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Ethical Business Practices in BRICs: Comparing Perceptions of Managers and Employees in Brazil, Russia, India and China, and G7 Nations

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Abstract

This study focuses on managers' and employees' perceptions of ethical business practices in their organizations, and explores whether these perceptions are similar or different in four largest developing countries, commonly referred to as BRICs (Brazil, Russia, India, and China). We compared the data on BRICs with data obtained in G7 countries (Canada, France, Germany, Japan, Italy, UK and the USA). We used data collected from more than 15,000 managers and employees of business organizations as part of the 2009 WorkTrends™ survey of work-related attitudes and behaviors, conducted by the Kenexa Research Institute. The study demonstrated that there were significant differences among BRICs countries, with respondents from India and Brazil providing more favorable ethics ratings than respondents from China and Russia. Overall, India, the US and Brazil exhibited the highest mean scores, and there was no simple dichotomy between BRICs, as a group, and G7.

Codes: P-2, P-7; A-9; A-15; M-6

Introduction

This study focuses on managers' and employees' perceptions of the state of ethical practices in business organizations, and explores whether these perceptions are similar or different in four largest and fastest developing countries, commonly referred to as BRICs (Brazil, Russia, India, and China). Review of business ethics literature, published in Anglo-Saxon countries (the United States, Canada, UK, Australia) suggests that, despite some country to country variability, there are significant commonalities among these countries in perceptions of what constitutes ethical business practices (e.g., Ardichvili & Jondle, 2009). In these countries it is generally assumed that ethical business organizations have clearly communicated codes of ethics and procedures for reporting ethical violations (Trevino et al., 1999). In such organizations "Managers model the behaviors they demand of others; and ...communicate the importance of integrity when making difficult decisions" (Gabler, 2006, p. 339), and there is an alignment between corporate ethical values and employee behavior (Ardichvili, Mitchell, & Jondle, 2009). However, comparative research on business ethics shows that perceptions of what constitutes ethical business behavior are not universally shared around the world (Bailey & Spicer, 2007; Christie et al., 2003; Jackson, 2001; Robertson, Gilley, & Street, 2003; Robertson, Olson, Gilley, & Bao, 2008).

The term BRICs was coined at the turn of this century by analysts at Goldman Sachs, who argued that Brazil, Russia, India and China are the largest and fastest growing emerging economies of the world, and that by 2050 combined GDP of these four countries will be larger than that of G7 (seven largest developed economies) (Goldman Sachs, 2001). Ten years later, the evidence abounds that this prediction was largely accurate. As can be seen from Table 1, the latest annual GDP growth rates in BRICs are much higher than in the G7 countries (represented in the Table by the USA, Japan and Germany); and the combined GDP (in Purchasing Power Parity terms) of the BRICs is already larger than that of the USA. In addition, these four countries together represent more than thirty percent of world's population, and control a large percentage of global reserves of strategic natural resources, including oil, natural gas, and coal. Russia alone is the world's second largest exporter of oil and largest exporter of natural gas, and has the largest proved natural gas reserves and seventh largest oil reserves.

During the global recession of 2008-2009, three of the BRICs (Brazil, India, and China) have demonstrated impressive resiliency and recovered from the economic decline much quicker than most developed countries, largely due to their fast-growing domestic markets (Kimes, 2009).

Table 1. Economic and Demographic Characteristics of Four BRICs Countries, the USA, Germany, and Japan

Country	Population (in millions) ^a	GDP (trillion dollars) ^{ab}	GDP/Capita (dollars) ^a	GDP Annual growth rate, (%) ^a	TI CPI ^c
Brazil	198	2.02	10,200	0.1	3.7
Russia	140	2.10	15,200	-8.5	2.2
India	1,166	3.55	3,100	6.1	3.4
China	1,338	8.76	6,500	8.4	3.6
USA ^d	307	14.25	46,400	-2.4	7.5
Germany	82	2.81	34,200	-5.0	8.0
Japan	127	4.10	32,600	-5.7	7.7

^a CIA World Fact Book, data for 2009. Accessed at: <https://www.cia.gov/library/publications/the-world-factbook/>

^b Purchasing Power Parity; ^c TI Corruption Perceptions Index for 2009 (on 10 point scale, with 10 least corrupt). www.transparency.org/; ^d To save space, we provide data only on a sample of G7 countries, representative of different continents.

Since BRICs are emerging as a dominant economic power, understanding the direction in which business ethics is developing in these countries is of high importance for policy makers, academics, and business leaders alike. To produce actionable recommendations for practice, we need to be able to compare ethical business practices in these countries with those found in developed countries of the world. Therefore, in this article we will focus on answering the following two general research questions:

- a. Is there an evidence of convergence in ethical business practices among the four BRICs?
- b. Is there a difference between ethical business practices in countries of BRICs, as a group, and those in G7 countries (representing the largest developed economies of the world)?

In addition to addressing these two main questions, we are interested in exploring differences or similarities between individual countries from our sample along specific attributes. In the remainder of this paper we will: summarize the results of our literature review on ethical business practices and cultures in the four countries of BRICs; describe our hypotheses, study methodology, data collection, and characteristics of the study sample; present the results of our data analysis; and discuss study results and implications for research and practice.

A note on the research team. Four of the co-authors of this paper are originally from the four BRICs countries, but have doctorates from North American universities. Two of these individuals are currently working as university faculty members in the USA; two are currently faculty members in their countries, but have worked and/or studied in the USA for a number of years.

