only 8.9% managers believe themselves behave in the same way. The disparity has significantly grown since the last survey in 1994. In Korea, a substantial portion of the managers (24.9%) say that it is "acceptable" if executive's superior knows and say nothing. Only less than half of the respondents (40.6%) answer that the average manager would consider it unacceptable. More Korean managers accept executive's behavior if the executive's superior knows about it and say nothing, which is significantly higher than the answers of American and Japanese managers. A close examination of the result discloses that many Korean managers tend to follow the ethical decision in the context of the higher level of solidarity with superiors. Bae and Chung (1997) mentioned the impact of Confucianism on Korean employees: "Thus Korea culture emphasizes that an individual must be loyal to and harmonious with the group." Hence, they tend to dismiss ethical discomforts and accept misconduct once their top management shows positive signals regarding unethical practice.

With respect to situation 2, table 17 reveals that about half of managers (Japanese 48.0% and Korean 59.5%) would hire competitor's employees to obtain technological secrets. The percentage as to average manager is even more striking (Japanese 69.9% and Korean 84.5%). This figure implicates significantly improvement over the last decade in both countries. The finding seems to indicate that currently Korean managers place more value on economic profits than on business ethics in regard to hiring a competitors' employees. In this study, however, the results among three countries are not strikingly different each other.

The result for situation 3 is summarized in table 17. As would be expected, the result of Japan is qualitatively similar to that of Korea and considerably difference from that of American studies.⁴ Unlike American managers, majority of managers (Japanese 62.9% and Korean 52.8%) consider to choose "pay the fee, feeling it was ethical." Additionally, 26.7% of managers choose "pay the fee, feeling it was unethical." Only 20.5% of Korean managers indicate "refuse to pay." The disparity of opinion using two different ways is striking. Furthermore, only 10.8% of Japanese managers and 9.6% of Korean managers believe average managers would refuse to pay. Interestingly enough, more Japanese managers say "pay the fee, feeling it was ethical in the moral climate of the foreign nation" than Korean managers do. Nakano (1997) notes that these results may reflect Japanese ethical orientation that is

⁴Lee and Yoshihara (1997) also reported that there was almost no difference between two countries in the question for a similar situation.

ethical ‘relativism’ or ‘situationalism.’ In this situation, Korean managers seem to follow the similar ethical doctrine as Japanese managers do. However, more Korean managers would pay even though they feel it was unethical. This result again supports the Korean managers’ tendency to the ‘collectivism’ in the sense that they follow company interests. Fritzsche et al. (1995) argues that this phenomenon incur because Japanese and Korean managers screen business opportunities on an economic basis first. On the other hand, American managers apparently choose “refuse to pay.” They tend to judge more based on universal principles of personal ethics. Another possible explanation can be attributable more strict legal system and government’s enforcement.⁵

Situation 4 deals with salespeople’s giving cash payments to purchasing agents to obtain sales. The results are extremely varied on this issue. 27.2% of Japanese managers and 38.3% of Korean managers place strict responsibility on the salespeople, which includes order stopping future payments as well as reducing salespeople’s pay while only 18% of American managers say same answer. However, majority of Japanese managers (69.3%) disagree with reducing sales people’s pay even though they agree with stopping future payment. On the other hand, 3.6% of Japanese managers and 12.4% of Korean managers choose “say and do nothing.” Conversely, 26.2% of Japanese managers and 43.4% of Korean managers believe that average managers would ignore the misconduct. A substantial dissonance exists between two answers, especially in Korea. The disparity of opinion on this case reflects the extent of Korean managers’ cynicism about colleagues’ business ethics.

