THE IMPACT OF INDIVIDUALISM AND COLLECTIVISM ON ETHICAL DECISION MAKING BY INDIVIDUALS IN ORGANIZATIONS

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Abstract

Management scholars have examined the ethical decision-making process of individuals in organizations but, with a few notable exceptions, have largely failed to undertake a careful analysis of the role of culture. In this note I explore the impact of individualism and collectivism on three basic aspects of ethical decision making—the perception of moral problems, moral reasoning, and behavior. I propose a pluralistic approach to post-conventional moral reasoning that includes developmental paths appropriate for individualist and collectivist cultures.
One of the recent challenges of international management research has been to help managers understand business ethics across different cultures. Why are certain practices tolerated more by some cultures than others? For example, we know that software piracy is more common in Asia than in the United States (Swinyard, Rinne, and Kau, 1990; Donaldson, 1996). We also know that job security is a more important ethical concern in Japan than in Canada (Nyaw & Ng, 1994). Unfortunately, we know little about how culture affects the perception and evaluation of practices like software piracy and job security or how it affects subsequent behavior. A careful analysis of the relationship between different cultural dimensions and ethical decision making by individuals in organizations might elucidate our understanding. For our purposes here, ethical decision making refers to discretionary decision-making behavior, which “determin[es] how conflicts in human interests are to be settled and … optimiz[es] mutual benefit … [for] people living together in groups” (Rest, 1986: 1, Trevino, 1986; Hardin, 1988).

The literature includes several models of ethical decision making by individuals (Rest, 1986; Trevino, 1986; Jones, 1991). They share three elements: (1) perception of a moral problem (the moral domain), (2) processes of moral reasoning (judgment), and (3) behavior. The models largely differ in the conceptualization of the reasoning-behavior link. Rest (1986) and Jones (1991) both say that this relationship is mediated by moral intention. Jones (1991) adds that the intensity of the moral issue also moderates this relationship. Trevino (1986) argues that the reasoning-behavior relationship is moderated by individual and situational factors. None of these models provide for a specific role attributable to societal culture.

Trevino (1992) suggests that Kohlberg’s moral judgment theory could be used as a framework to study the impact of societal culture on business ethics. This paper deliberately builds on Trevino’s (1986, 1992) model because it serves as a least common denominator for ethical decision-making models. In addition, preliminary research provides empirical support for
her model (Trevino & Youngblood, 1990; Trevino, Butterfield, & McCabe, 1998; Wimbush, 1999). Finally, it also allows for, although does not explicitly include, societal culture as a situational variable in the ethical decision-making process.

It should be recognized that all of these models suffer from an individualistic bias (Gergen, 1999). The original groupthink analyses demonstrate how group processes lead to irresponsible organizational behavior (Janis, 1982). People rarely make ethical decisions that are directly implemented by organizations. Despite this bias, people do make decisions that affect their individual behavior. In addition, individuals perceive problems and make judgments that affect collective behavior. So understanding the impact of culture on the perceptions, judgments, and behaviors of others will be useful to culture-spanning managers who work with individuals in multicultural teams or deal with negotiators from different cultures.

Elsewhere in the literature, some recent work has begun to relate culture to ethical decision making. Wines and Napier (1992) develop a model that emphasizes the impact of societal, corporate, and family culture on the manager’s values, without specifying any theoretical propositions. Vitell, Nwachukwu, and Barnes (1993) then use Hofstede’s (1984) cultural dimensions to deduce specific propositions relating culture to the perception of ethical problems and the consequences of behavior. Cohen, Pant, and Sharp (1996) develop an inductive model of the impact of culture on the perception of ethical problems, but the authors themselves recognize that other aspects of the ethical decision-making process, like moral reasoning and behavior, need to be treated in greater detail. Carroll and Gannon (1997) draw on many different sources and provide important insights into the relationship between culture and ethical behavior, without elaborating any systematic propositions. Stajkovic and Luthans (1997) develop a social cognitive model that examines how individuals perceive ethical problems based on cognitive assessments, using self-regulative processes influenced by institutional constraints,
organizational circumstances, and personal values, all of which are shaped by the cultural context. Finally, Robertson and Fadil (1999) begin to explore some of the ways the cultural dimension of individualism-collectivism (I-C) relates to moral judgment.

