Cultural Influence in the Ethical Decision Making Process:  
The Perspective of Malaysian Managers  
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ABSTRACT  
This research explores the influence of culture, measured by the two dimensions of GLOBE’s study (In-Group Organization and Power Distance), in the ethical decision-making process. It also examines the relationship among components of the process. A sample of 236 managers from Malaysian large organizations was collected, and Partial Least Square based on Structural Equation Modeling technique was used to test the expected relationships. Results confirm the influence of in-group collectivism on the ethical decision-making process, but power distance was found to be insignificant. Findings also support that components of the ethical decision-making process follows a sequential process. From a theoretical perspective this study provides valuable insight to evaluate the validity of existing theory as proposed in the literature. From a practical perspective the study provides useful recommendations for organizations to develop policies and programs to encourage ethical behavior. Although this study focuses on Malaysian context, it helps global marketers to increase their knowledge of cultural differences and become more sensitive to them.  

INTRODUCTION  
Ethical Decision-Making (EDM) has received considerable attention from scholars seeking to understand ethical behavior. An increasing number of theoretical frameworks have been proposed to describe such behavior. Despite the notion that EDM is a very challenging area due to its multitude of complex factors, the influence of culture has been theorized as an important determinant of such behavior.  

According to England (1975), individuals raised in different cultures have different value systems for interpreting the ethical propriety of certain practices. Thus, what is considered an acceptable business practice in one country may be considered unethical in other countries. In China, for instance, it is a common custom to give a variety of souvenirs, including money, to business clients. This practice, referred to as the “guangxi” exercise, is widely accepted in Eastern countries (Yeung & Tung 1996). It is a way of showing close personal relationships and respect in a group orientation. However, it is often misinterpreted as bribery by Westerners. This difference proves that individuals from dissimilar cultures will tend to hold divergent views that affect how they construe ethical decision-making (Ferrell & Gresham 1985; Hunt & Vitell 1986).  

Rest (1986) proposed that EDM involves four components: moral awareness, moral judgment, moral intention, and moral behavior. These components are sequential, such that any deficiency in one will result in an unethical decision. Thus, in order to investigate the influence of culture on individuals’ ethical decision-making process, it is essential to explore how culture affects these components. Referring to the existing empirical studies, however, the influence of cultural background in EDM is still relatively unexplored. Little work has tested this construct, and generally researchers have failed to integrate cultural values into a paradigm of EDM (Axinn, Blair & Thach 2004; Robertson & Crittenden 2003). Furthermore, attention of current study has been given to the marketing field that emphasizes the importance of both customers and practitioners understanding ethical behavior (Singhapakdi et al. 1999). As result, a gap between theory and practice in understanding the ethical behavior of individuals in organizations within a cultural context has emerged. Moreover, most of the major frameworks have been formulated from a Western perspective. This leads to an insufficient grasp of ethical decision-making outside the Western context (Oumlil & Balloun 2009).  

In light of these shortcomings, the objectives of this study are twofold. The first objective is to explore and empirically examine the influence of culture in the EDM process. The second is to investigate the relationship among components of the EDM process, which thus far has not been given proper attention. This study is conducted in Malaysian context that models cultural differences. Thus, in the next section we discuss Malaysian cultural and ethical practices in business, followed by the theoretical background of cultural influences in the ethical decision-making process. We then propose the research model to explain the relationship between these constructs. Next we
describe the study’s methodology, followed by an analysis of the key findings. Finally we present the project’s implications for both theory and practice, along with recommendations for further investigation.

MALAYSIAN CULTURE AND ETHICAL PRACTICES IN BUSINESS

Malaysian culture places a higher priority on social order than on individual freedom; it also emphasizes family and social networks rather than individual goal achievement (Samir & Cecil 2002). Both of these elements contrast greatly with Western values, which values individual freedom, pursuit of material wealth, relatively low power distance, and uncertainty avoidance (Vitell, Rallapalli & Singhapakdi 1993). Certain practices such as gift-giving in the public realm are an accepted tradition in many non-Western cultures, including Malaysia (Roslin & Melewar 2004). Furthermore, Malaysian culture is very much about respect (McLaren & Rashid 2000), humility (Asma 1992), and faith in government. Not surprisingly, all these basic traits result in a different perspective on ethical issues.