Research on Business Ethics in BRICs

Brazil. A large country with a diverse population, tackling numerous socio-economic and political challenges throughout history and experiencing growth and development while facing economic and fiscal pressure in a context of regional inequalities (Baer, 2008), Brazil has a dynamic presence in the global economy, producing a full range of products, from coffee and fruit juices to commercial jets. Organizations in Brazil are promoting change and experiencing fast-paced development to cope with this reality. According to Tanure and Duarte (2005), Brazilian managerial culture is characterized by paternalism, power concentration, personal relationships, strong loyalty to one's in-group and leader, and flexibility. Organizational ethics is based on the preference for social cohesion, which is cemented by loyalty to the group leader. The leader, on the other hand, is responsible for each group member's well-being. This web of reciprocal obligations could lead to both positive and negative outcomes. On the positive side, it can result in high performance on the part of individual employees if they feel loyalty to the group and the leader. On the other hand, such loyalty is associated with a fear of making a damaging collective mistake, thus with potential reduction in creativity and innovation, in part contrasted by flexibility.

Griesse (2007) discussed the historical roots of importance of personal loyalty in Brazilian business, and traced this system back to colonial times:

“...selection of captains to settle the Brazilian territory was based on their loyalty to the Crown. This system [...] was perpetuated in the slave agricultural economy [...] where favors were exchanged for work and protection. Kinship-type relations developed in which the ruling landowner represented the paternal figure.” (p.24).

Tanure and Duarte (2005) found that such cultural traits of the Brazilian society, as flexibility, power concentration, and importance of personal relationships can be deliberately used to create organizational cultures that are both effective and humane at the same time.

Flexibility in business reflects a realization that “there is an 'intermediary path' between what is and what is not allowed” (Tanure & Duarte, 2005, p. 2206). Search for this intermediary path is conditioned by Brazilian cultural trait of *jeitinho*. Amado and Brasil (1991) viewed *jeitinho* “as a hermeneutic key for the Brazilian culture” (p.53). “*Jeitinho* [is] a special way of managing obstacles in order to find a way out of bureaucracy” (p.48). Page (1995) defined *jeitinho* as “a rapid, improvised, creative response to a law, rule, or custom that on its face prevents someone from doing something.” (p. 10). It is a way to find the middle path between what is allowed by numerous laws and regulations, and what is practically possible and makes sense. Amado and Brasil (1991) asserted that *jeitinho* emerged as an adaptation mechanism which allows individuals and businesses to function despite the rigid and stifling legislative environment, massive bureaucracy, paternalistic management systems, and the oligarchic economic structure, dominated by powerful hereditary clans.

Page (1995) described historical factors that shaped Brazilian socio-economic system, and explain the simultaneous presence of paternalism, power concentration, and flexibility in finding ways around the obstacles. On the one hand, Portuguese rulers of the colonial times created a rigid and cumbersome bureaucracy. On the other hand, since the colony was too large to control from one center, and was separated from Lisbon by a vast ocean, local authorities have developed “... cavalier attitude towards legality that still exists today.” (p. 124). *Jeitinho*, as a way of life, was a result of the attempt to satisfy the dictates of bureaucratic rules while still finding ways to accomplish business goals.

Another characteristic of the Brazilian society is significant income disparity and concentration of wealth in the hands of a small portion of the population. Thus, according to Griesse (2007), Brazil is among ten countries of the world with most unequal distribution of wealth. The country is rich in natural resources, and it went through a succession of booms, triggered by the discoveries of new sources of

wealth: from earlier cycles of sugarcane, gold, coffee, rubber to more current and diverse exports of soybeans, iron ore, chemicals, oil and fuels, food and beverages, aeronautics and transportation materials (Baer, 2008; Mueller & Baer, 1998; Page, 1995). Each of these booms created successive waves of powerful, ultra-rich dynasties, which controlled and may still control a disproportionate share of country's wealth.

Mele, Debeljuh, and Arruda (2006) found that the majority of 100 largest companies in Brazil had some form of formal or informal ethical policies. Respondents believed that development of formal ethics policies was an important factor in developing ethical business cultures, and that central role in implementing ethical policies rests with CEOs. However, in a comprehensive review of a secondary documentation and publications, related to ethics and corporate governance, Bedicks and Arruda (2005) found that more than 50% of Brazilian companies still did not have formal codes of ethics. According to a nationwide survey in 2009, 189 organizations out of the top 500 companies operating in Brazil, explicitly adopted corporate codes of ethics (a 27% increase from 2008), (IBEN, 2009). The introduction of the corporate sustainability index (ISE), involving up to 40 publicly traded companies of the Sao Paulo Stock Exchange (BOVESPA) and based on responsible business practices, indicates the growing relevance of business ethics in Brazil (Rossi, 2009). Twenty-six out of the current twenty-eight companies listed in the ISE have explicit codes of ethics.

In summary, the Brazilian business culture is as diverse as the larger socio-cultural environment of this dynamic country. Such elements as loyalty and flexibility, personal relationships and *jeitinho*, exist side-by-side with Western cultural components, manifested in the use of codes of ethics and formal ethics programs.

Russia. Avtonomov (2006) analyzed business climate and ethics in the post-Communist Russia. He argued that the universalist rule-based ethics, central to the Western market economies, failed to develop in modern Russia despite radical economic reforms of the last fifteen years. According to Avtonomov, one of the main differences between Western market economies and the new economic arrangements emerging in Russia, is the state's dominance over the business sphere and legal institutions. In these conditions, business behavior is based on considerations of personal loyalty and in-group allegiances, not on universal considerations of right and wrong, or of potential impact on community and society.