This paper proposes that culture at the societal level, specifically I-C, is another situational factor that affects each of the elements in the Trevino (1986) model. In her model, ethical dilemmas are evaluated by individuals using criteria provided by both the person (personality attributes) and the situation (organization culture, job characteristics, and work context). The modified model postulates that societal culture, as a group-level construct (Brett, et al., 1977), is an additional criterion that informs the decision-making process because an individual’s values are shaped by the values of his or her cultural group. Thus, the proposed model is a cross-level model that examines the relationship of the group-level construct of culture to ethical decision making by individuals (see Figure 1).

Ethical decision making depends on I-C because it deals with beliefs about the priority of individual versus group interests (Triandis, 1995). Erez and Earley (1993: 95) conceptualize I-C as: “[A] set of shared beliefs and values of a people concerning the relationship of an individual to aggregates or groups of individuals. It represents the way individuals relate to others in their society, and it reflects their emotional and cognitive attachments to particular networks of individuals.” I-C, more than other cultural dimensions, affects ethical decision making, which deals with the way people resolve conflicts in human interests and optimize mutual benefits. Specifically, I argue that I-C affects the way people perceive, judge, and behave with respect to these conflicts in human interests. People who emphasize group goals over individual goals resolve conflicts and optimize benefits in very different ways than people who emphasize
individual goals. As a result, practices like software sharing or job security are treated differently by people in individualist and collectivist cultures.

Despite the relevance of I-C to ethical decision making, Earley & Gibson (1998) recently called for a moratorium on I-C research, pointing to conceptual problems and arguing that other cultural variables had been neglected by international management scholars. However, there are good reasons for lifting the moratorium. First, although there has been confusion in conceptualizing the dimensions of I-C and its units of analysis, a careful treatment of these issues should allow for the use of I-C in a way that will add to clarity. Second, as Earley & Gibson (1998) themselves mention, the moral impact of I-C has not been well developed. Most models have employed I-C in an overly simplistic way, without explaining how or why it has micro-level effects (Robertson & Fadil, 1999; Vitell et al., 1993). Such an approach is no longer adequate (Earley & Gibson, 1998). Given the lack of research into the impact of I-C on ethical behavior, the moratorium should be lifted in this case.

I proceed by reviewing the concept of I-C as it is discussed in the international management literature. I then present Trevino’s (1986) model of ethical decision making and analyze the relationship of I-C to the main elements of her model. Finally, I draw some conclusions about ethical decision making in a cross-cultural context with suggestions for future research.

A CROSS-CULTURAL MODEL OF ETHICAL DECISION MAKING

The Cultural Dimension of Individualism-Collectivism

The I-C dimension is actually a syndrome of attributes that differentiates cultures. A cultural syndrome is “a pattern characterized by shared beliefs, attitudes, norms, roles, and
values that are organized around a theme and that can be found in certain geographic regions during a particular historic period” (Triandis, 1995: 43). Recent work has begun to divide I-C into four related attributes: (1) conceptions of the self, (2) goal relationships, (3) relative importance of beliefs and norms, and (4) emphasis on relationships (Triandis & Bhawuk, 1997; Chen, Chen, & Meindl, 1998; Triandis, et al., 1988).

The conception of the self refers to the way in which an individual understands herself or himself in relationship to others. According to Erez and Earley (1993), “the self is a person’s mental representation of his/her own personality, social identity, and social roles…..” In an individualist culture, the person tends to perceive him or herself as an independent self who pursues his or her own interests and projects; while in collectivist cultures, the person tends to perceive the self in an interdependent relationship with others (Markus & Kitayama, 1991). The priority of personal and group goals also depends upon I-C. In individualist cultures, personal goals tend to take priority over group goals; while in collectivist cultures, group goals are more likely to have priority (Triandis, et al., 1988; Iwao & Triandis, 1993). Similarly, the importance of personal beliefs and attitudes with respect to group norms and duties varies with I-C. In collectivist cultures, group norms and duties tend to be more important in making decisions than are personal beliefs and rights. The opposite priority exists in individualist cultures (Iwao & Triandis, 1993). Finally, in individualist cultures, people tend to place greater importance on achieving tasks than on maintaining harmonious relationships. In collectivist cultures, people are more likely to sacrifice task achievement for the sake of good relationships with others (Triandis, 1995).

