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FINANCIAL CROSS CULTURAL DIFFERENCES IN ETHICS

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ABSTRACT

In Singapore, the power distance scores are quite high considering they have a syncretic approach to religion which is a dominant approach. The ideology of the religion teaches about stability of the society. Therefore, power is centralized and people believe and rely on their bosses and on rules. In addition, the Individualism score is a 20 meaning that the people belong in group and care after each other for loyalty. The idea is to be in harmony and which causes the communication to be indirect at time and open conflicts are avoided. One's face is always respected and being calm and respected is very important. The masculinity scale in Singapore is at a 48 meaning it's in the middle of the scale but more on the feminine side. They understand the softer aspects of the culture with others and value being modest and humble. Conflicts are avoided at all times and community support is very important. For uncertainty avoidance, Singapore scores an 8 where the people believe that the rules need to be followed. For long term orientation, Singapore scores high which shows that cultural qualities supporting long term investment. Finally, for indulgence, Singapore scores at a 46 and it is not possible to determine the preference. For Brazil, in the power distance scale, the region reflects a society that believes in hierarchy and also believing that it should be respected and inequalities among people are also acceptable. For individualism, people from birth are integrated into strong, cohesive groups. The communication style is context rich and people will often speak and write very elaborately. For masculinity, Brazil scores a 49. For long term orientation, brazil scores a 44, which is intermediate in the dimension. For indulgence, Brazil scores a 59 meaning that people exhibit a willingness to realize their impulses and desires with regard to enjoying life and having fun. Singapore and Brazil are quite similar in many ways such as in the dimension power distance, masculinity and indulgence. However, for uncertainty avoidance, Brazil scores a 76 where as Singapore scores an 8. For individualism, Singapore scores a 20 and Brazil scores a 38. Ethics are generally accepted customs of the culture in which they reside. They are moral concepts that apply to any group, set of people, or geographical area. For instance, in the United States, there are multiple different ethical backgrounds based on the ""mixing pot"" of cultures that it is famous for having. In Saudi Arabia, however, there are fewer groups of people and ethics accepted. The national religion for this country is Sunni-Islam compared to the United States which is for the most part, Christianity. For the most part, the moral systems in Business are the same except for the treatment of women. In the United States, women are beginning to have equal standing with men whereas in Saudi Arabia, because of the culture and theocratic society, women are viewed as less than men and are subjective. According to Hofstede's model, America far outmatches Saudi Arabia in terms of individualism. In contrast,

Saudi Arabia far outweighs in Power Distance and moderately outweigh the U.S. in Uncertainty Avoidence. Their Indulgence is not as high as the U.S. and Masculinity is slightly higher in Saudi Arabia. In the United States, depending on the region, they are generally accepting of different cultures. Saudi Arabia is very untrustworthy of some cultures such as Christianity, as it is a Theocratic society. They are not as hostile towards this subject as Iran or Iraq and are still very relational when it comes to business strategy. In the U.S. it tends to be accepted to do business regardless of any personal relationship achieved with the partner while in Saudi Arabia, personal relationships are highly suggested. Ethics are moral principles that governs a person's behavior. The six dimensions of Hofstede's model each contribute to an individual's morals. Using the 6D model, I compared the behavior's of Japan and Taiwan. The 6D model consists of Power Distance, Individualism, Masculinity, Uncertainty Avoidance, Long-Term Orientation, and Indulgence. In terms of Power Distance, the two countries are not far apart, but Taiwan's score is slightly higher. Both scores are both at a mid-level, meaning a hierarchical system is apparent, but not domineering. For individualism, Japan is also at a mid-level, but Taiwan is far lower with a score of 17 which means it values collectivism and teamwork far more. When it comes to Masculinity, the two countries are almost complete opposites, with Japan having a very high score in this area. Japan is also very high in Uncertainty Avoidance, meaning they do not like to take risks a vast majority of the time. Both countries are high in Long-Term orientation, much reflective of the Asian cultural values of working hard to achieve a successful life. Lastly in the Indulgence dimension, both countries have a lower mid-level score, meaning they do practice restraint most of the time. The extent of business ethics in the US far exceeds that in any other capitalist country including Russia. Americans have stricter guidelines when evaluating ethics. Americans are more concerned with equality. This can be shown in their low power distance. Russians find it unethical to deceive a friend or family member but not someone in a business deal. On the other hand, in the US it is considered unethical in both situations. Russia has an extremely high power distance scoring 93 on Hofstede's power distance scale. Status is very important and there is a large discrepancy between the haves and have nots. The United States only scored 40 on this dimension. Thus there is more equality in the US and less of a hierarchy. However, power distance is still important in the US with the top 1% owning 35.6% of all private wealth. Russia is a collectivist society scoring only 39 on the Individualism scale. This can be seen in even the language where "we" is more commonly used than "I". Relationships are crucial to success, especially in the business environment. The US is one of the most individualistic societies in the world scoring 91 on this dimension. In America, people look after themselves and their immediate family only. Surprisingly, Russia scores low on the masculinity scale with only 36. This means they are a more feminine culture concerned about others and the quality of life. This is demonstrated through the way people talk modestly about themselves and even how doctors and researchers live a modest life style. America scored fairly high on masculinity at 62. People are encouraged to strive to do their best and compete for what they want. Americans typically "live to work". Russia scored 95 in uncertainty avoidance meaning they are very wary of ambiguity. They have one of the most established bureaucracies in the world. Detailed planning and briefing are always given and when Russians interact with strangers they remain very formal and distant. The United States scored much lower on the uncertainty avoidance dimension at 46. This means they are more open to innovation and news ideas. They have fewer rules and are less emotionally expressive than Russia. Russia is very pragmatic scoring 81 on the long-distance orientation dimension. They have an ability to adapt traditions to changes in the situation and context. Additionally, they are thrifty and like to save *and invest as well as showing perseverance in order to achieve their goals. The United States contrasted from Russia largely with a low score of 26. They prefer to keep time honored traditions and norms and are warier of change. They are much less logical than Russia. Russia scored only 20 on the indulgence dimension making them a very reserved country. They have a tendency for cynicism and pessimism and place little emphasis on leisure time. On the other hand, the United States scored 68 on this dimension. They believe in the philosophy of work hard play hard. They are much more indulgent of their desires and impulses. In the US strategic customer service is part of the marketing arm of companies. They try to manage customer service issues in order to improve word of mouth and brand strength. Service with a smile is stressed and the customer is always right. Though Russian consumerism is booming and Russians have embraced capitalism, businesses care little about keeping customers happy. Everything is growing so fast that supply can't keep up with demand.*