5.7 Evolution of Ethical Standards over the Last Decade

The managers were asked to indicate to the extent of agreement or disagreement with the improvement of ethical standard compared to ethical standard 10 years ago. Table 19 shows that 50.7% of Japanese managers and 87.2% of Korean managers feel that ethical standards are higher today. In particular, a mere 0.8% of Korean managers consider the standards are lower. Compared to Japan, more Korean managers believe the ethical standard of today is higher than that of 10 years ago. It does not necessarily mean that the absolute level of ethical standard is higher but that the ethical standard has been improved at a relatively fast pace in Korea. The result is not surprising again in the sense that Japanese society has initiated to seriously emphasize on the transparent business practices during the ‘lost

⁵For example, the Foreign Corrupt Practices Act (FCPA) of 1977 explicitly prohibits U.S. businesses from providing foreign officials with bribery.

decade'. Korean government also has increased legal and ethical standards as well as it has heavily interfered and enforced companies' misconducts to improve the standard of business ethics during the last decade. With respect to the higher standards, respondents were asked to list most critical factors causing the improvement. Table 20 shows that majority of Japanese manager mention that the social expectation (92.2%) and public exposure on business ethics (77.7%) are most critical factors. However, 67.3% of Korean managers choose "top management's emphasis on ethical action." This answer is consistent with the finding in table 6 in which the primary method of Korean corporations for building ethical values was "CEO's frequent statements on ethics." In addition, the result seems to indicate that building ethical values into the organization by the CEO's emphasis on business ethics is strongly effective in Korean corporations. "Increased public awareness and scrutiny (63.9%)" was close second and "new social exsections for business's role in society (60.6%)" followed next. Taken together, the results indicate that social pressure imposed on business ethics during last decade has been a significant role for improving the standards of business ethics in Korea. In contrast, table 21 summarizes major factors causing lower ethical standards. 67.1% of respondents in Japan mentioned "pressure for survival in slow economy", which reflects the economic recession during the last decade. Wilhelm (2002) reports that corruption is particularly salient in emerging economies. Korean managers choose "political corruption and loss of confidence in government" (58.4%) with "greed and the desire for gain" (61.8%) a close second, which reflect public cynicism regarding the politics in Korea.

6 Concluding Remarks

An ethical dilemma is a function of the way the person confronted with that dilemma defines what constitutes ethical behavior. Given that culture plays a large role in forming a person's values and perceptions, it follows that certain situations present greater ethical dilemmas (if at all) for people of one country than for the people of another country steeped in an altogether different culture (Ferrell, 1999). Given the growing importance of business ethics to competitiveness, it behooves us to better understand how different countries define ethical behavior because the way a person defines ethical behavior and the degree to which he or she abides by that definition to some degree dictates their behavior. Korean manager's ethical orientation is directed to "group egoism" or "collectivism" while Japanese managers tend to be more "situational", a tendency, incidentally, that has not changed significantly in the last ten years. Korean managers tend to align themselves with their companies in

situations where they must choose between their personal code of ethics and the interests of their companies. The tendency becomes more pronounced the farther one goes up the corporate ladder. We see the same tendencies in Japanese managers (Dubinsky et al., 1991; Fritzsche et al., 1995; Lee and Yoshihara, 1997; Bae and Chung, 1997). On the other hand, while Korean managers tend to have conflicts with their suppliers, Japanese managers tend to have conflicts with their superiors. Korean managers exhibit a set of characteristics that is a mixture of those of American and Japanese managers, not surprising considering the Korean business environment is so imbued with the ethos of both the Japanese and the Americans due to Korea's experience in the last half century (Bae and Chung, 1997). This study was an effort to advance our understanding of what constitutes ethical behavior to Japanese and Korean businesspeople. To this end, we conducted an extensive survey of business managers to gauge their reactions to certain ethical dilemmas and to record their opinions about different types of conduct. Once our results were tabulated we compared them to the results of similar studies conducted ten years ago in order to determine if perceptions of ethical behavior have changed over the years. We drew several conclusions: First, both Japan and Korea have gone a long way in institutionalizing business ethics. Many companies in both countries now enforce wide-ranging ethics policies governing the behavior of their employees. Despite this measure, the attitudes of managers have not changed measurably. In particular, our results show that Japanese managers still exhibit "situationalism" when confronted by ethical decisions. While bolstering the ethical policies of corporations has been relatively strait forward, changing the ethical perceptions of employees is more involved and takes more time. People will follow the rules if compelled to do so; however, it must be added that people who over the years have been instilled with one set of values are not quick to internalize a new set. Even so, certain changes have been noted, even in Japanese workers, steeped as they are in their country's deep-rooted and long-standing corporate ethos. Most significantly, these employees have come to appreciate their "personal code of behavior" in making ethical decisions. Ten years ago, the same workers would have cited their respective companies' policies as their primary reference regarding their conduct. In the Japan of today, sacrificing personal ethics for the sake of one's company is no longer considered a virtue. Turning our eyes to Korea, we find that managers hesitate to report cases of dubious behavior because they are unsure of exactly what constitutes unethical business behavior. Company codes of conduct provide little help as they tend to be overly general or vague. Priority should be given to reinforcing these policies. It has been argued that a major goal of companies is maximizing profits and shareholders' wealth. Certainly, in the heightened