Ahmed, Chung, and Eichenseher (2003) studied business students' perceptions of what constitutes ethical business practices in six countries: China, Egypt, Finland, Korea, Russia, and the U.S.A. They found that all six groups agreed on basic foundations of ethical business behavior. However, Russian and Chinese students differed from the rest of the sample on one dimension: They displayed stronger inclination to engage in unethical behaviors, if these actions would lead to higher profits for their companies.

Bailey and Spicer (2007) compared business ethics attitudes of three groups: US managers working in the US, US expatriates, living in Russia, and Russian managers. All three groups of managers agreed on higher-level ethical norms of business behavior (e.g., management's obligation to inform their employees about risks of exposure to hazardous materials). The groups differed, though, on evaluation of practices, which conform to localized norms (e.g., keeping a set of double books as a safeguard against mafia racket, or offering small personal payments to local officials to expedite government permits). Similarly, Robertson, Gilley, and Street (2003) found that Russian employees were significantly more relativistic than US American employees, and tended to subscribe to situational ethics principles.

Beekun, Westerman, & Barghouti (2005) compared ethical criteria, used by US and Russian managers in their decision making. Both Russian and US managers displayed preference for relativism in their decisions. However, US managers were driven more by justice considerations, while Russian managers were putting stronger emphasis on utilitarian considerations.

McCarthy and Puffer (2008) applied the integrative social contracts theory to the study of ethical decision making in Russia. According to McCarthy and Puffer, interpretation of Russian managers' ethical behavior should take into consideration two sets of values: Traditional Russian cultural values (grounded in collectivism and Orthodox Christian beliefs), and market-oriented values, which have emerged fairly recently as a result of the dissolution of the socialist system. McCarthy and Puffer (2008) argued that "For the foreseeable future, Russian managers and other stakeholders will likely continue to exhibit behaviors that reflect traditional Russian norms and values, and these behaviors might often be seen by Westerners as unethical." (p. 14). Some of the differences among Russian and Western assumptions about acceptable business conduct are: Reliance on personal networks rather than on legal contracts, lower degree of respect for private property, and higher tolerance of corruption (McCarthy & Puffer, 2008).

Another important issue, discussed by McCarthy and Puffer, is the ubiquity of *blat*. *Blat* is defined as "reliance for favors upon personal contacts with people in influential positions" (Puffer & McCarthy, 1995, p. 37). McCarthy and Puffer pointed out that from the position of Western market-oriented business ethics *blat* would be viewed as a form of corruption, as unethical behavior. But many Russian managers tend to see *blat* as an absolutely normal and acceptable part of doing business. In their view, *blat* is ethical, while such forms of corruption as bribery and under-the-table payments would be considered as unethical.

To summarize our review of studies related to Russian business ethics, we can expect significant differences between perceptions of Russian and Western managers and employees in several areas. First, Russians are likely to be more particularistic than universalistic in solving ethical dilemmas (Trompenaars & Hampden-Turner, 1998). Trompenaars and Hampden-Turner defined universalism as strong belief that laws and rules apply to all equally, regardless of specific circumstances, which contrasts with particularistic assumption that rules can be interpreted more loosely based on specifics of a situation and the nature of relationships with involved people). Thus, Russian managers would be more inclined to apply situational decision rules when solving ethical dilemmas. Second, Russians would be more likely to consider the exchange of favors with their informal network of business connections (*blat*) as part of standard and ethical business practices. It is important to note that in this respect Russians seem to have much in common with the Chinese (considering similarities among the concepts of *blat* and *guanxi*).

India. Christie, Kwon, Stoeberl & Baumhart (2003) in their comparison of US and Indian managers found that US respondents differed significantly from their Indian counterparts on six out of seven statements about their attitudes towards ethical business behavior, and agreed only on one: that business managers' main concern should be making profit and ethics should be secondary. The US managers rated such practices as gift giving, software piracy, nepotism, sharing insider information, and dishonesty in advertising as significantly more unethical than did Indian respondents. At the same time, Indians rated harming the environment as more dishonest, than did their US counterparts.

According to Chakraborty (1997), US American managers are more analytical in their ethical decision-making, while Indians rely more on intuition. Because of India's rich and living cultural and spiritual heritage, Indians give more importance to intuitive decision making. Furthermore, US Americans rely more on normative ethics, while Indians rely more on relational attributes of specific cases (e.g., assessment of who is involved in a particular situation). Kracher, Chatterjee, Lundquist (2002) studied the similarities and differences in the cognitive moral development of business professionals and graduate business students in India and the United States. The study found that such factors that potentially influence cognitive moral development, as culture, education, sex and gender have influence on ethical decision making. Jackson (2001) found that Indian managers consider unconditional loyalty to their organization a highly ethical behavior, being in this respect similar to the Chinese, and significantly different from respondents from the US, Europe, and Australia.

Sheth (2007) identified several ways in which Indian business practices are unique – and may give rise to ethical behavior that may or may not be compatible with the prevailing Western viewpoint. Indian business culture puts a premium on favors, friendship and clanship. Friendship is highly valued, whether based on multigenerational family friendships, school friendships or personal friendships. The Western concept of conflict of interest does not always mesh well with the Indian value of loyalty to one's group. In terms of government rules and regulations, the government acts as a gatekeeper rather than an enabler, with slow approval, a complex bureaucracy and corruption. In order to get things done, money and influence within high levels of management play a pivotal role. Enforcement is also very lax. Sheth also noted how Indian management style differs from that in the West: Decisions are made by the person at the top, not in a participatory way. At the same time, according to Sheth, there is a strong belief in corporate social responsibility in India.