The Perception of the Moral Problem and the Domain of Morality

Ethical decision making begins with the recognition that a particular problem falls within
the moral domain (Rest, 1986; Trevino, 1986; Jones, 1991; Brady & Hatch, 1992). The moral domain refers to the set of activities that are subject to judgments of right and wrong as opposed to judgments of personal liking or other kinds of judgments (Colby & Kohlberg, 1987). Around the world, there appear to be at least three principal moral domains that have been socially constructed (Gergen, 1999): the ethics of autonomy, the ethics of community, and the ethics of divinity (Shweder, 1990). According to Haidt, Koller, and Dias (1993), the ethics of autonomy is defined by avoiding harm to the individual. Much of Western justice involves the delineation of rights and duties in order to protect the individual from harm (Kant, 1785; Rawls, 1971). In contrast, the moral domain for the ethics of community is characterized by issues of disrespect and harm to the solidarity of the in-group (Triandis, 1995; Shweder, 1990). For the ethics of divinity, the moral domain is defined by violations of the holiness code, which provoke a reaction of disgust (Haidt et al, 1993). This latter code is less relevant to contemporary business practice than the former two, although of importance in Islamic cultures, where issues related to holiness are central to business ethics (Rippin, 1990; Rice, 1999). One of the challenges for cross-cultural business ethics is to determine why individuals from a given culture include certain business practices within the moral domain, and exclude others.

The I-C dimension influences the decision maker’s inclusion of a business practice within the moral domain. Allegedly questionable business practices are perceived by the self, using criteria provided by cultural values and group norms (Erez & Earley, 1993; Stajkovic & Luthans, 1997). In collectivist cultures, people are more likely to define themselves in terms of group membership and place great value on its welfare (Triandis, 1995). People are more likely to perceive negatively business practices that are inconsistent with the welfare of the collective (Erez & Earley, 1993). In contrast, in individualist cultures, people are more likely to perceive themselves as autonomous and place a higher value on their individual interests. So while duty,
hierarchy, and interdependency are at the crux of what is moral in collectivist cultures; harm and rights form the basis of an individualistic moral domain (Shweder, 1990). In collectivist cultures, non-life-threatening violations of social responsibilities are likely to be viewed in moral terms, whereas they are viewed as matters of personal choice in individualist countries (Miller, Bersoff, & Harwood, 1990). Thus, in collectivist cultures, decision makers are more likely to identify business practices that harm the maintenance of harmonious relationships within the firm as falling within the moral domain, e.g. layoffs. In individualist cultures, decision makers would probably view such a practice as merely a business decision (Nyaw & Ng, 1994: 550).

In more individualist cultures, decision makers are likely to identify practices affecting individual welfare as being within the moral domain. For example, companies in India routinely promise jobs to the children of employees when they reach legal age (Donaldson & Dunfee, 1999). Since India has a highly collectivist culture that values the extended family, such a practice fosters group welfare and does not violate their sense of morality. However, in an individualist culture, such a practice falls within the moral domain because it causes harm to autonomous individuals, specifically qualified job candidates who are not children of employees.

*Proposition 1:* Relative to counterparts in more individualist cultures, decision makers in collectivist cultures are more likely to include business practices that adversely affect group welfare within the domain of morality.

*Proposition 2:* Relative to counterparts in more collectivist cultures, decision makers in individualist cultures are more likely to include business practices that adversely affect individual welfare within the domain of morality.

Moral Judgment

Moral judgment refers to “a mode of prescriptive valuing of the obligatory or right”
Thus it deals with duties and responsibilities, rather than personal preferences. Trevino (1986) uses Lawrence Kohlberg’s (1969, 1971) theory of moral development in her model. Kohlberg’s theory has been widely used in research to understand the reasons individuals use in making moral judgments (Snarey, 1985; Trevino, 1992).

Kohlberg proposed that as people mature and acquire more education, their moral reasoning develops according to a well-defined sequence of stages. Each stage involves the individual's consideration of an increasingly wide range of persons and institutions. Kohlberg divides moral development into three major levels and six stages: pre-conventional (stages 1 and 2), conventional (stages 3 and 4), and post-conventional (stages 5 and 6) reasoning. The pre-conventional level focuses on the consequences of decisions for the self, while the conventional level deals with the in-group of family, friends, and peers. Finally, the post-conventional level focuses on principles for humanity in general.