competitive business environment brought on by globalization, managers now, more than ever, feel the pressure to engage in unethical behavior in order to add to their bottom line. It would be a nice thing to say that there is a positive correlation between ethical behavior and profits and that breaking the rules ultimately hurts performance but this contention has not yet been demonstrated conclusively. Nevertheless, prior studies document that a substantial number of business executives believe that business ethics would improve the long-term profitability of their companies (Lee and Yoshihara, 1997). If such a correlation could be proved it would certainly contribute to widespread improvements in ethical conduct. Thus, it would be worthwhile if future research extends the analysis of this paper and others to show a causal link between the level of business ethics and a firm's financial performance over the short and long term. This study has contributed to the field by compiling extensive data on the perceptions of ethical behavior in Japan and Korea. This data reveals differences between the two countries and demonstrates that while it is possible to institutionalize ethics within corporations in the short term, making changes to managers' attitudes and perceptions about ethics takes a longer time. That fact that these changes can come about, however gradually, is reason for optimism.

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Table 1: Descriptive Statistics: Respondents¹

Descriptive Statistics	Japan 2004	Korea 2005
<i>Company Size: Number of Employees</i>	(N=225)	(N=391)
1-499	27.6%	48.3%
500-999	14.7%	23.8%
1000-4999	41.3%	19.9%
5000 and more	16.4%	7.9%
<i>Industry</i>	(N=226)	(N=391)
Manufacturing	48.2%	53.6 %
Non-manufacturing	51.8%	46.4 %
<i>Management Position²</i>	(N=221)	(N=391)
Top Management	8.6%	0.8%
Upper Middle Management	26.7%	24.4%
Lower Middle Management	37.6%	37.9 %
Other	27.1%	39.9%

Notes to Table 1:

¹ The number of total respondents is 391. The descriptive statistics are computed after considering missing values.

² Top management includes president, chairman of board, executive director, board member. Upper middle management includes functional department head and assistant director of department, deputy director of department; Lower middle management. Other includes nonmanagement personnel, assistant manager, supervisor, government officer.

Table 2: Company Responsibility to Various Groups

Responsibility to	Mean Ranks ¹				
	U.S. (1976)	U.S. (1985)	Japan (1994)	Japan (2004)	Korea (2005)
Customers	1.83 (1)	1.95 (1)	1.71 (1)	1.45 (1)	2.81 (1)
Employees	2.86 (3)	2.67 (2)	2.58 (2)	2.68 (2)	2.89 (2)
Stockholders	2.52 (2)	3.00 (3)	3.01 (3)	2.74 (3)	3.25 (3)
Suppliers	5.10 (6)	5.75 (6)	4.99 (6)	4.71 (5)	4.34 (4)
Local Community	4.44 (4)	4.78 (4)	4.31 (4)	4.44 (4)	4.64 (5)
Government	5.72 (7)	6.23 (8)	6.70 (7)	6.76 (7)	4.98 (6)
Society in General	4.97 (5)	5.48 (5)	4.37 (5)	4.91 (6)	4.99 (7)
Dealer	*	5.94 (7)	*	*	*

Notes to Table 2:

¹ The ranking is based upon a scale of 1 (most responsibility) to 7 (least responsibility).