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ACCOUNTING FOR PROFIT: HOW CRIME ACTIVITY CAN COST YOU YOUR BUSINESS

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ABSTRACT

Starting a new business venture and still being in operation after 5 years can be a significant challenge. According to the U.S. Small Business Administration (SBA), half of all small businesses fail within the first five years and according to the U.S. Chamber of Commerce as many as 30% of small business failures can be attributed to crime. Today, small business owners are subject to assault by many different types of criminal activities ranging from shoplifting and vandalism, to fraud, embezzlement, money laundering and of course, cybercrime. Crimes committed against businesses fall into two broad categories internal and external. Internal crimes include crimes such as theft and embezzlement, while external crimes include activities such as robbery and cybercrime. Each category of crime has its own unique characteristics and each calls for a different approach to prevent and detect criminal activity, along with various remedies to criminal acts. Accountants can play a significant role in these activities including development of comprehensive audits, utilizing specialized computer software, and vigilance in looking for suspicious activity by employees, customers, suppliers and others. In this paper, the authors provide an introduction to business criminal activity and a variety of counter-measures businesses can employ to safeguard their profits.

ATTITUDES AND PREFERENCES REGARDING DISABILITY TYPES VIEWED FROM THREE PERSPECTIVES

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ABSTRACT

This study examines various attitudes and preferences regarding human disabilities types and categories as seen from three different viewpoints. We examine the social distance literature researching attitudes of the general public about a list of disabilities. We compare and contrast this with similar research of attitudes about disabilities collected from health care professions rather than the general public. Finally, we compare both of these views with the actual claims filed in recent years under that Americans with Disabilities Act (ADA). A few conclusions can be drawn from the comparison. First, observable mental disabilities are least favored in terms of social distance preferences, rated as least prestigious, and are subject of few claims. Second, unobserved conditions such as diabetes and heart conditions are most favored, most prestigious, and a subject of more claims. Third, there is remarkable stability of attitudes over time toward different disabilities. Finally, we observe that the diversity of disabilities makes the very large group of individuals with disabilities hard to group into a single class politically or sociologically.

This study examines various attitudes and preferences regarding human disabilities types and categories as seen from three different viewpoints. We examine the social distance literature researching attitudes about disabilities of the general public. We compare and contrast this with similar research of opinions about disabilities collected from health care professions. Finally, we compare both of these views with the actual claims under that Americans with Disabilities Act (ADA).

Earlier, we and others, examined attitudes from the viewpoint of Tringo's (1970) Disability Social Distance Scale which yielded a distribution of preferences across of list of specified disabilities (Hatfield & Turner, 2001). Studies found that the categorization by the general public of a list of disabilities was relatively stable across over 30 years (Thomas, 2000).

A recent article by Grue et al. (2015) refers to such earlier work, such as Tringo's and Hatfield's perhaps, as creating a "vulgar hierarchy…" with those diseases at the top seen to be "more a disease" than those at the bottom. Grue's recent research collected the attitudes of health care professionals about diseases and disabilities. Rather than collecting the attitudes of people in the general population, Grue's study elicits attitudes from those who have more informed views about diseases and disabilities included in his questionnaire. These informed respondents were asked to rank 38 diseases and disabilities individually on a scale from 1 to 9 based upon whether the conditions is "seen by professionals in the disability field" as "low prestige" or "high prestige" respectively. This methodology of using the positive term "prestige" is interesting since much of the traditional literature in the area of disability is more likely to use terms with negative connotations like "stigma" and "discrimination (against)".

Data from the Institute on Employment and Disability at Cornell University provides insight into an understanding of disability types and the attitudes around them by examining the *bases or types cited in ADA charges during recent periods (von Schrader & Erickson, 2017). The most recent data is 2012-2014. Comparisons across the three viewpoints – general public, healthcare professionals, and ADA (and ADA Amendments Act of 2008 - ADAAA) charges, show that "mental retardation" is near the bottom of all three rankings while diabetes is found near the top across the rankings.*

While it is clear that disability type or category is important, discrimination potential toward or against a person with a disability is complex. Our prior research found an interaction between disability type and situational expectations. For instance, when screening for a job where the person would be in public view, a person with a viewable disability would be discriminated against in terms of obtaining a hiring recommendation. However, where the job was not be in the public view, a viewable disability worked in favor of obtaining a positive hiring recommendation when judged against someone not presenting such a disability (Hui & Hatfield, 1992).