What are the implications of these differences – and of India's rise – for business ethics? Sheth (2007) cited, among other ideas, a shift from a focus on shareholders to a focus on stakeholders, including customers, employees, and communities. He predicted that ethics will be anchored to the idea of business as a profession, similar to the way the field of medicine is now, and there will be global standards of governance with the arrival of multinational companies, but their application will be adapted to local conditions.

In summary, we can expect to find differences in ethical perspective between the US and India mainly due to the diverse cultural perspectives: US culture is predominantly individualistic where as Indian culture is collectivistic which in turn accounts for greater emphasis on the role of individual decision in ethical practices in US, where as India places greater thrust on corporate social responsibility (Hofstede, 2003). This is reflected in a move from the focus on shareholders to focusing on stakeholders and placing more emphasis on environmental sustainability. The rich culture of India, immersed in spirituality and religion, is focused on intuitive ethical decision making, which sets it apart from the western analytical approach to ethical decision making based on norms. The factors like culture, education and gender play a significant role in shaping the moral perspectives and ethical values. Although India is a liberal democratic country, the business environment is highly beaurocratic and non-participatory. The government often acts as a gate keeper rather than an enabler of business transactions.

China (including Hong Kong). China is the largest of the four BRICs in terms of its population and size of the economy, and the second largest in territory (after Russia). Compared to all countries of the world, China has the largest population, second largest economy (in terms of Purchasing Power Parity GDP), and fourth largest territory. During the last half of the twentieth century and the first decade of the twenty-first century, mainland China has experienced several major social transformations: the transition to socialism after the Communist party took power in 1949; the Culture Revolution in the sixties; the economic reform in 1978; and the subsequent 30 years of continues economic development and exposure to western business practices. Values and associated business ethical practices change as the result of social transformations, because people try to acclimate to the social, political, and economical circumstances of the country (Hitlin & Piliavin, 2004; Schwartz & Bardi, 1997). It must be noted, during the same period Hong Kong has enjoyed a relatively stable business environment.

Our literature review suggests a strong Confucians influence on Chinese business ethics practices. For example, despite communist rule, some of the more successful Chinese state owned enterprises (SOEs) reach back to Confucian values Ren, I, Li, Chi (Compassion, Appropriateness, Norms, and Wisdom) to deliberately develop a corporate culture with uniquely Chinese characteristics (Ip, 2003, p 68). Similarly, Cheung and Chan (2005) found that CEOs of five Hong Kong companies displayed leadership approaches based on Confucian principles of “benevolence, harmony, learning, loyalty, righteousness, and humility.” (p. 47). Overall, Cheung and Chen concluded that the CEOs' style was characterized by a combination of paternalism and collectivism.

Koehn (2001) emphasized the central importance of the Confucian moral principle of trustworthiness. He provided specific examples suggesting that, in keeping with Confucian principles, Chinese business people rely less on formal contracts, and prefer to use informal agreements and personal assessment of trustworthiness of business partners. Koehn also stressed the difference between Confucian and Western concepts of trustworthiness. In Confucianism, blind adherence to rules and prior arrangements is not equated with trustworthiness. From Confucian perspective, it is perfectly fine for a person to break the prior arrangement for an important business meeting, if her presence was needed elsewhere to help people in need. Such a person would be perceived as even more trustworthy, since she demonstrated good judgment. “From the Confucian perspective, there can be no algorithm for assessing other people's trustworthiness. We must always judge the particular action, looking at the context in which the actor operated and at the relevant factors.” (Koehn, 2001, p. 418).

When studying Chinese business ethics, two interrelated concepts, *guanxi* and *mianzi*, which are grounded in the Confucian value system, have to be considered (Ang & Leong, 2000). It might not be possible for researchers to truly understand Chinese managers' behaviors when *guanxi* and *mianzi* are not considered (Gold, et al., 2003). Chatterjee & Pearson (2003) define *guanxi* as “a deep rooted socio-cultural phenomenon which enhances social harmony, maintains correct relationships and addresses the sensitive issue of face, and is a reciprocal obligation to respond to requests for assistance.” (p. 206). Similarly, Koehn (2001) argued that the practice of *guanxi* is rooted in Confucian concepts of fulfillment of role-based duties, filial piety, and cultivation of reciprocal support relationships between more and less powerful individuals. *Mianzi* (face) is the image that a person strives to maintain before others (Hwang et al., 2003). It is “prestige and honor that accrues to a person as a result of successes and/or ostentatious behavior before others” (Li et al., 2007, p.49).

Guanxi plays an important role in the overall Chinese value systems (Robertson et al., 2008). The rules of *guanxi* are that the humble cannot assail the noble, the distant cannot overrun the closer, and the individual cannot override the group (Su & Littlefield, 2001). If one violates the rules of *guanxi*, one can be seriously damaged in terms of social reputation, lose *mianzi*, and will be humiliated. *Guanxi* creates an environment for in-groups and out-groups. Within the in-groups, *guanxi* enables managers to acquire needed resources, personnel, information, and other supports in substitute of formal institutional structure (Xin & Pearce, 1996). It provides privileges to members of in-groups by favoritism and personal benefits, and discriminates against members of out-groups. When *guanxi* takes precedence, it could skew managers' judgments in making ethical decisions. It makes it hard, sometimes, to separate reciprocation and corruption, especially for westerners (Su & Littlefield, 2001) because someone could engage in unethical conducts on the basis of *guanxi* (Provis, 2008; Warren et al., 2004).