* Not included in the questionnaire.

Table 3: Existence of unethical industry practices

	U.S.			Japan		Korea	
	1961	1976	1985	1994	2004 ¹	1996	2005 ²
None	19%	27%	44%	32.2%	37.3%	8.6%	49.1%
Yes, a few	59%	49%	47%	46.2%	35.6%	64.9%	32.5%
Yes, many	9%	6%	3%	6.3%	3.6%	24.5%	2.8%
Don't know	13%	18%	6%	15.4%	23.6%	2.0%	15.6%

Notes to Table 3:

¹ N=225.

² N=391.

Table 4: Existence of unethical industry practices

	U.S. (Singly choice)			Japan (Multiple choice)		Korea (Multiple choice)	
	1961	1976	1985	1994	2004 ¹	1996	2005 ²
Giving of gifts, gratuities, and bribes	23%	26%	21.2%	17.5%	22.1%	41.9%	56.2%
Price discrimination and unfair pricing	18%	8%	22.7%	19.3%	23.4%	12.5%	28.1%
Price collusion by competitors	8%	3%	9.0%	19.3%	29.9%	2.9%	19.8%
Unfairness to employees	6%	9%	7.5%	17.5%	13.0%	8.1%	14.9%
Cheating customers	9%	14%	19.7%	5.3%	13.0%	23.5%	12.4%
Dishonesty in making or keeping a contract	7%	1%	7.5%	5.3%	10.4%	5.1%	11.6%
Overselling	*	*	1.5%	*	3.9%	*	7.4%
Miscellaneous unfair competitive practices	10%	14%	*	*	7.8%	*	5.8%
Unfair credit practices	*	*	3.0%	0.0%	1.3%	1.5%	3.3%
Dishonest advertising	14%	5%	6.0%	0.0%	6.5%	2.9	1.7%
Other	5%	20%	1.5%	15.8%	19.5%	1.5%	0.8%

Notes to Table 4:

* Not included in the questionnaire.

¹ N=77.

² N=130.

Table 5: Company efforts to build ethical values into the organization

	Japan (1994) ¹	Japan (2004) ²	Korea (1996)	Korea (2005) ³	Notes to
Yes, very eagerly	14.7 %	36.8%	38.4%	30.9 %	
Yes, to some extent	46.8 %	54.3%	46.5%	58.1 %	
Yes, but very little	25.0 %	7.2%	14.8%	4.1 %	
Not at all	13.5 %	1.8%	3.9%	6.9 %	

Table 5:

¹ N=156.² N=223.³ N=391.**Table 6: Methods of building ethical values into the organization**

	U.S.		Japan		Korea	
	1984	1989-90	1994	2004 ¹	1996	2005 ²
CEO's frequent statements on ethics	*	*	33.3 %	57.0%	37.4%	62.3 %
Punishment for unethical conduct	*	*	59.3 %	65.6%	40.8%	55.6 %
Corporate philosophy including ethics	*	*	67.4 %	33.9%	54.4%	50.7 %
Code of ethics	93.3%	93%	37.0 %	68.8%	44.2%	47.9 %
Anonymous Reporting Hotline for unethical conduct	*	*	*	*	*	45.5 %
Employee training in ethics	44.4%	52%	23.7 %	62.9%	46.9%	44.1 %
Suggestion system on ethics	*	*	13.3 %	61.5%	31.3%	35.5 %
Contribution to social/cultural activity	*	*	34.0 %	34.8%	28.6%	30.9 %
Ombudsman	7.6%	*	1.5%	*	8.2%	28.9 %
Ethics committee	17.9%	25%	6.7%	57.5%	17.7%	22.3 %
Following parent company's philosophy	*	*	*	19.5%	*	17.1 %
Social auditing	7.6%	*	8.9 %	*	6.8%	14.3 %
Other	0.9%	11%	6.7 %	4.5%	*	1.4 %

Notes to Table 6:

¹ N=221.² N=363.

