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**Business Goals Compatibility:
A Comparative Study**

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Abstract

We study cross-nationally whether top managers view self- and other-oriented business goals as compatible, incompatible, or independent. The conceptual framework builds on different theories (agency theory, stewardship theory, instrumental rationality, and stakeholder theory) that support alternative views of business goal compatibility. A set of hypotheses relates differences in cultural values, corporate governance systems, and managerial education to business goal compatibility. A business goal scale is developed and its cross-national invariance is tested. Data analysis, controlling for gender and work experience, shows that ethics-related business goals are generally perceived as incompatible with self-interested goals, or in some cases independent, but not as compatible.

Keywords:

Comparative Management, Corporate Governance, Agency Theory, Corporate Social Responsibility, Cross-Cultural Research/Measurement Issues, Gender

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INTRODUCTION

Pursuing profit-oriented objectives while emphasizing corporate social responsibility is often presented by the managerial press as compatible goals, especially in the long term with a view of sustainable development (e.g., Barner, 2007). In the instrumental conception of self-interest, other-oriented action is necessary to achieve self-interested goals, making them compatible (Jensen, 1994; Jensen & Meckling, 1994). Sacrificing some profits to finance expenses associated to social responsibility makes sense because a strong corporate image will in turn be a driver of business development (Donaldson & Preston, 1995; Jones, 1995; McWilliams & Siegel, 2001; Wright & Ferris, 1997). However, it is less clear whether self- and other-oriented goals are fully compatible in the short run, when the size of the pie is rather fixed and different goals competitively draw on limited resources. The economic model of man depicts top managers as self-interested and opportunistic profit-maximizers (Friedman, 1953; Jensen & Meckling, 1994). In this view, self-interested and other-oriented business goals are largely incompatible. In contrast to the two previous polar positions, it may be argued that business goals are largely independent because managers have to pursue both self-interested and other-oriented business goals in order to survive and grow. Whether self- and other-oriented business goals are viewed by managers as compatible, incompatible, or independent, is the focus of this paper, especially comparatively across nations.

There are explanations for the degree of compatibility between self-interested and other-oriented goals differing between countries. We consider that there are three main sources of cross-national differences: institutional, cultural, and educational. First, the institutional environment differs across countries, influencing the rules of the game, especially the nature of principal/agent relationships. Second, top managers' goals derive from accepted values (Schein, 1986) that influence their decision making by indicating which choices and behaviors are acceptable or unacceptable. These values differ across countries (Hofstede, 2001). Finally, managerial education plays a key role in shaping the worldviews of managers by diffusing a particular management ideology (Ghoshal, 2005) that emphasizes compatibility (or incompatibility, or independence) of self and other-oriented business goals. It is important to determine how managerial education posits ethical/social

responsibility norms; whether as true “business goals” in the sense that they are to be pursued *per se*, or as means, or as mere constraints. For instance, if the dominant view is that ethics should be considered only as instrumental goals while self-oriented goals are really terminal goals, the perception of compatibility is encouraged.

As a consequence, there may be significant cross-national differences in the degree to which other-oriented and self-interested goals are emphasized as legitimate objectives by top managers. Self-interest and ethics may be considered in some countries as unrelated issues, while in others they may be viewed as negatively related, pursuing both self-interested and other-oriented goals, simultaneously being perceived as difficult. Local views of what is a socially responsible business may differ. In some countries, social responsibility may be considered as an impediment to business growth, a threat to top managers’ wealth while managers in other countries may consider that other-oriented goals are imposed by corporate communication; a necessary tribute to be paid for generating a positive corporate image towards a number of publics, especially consumers, shareholders, and the general public.

Individual-level variables may also have an impact on the degree of perceived compatibility between other-oriented (ethics) and self-interested (wealth) goals. Female gender is likely to emphasize a more pro-social and other-regarding orientation while male gender may be more assertive and ego-boosting (Hofstede, 1998; Tannen, 1990) resulting in stronger ethics goals for women and stronger self-interested goals for men. Work experience may also make people more realistic about the difficulties involved in compromising alternative business goals, possibly resulting in more perceived incompatibility between other-oriented and self-interested goals. These individual variables are used in this research as rival explanations in order not to overestimate cross-national differences at the expense of significant individual differences.