In general, Malaysia has been the target of ongoing criticism for reportedly high levels of corruption and inappropriate business practices. Transparency International, which compiles an annual index of corruption around the world, ranked Malaysia at 43 on a scale of 1 to 179 (least corrupt to most corrupt) in its 2007 index (http://www.transparency.org/policy_research/surveys_indices/cpi/2007). Last year Malaysia was ranked at 47 behind Singapore. Almost 85% of the countries that ranked in the lowest twenty are Western countries. However, differences between Western and Malaysian concepts of ethical practice have led to arguments about the validity of this ranking instrument. One of the main issues concerns the influence of culture, which makes the present study especially relevant.

Despite this debate Malaysian organizations have been called upon to develop programs for enhancing the capability of individuals in organizations to make ethical decisions. They also are being encouraged by the government to promote ethical practices in order to overcome this perceived deficiency (National Integrity Plan 2004). To do this, Malaysian managers must understand the cultural influences that drive ethical conduct. However, as mentioned in the previous section, most such constructs are based on Western perspective, creating a gap between theory and practice concerning ethical decision-making in business organizations. This research study directly addresses that highly problematic issue.

THEORETICAL BACKGROUND

Cultural Influences

Earlier studies have concluded that culture significantly influences an individual’s beliefs about what is appropriate and inappropriate in terms of ethical behavior (Axinn, Blair & Thach 2004; Lu, Rose & Blodgett 1999). Dolecheck & Dolecheck (1987), for instance, surveyed business and governmental personnel in Hong Kong (n=234) and the U.S. (n=160) to determine the influence of different cultures on the perception of ethical practice. As expected from their individualistic culture, U.S. respondents indicated that laws were considered to be minimal requirements, whereas Hong Kong respondents reported just the opposite. These findings show that Easterners and Westerners perceive ethical practice differently based on their particular cultures.

Furthermore, Ralston, Giacalone & Terpstra (1994), in their study of U.S. (n=161) and Hong Kong (n=141) managers, concluded that value differences in the responses reflected ethical beliefs. More specifically, they found that Western culture believes that “ethical behavior is an absolute and applied universally, while in the East culture, ‘face’ and ethical behavior depend on the situation” (1994, p. 997). Based on these research findings, they decided that culture constitutes a variable influence on individual behavior, especially in so sensitive arena as ethics.

GLOBE defined a culture as shared motives, values, beliefs, identities, and interpretations of significant events that result from common experiences among members of a collective that are transmitted across generations (House et al 2004). The GLOBE study was conducted by 170 researchers. It was started by House in 1993 to study the influence of cultural difference on more than 18,000 middle managers in 62 countries. The GLOBE cultural dimension was used in the present study because of its relevance, currency, and sophistication.

Two cultural dimensions were adapted from the GLOBE project: in-group collectivism and power distance. In-group collectivists consider themselves as members of an extended family or organization; consequently, they view themselves as highly interdependent with the organization (House et al 2004). Their decisions are predicated on the benefits likely to accrue for all group members. Power distance, on the other hand, refers to the acceptance of...
power inequality in organizations (House et al 2004; Hofstede 1980). Individuals in high power-distance cultures behave in accordance with their position in an organization. They are expected to show loyalty, obey their superiors blindly, use formal standards for ethical conduct, and support the status quo. These two dimensions were selected as relevant to explaining the influence of culture on EDM.

**Ethical Decision-Making**

There are some key debates about the meaning of ethical decision-making. Teleologists propose that decisions are ethical to the extent that they produce better consequences (Mill 1963). Conversely, deontologists argue that a decision is ethical only to the extent that it is consistent with universal moral philosophies (Kant 1980). As a result, no consensus has been reached regarding the definition of this term (Bartlett 2003; Watley 2002). This disagreement aside, however, both groups subscribe to shared conclusions regarding the process of ethical decision-making (Watley 2002). One of the most accepted theories for describing this process is Rest’s Four-Component Model. According to Rest (1986), an individual’s EDM process consists of four sequential components. The first is moral awareness, which involves an individual’s awareness of ethical issues when dealing with dilemmas. This component pertains to an individual’s self-awareness as a moral agent. The second is moral judgment, which refers to an individual’s capability for making a judgment based on some moral idea. The third component is moral intention, which means an individual’s ability and likelihood to make decisions based on moral concern. The last is moral behavior, which encompasses an individual’s ability to transform an intention into actual ethical behavior. Rest proposed that these four components are determinants of moral action and that moral failure can occur because of a deficiency in any one component. This framework is accepted as the most empirically grounded approach to analyzing moral behavior (Rocco & Ronald 2000), and it is a worthy starting point for developing a model of individuals’ ethical behavior (Jones 1991).