* Not included in the questionnaire.

Table 7: Success of the efforts

	U.S.(1989-90)	Japan (1994)	Japan (2004) ¹	Korea (1996)	Korea (2005) ²
Very satisfactory	42 %	9.5 %	1.4%	10.7%	11.0%
Satisfactory	54%	52.6%	67.6%	59.7%	71.4 %
Unsatisfactory	0 %	21.9 %	18.7%	27.5%	11.5%
Very unsatisfactory	0 %	8.0 %	3.2%	2.0%	0.8 %
Cannot tell	4 %	8.0 %	9.1%		5.2%

Notes to Table 7:

¹ N=219.² N=391.**Table 8: Experience of conflicts between company interests and personal ethics**

	U.S. (1961)	U.S. (1976)	Japan (1994)	Japan (2004) ¹	Korea (1996)	Korea (2005) ²
Yes	75.8%	57.2%	28.5%	31.6%	72.3%	31.5%
No	24.2%	42.8%	71.5%	68.4%	27.7%	68.5%

Notes to Table 8:

¹ N=225.² N=391.

Table 9: Conflicts between company interests and personal ethics

With regard to	U.S. (1961) (Single choice)	U.S. (1976)	U.S. (1985) (Multiple choice)	
Gifts, entertainment, and kickbacks	8.9 %	12.3 %	29.3 %	
Fairness and discrimination	*	7.0 %	22.4 %	
Honesty in internal communication ³	13.5%**	22.3%**	16.5 %	
Honesty in executing contracts and agreements	*	5.5 %	15.5 %	
Price collusion and pricing practices	12.5 %	2.3 %	18.4 %	
Honesty in external communication ⁴	13.5%**	22.3%**	7.8 %	
Firings and layoffs	16.2 %	4.8 %	18.1 %	
Other and unspecified	48.8 %	40.1 %	*	
With regard to	Japan (1994)	Japan (2004) ¹	Korea (1996) (Multiple choice)	Korea (2005) ²
Gifts, entertainment, and kickbacks	22.2 %	18.3%	51.8%	41.5 %
Fairness and discrimination	31.1 %	38.0%	21.4%	39.8 %
Honesty in internal communication ³	17.8 %	16.9%	18.8%	26.8 %
Honesty in executing contracts and agreements	22.2 %	22.5%	24.1%	20.3 %
Price collusion and pricing practices	31.1 %	22.5%	33.0%	20.3 %
Honesty in external communication ⁴	15.6 %	19.7%	20.5%	16.3 %
Firings and layoffs	37.8 %	25.4%	23.2%	13.0 %
Other and unspecified	8.9 %	18.3%	2.7%	2.4 %

Notes to Table 9:

* Not reported.

** Internal or external, unspecified.

¹ N=71.² N=123.³ Includes reports and memos.⁴ Includes disclosure, advertising.

Table 10: Conflicts between company interests and personal ethics

In relation with	U.S. (1976) (Single choice)	U.S. (1985)	Japan (1994)	Japan (2004) ¹	Korea (2005) ²
			(Multiple choice)		
Suppliers	2.5 %	49.5 %	20.0 %	23.9%	55.3 %
Customers	12.0 %	50.0 %	42.2 %	42.3%	43.1 %
Superiors	12.8 %	29.5 %	46.7 %	42.3%	38.2 %
Competitor	4.8 %	41.9 %	22.2 %	18.3%	27.6 %
Colleagues	*	*	6.7 %	12.7%	27.6 %
Employees	11.5 %	40.0 %	24.4 %	25.4 %	19.2 %
The law and government	4.8 %	36.3 %	4.4 %	21.1%	17.1 %
Society in general	*	*	15.6 %	18.3%	14.6 %
Stockholders	*	*	4.4 %	5.6%	11.4 %
Other and unspecified	51.6 %	*	13.3 %	7.0%	0.0 %

Notes to Table 10:

¹ N=71.² N=123.