Recently there has been a great deal of discussion about discrimination, lawful or not, toward or away from certain groups. Categorization as to race, religion, sexual preference, national origin, and legal status have been news and political talking points in recent months. However, there has been little national discussion about discrimination against persons with disabilities although it is arguably one of the largest "protected classes" under the laws in the U.S. Some estimated, around the passage of the ADA in 1990, that one in seven Americans are disabled under the broad terms of the act (and as restored in the ADAAA).

One problem in gaining a better understanding attitudes about persons with disabilities is their different categorization. "Persons with disabilities" are sometimes seen as another uniform "protected class." In some ways, race, gender, and age can be seen as binary in categorization: you are a member of a minority (non-white) race or not, male or female, old or not, etc. However, research has found that people view disability types very differently. All three comparisons in this paper demonstrate such perceived differences.

This has meant that it is more complicated to have a political movement to gain any additional understanding or exposure. One author has said that disability is an authentic identify obscured by an inauthentic but more socially acceptable identity (non-disabled) – a phrased also used by the LGBT movement. An article discussing this asks for more thought and research because "the relationship between disability and specific types of illness and impairments, nor the way in which people identify with or identify other as member of one or the other category is sufficiently understood" (Grue, 2016).

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FINANCIAL DECISIONS OF FINLAND'S COLLEGE STUDENTS: AN INVESTIGATIVE STUDY OF FINNISH STUDENT DEBT

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ABSTRACT

Student debt problems in America are rightfully described as a plague. College students are buried under student loans, and credit cards. Between the rising prices of tuition and the easy access to consume credit, American students are trapped in a vicious cycle (Ludlum et al., 2012). Are these problems unique to America or do they affect college students across the globe?

The current project examined students in Finland. Culturally, Finland is nearly homogeneous (Niemi, Kuusisto, and Kallioniemi, 2014). In Finland, one of the strong socialization forces is the Lutheran Church, which historically was monolithic, and still accounts for 77% of the population (Vogelaar, 2013). Previous studies on Finland's business students are sparse, because of the small population. Finland's current population is around 5-6 million (Vogelaar, 2013). The current project adds to the knowledge of the discipline by examining the debt habits of this distinct group of future business leaders.

Finland's higher education system is large, with 85,000 students (Jauhiainen, et al 2007). All of Finland's twenty universities are state-owned (Anckar, 2000). Business is one of the most popular disciplines for Finnish undergraduate education (Ahola & Kokko, 2001).Finnish students are highly ethical. Ludlum, Hongell & Tigerstedt (2013a and 2013b) surveyed Finnish business students (n=74) on their ethical views. The majority of students disagreed with Friedman's shareholder view. The Finnish students showed overwhelming ethical support to care for the environment, community, and the employees.

METHOD FOR THE SURVEY

A convenience sample was taken from large business survey classes at Arcada University in Helsinki, Finland in the spring of 2016. The college is public and has over 2,700 students and over 200 faculty and staff (Arcada, 2016). The survey was conducted in English. The students at Arcada University are multilingual (Finnish, Swedish, and English), with several programs taught in English.

Finland has a long history of being a multilingual country, being part of Sweden from 1809-1917 (Anckar, 2000). In 1917, Finland became independent with two official languages (Anckar, 2000). Some colleges such as Arcada also teach classes in English to benefit their international student exchange programs (Anckar, 2000).

Students completed the questionnaire during class time. The survey instrument was voluntary and anonymous. We were best able to minimize the socially appropriate response bias by using a large group survey, with anonymous results and confidential submissions. The instructor was not part of the survey collection to avoid undue influence. A total of 135 surveys resulted. However, some questions had fewer than 135 responses. The text of the questions is in the appendix.

Most (96%) of the participants were business majors. The respondents were in the following academic years: first, 72%; second, 17%; third, 8%; and fourth, 3%. In our sample, females strongly outnumbered males 56% to 44%. Previous studies found Finnish college students were over 75% female (Jauhiainen, et al 2007). The group consisted of primarily traditional students with an average age of 22.03. Only 4% of the respondents were married, and only three students had children. This contradicts prior research that found a significant number (33%) of Finnish college students were married (Jauhiainen, et al 2007). Tobacco use was reported by 23%. Most students worked while attending school (70%). Prior studies found that the majority (57%) of Finnish college students were employed (Jauhiainen, et al 2007).

Politically, the students were divided; 38% self-identified with the Swedish Party, 13% identified with the National Coalition, and smaller factions identified with the five other main political parties in Finland, and 28% identified at “other”. In religion, Lutheran was the dominant group with 28%, also Christian had 21%, Catholic had 7%, and non-religious students accounted for 38.4%, and all other faiths were smaller factions.