**RESEARCH MODEL**

The research model depicted in Figure 1 shows the links between cultural dimensions and components of the EDM process. Even though no studies have investigated the direct effect of in-group collectivism on ethical decision-making, this dimension reflects the elements of a collectivism culture that is concerned about relationships and others’ welfare.

![Figure 1: The Research Model](image)

Such a culture ensures that decisions do not harm others. Parboteeah, Bronson & Cullen (2005) found that a collectivist culture was positively related to a willingness to justify ethically suspect behavior. In addition, Axinn, Blair & Thach (2004) found that outcome is significant regarding individuals’ beliefs in dealing with ethical decision-making. Previous studies have also concluded that the power-distance dimension has a measurable effect. Christie et al (2003), for instance, found that business managers from a high power-distance culture viewed questionable business practice as more ethical than business managers from relatively lower power-distance cultures. Thus, a significant effect of in-group collectivism and power distance on moral awareness and judgment is expected.

In this model we see the interrelationships among four components of the EDM process as proposed by Rest (1986). Previous studies have verified connections of these components (Moores & Chang 2006: Wagner & Sanders 2001). A study by Singhapakdi et al (2001), for example, concluded that moral awareness is significant to moral judgment. Barnett, Bass and Brown (1994) found a strong link between individuals’ intention and their moral judgments. Those who judge an action as unethical indicate an intention not to behave unethically. Furthermore,
Wagner & Sanders (2001) confirmed the positive nexus between intention and behavior. Based on these findings, links among components can be expected. Because of page limitations, formal hypotheses are not formulated in this paper. But the link in figure 1 represents the hypotheses of this study.

METHODS

The data used in this study were collected from managers of large Malaysian business organizations. A standardized and self-administered questionnaire was distributed to 1,200 potential respondents. Two approaches were used to distribute the questionnaire—conventional mail and drop-off survey. The inventory of mail respondents was gathered from a Kuala Lumpur Stock Exchange (KLSE) list and several directories of Malaysian companies published by the government and private organizations. For conducting drop-off surveys, we organized meetings with top management, usually Chief Executive Officers and Chairmans, to get their approval. When permission was granted, questionnaires were distributed to managers in the organizations. A total of 236 usable and completed questionnaires were gathered for this study, which represents of 19.67% response rate. Cultural dimensions were measured on a six-item scale that reflected overall cultural practices. These dimensions were developed based on the GLOBE project (House et al. 2004) and previous studies. However, we altered the wording of scale items to reflect the research context. Three scenarios based on the ethical context in Malaysian organizations were developed to measure the ethical decision-making process. A manipulation check was conducted to test the reliability and validity of the ethical issues in these scenarios, which were followed by four questions that measured components of the EDM process. Measurements for these components were developed based on previous theoretical and empirical studies (Rest 1986; Jones 1991; Singhapakdi et al 1999). Relationships in the construct were analyzed by use of the Partial Least Square (PLS) approach (Barclay, Higgins & Thompson 1995; Hulland 1999). PLS was chosen for this study because it is better-suited to causal modeling when the sample size is small and when the models are complex (Hulland 1999).

RESULTS

Assessment of Measurement Model

Before testing the structural model, we ran an analysis of composite reliability, convergent analysis, and discriminant validity (Fornell & Larcker 1981). Table 1 shows that composite reliability values exceed the 0.60 cut-off point as suggested by Bagozzi and Yi (1988). Convergent analysis was demonstrated by the average variance extracted (AVE). Based on the findings, all AVE exceeded the 0.50 cut-off point as suggested by Fornell & Larcker (1981). Establishing a discriminant analysis, the square root of the AVE was compared to inter-scale correlations. For each scale the square root of the AVE should be greater than the variance shared between one construct and another construct in the model. Table 1 shows that the discriminant test is satisfactory. Given that all the measures show very good reliability and validity, we turned to testing the structural model.