* Not reported.

Table 11: Ethical decision - company interests or personal ethics

	Japan (1994)			Notes to
	Total (N=45)	Top & Upper Management (N=25)	Lower Management (N=15)	
Company interests	42.2 %	56.0 %	20.0 %	
Personal ethics	15.6 %	8.0 %	26.7 %	
Depends on the situation	42.2 %	36.0 %	53.3 %	
	Japan (2004)			
	Total (N=71)	Top & Upper Management (N=31)	Lower Management (N=34)	
Company interests	25.4%	22.6%	29.4%	
Personal ethics	23.9%	12.9%	29.4%	
Depends on the situation	50.7%	64.5%	41.2%	
	Korea (2005)			
	Total (N=123)	Top & Upper Management (N=36)	Lower Management (N=48)	
Company interests	54.5 %	66.7 %	52.1 %	
Personal ethics	26.0 %	22.2 %	27.1 %	
Depends on the situation	19.5 %	11.1 %	20.8 %	

Table 11:

¹ Includes Nonmanagement personnel, government officers.

Table 12: Factors influencing ethical decisions

	Mean Ranks ¹					Notes
	U.S.	Japan		Korea		
	1961	1994	2004 ²	1996	2005 ³	
One's personal code of behavior	1.5 (1)	1.99 (2)	1.73 (1)	1.93 (1)	1.99 (1)	
Company policy	2.8 (2)	1.94 (1)	2.12 (2)	2.43 (2)	2.44 (2)	
Behavior of superiors	2.8 (2)	2.92 (3)	2.79 (3)	4.18 (5)	2.88 (3)	
Behavior of one's equals in the company	4.0 (5)	4.31 (5)	4.06 (4)	4.06 (3)	3.88 (4)	
Ethical climate of the industry	3.8 (4)	3.93 (4)	4.11 (5)	4.09 (4)	3.89 (5)	

to Table 12:

¹ The ranking is based upon a scale of 1 (most influential) to 5 (least influential).

² N=215.

³ N=383.

Table 13: Factors influencing unethical decisions

Responsibility to	Mean Ranks ¹					
	U.S.		Japan		Korea	
	1961	1976	1994	2004 ²	1996	2005 ³
Behavior of superiors	1.9 (1)	2.15 (1)	2.14 (2)	2.04 (1)	3.00 (3)	2.43 (1)
Company policy or lack thereof	3.3 (4)	3.27 (2)	2.00 (1)	2.30 (2)	2.59 (2)	2.53 (2)
Ethical climate of the industry	2.6 (2)	3.34 (3)	3.08 (3)	3.22 (3)	2.11 (1)	3.09 (3)
One's personal financial needs	4.1 (5)	4.46 (6)	3.75 (4)	3.29 (4)	3.17 (4)	3.20 (4)
Behavior of one's equals in the company	3.1 (3)	3.37 (4)	4.18 (5)	4.09 (5)	4.10 (5)	3.75 (5)
Society's moral climate	*	4.22 (5)	*	*	*	*

Notes to Table 13:

¹ The ranking is based upon a scale of 1 (most influential) to 5 (least influential).² N=224.³ N=375.

* Not included in the questionnaire.

Table 14: Cases used in prior studies

Case	U.S.(1961)	U.S.(1976)	U.S. (1985)	Japan (1994 & 2004)	Korea (1996 & 2005)
Situation 1	○	○	○	○	○
Situation 2	○	○	○	○	○
Situation 3	×	○	○	○	○
Situation 4	×	×	○	○	○

Notes to Table 14:

¹ The exact monetary amounts vary in each study.