GENERAL FINDINGS

The majority of students (57%) have their own credit card. This fact by itself is not alarming. However, when we examined student knowledge of credit, we found that most credit card using students do not understand this financial tool. Of students with a credit card, 65.71% did not know their interest rate (APR); 61.9% did not know the late fee charged by the credit card company; 73.4% did not know the cash advance fee charged by their credit card; 67% did not know the over balance fee for their card; and 41.97% did not know their current balance. These facts paint a disturbing portrait of student credit card use in Finland.

When the topic turned to student loans, the findings were much more positive. We found none (0%) of students expected to have a student loan balance at graduation. Some students have loans, but with favorable terms and opportunities to work, students plan on these debts being short term. Of the few with student loans, none reported paying more than 5% interest, and 95% expect to have their student loans paid off within five years of graduating. These results are a stark contrast to the depth of long-term student loan debt for American college students.

We also asked students whether they had a personal budget. Just over half (51%) reported having a personal budget, but more detailed questions revealed these budgets lack detail needed for sound financial planning.

Finally we asked about student gambling, which is a small but significant problem in the United States. We found that Finnish students seem poised to resist the temptation of gambling, 86% had never visited a casino; and 6.6% had visited only once. More interesting, we found that 99% of students who visited a casino did not gamble, attending the casino as a social occasion, not for gambling. The few students who did gamble did so online. Casino gambling by students appears to be unpopular in Finland, which is a positive factor for student finances in the long term.

IMPLICATIONS FOR FUTHER RESEARCH & CONCLUSION

The biggest limitation of this study is that it examines one educational institution during one time. Another limitation of this study is the sample size. A larger sample size could result in more detailed analysis of the sub-groups. For example, a larger sample size could define non-business majors into discipline areas (accounting, tourism, management, etc.) to see if any disciplines had different views. The same distinctions can be made with religion, as the Finnish population is heavily dominated by Protestants, and one dominant religious group, the Lutheran Church. Smaller sub-groups have too few members in the current sample to do a comparison. Finally, the conclusions are time bound, as attitudes are influenced by the economic/political/cultural climate, which are certainly in flux. Clearly, further research on this topic is warranted.

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SIZE AS AN IMPORTANT DETERMINANT OF FIRMS' PARTICIPATION IN CSR ACTIVITIES

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ABSTRACT

Blombäck and Wigren (2009) argued that size of the firm should not be viewed as an important determinant for corporate social responsibility related activities (CSR activities) and presented a few case studies to point out how small firms are also involved in CSR activities. Their arguments are based on a few cases and hence are questionable since cases rarely find results that are reproducible. The most important reason why case findings cannot be applied in real life decision making is because of the incontrollable factors or other independent which could have affected the outcome are left out or not controlled for by the case writer. We argue that size of the firm is an important predictor of firm's participation in CSR activities and present our arguments from two perspectives: a human growth analogy as well as prior research on the growth of firms and the stages these firms go through. We also present empirical support from prior research to confirm that size did have an impact on firms' participation in CSR activities.

ETHICS IN FRANCE & THE USA

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ABSTRACT

It is no surprise; ethical values differ from country to country in the global marketplace. What is a normal business practice in one country may be highly illegal and unethical in another, for example the bribing of officials for financial benefit or financial "off the books" kickbacks offered to a business in exchange for a large contract. France has had to make changes to its laws in recent years to punish/fine French companies engaging in unethical behavior. France has had multiple incidents of violating the Foreign Corrupt Practices Act, in many cases inaction of French government has left no choice but for America to pursue prosecution, an example is the BNP Paribas fine for violating U.S. sanctions (there were other banks also involved). On Transparency International's public corruption index, The U.S. ranks number 16 while France at 23. French authorities seem to have a more hands off or lax attitude towards business ethics in comparison to U.S.

Power distance in France could lead to a corporate strategy where delivery of customer service is impacted by decisions made by higher ups in the hierarchy of the company and little input from the people delivering customer service. In contrast, there is more input from the employees on delivering quality customer service in the U.S. Our individualism in the U.S. is a driver for our strong sense of going above and beyond delivering excellent service. We expect to be treated with respect and in turn offer customer the benefit of being right. Whereas in France customer is not always right. In fact calling customer service requires having to pay to talk to someone. Another example is tips are expected and added at café or restaurant. In U.S. the better the service received the better the tip OR no tip even if service was horrible! Regardless, in most cases a tip is not tacked on by default.

High uncertainty avoidance can mean a lot of rules and inflexibility for customer service in France- for example businesses closing down during lunch. As opposed to the US where lunch is when many of us spend running errands rather than actually eating. Stopping by the post office and actually getting help is a way to make our lives easier versus if they were also closed for a 2-hour lunch. Also, easy acceptance of new ideas can lead to various customer service strategies getting a chance – in contrast rules and keeping things the way they are and for everyone to accept as-is in France does not seem a positive for strategic customer service improvements.

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GUANXI: THE PARADIGM OF CHINESE ETHICS AND WESTERN PERSPECTIVE

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ABSTRACT

This paper discusses the concept of the ethics of guanxi within the Chinese business environment, as well as some of the drawbacks of Chinese business relationships. Guanxi, in the Chinese culture, demands long-term relationships and giving gifts. However, there exists a differentiation between types of guanxi. This paper distinguishes between working guanxi and backdoor guanxi. While the Economic Reforms of 1978 introduced new business practices in China, there remains an imbedded culture based on Confucian values. In addition, the paper explains some of the differences between the American and Chinese culture perceptions, as it relates to business relationships and power distances among leadership. Hofstede's (1983) theory of power distances pinpoints the differences between Chinese and American business culture. The Sarbanes-Oxley Act of 2002, Corporate Social Responsibility, and other forces shape American business ethical culture. The Chinese business culture relies on relationships and often have no code of ethics. Furthermore, it is important to understand the entry modes into the Chinese business culture. This paper discusses entry modes and recommends the preferred entry mode as permanent. It is beneficial to American businesses in China to understand the very different culture.