In summary, our review suggests that ethical practices in Chinese business organizations are based on such cultural values as paternalism, collectivism, and *guanxi*. In their ethical decision making, the Chinese managers and employees are more likely to use situational and particularistic than universalistic criteria (the latter more often used in Western countries) (Trompenaars & Hampden-Turner, 1998). Ethical behavior is shaped by the emphasis on informal agreements as opposed to formal contracts, and by a significant role of informal networks of support and reciprocal exchanges of favors. Furthermore, we can expect that Chinese business organizations will rarely have formal codes of ethics. In addition, business ethics is influenced by the emphasis on personal assessment of individual's trustworthiness and leaders' benevolence.

Since a comprehensive review of the research on business ethics in the G7 countries goes far beyond the scope of this article, here we will provide just a brief snapshot of some relevant findings from the US and will use this country as a proxy for G7 when formulating our hypotheses.

The United States. A literature review of studies on ethical business practices in US corporations suggested that ethical businesses in the US are perceived as having a combination of formal structures,

processes, policies, and training and development programs, and consistent value-based ethical behavior of top leaders (Ardichvili & Jondle, 2009). There is a strong emphasis on the development and institutionalization of ethics-based mission and value statements (Trevino & Nelson, 2004), and on the development of incentive systems which reward employee behavior in concert with organizational codes of ethics (Trevino and Weaver, 2001). In the US, “ethical business cultures are based on an alignment between formal structures, processes, policies, related training and development programs, consistent value-based ethical behavior of top leadership, informal recognition of heroes, stories, and the use of rituals, metaphors and language that inspire organizational members to behave in a manner consistent with high ethical standards. Personal moral development and authenticity of leaders is an important contributor to the overall ethical climate and culture of the organization.” (Ardichvili & Jondle, 2009, p 237).

In summary, our review suggests that we are likely to find significant similarities in business ethics practices among the BRICs countries. All four BRICs countries are characterized by paternalism and significant power concentration in business organizations. In all four countries ethical decision making is likely to be more situational and context-specific than universalistic. Allegiance to organizations and/or in-groups is likely to override the considerations of ethical norms in many cases. All four countries have a long history of strong centralized bureaucracies and, thus, the business organizations have developed various ways of overcoming bureaucracy and circumventing rigid rules. Finally, all four countries have developed systems of informal practices and arrangements, which serve as alternative to formal business contracts (c.f. Brazilian *jeitinho*, Russia *blat*, Chinese *guanxi*, and Indian emphasis on in-group and kinship relationships in business transactions).

Therefore, our first four research hypotheses are related to aggregate comparisons among all countries in the sample, or among two groups: BRICs and G7:

- H1. There are significant differences in ethical practices between countries in our sample.
- H2. There are no significant differences in ethical practices between BRIC countries.
- H3. There are no significant differences in ethical practices between the G7 countries.
- H4. There are significant differences in ethical practices between G7 countries and BRIC countries.

Our next eight hypotheses concern specific business ethics practices, and each of these practices was addressed using one question from our survey instrument (see Table 2 for a paraphrased list of questions).

- H5. The ability to discuss ethical issues without reprisal is stronger in G7 countries.
- H6. Compared to BRICs, organizations in G7 countries place a higher emphasis on leaders’ role in creating and upholding high ethical standards for the entire organization.
- H7. The emphasis on serving multiple stakeholders is stronger in the G7 countries than in BRIC countries.
- H8. Compared to BRICs, in the G7 countries ethical business practices in organizations are based on a stronger alignment between employees’ behavior and overall organizational values.
- H9. Compared to BRICs, respondents from the G7 countries believe more strongly that advancement within the organization is closely linked to behavior demonstrating company values.
- H10. Organizations in G7 countries demonstrate a higher commitment to ethical business decisions relative to organizations in BRICs.
- H11. In the G7 countries, organizations are more likely to have formal procedures for reporting ethical violations, than organizations in BRICs.

H12. Employees within Q7 countries are more comfortable reporting a violation of company policy than in BRIC countries.

Our previous research involving Multi-group Factor Analysis (MFA) demonstrated that all eight questions form one factor (Ardichvili, Jondle & Kowske, 2010). As a result, the items represent a model where there is no significant difference in factor structure among countries. Therefore, a Global Ethical Perception Index (GEPI) was calculated and evaluated. A GEPI for each country was derived by calculating a mean composite of the eight ethics items. Our last four hypotheses are related to this index:

H13. There are significant differences in the GEPI between all countries in our study.

H14. There are no significant differences in the GEPI between BRIC countries.

H15. There are no significant differences in the GEPI between G7 countries.

H16. There are significant differences in the GEPI between G7 countries and BRIC countries.

Methodology and Data Collection

This study was based on the analysis of survey data collected from more than 20,000 managers and employees of large business organizations in eleven countries: United States (US; n=9998), Germany (GER; n=1018), China (CHN; n=1011), Brazil (BRA; n=1012), India (IND; n=1000), Canada (CAN; n=1013), United Kingdom (UK; n=1028), Japan (JAP; n=1017), France (FRA; n=1008), Italy (ITA; n=1000), and Russia (RUS; n=758). The data were collected in 2009 as part of the WorkTrends™ survey of work-related attitudes and behaviors, conducted by the Kenexa Research Institute, the research branch of Kenexa, an international human resources consulting company. The purpose of the survey was to assess work-related attitudes and behaviors. The survey was administered online employing a third party survey and sampling administration vendor. Participants were recruited through online advertisements and hyperlinks, using an “opt-in” panel sampling methodology that generated a large pool of potential volunteer respondents willing to participate in online surveys. The administration vendor authenticated the participant’s identity and country of residence. Each potential participant provided demographic information used to select the sample pool. From the sample pool, qualified participants were randomly selected for the survey. Respondents in the US may or may not have been incentivized to participate while in other countries respondents were paid. However, safeguards were in place to prevent respondents from taking the survey more than once. For each country sampled, the survey was translated into the predominating spoken language. The translations were subjected to two independent translation checks by native speakers.