Table 15: Situation 1: Padding an expense account

	U.S. (1961)		U.S. (1976)		U.S. (1985)	
	Oneself	Average manager	Oneself	Average manager	Oneself	Average manager
Unacceptable, regardless of circumstances	86 %	60 %	89 %	53 %	98 %	54 %
Acceptable, if other executives in company do the same thing	6 %	27 %	4 %	28 %	0 %	26 %
Acceptable, if the executive's superior, knows about it and says nothing	11 %	28 %	9 %	33 %	2 %	20 %
	Japan (1994)		Japan (2004) ¹			
	Oneself	Average manager	Oneself	Average manager		
Unacceptable, regardless of circumstances	84.1 %	71.0 %	90.7 %	64.1 %		
Acceptable, if other executives in company do the same thing	1.9 %	11.0 %	0.4 %	9.4 %		
Acceptable, if the executive's superior, knows about it and says nothing	14.0 %	18.1 %	8.9 %	26.5 %		
	Korea (1996)		Korea (2005) ²			
	Oneself	Average manager	Oneself	Average manager		
Unacceptable, regardless of circumstances	65.2 %	30.4 %	68.6 %	40.6 %		
Acceptable, if other executives in company do the same thing	11.4 %	41.2 %	6.4 %	22.6 %		
Acceptable, if the executive's superior, knows about it and says nothing	23.4 %	28.4 %	24.9 %	36.8 %		

Notes to Table 15:

¹ Oneself (N=225), Average manager (N=223).² Oneself (N=389), Average manager (N=389).

Table 16: Situation 2: Hiring to obtain technological secrets

	U.S. (1961)		U.S. (1976)		U.S. (1985)	
	Oneself	Average manager	Oneself	Average manager	Oneself	Average manager
Probably would hire him	48 %	70 %	50 %	73 %	61 %	82 %
Probably would not hire him	52 %	30 %	50 %	27 %	39 %	18 %
	Japan (1994)		Japan (2004) ¹			
	Oneself	Average manager	Oneself	Average manager		
Probably would hire him	50.0 %	74.5 %	48.0 %	69.9 %		
Probably would not hire him	50.0 %	25.5 %	52.0 %	30.0 %		
	Korea (1996)		Korea (2005) ²			
	Oneself	Average manager	Oneself	Average manager		
Probably would hire him	69.8 %	91.9 %	59.5 %	84.5 %		
Probably would not hire him	30.2 %	8.1 %	40.5 %	15.5 %		

Notes to Table 17:

¹ Oneself (N=223), Average manager (N=219).² Oneself (N=388), Average manager (N=387).**Table 17: Situation 3: Paying fee to get a contract**

	U.S. (1976)		U.S. (1985)	
	Oneself	Average manager	Oneself	Average manager
Refuse to pay, even if sale is lost	42 %	9 %	51 %	21 %
Pay the fee, feeling it was ethical in the moral climate of the foreign nation	36 %	45 %	16 %	27 %
Pay the fee, feeling it was unethical but necessary to help insure the same	22 %	46 %	33 %	52 %
	Japan (1994)		Japan (2004) ¹	
	Oneself	Average manager	Oneself	Average manager
Refuse to pay, even if sale is lost	19.2 %	6.4 %	31.7 %	10.8 %
Pay the fee, feeling it was ethical in the moral climate of the foreign nation	66.0 %	55.4 %	62.9 %	63.1 %
Pay the fee, feeling it was unethical but necessary to help insure the same	14.7 %	38.2 %	5.4 %	26.1 %
	Korea (1996)		Korea (2005) ²	
	Oneself	Average manager	Oneself	Average manager
Refuse to pay, even if sale is lost	13.0 %	2.7 %	20.5 %	9.6 %
Pay the fee, feeling it was ethical in the moral climate of the foreign nation	65.2 %	41.3 %	52.8 %	47.4 %
Pay the fee, feeling it was unethical but necessary to help insure the same	21.7 %	56.0 %	26.7 %	43.0 %

Notes to Table 17:

¹ Oneself (N=224), Average manager (N=222).² Oneself (N=386), Average manager (N=386).