Keywords: *ethics,Chinese business culture, power distance, corporate social responsibility, leadership*

INTRODUCTION

Ethical perspectives vary between cultures; for example, the American public perception is that Chinese businesses are corrupt and maintain unethical business practices (Brand & Slater, 2003). Cultural beliefs and values rule Chinese business dealings, and most Chinese companies have no code of ethics (Ardichvili et al., 2012). Past quantitative research studies posit that moral dilemmas occur between Western-based and Chinese business environments, which include bribery and gift giving (Brand & Slater, 2003).

In contrast, American Corporate Social Responsibility (CSR) commands a high level of importance on "organizational discourse" since the inception of the Sarbanes-Oxley Act of 2002 (Canary & Jennings, 2008). Due to the loss of investor confidence resulting from the onslaught of accounting scandals, practitioners and researchers drew attention to the transparency and responsibilities of the accounting profession, which spawned a discussion of CSR (Arvidsson, 2010; Näsi & Mäkelä, 2010). Consequently, management focused on social responsibility in order to regain the confidence of the American public (Arvidsson, 2010). After the financial institutions' collapse of 2008, the American public remained extremely disgruntled with the government's role in permitting corporate greed (Johnson & Peterson, 2014). As a result, the

American society expects significantly more social responsibility actions from firms than even a few years ago (Arvidsson, 2010; Näsi & Mäkelä, 2010). Thus, some of CSR's origins resulted from the desire of business to avoid government rules and consequences (Evans, Haden, Clayton, & Novicevic, 2012). Evans, Haden, Clayton, and Novicevic (2012) agree CSR within American businesses originates from those stakeholders damaged by unethical corporate decisions early in the 21st century.

Contrast the mission of Sarbanes-Oxley with the Chinese ethical culture of paternalism, trust earned, and benevolence of leaders, and a paradoxical situation of cultural differences occurs (Ardichvili et al., 2012). The Sarbanes-Oxley Act mandates a change in ethics from "compliance" to "culture" (Canary & Jennings, 2008, p. 264, original quotes). Thus, employing business ethics within corporations circumvents economic crises and encourages better ethical decisions from executives (Brenkert, 2010).

CSR, or otherwise represented as good corporate governance, defines how a company interacts with its stakeholders and society (Chan & Cheung, 2012). Companies practicing CSR go beyond legal requirements and demonstrate concern for society and the environment (Harjoto & Jo, 2015). Furthermore, research concludes that good corporate governance brings positive benefits to companies (Chan & Cheung, 2012). Companies employing CSR report higher financial performance, better return on equity, better profitability, and better stock performance compared to competitors lacking CSR (Chan & Cheung, 2012).

CULTURE

According to Chan and Cheung (2012), since around 500 B. C., Confucius, an influential philosopher, continues to guide the culture of the people of China. Additionally, Peter Drucker, known as the Father of Modern Management, studied philosophy and was highly influenced by Confucianism (Drucker, 2001; Flaherty, 1999). Drucker (1981) explains Confucian ethics of interdependence is the matter of doing right based on the individual and not the law. Drucker (1981) states that most businesses ignore interdependence and instead use the power of the relationship to get matters accomplished.

Drucker's (1981) thoughts on ethics relating to interdependence and its relationships within the organization describes businesses' constant struggle between its executives and subordinates. Businesses ought to embrace the Confucian idea of preserving relationships and not forcing an authority's power to get agendas accomplished in order to avoid dissension. Perhaps, not permitting leaders to use their authority and Confucian ideology could have prevented several of the past accounting scandals in the early 2000s, such as Enron and Arthur Anderson.

THE ETHICS OF GUANXI

Guanxi significantly influences Chinese business interactions, and Western culture business needs to understand this cultural trait (Bedford, 2011; Zou & Wong, 2008). Bedford (2011) relates that guanxi consists of "trust and mutual obligation in interpersonal interaction" (p. 149). Besides a strong connection with one's work, the Asian culture considers relationships extremely important within a business (Wu & Wang Chiu, 2016). Thus, one of the most crucial elements of building a business in China revolves around the idea of guanxi (Zou & Wong, 2008). Guanxi represents the ability to develop and maintain irrevocable relationships that last a lifetime (Zou & Wong, 2008). Firms entering the Asian market must develop beneficial relationships internally and externally; therefore, networking and socializing with individuals inside and outside of the company are a crucial part of Asian business (Wu & Wang Chiu, 2016).

Alternatively, business dealings in China without guanxi are often unsuccessful (Bedford, 2011). Favors given and received cultivate personal business connections within the Chinese business environment, and establishing customer satisfaction is an important ingredient in developing business in China (Zou & Wong, 2008). However, guanxi remains a possible gateway to corruption, bribery, and unethical behavior (Bedford, 2011). Ip (2008) explains, in the Confucius cultural model, the family is the most important element in the Chinese culture. The family concept signifies affinity and affection, and potentially leads to cronyism (Ip, 2008). Cronyism often leads to corruption because business dealings in China necessitate relationships built on mutual affection and gift exchanges (Bedford, 2011; Ip, 2008).