In total, survey participants responded to 118 questions that measure employee attitudes about their job and organization. For this study, we used the 8 questions that pertained to ethics-related practices in their firms (See Table 2 for a paraphrased list of questions). Responses were given on a five-point Likert scale (5 – strongly agree with the statement; 1- strongly disagree). The average response rate for all countries was 17.8%.

Demographically, the sample was diverse. Fifty eight percent of respondents were male. Two largest age groups were 25 to 34 years (42.6%), and 35-44 years (27.3%). Twenty seven percent of participants occupied various managerial positions (from supervisory levels to senior management), and the rest can be classified as individual contributors. The majority of respondents had university/college or technical college degrees (55%), and 18.5% had graduate and postgraduate degrees.

Table 2. Tests of Between-Subjects Effects.

Source	Dependent Variable	Country Group	Mean	Std. Dev.	Type III Sum of Squares	df	Mean Square	F	Sig.
Country	Q1 - Ethical issues can be discussed without negative consequences.	BRIC	3.51	.979					
		G7	3.45	1.037					
		Total	3.47	1.017	66973.897	11	6088.535	6025.252	.000
	Error				5591.113	5533	1.011		
Country	Q2 - Senior management supports and practices high ethical standards.	BRIC	3.63	.927					
		G7	3.47	1.042					
		Total	3.53	1.004	69196.871	11	6290.625	6567.015	.000
	Error				5300.129	5533	.958		
Country	Q3 - Company serves multiple stakeholders.	BRIC	3.67	.919					
		G7	3.51	1.023					
		Total	3.57	.989	70873.891	11	6443.081	6838.446	.000
	Error				5213.109	5533	.942		
Country	Q4 - Employee behavior is consistent with company values.	BRIC	3.60	.915					
		G7	3.40	.976					
		Total	3.47	.959	66924.552	11	6084.050	6823.432	.000
	Error				4933.448	5533	.892		
Country	Q5 - Employees' advancement depends on the alignment of their behavior with company values.	BRIC	3.54	.915					
		G7	3.30	1.052					
		Total	3.39	1.011	63760.772	11	5796.434	5786.782	.000
	Error				5542.228	5533	1.002		
Country	Q6 - Company is committed to ethical business conduct.	BRIC	3.68	.889					
		G7	3.40	.981					
		Total	3.50	.957	68344.581	11	6213.144	7230.605	.000
	Error				4754.419	5533	.859		
Country	Q7 - Company has processes to report policy violations.	BRIC	3.57	.959					
		G7	3.43	1.051					
		Total	3.48	1.020	67550.708	11	6140.973	6355.434	.000
	Error				5346.292	5533	.966		
Country	Q8 - Employees are comfortable reporting violations of company policy..	BRIC	3.48	1.010					
		G7	3.30	1.099					
		Total	3.37	1.071	63201.917	11	5745.629	5275.494	.000
	Error				6026.083	5533	1.089		

Findings

To test H1 (that there were significant differences in ethical practices between countries in this study), MANOVA was conducted with country as the independent variable and the items about ethical practices as the dependent variables. The MANOVA demonstrated significant country differences for all items ($p < .001$), confirming H1 (Table 2). To evaluate the significance of pair-wise comparisons between countries, Scheffe's test was conducted (Steel & Torrie, 1980).

In all but one case, Q7 – *Company has processes to report policy violations*, India recorded the highest mean item scores, ranging from 3.60 to 3.95 (Table 3). India, followed by Brazil, demonstrated the highest frequency of significant pair-wise comparisons across all mean item scores relative to the other countries sampled. Of the G7 countries, the US consistently reported significantly greater mean item scores (Q1, Q2, Q3, Q6, Q7, and Q8) relative to other countries sampled followed by Canada (Q1, Q2, Q3, Q7 and Q8) and the UK (Q1, Q2, Q3, Q5 and Q7). Compared to all countries in the sample, Japan, Italy and France consistently scored significantly lower across the eight items. Regardless of the item, Russia, Germany and China generally exhibited mean item scores somewhere in the middle of the sample set representing the fewest number of significant pair-wise comparisons compared to India, the US, Brazil, Canada and the UK.

When evaluating significant differences in ethical practices between BRIC countries (H2), across all items, the results contradicted the hypothesis (Table 2). Respondents in India and Brazil demonstrated the strongest affinity to answer the ethics items more favorably relative to China and Russia. With only one exception, Q5, Indian respondents recorded significantly greater mean item scores relative to Russia and in five cases (Q1, Q3, Q4, Q6 and Q8) compared to Chinese respondents. There were no significant differences between China and Russia on any of the eight items.

As with BRICs, the G7 countries do not exhibit homogeneity within mean item scores. Across all items, significant mean item score differences were reported. Contrary to hypothesis H3, these results demonstrate that significant differences in ethical practices between the G7 countries do exist. The US, followed by the UK and Canada exhibit the greater mean scores and significant pair-wise comparisons relative to Japan, Italy, France and Germany.