Table 1: Measurement Model Analysis

<table>
<thead>
<tr>
<th></th>
<th>CR</th>
<th>AVE</th>
<th>IGC</th>
<th>PD</th>
<th>MA</th>
<th>MJ</th>
<th>MI</th>
<th>MB</th>
</tr>
</thead>
<tbody>
<tr>
<td>IGC</td>
<td>0.882</td>
<td>0.882</td>
<td>0.745</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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<td>PD</td>
<td>0.895</td>
<td>0.895</td>
<td>0.715</td>
<td>0.742</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MA</td>
<td>0.915</td>
<td>0.918</td>
<td>0.225</td>
<td>0.197</td>
<td>0.888</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MJ</td>
<td>0.880</td>
<td>0.880</td>
<td>0.311</td>
<td>0.250</td>
<td>0.709</td>
<td>0.843</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MI</td>
<td>0.832</td>
<td>0.832</td>
<td>0.307</td>
<td>0.277</td>
<td>0.197</td>
<td>0.318</td>
<td>0.787</td>
<td></td>
</tr>
<tr>
<td>MB</td>
<td>0.875</td>
<td>0.875</td>
<td>0.470</td>
<td>0.484</td>
<td>0.430</td>
<td>0.411</td>
<td>0.334</td>
<td>0.881</td>
</tr>
</tbody>
</table>

ICR=Composite Reliability AVE=Average Variance Extracted IGC=In group collectivism PD=Power Distance MA=Moral Awareness MJ=Moral Judgment MI=Moral Intention MB=Moral Behavior

Assessment of Structural Model

Bootstrapping analysis was used to derive t-statistics to assess the significance level of the model’s path coefficients (Chin 1998). Table 2 reports the path coefficients, t value, and the significance values. The results shows that the effect of the in-group collectivism dimension is significant to EDM components of moral awareness ($\beta = 0.172, p< 0.05$) and moral judgment ($\beta = 0.155, p<0.05$). However, the results also show that power distance is not significant on both components of the EDM process. With regard to the links among the four components of the EDM process, results confirm the sequential process of these components: moral awareness to moral judgment ($\beta=0.673, p<0.001$), moral judgment to moral intention ($\beta = 0.361, p<0.001$), and moral intention to moral behavior ($\beta= 0.210, p<0.001$). The finding also shows that the interrelationship between components is significant only for the link of moral awareness to moral behavior ($\beta=0.263, p<0.01$). On the other hand, the links between moral awareness and moral intention and between moral judgment and moral behavior were not supported.
Table 2: Structural Model Analysis

<table>
<thead>
<tr>
<th>Linkages in the model</th>
<th>Path coefficient (β)</th>
<th>T value</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-group collectivism → Moral Awareness</td>
<td>0.161</td>
<td>2.0269*</td>
<td>Supported</td>
</tr>
<tr>
<td>In-group collectivism → Moral Judgment</td>
<td>0.159</td>
<td>2.4164*</td>
<td>Supported</td>
</tr>
<tr>
<td>Power Distance → Moral Awareness</td>
<td>0.082</td>
<td>0.9220</td>
<td>Not Supported</td>
</tr>
<tr>
<td>Power Distance → Moral Judgment</td>
<td>0.004</td>
<td>0.1152</td>
<td>Not Supported</td>
</tr>
<tr>
<td>Moral Awareness → Moral Judgment</td>
<td>0.673</td>
<td>7.1010***</td>
<td>Supported</td>
</tr>
<tr>
<td>Moral Awareness → Moral Intention</td>
<td>0.361</td>
<td>3.9935***</td>
<td>Supported</td>
</tr>
<tr>
<td>Moral Intention → Moral Behavior</td>
<td>0.210</td>
<td>3.9935***</td>
<td>Supported</td>
</tr>
<tr>
<td>Moral Awareness → Moral Intention</td>
<td>-0.059</td>
<td>0.6086</td>
<td>Not Supported</td>
</tr>
<tr>
<td>Moral Awareness → Moral Behavior</td>
<td>0.263</td>
<td>3.8981***</td>
<td>Supported</td>
</tr>
<tr>
<td>Moral Judgment → Moral Behavior</td>
<td>0.174</td>
<td>1.6249</td>
<td>Not Supported</td>
</tr>
</tbody>
</table>