Within the Chinese culture, guanxi's drawback revolves around the capability that social business circles can potentially destroy an individual's character (Ardichvili et al., 2012). However, Bedford (2011) maintains guanxi need not be corrupt. Two types of guanxi exist: working guanxi and backdoor guanxi (Bedford, 2011). Working guanxi occurs between individuals who have a working business relationship to accomplish the goals of the organization and cultivates long-term relationships (Bedford, 2011). Bedford (2011) defines working guanxi as a relationship that "requires cooperation, which if it has a long-term orientation breeds commitment, and may be defined as an implicit or explicit pledge of relational continuity" (p. 152). Instead, backdoor guanxi involves power relationships where gifts, such as bribery, gain results and can lead to corruption (Bedford, 2011).

POWER DISTANCE AND ETHICAL LEADERSHIP

Due to Asia's immense geographical range, international firms must be familiar with various cultures and practices before attempting to expand into a particular region in Asia because many American-based concepts may not work as effectively. The leadership of profitable companies recognize that global success derives from the ability to adapt to cultural differences that drive the operation of a firm in varying countries, as well as understanding the threat of local competition (Porter, 1991). Researchers discuss understanding the concept of power distance for successful entry into the international markets (Chan & Cheung, 2012; Loi, Lam, & Chan, 2012; Rao, 2013).

Hofstede (1983) developed the theory of power distance via a research project that encompassed over 50 countries. Power distance involves how cultures treat inequities in a society (Hofstede, 1983). High power index countries consist of a population with low authoritative individuals who are fearful of confronting individuals in powerful positions (Chan & Cheung, 2012; Hofstede, 1983). Hofstede (1983) relates that collectivist countries always demonstrate high power distances. Asian cultures are "collectivist in nature, which implies that group harmony and teamwork take precedence over individual accomplishment and recognition" (Vadivelu & Klein, 2011, p. 111). Corporate America tends to focus on individual performance, whereas Asians are more concerned with a harmonious work environment (Wu & Wang Chiu, 2016).

Loi, Lam, and Chan (2012) discuss power distance among employees noting it “is an individual-level cultural value that is closely linked with employee’s reactions to leadership” (p.362). Loi et al. (2012) further elaborate high power distance individuals wish to have little communication or social dealings with executives. On the contrary, low power distance employees cultivate democracy and are more likely to stand up to authority (Loi et al., 2012). Whereas management leads employees in an authoritarian manner in high power distance countries, “in low power distance countries, a participatory style of decision-making was preferred such that subordinates jointly engaged with their manager in making decisions” (Rao, 2013, p.9).

Loi et al. (2012) relate workers in a Chinese company have concerns about justice and fairness in a company. For example, the compensation structure in South Asia concentrates on every employee obtaining equal pay within the organization, which significantly contrasts with the American performance-based pay system (Vadivelu & Klein, 2011). Chan and Cheung (2012) agree that societies with a low power distance promote teamwork and reliance on each other.

Both Loi et al. (2012) and Chan and Cheung (2012) discuss the role of ethical leadership within the concept of power distance. When workers recognize high levels of organizational ethical leadership, the result is higher job satisfaction and lower turnovers (Loi et al., 2012). However, employees experience helplessness when ethical leadership is missing (Loi et al., 2012). Chan and Cheung (2012) discuss the ethical importance of stakeholder relationships. In fact, managers with a high-power distance that exude job security exhibit a high ethical concern with stakeholders. Interestingly, societies with low power distance and high uncertainty also had a high ethical concern in dealing with external stakeholders (Chan & Cheung, 2012).

Power distance is not just a matter of learning cultural activities and avoiding social mistakes. Power distance remains an embedded cultural reality addressing employee relations, ethical behavior, a sense of justice, and good management practices. Rao (2013) specifically notes increased job satisfaction and commitment when congruence exists in relation to management style and the cultural power distance.

Power distance is an important consideration in doing business in China because the Economic Reforms of 1978 changed business opportunities; however, cultural change often lags commerce change (Cui et al., 2013). The Economic Reforms of 1978 changed the wage structure of Chinese companies and introduced pay based on skill and performance (Cai, Morris, & Chen, 2011). Before the reforms, the expectation was for “lifetime employment and cradle-to-grave welfare” (Cai et al., 2011, p. 3249). Even though the reforms changed China, the customs remain and it is unlikely that there will be a large-scale convergence with Western mores.

ENTRY MODE

Examining the culture of the Chinese people influences the entry mode of organizations into China. In the business environment, mobile or non-equity entry modes reduce risk while permanent entry mode implies a long-term commitment (Chen, 2008; Zou & Wong, 2008). However, the Chinese people value commitment and long-term relationships (Bedford, 2011). Additionally, the Chinese people have had a long tradition of lifetime employment (Cui et al., 2013). The Chinese culture values permanence, rewards cooperation, and builds trust and mutual respect slowly (Bedford, 2011; Zou & Wong, 2008).Therefore, the mobile entry mode does not work well with the Chinese employment concept because, after the mobile entrant leaves China, the temporary local workers become unemployed.