After reviewing the country results and observing the magnitude and frequency of the discrepancy in mean item scores between India and the other countries, it was determined to exclude India from the BRICs grouping. Analysis continued with India being treated as a separate group along with the group of G7 and the new grouping comprised of Brazil, Russia and China (BRC).

The results suggest that there are significant differences in ethical practices between the G7, BRC and India do exist (Table 4). Across all items scores from India were significantly higher compared to both the G7 and BRC. The item results do not support the premises postulated in hypothesis H5 through H12. With one exception, Q1, BRC mean item scores were greater when compared to the G7. In two cases, Q5 and Q6, BRC results were significantly greater relative to the G7. Q5, *Employees' advancement depends on the alignment of their behavior with company values*, for both BRC and the G7 countries exhibited the least amount of variability among countries relative to the other items evaluated.

Global Ethical Perception Index

Since the eight items represent a model structure where there is no significant difference in factor structure among countries, a Global Ethical Perception Index (GEPI) was calculated and evaluated. A GEPI for each country was derived by calculating a mean composite of the eight ethics items.

Hypothesis H13, *significant differences in GEPI between countries exist*, was confirmed (Table 3). When evaluating all countries based on the GEPI, India, the US and Brazil exhibited the highest mean scores,

in rank order, respectively (Table 3). India's GEPI score was significantly greater relative to all countries, excluding the US and Brazil. H14 and H15 were not supported by the results. Significant differences were detected between countries within each of the BRIC and G7 groupings. When excluding India from the BRIC group, no significant difference in GEPI score was detected between BRC and the G7. However, India's GEPI was significantly greater compared to BRC and the G7, partially confirming H16 (Table 4).

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Table 3. Mean item scores and levels of significance for countries.

		Q1		Q2		Q3		Q4		Q5		Q6		Q7		Q8		GEPI	
		Mean ¹	Subset ²	Mean	Subset	Mean	Subset	Mean	Subset	Mean	Subset	Mean	Subset	Mean	Subset	Mean	Subset	Mean	Subset
Country	Japan	3.19	a	3.15	a	3.23	a	3.14	a	3.30	ab	3.16	ab	3.14	abc	3.06	a	3.17	a
	Italy	3.28	ab	3.16	a	3.30	ab	3.22	ab	3.11	a	3.10	a	3.20	abc	3.04	a	3.18	a
	France	3.38	abc	3.37	abc	3.35	abc	3.39	abc	3.28	ab	3.33	abc	2.95	a	3.30	abc	3.28	abc
	Germany	3.53	bcd	3.51	bcd	3.62	cde	3.48	bc	3.33	ab	3.39	bcd	3.45	cde	3.14	ab	3.43	bcd
	Canada	3.59	bcd	3.70	de	3.72	de	3.50	bc	3.28	ab	3.59	cde	3.66	efg	3.53	cde	3.57	cd
	UK	3.60	cd	3.66	cde	3.62	cde	3.53	c	3.42	bc	3.57	cde	3.75	efg	3.60	bcd	3.58	cd
	US	3.57	bcd	3.70	de	3.76	de	3.51	c	3.39	ab	3.69	ef	3.84	g	3.66	de	3.64	de
BRIC	Russia	3.35	abc	3.34	ab	3.56	bcd	3.53	c	3.52	bc	3.40	bcd	3.35	bcd	3.15	ab	3.40	abc
	China	3.40	abc	3.56	bcde	3.54	bcd	3.45	bc	3.45	bc	3.63	de	3.52	def	3.44	bcd	3.50	bcd
	Brazil	3.55	bcd	3.77	de	3.70	de	3.58	cd	3.50	bc	3.72	ef	3.59	defg	3.54	cde	3.62	cde
	India	3.76	d	3.85	e	3.87	e	3.84	d	3.70	c	3.95	f	3.81	fg	3.79	e	3.82	e

1 Mean Item Score - least to greatest, Green-Yellow-Red.

2 Scheffe's Test Homogeneous Subset - mean item scores with the same alpha are not significantly different at $\rho = 0.01$.

Table 4. Mean item scores and levels of significance for the G7, RBC and India clusters.

		Q1		Q2		Q3		Q4		Q5		Q6		Q7		Q8		GEPI	
		Mean	Subset	Mean	Subset	Mean	Subset	Mean	Subset	Mean	Subset	Mean	Subset	Mean	Subset	Mean	Subset	Mean	Subset
G7		3.45	a	3.47	a	3.51	a	3.40	a	3.30	a	3.40	a	3.43	a	3.30	a	3.41	a
BRC		3.43	a	3.56	a	3.60	a	3.52	a	3.49	b	3.59	b	3.49	a	3.38	a	3.51	a
India		3.76	b	3.85	b	3.87	b	3.84	b	3.70	c	3.95	c	3.81	b	3.79	b	3.82	b

1 Mean Item Score - least to greatest, Green-Yellow-Red.

2 Scheffe Homogeneous Subset - mean item scores with the same alpha are not significantly different at $\rho = 0.01$.

Discussion and Implications

One of the central findings of our study is that there are significant differences among BRIC countries on most of the ethical practice-related items, covered by our survey. India and Brazil had, on average, much higher scores than Russia and China, which could be interpreted as a sign that respondents in the latter two nations find that standards of business ethics practices are lower in business organizations of their countries. In addition, not only was India significantly different from other BRICs, it formed a group of its own when compared to BRIC and G7. Employees in Russia and China provided significantly similar assessment of ethical business practices in their organizations, and these assessments were lower compared to Brazil and still lower compared to India. While we do not have sufficient evidence to support a definitive explanation of this finding, one possible reason for such differences within the BRICs group could be the fact that these two countries share a recent legacy of communist economies and political arrangements, which could have shaped the trajectory of development of current business practices in general and ethical business practices in particular.