Significant at *p<0.05, **p<0.01, ***p<0.001

DISCUSSION AND IMPLEMENTATION

As expected, the present study uncovered the significant effect between in-group collectivism and two components of the EDM process—moral awareness and moral judgment. The elements of in-group collectivism that emphasize the relationship among group members provide some evidence that individuals in organizations were likely to base ethical decisions on the greatest benefit to all group members rather than on a purely individual benefit. This result also shows that Malaysian managers decide ethical issues based on the benefit for their organization, as they believe that they are highly interdependent with their corporate entity. However, the effect of power distance on these two components was found not to be significant. The results suggest that in making ethical decisions individuals in Malaysian organizations are not influenced by their inequality of position. Their decision-making is not determined by a need to obey blindly an order from someone higher in the organization. Instead, they are motivated more by the decision’s prospective benefit to others in the organization, including coworkers and subordinates, because they are strongly cohesive in group membership and therefore inclined to demonstrate loyalty. These findings have an important strategic implication for management that seeks to encourage ethical decision-making within an organization. Attention should be devoted to developing relationships among individuals in an organization, rather than to simply exchanging facts and information. The benefits of ethical practices to the organization in general and to group members in particular should be emphasized. Our results also confirm that the four components of the EDM process indeed constitute a sequential model. As previously noted, a deficiency in any component will result in a lack of ethical decision-making (Rest 1986: Moores & Chang 2006). Unethical action may appear if an individual fails to recognize himself or herself as a moral agent whose decision might affect others (moral awareness), fails to judge the action appropriately based on moral ideas (moral judgment), fails to give priority to moral concern (moral intention), or fails to engage in ethical action (moral behavior). In addition, the results also show a significant link between moral awareness and moral behavior. Besides the influence on moral judgment, awareness directly affects individual ethical behavior. However, the other two relationships (moral awareness/moral intention and moral judgment/moral behavior) were not supported. These findings clarify the complexities of components in the EDM process as proposed by Rest (1986).

The present study amplifies knowledge of cultural differences in the context of Malaysian business organizations. This will be an advantage to foreign organizations interested in dealing with Malaysian managers. The study suggests the need to become more culturally sensitive in order to improve international competencies and use ethical approaches in gaining competitive advantages in Malaysia.

LIMITATIONS

By examining only culture’s influence in the EDM process, this study has some limitations. It should be remembered that the ethical decision-making process is a multidimensional construct. Many other factors besides culture play a significant role in EDM. Thus, it is also fruitful to investigate such factors as ethical ideology, organizational structure, and demographic influence. This research focuses solely on the influence of two cultural dimensions, in-group collectivism and power distance. The GLOBE study (House et al 2004) includes nine dimensions for describing cultural differences: performance orientation, future orientation, assertiveness, power distance, humane orientation, institutional collectivism, in-group collectivism, uncertainty avoidance, and gender egalitarianism. As this study also focuses on only moral awareness and moral judgment, the investigation can be extended to the other two components of EDM.

CONCLUSION

This paper explores individuals’ ethical decision-making process in a Malaysian organizational context. The results reveal interrelationships among the four components of EDM. As the main objective in investigating
such a process, we theoretically and empirically demonstrated that cultural background significantly affects EDM. In particular, the study examined the influence of in-group collectivism and power distance on the first two components of EDM: moral awareness and moral judgment. Results confirm the effect of in-group collectivism but not of power distance. These findings indicate that, when dealing with ethical dilemmas, individuals within Malaysian organizations consider others’ welfare to preserve corporate harmony. Overall, this study demonstrates that the stereotypical image of Malaysian business as being pervasively unethical should be demolished. It is only a different way of doing business. In other words, culture still matters.

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