This research proposes a cross-national analysis of business goals. We seek answers to four research questions: (1) Do managers consider that there is some kind of trade-off between self-interested and ethical business goals or do they perceive them as compatible? (2) Are there country differences in the perceived importance and compatibility of self-interested and ethical goals for

managers? (3) If any, can these differences be explained by cultural, institutional, and educational variables? (4) Are these differences moderated by gender and work experience?

The first part presents different theories (agency theory, stewardship theory, instrumental rationality, and stakeholder theory) related to corporate governance that support alternative views of the compatibility of business goals. Based on Hofstede's (2001) cultural dimensions, Inglehart's (1997) postmaterialist values, and institutional differences, we develop hypotheses on cross-national differences in business goals. We also discuss whether demographics (i.e., gender and work experience) could influence perceived goal compatibility as well as the emphasis put on either self-interested or other-oriented business goals. The second part is empirical, dealing with sampling and instrument development. This study builds on the Business Goals Network data as presented in Hofstede et al. (2002). In order to measure self-interested and other-oriented goals, a psychometric scale was first developed at an exploratory level. Then its cross-national invariance was assessed through multigroup confirmatory factor analysis. The third part deals with data analysis. After having established partial measurement invariance, we apply latent mean analysis to assess the magnitude and significance of differences across groups as concerns the degree of emphasis respectively put on ethics and self-interest. We also assess the correlation between other-oriented and self-interested business goals for each group. This correlation coefficient is the main indicator of perceived goal compatibility with 1 and -1 respectively representing fully compatible or incompatible business goals and 0 being an indicator of their independence. To check the robustness of the research findings, we test alternative explanations related to differences in institutional variables as well as level of economic development. The fourth part discusses the findings, outlines theoretical and managerial implications, and presents the limitations of this research.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Top Managers' Business Goals

Top managers' business goals comprise both means and ends. That is, they encompass not only the reasons for which people do business (e.g., to sustain firm profitability and meet corporate

responsibilities) but also guiding objectives pursued in the course of conducting business (e.g., self-interest or ethics) (Danis & Shipilov, 2004).

In modern corporations, characterized by separation of ownership and managerial control (Chandler, 1977; Fama & Jensen, 1983), managers are decision-making specialists acting on behalf of the firm's owners. As decision-making specialists, managers have some latitude (i.e., discretionary power) to make strategic choices in the best interest of the firm's owners (Jensen & Meckling, 1976). They are the primary individuals responsible for the sustainability of the firm (Barnard, 1938; Friedman, 1970; Henderson, 2001). They should also ensure that the firm meets its corporate social responsibilities (CSR), such as economic, legal, ethical, and philanthropic responsibilities (Carroll, 1979, 1991). According to Carroll's (1979) definition, economic responsibilities are concerned with financial performance and the provision of goods and services; legal responsibilities are concerned with compliance with societal laws and regulations; ethical responsibilities relate to compliance with moral codes of conduct; and philanthropic (or discretionary) responsibilities relate to voluntary involvement and support of wider societal entities. Following McWilliams and Siegel (2001), we define CSR as actions that appear to further some social good, beyond the interest of the firm and that which is required by law. However, these social responsibilities or goals may be perceived by top managers as conflicting with their self-interest. For example, self-interested managers may make strategic decisions that maximize their personal power and welfare and minimize their personal risk (e.g., Amihud & Lev, 1981; Jensen & Meckling, 1976; Jensen & Murphy, 1990). Studies have shown that, as firm size increases through either external or internal growth, so does top managers' compensation (Brenner & Schwalbach, 2003).

Goal Structure

In the management literature, as well as in the economic and strategic literatures, several assumptions have been made about what goals managers are pursuing. On the one hand, neo-classical economists (e.g., Friedman, 1953) assume that individuals and managers are only motivated by self-interest. In the strategy field, several theories, such as agency theory (Jensen & Meckling, 1976) and transaction costs

economics (Williamson, 1975) are based on this assumption. For example, agency theory depicts managers as being ingenious, opportunists, and self-interested maximizers (Jensen & Meckling, 1994). As such, managers subscribing to the agency theory model are expected to be highly motivated to maximize their own self-interest rather than sacrificing these for ethical or socially responsible goals.