Our results are generally supported by the 2010 Edelman Trust Barometer reporting on trust in business within the BRICs; India exhibited the highest regard for business - “to do what is right” – with a 69% (two-year average) favorable response rate, followed by Brazil, China and Russia at 65%, 62% and 47%, respectively. Within the non-BRIC countries surveyed in the Edelman Trust Barometer, the public response to business was less congruent with our own data. Japan and Italy were at or near the top with two-year average scores of 60% and 46%, counter to our results. The remaining countries were: UK (48%), US (45%), Germany (37%), and France (33%).

The fact that Indian scores are significantly higher than Chinese scores deserves further investigation since it contradicts some earlier studies. Tsalikis, Seaton and Li (2008), in their comparison of consumers’ sentiments towards business ethics practices (the International Business Ethics Index (BEI)) in China and India showed that, compared to Chinese customers, Indian consumers had much lower level of confidence that business organizations in their country are behaving in an ethical manner (the Chinese score was 117.7, while the score for India was 77.1). It must be noted that in the Tsalikis et al. studies, the BEI for the US was around 100, and scores above 100 indicate that consumers have more positive perception of ethical behavior of businesses, while scores below 100 indicate that consumers tend to assess business practices as unethical (Tsalikis et al., 2008; Tsalikis & Seaton, 2008).

Overall, the BEI finding that Chinese customers reported relatively high confidence in ethicality of businesses despite a recent spate of product quality and product safety allegations leveled against various Chinese companies seems to be counter-intuitive. However, the responses to both BEI and to our survey questions may be influenced by unspoken cultural assumptions, associated with the concept of *guanxi* and/or state censorship of the media.

While the influence of Western business ideology (including the ideas related to business ethics) is felt all over the world, our study suggests that there are significant country variations in the rates and extent of adoption of Western paradigms. We have found evidence of significant convergence between the US scores and scores in Brazil (GEPI score for the US was 3.64 and for Brazil - 3.62). There is evidence of growing convergence between US and Brazilian practices on the use of codes of ethics (IBEN, 2009; Mele et al., 2008). This could be a reflection of the growing interconnections between the US and Brazilian businesses as evidenced by significant direct foreign investment from the US and associated transfer of best practices in management. In addition, the Brazilian postsecondary management education system faces significant and growing external influence, predominantly from North American universities. At the same time, Russia, India and China present significant differences relative to the G7 countries. Despite the fact that multinational companies have significant presence in all BRIC countries, and indigenous companies in these countries are increasingly participating in global trade, each country seems to be following a unique path, determined by specific combinations of internal

cultural and institutional conditions and legacies. The implication being, as corporate mergers and acquisitions (M&A) across sovereign borders intensify, the focus on these differences might become more apparent fostering a need for heightened vigilance and due diligence. Employing assessment tools designed specifically to analyze organizational ethical behavior and cultural norms should become standard practice when making decisions both pre- and post-merger or acquisition.

Our results demonstrating significant differences in business ethics practices among the G7 countries were not entirely surprising. As an example, Palazzo (2002) identified a number of ways in which US and German ethical business practices differ. German companies are less likely to have formal ethics programs and German managers tend to view US business ethics as excessively legalistic. According to Palazzo, the US emphasis on formal codes of ethics is rooted in the culturally-conditioned belief in procedural justice and in maintaining a level playing field for all. This view corresponds with universalism (Trompenaars & Hampden-Turner, 1998). Discussing the prevalence of corporate codes of ethics in US corporations, Palazzo wrote: “This way of dealing with ethical issues within corporations strikes Germans as strange ... they feel that this kind of business ethics does not have much to do with ethics at all, since it “only” aims at *legal compliance*. Ethical behavior goes further than legal behavior...” (p. 203).

The findings of our study suggest that: 1) a more detailed look at differences between individual BRIC countries and countries from the G7 group is needed, 2) practical recommendations should not be based on general comparisons of BRICs with G7, as a group, and 3) ethical practices in BRICs should be compared with practices in other large emerging economies (i.e. in some studies BRICs are compared to half a dozen of countries (including, among others, Mexico, Indonesia, and South Africa), identified as the largest and fastest growing emerging economies of the world (Cooper, 2006))

The research reported above exposes the complexities of universalizing ethical business norms and the potential business threats in an environment defined by cultural differences. While all companies are exposed to increased threats when operating in numerous and diverse countries, companies at particular risk are those operating under potential penalty resulting from violation of government mandates (i.e. US companies must comply with the standards related to the Foreign Corrupt Practices Act, Federal Sentencing Guidelines for Organizations and Sarbanes Oxley Act of 2002). The consequences related to organizational violations perpetrated by individuals from diverse backgrounds and cultures are a loss in trust, tarnishing of corporate goodwill and reputation, incurrence of financial penalties and fines (at the corporate and individual level), and conviction and sentencing of corporate executives and employees. One size does not fit all and we hope that the results of our study will prompt corporations to take steps towards reassessing the inherent risks when conducting business globally. Reassessment encompasses evaluating, understanding and implementing changes to the processes employed when institutionalizing ethical practices and behaviors, while taking into account the introduced variability in ethical perceptions when expanding business operations globally.

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