Although Kohlberg (1969, 1971) thought that the structure and sequence of the six stages were universal, some theorists have argued that these structures and sequences may vary in different cultures (Shweder, 1982). There exists some evidence that moral reasoning as conceived by Kohlberg is related to culture (Rest, 1986; Robertson & Fadil, 1999; Snarey, 1985). Snarey’s (1985) review of 45 empirical studies carried out in 27 countries found that stages 1 through 4 appear to be universal. However, the post-conventional stages were not universal (Snarey, 1985; Ma, 1988a; Ma & Cheung, 1996). Snarey (1985) argued that Kohlberg’s work should be supplemented with a theory of post-conventional moral reasoning that includes developmental paths appropriate for different cultures.

I-C has a main effect on the lower levels of moral reasoning. Colby and Kohlberg (1987) describe stage 2 as “individualistic” because moral judgment involves an evaluation of the harms and benefits of action for the individual (Kohlberg, 1969). The I-C dimension regarding the
relationship of personal goals to group goals is directly relevant to the evaluation of harms and benefits. In individualist cultures, decision makers tend to place priority on the achievement of personal goals over group goals because they emphasize self-interest. In collectivist cultures, decision makers are more likely to give priority to group interests (Iwao & Triandis, 1993; Chen et al., 1998). Thus, in individualist cultures, people are more likely to base decisions on a calculation of personal harms and benefits—a characteristic of stage 2 reasoning (Triandis, 1995).

Proposition 3: Relative to counterparts in more collectivist cultures, decision makers in individualist cultures are more likely to use stage 2 moral reasoning.

Conventional moral reasoning is based on conformity to socially defined standards (Colby & Kohlberg, 1987; Snell, 2000). Stage 3 specifically focuses on morality as a function of a behavior's relation to its consequences for one's in-group—extended family, friends, and work companions. At stage 4, people evaluate the morality of one’s decision in terms of its compliance with duties to uphold the law. In individualist cultures, decision makers tend to place priority on personal beliefs and attitudes over group norms and duties. In collectivist cultures, decision makers feel greater obligation to comply with socially shared norms and duties to the in-group (Triandis, 1995; Triandis et al., 1988). In a study of moral reasoning among Mexican, Spanish, and U.S. MBA students, Husted, Dozier, McMahon, & Kattan (1996) found that the relatively more collectivist Spaniards and Mexicans were more likely than their individualist U.S. counterparts to use conventional reasoning at both stages 3 and 4, basing decisions on the expectations of family and friends as well as on legal requirements.

Proposition 4: Relative to counterparts in more individualist cultures, decision makers in collectivist cultures are more likely to use conventional moral reasoning.

At the post-conventional level, Kohlberg’s theory fails to provide a universal model of
moral judgment (Snarey, 1985; Ma & Cheung, 1996). At stages 5 and 6, people evaluate morality in terms of concepts of rights and fairness based on judgments of equality, merit, and equity (Colby & Kohlberg, 1987). These concepts assume that people are autonomous individuals who undertake self-imposed obligations that apply to all, regardless of personal connections to in-group members (Gilligan, 1982; Kant, 1785; Rawls, 1971: 13). In individualist cultures, personal identity is based on the independent self, rather than the interdependent self immersed in a web of relationships (Earley & Erez, 1993). Thus, we expect that in individualist cultures, people are more likely to use justice-based reasoning than people from collectivist cultures. This expectation is supported by Husted, et al. (1996) who found that individualistic U.S. MBA students were more likely to use justice-based post-conventional reasoning than were either the Spanish or Mexican students.

**Proposition 5:** Relative to counterparts in more collectivist cultures, decision makers in individualist cultures are more likely to use justice-based post-conventional moral reasoning.

In contrast to the justice model of moral reasoning developed by Kohlberg, models of relationship-based post-conventional moral reasoning are emerging, which emphasize a duty to care for relationships with others (Gergen, 1991; Gilligan 1977, 1982; Ma, 1988b; Sandel, 1982, Skoe et al., 1999). In relational models, post-conventional moral reasoning takes a universal perspective without neglecting obligations to particular members of the in-group (Ma, 1988b; Gilligan, 1982). In collectivist cultures, people are more likely to develop relationship-based modes of post-conventional reasoning than in individualist cultures because the collectivist concept of the self is inherently interdependent (Iwao & Triandis, 1993; Triandis, 1995). The self is “an intersection of multiple relationships” (McNamee & Gergen, 1999).