Table 18: Situation 4: Issuing an order to stop payments to purchasing agents

	U.S. (1995)		Japan (1994)		Japan (2004) ¹	
	Oneself	Average manager	Oneself	Average manager	Oneself	Average manager
Issue an order stopping future payments and reduce salespeople's pay in the amount equal to their commissions on the sales gained as a result of future payments	18 %	6 %	19.6 %	8.4 %	27.2 %	13.6 %
Issue an order stopping future payments, but do not reduce sales people's pay	77 %	74 %	75.9 %	67.1 %	69.2 %	60.2 %
Say and do nothing	5 %	21 %	4.4 %	24.5 %	3.6 %	26.2 %
	Korea (1996)		Korea (2005) ²			
	Oneself	Average manager	Oneself	Average manager		
Issue an order stopping future payments and reduce salespeople's pay in the amount equal to their commissions on the sales gained as a result of future payments			17.2 %	5.2 %	38.3 %	24.2 %
Issue an order stopping future payments, but do not reduce sales people's pay			73.2 %	55.2 %	49.2 %	31.9 %
Say and do nothing			9.6 %	39.6 %	12.4 %	43.9 %

Notes to Table 18:

¹ Oneself (N=224), Average manager (N=221).² Oneself (N=386), Average manager (N=385).

Table 19: Ethical standards: Today vs. 10 years ago

	U.S. (1985)	Japan (1994)	Japan (2004) ¹	Korea (1996)	Korea (2005) ²
Higher standards today	40%	38.6%	50.7%	76.6%	87.2%
About the same	45%	38.6%	33.3%	1.9%	12.0%
Lower standards today	15%	22.8%	16.0%	21.4%	0.8%

Notes to Table 19:

* Not included in the questionnaire.

¹ N=225.² N=391.**Table 20: Factors causing higher standards**

	(Singly choice)		(Multiple choice)		
	U.S.		Japan		Korea
	1976	1985	1994	2004 ¹	2005 ²
Top management's emphasis on ethical action	*	32.6%	50.8 %	49.7%	67.3%
Increased public awareness and scrutiny	20%	9.3 %	67.8 %	73.6%	63.9%
New social expectations for business's role in society	5%	2.3%	93.2 %	92.2%	60.6%
Public disclosure, publicity and media coverage	31%	2.3%	59.3 %	77.7%	46.1%
Increased commitment of corporations to cultural and environment protection activities	*	*	50.8 %	34.2%	24.5%
Government regulation, legislation, and intervention	10%	11.6%	16.9%	7.3%	24.5%
Increase in manager professionalism and education	9%	23.3%	13.6 %	4.7%	15.2%
Business's greater sense of social responsibility	5%	13.9%	*	* %	*
Other	20%	4.7%	1.7 %	4.7%	0.0%

Notes to Table 20:

¹ N=193.² N=388.

* Not included in questionnaire.

Table 21: Factors causing lower standards

	(Singly choice)		(Multiple choice)		
	U.S.		Japan		Korea
	1976	1985	1994	2004 ¹	2005 ²
Political corruption and loss of confidence in government	9%	19.0 %	54.3 %	41.5%	68.4%
Greed and the desire for gain	8%	19.0%	74.3 %	45.1%	61.8%
Competition and current economic condition	13%	14.3 %	40.0 %	53.7%	56.0%
Society's standards are low	34%	28.6 %	65.7 %	50.0%	32.9%
Pressure for survival in slow economy	*	*	34.3%	67.1%	32.4%
Lack of personal integrity	*	19.0 %	40.0 %	27.4%	31.8%
Media coverage and communications create atmosphere for unethical acts	9%	*	*	*	*
Pressure for profit from superiors within the company	9%	*	*	*	*
Other	21%	*	5.7%	5.5%	0.3%

Notes to Table 21:

¹ N=227.

² N=377.

* Not included in questionnaire.

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