CONCLUSION

Overall, the concept of guanxi provides positive opportunities for enduring relationships within the corporate construct; however, the trust built within these interdependent relationships attracts abuse from individuals driven by self-interest. By understanding and employing guanxi and power distance theory, American businesses entering China can avoid offensive behavior and maintain a good ethical stance. American business culture arises from Sarbanes-Oxley Act and the Corporate Social Responsibility movement. However, Confucianism still influences the Chinese business culture. Confucianism stresses relationships and permanence; therefore, the mode of entry into China by American businesses is an important consideration for success. In order for a business to survive in China, the Asian public must steadfastly accept a firm's objectives (Vadivelu & Klein, 2011). Therefore, the business' objectives and strategies must adapt to meet the Chinese standards and norms.

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SIZE AS AN IMPORTANT DETERMINANT OF FIRMS' PARTICIPATION IN CSR ACTIVITIES

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ABSTRACT

Size of the firm had been viewed as an important determinant of firm's participation in corporate social responsibility related activities (CSR activities) in most empirical studies but there had been limited theoretical arguments provided to support the impact of firm size on participation in CSR activities. In this paper, we argue that size of the firm is an important predictor of firm's participation in CSR activities and present our arguments from two perspectives: first, a human growth analogy perspective and the second, review of prior research on the growth of firms and the stages these firms go through. We also present empirical support from prior research to confirm that size did have an impact on firms' participation in CSR activities.

INTRODUCTION

Corporate Social responsibility (CSR) has become an important topic since Carroll (1973) wrote on social responsibility ethics. It certainly had been an issue long before as Levitt (1958) argued vehemently against CSR. In fact, Friedman (1970) arguing that the social responsibility of business was to increase its profits in the New York Times Magazine article had kindled more research into CSR than any other article on CSR. Though everyone agrees that the corporation as a whole should view its responsibility to society in a holistic fashion rather than viewing its purpose simply as maximizing its profits. The question examined in this paper focuses on an issue which is vital for a thriving economy - small businesses. It has been shown time and again that it is the small businesses' hiring which turns economies around and not the giant corporations' hiring. Given that reality, should these small businesses be forced or even expected to bear the cross of social responsibility? Though nobody prescribes any corporation what CSR activities these firms should participate in, the question remains whether researchers should examine whether small firms' participation in CSR is any different from large firms' participation. Though there is a large volume of research examining the small businesses participation in CSR, it certainly needs theoretical justification that these small businesses would behave differently from large firms for other reasons which are linked to their size. In this paper, we argue that the small businesses will and should be allowed to participate in CSR activities as much as these firms can and choose to. One should not expect these small businesses to participate in all CSR activities as we would expect and at times demand large businesses to. In the following section, we present the analogy from organic growth to indicate how certain activities could not be performed the young organism and the same is expected of it when grown into adulthood. Following that we present research in small businesses where the reality faced by small businesses make survival so difficult that they cannot afford to expend resources on CSR. Finally, we present empirical research which provide support that there is significant difference between small and large businesses in their participation of CSR activities.

ORGANIC GROWTH ANALOGY

Human analogy is the most common one used in management literature. For example, when the firm is not running at a loss, it is compared to a person being sick and action(s) taken to solve problems is (are) compared to medicine(s) being given to human beings when they are sick. We extend the analogy to humans growing childhood and adulthood. When a human being is born, the infant has limited capabilities (probably can only cry), is small in size and has no knowledge or experience in any aspect of life. Parents tend to protect the young ones in any way possible so that the young can grow healthy into their adulthood. The first handicap the young one has is its lack of ability to do anything but cry and certainly carry out the natural bodily functions necessary to survive and grow. At this time, the child's only activity includes carry out the natural physical functions and nothing else. Even though adults do train the child to do more than just cry, the child is not expected to protect the natural environment or not to cry in public making everybody's life unbearable etc. In a similar vein, a small business just established is not expected to carry out anything other than actions required to survive and grow. Though certain small businesses may participate in activities like recycling or reducing excess use of resources (e.g., carpooling or using public transport) or resource conservation activities (e.g., green building etc.), these firms will do so if it could be done without expending excess resources (both materials and time). For example, the firms in certain areas may not recycle because the city does not have arrangements making it easy to recycle. In a similar fashion, firms in rural areas where there is no public transport may attempt carpooling but will not insist or encourage it. If green building will cost too much, most small businesses would prefer to rent an existing building even if is not "certified green". Whereas a large firm may be capable of starting its own recycling program even if the city does not have one (and even encourage all citizens in its neighborhood to participate in their recycling program thereby benefiting not only the whole organization but also the local community) or choose a location which is suitable for carpooling or for public transport and build a "certified green" facility. All these differences in behavior is simply because of the differences in abilities of large firms over small firms.