An example may help distinguish the two modes of post-conventional moral reasoning. Kohlberg’s moral judgment interview includes a scenario entitled, “Heinz and the Drug,” in
which Heinz must decide whether to steal a very expensive drug in order to save his wife’s life. Kohlberg hypothesized that Heinz would steal the drug because his wife’s right to life supersedes the right to property—a justice orientation (Colby & Kohlberg, 1987: 317). In contrast, a Chinese respondent used relationship-based reasoning when he stated:

Everyone should try his best to save other’s life because the society is composed of men, and if people don’t care fore others, the world would become very horrible. As a man, one should have the spirit of ‘loving others as loving yourself’. It would be fair and just to everyone, if everyone does the same. (Ma, 1988b: 214).

Empirical research seems to confirm that the post-conventional moral reasoning of people from collectivist cultures, like Asian Indians (Miller & Bersoff, 1992) and Mexican Americans (Gump, Baker, & Roll, 2000), tends to be relationship-based; while the moral reasoning of people from more individualist cultures tends to be justice-based.

Proposition 6: Relative to counterparts in more individualist cultures, decision makers in collectivist cultures are more likely to use relationship-based post-conventional moral reasoning.

Ethical Behavior

After a person makes a judgment about whether a particular action is ethical, the person engages in behavior, which may or may not be consistent with his or her judgment. Reviews of the literature indicate that there is a moderate relationship between moral reasoning and behavior (Blasi, 1980; Thomas & Rest, 1986). According to Trevino (1986), other variables moderate the relationship between moral reasoning and behavior, among which I-C can be included.

I-C moderates the relationship between moral judgment and behavior because of its sub-dimension regarding the relationship of beliefs and norms. In individualist cultures, personal beliefs are more important in decision making than are group norms (Iwao & Triandis, 1993). In
collectivist cultures, people may hold personal beliefs (private self) that differ significantly from the group norm (public self), but will behave in accordance with the group norm (Triandis, 1995; Chen et al., 1998). In addition, they tend to accept the discrepancy between their public and private selves (Iwao & Triandis, 1993). In individualist cultures, people are likely to view this difference as hypocritical and try to reduce such discrepancies. As a result, there tends to be greater consistency between personal attitudes and behavior for individuals in individualist cultures than in collectivist cultures (Kashima, Siegel, Tanaka, & Kashima, 1992; Volkema, 1998). Thus, in individualist cultures, people are more likely to behave in accordance with judgments formulated as a result of moral reasoning than will their collectivist counterparts.

Proposition 7: Relative to counterparts in more collectivist cultures, decision makers in individualist cultures are likely to exhibit greater consistency between their moral judgments and their behavior.

CONCLUDING REMARKS

The model and propositions developed in this note provide a conceptual base needed to develop an agenda for future research of ethical decision making in multicultural contexts. The model offers insight into how I-C can affect the perception of ethical dilemmas, moral reasoning, and the behavior of individuals in organizations. This model explicitly proposes that different modes of post-conventional moral reasoning will be used in different cultures. In addition, it helps culture-spanning managers understand differences in the way ethical decisions are made by organizational members.

This discussion is not meant to be exhaustive, but rather suggestive of the way researchers should approach this field. Future scholars will undoubtedly focus on other cultural dimensions that also influence ethical decision making. Additional challenges arise in attempting
to understand the dynamics of ethical decision making among individuals from different cultures. Future research should also explore the way that ethics programs in multinational corporations are designed so that they include incentives and policies congruent with the culture in which these programs operate.

Further work needs to take into account the impact of institutional factors on the ethical behavior of individuals in organizations across nations. Future research should also examine the interaction between culture and other moderators of ethical decision making. In addition, the social process by which the ethical stances of different individuals combine to form an actual collective choice remains problematic. Finally, future work should incorporate the impact of the holiness code on the perception of ethical issues and on moral reasoning.

Despite these limitations, the proposed model organizes much prior research and provides a solid conceptual framework for future work by offering a more refined conceptualization and specific predictions about the impact of I-C. In addition, the model contributes to managerial practice by providing members of multicultural teams with the tools to begin to understand ethical differences. An understanding of the cultural roots of such differences is likely to help individuals work together more effectively.
Figure 1
Modification of Trevino’s Model of Ethical Decision Making including Societal Culture

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