The second aspect which limits small firm's CSR activities is its size. When a child is young, it is short in height and hence cannot be expected to see over obstructions. Neither does the child have the experience or the knowledge to understand this shortcoming and hence may enter into the road full of traffic. This is one of the reasons why a parent is always there to take the child home or we have school bus stops where the traffic is halted so that the child can safely reach home. In a similar vein, when a business is small, it is unable to see what all activities it can participate in. If due to excessive enthusiasm, a small business ventures into activities which do not have any bearing on its bottom line, it may not be able to survive. Many researchers have found one of the most frequently quoted reason for a small business failure is over-extending itself –

either due to rapid growth which demanded more resources than the firm could access or due to the entrepreneur's unfounded belief that the resources will fall into place as when needed. One of the most often given advice to small businesses is "not to stretch themselves thin". Given these realities which the small businesses face, we do not want small businesses to be burdened with taking care of its employees' healthcare while their health is close to being anemic due to constraints on resources. Or burden small businesses with complex tax laws which will take resources away from sustaining its survival. While both paying for employees' healthcare and paying taxes are essential tasks and are not necessarily the focus of CSR, when small businesses are being legally protected from these resource hungry activities, one cannot expect small businesses to participate extensively in CSR.

From plants and their growth also one could learn that the small businesses will lack established relationships and hence may need all the resources to survive than spend on CSR activities. When a small seedling is planted, the farmer/gardener invariably pours a lot of water and if the sun is harsh, protects the seedling by providing shade from the sun's heat. The reason being that the seedling has not established roots and hence is not capable of getting water from underground and it can wither in the heat. In a similar vein, a small child does not have any idea where to get nourishments or water to survive. Parents ensure that the child is cared for and provide them with the necessary food and water. Extending these analogies to small businesses, these firms do not have an established group of customers or suppliers and hence are susceptible to what is called as "liability of newness" which makes many small businesses to fail when these businesses are young. Fitzpatrick (1934) pointed out that in earliest stage of growth, firms might not be aware of what ails them. When these firms face so many uncertainties to their survival, one cannot expect or want them to participate in CSR activities but focus on establishing the required network of suppliers and customers to have a sustainable future.

STAGES OF GROWTH LITERATURE

Research on the growth of firms have identified that these firms go through multiple stages in their growth which is almost in tune with their size and face different challenges as these firms grow into giant firms. Greiner (1972) identified five stages of growth and in each stage the demand on the firm is different. Greiner suggested that between each stage firms experienced an evolutionary growth and between each phase it went through a revolutionary growth. In each evolutionary phase firms needed certain type of competencies and resources while the same firm required completely different competencies and resources as it went through the revolutionary phases. He also observed that the size of the firms in successive stages were larger than the previous stage and the problems that needed the revolutionary changes were related to differences in the competencies and resources required in each stage. In the very first stage when the firm was very small and entrepreneurial, it lacked resources and organizational structure demanding long hours from individuals employed. Given that reality it would not be appropriate to expect these firms to spend their resources in CSR related activities.

Closely following Greiner's growth model, Scott and Bruce (1987) identified five distinct stages as small firms grew into large firms. They named these stages different from Greiner to clarify the nature of the problems faced by firms through their growth. The earliest two stages named inception and survival indicate that firms in these stages faced resource constraints due to their size and the problems faced is unique to these stages. Therefore, firms in these two early stages could not be expected to stray from their focus on issues that must be addressed immediately. For example, firms at the inception stage should focus on creating profits, formalizing administration and addressing demand for resources to meet the increased growth. In the survival phase, firms need to focus on controlling growth, addressing the increasing complexity of the business itself, competing effectively against the everchanging competition and the increased need for managing information. Under these two phases most firms are still small and cannot cope with other demands on its resources and hence may not be expected to participate in any CSR activity. Even if these small firms participated in CSR activities, the participation will be limited and will depend on their circumstances.

EMPIRICAL RESEARCH ON SMALLL BUSINESSES' PARTICIPATION IN CSR

There are many empirical researchers who have has time and again found that "size" did have an impact on the extent of CSR activities the firm participated in (Longenecker, McKinney and Moore, 1989; Perrini, Russo and Tencati, 2007; Lindgreen, Swaen, and Johnston, 2009). Our literature survey pointed out that firm size is a determinant of firm's participation in CSR activities dated long back to Spencer and Heinze (1973). Though Spencer and Heinze (1973) indicated that size should be one of the variables which would have some impact on participation in CSR activities, it could be assumed that the participation in CSR activities would be proportionate to size. Fischer and Groeneveld (1976) reiterated the importance of small businesses to society as a whole and how imposing CSR on these small businesses could be counterproductive to society. Longenecker, McKinney and Moore (1989) in their survey observed that small firms differed from large firms in twelve out of sixteen ethical issues based on executives' responses. In a large sample study, Perrini et al. (2007) found that small firms differed from large firms in types and extent of CSR activities participated. Lindgreen et al. (2009) found that there was significant difference in CSR activities participation between small and large businesses.

CONCLUSION

There are numerous areas where firms need to act to fulfill their social responsibilities. Most researchers attempting to test empirically the differences between small businesses and large businesses tended to focus on collecting data on small and large businesses and discuss the differences in access to resource and visibility as reasons why large firms may be actively participating in CSR activities whereas small businesses may be able to avoid participating in CSR activities. In the passages above, we have given reasons why there would be differences in participation in CSR activities applying the human growth analogy as well as the arguments found in the literature in stages of growth. We have also provided brief review of empirical research that confirmed that small businesses differed from large businesses in terms of extent of participation and areas of participation. We conclude that small businesses will differ from large businesses in their participation either by choice or due to constraints faced. Society will not or should not expect small businesses to be burdened with participating in CSR activities when their survival is challenged.

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