On the other hand, managers may not only be motivated by self-interested goals, but rather act as stewards whose motives are aligned with the goals of the firm's owners (Davis, Schoorman & Donaldson, 1997) and the firm's responsibilities and sustainability (Carroll, 1979, 1991). For example, Donaldson (1990) challenged agency theory's narrow view of individuals' motivation and behavior as being an abstract theoretical premise rather than based on empirical observation. Instead, Donaldson (1990) advanced a more positive view of business leaders who are guided by normative moral standards to serve collective interests. Accordingly, stewardship theory assumes that managers are motivated to act in the best interest of the firm and the firm's owners, rather than to act in their own self-interest (Davis et al., 1997). Scholars, criticizing the self-interest perspective, also recognize that self-interest plays an important role in managers' decisions, but they argue that self-interest is not the only motivation of managers (Rocha & Ghoshal, 2006). Scholars who argue in favor of assuming motives other than self-interest often base their argumentation on anecdotal counter-examples of managers walking away from profitable transactions they believe to be unfair or unethical. Both research streams see managers' goals along a continuum from self-interest to unselfishness, implying that managers do make trade-offs (Jensen & Meckling, 1994).

Another stream of research, based on instrumental rationality logic, argues that there is not necessarily a trade-off between self-interest and unselfishness (e.g., Collins, 1994; Mansbridge, 1990). This conception stipulates, along with the self-interest view, that the ultimate motivation of individuals and managers is self-interest. However, the instrumental view includes others' interests as means and motives in order to achieve self-interested goals (Jensen & Meckling, 1994; Kotler & Lee, 2005). For instance, Wright and Ferris (1997) argue that managers could make some decisions that may be perceived as ethical or socially responsible (e.g. divesting of South-African assets), but that may in fact be self-serving decisions in order to increase their personal reputations. The instrumental conception of self-interest is based on the assumption that individuals may be motivated by whatever

praiseworthy action is done to others because of vanity and hubris (Roll, 1986). A second rationale for instrumental goals is that managers seek the positive feeling of doing good and therefore are psychologically dependent on someone else's welfare (Sen, 1990). Given that the individual needs the welfare of the beneficiaries to feel good, other-oriented goals may paradoxically be considered egoistic. A third rationale is that expectation of reciprocity is also a reason for considering others' interests (Coleman, 1990). Finally, instrumental self-interest is present, when a joint action is necessary to increase personal welfare (Rocha & Ghoshal, 2006).

Finally, other scholars have argued that self-interest is not the universal human motivation (e.g., Jenks, 1990; Lubatkin, Lane, Collin & Very, 2007). Alternative managers' goals, such as altruism and duty (i.e., ethics, responsibility), drive non-stable preferences given the inner conflict between goals (Etzioni, 1988). Furthermore, multiple goals and others' interests considered as ends make managers seek a balance between multiple motives rather than maximize their self-interest (e.g., Freeman, 1984; Mitchell, Agle & Wood, 1997). Stakeholder theory proposes that managers' goals are developed in collaboration with a diversity of internal and external stakeholders (Freeman, 1984). Choice may reflect a compromise between a variety of considerations of which personal welfare may be just one (McWilliams & Siegel, 2001; Sen, 1990). The reality of alternative motives to self-interest and the existence of counter-preferential choice based on duty (Sen, 1990) implies that managers either choose one goal at a time to maximize it or balance multiple ends (Etzioni, 1988).

To sum up, some assume a negative relationship between self-interested and other-oriented goals, others hypothesize a positive relationship, and finally a third group argues for independence between the two sets of goals.

Cross-National Differences

Managers' goals represent espoused values (Schein, 1986), the structure of which is shaped by institutional, economic, and cultural factors (Hofstede et al., 2002). Whether managers perceive their self-interested and ethical goals as incompatible, aligned, or independent is embedded, or partially

determined by their national and institutional environment (Christie, Kwon, Stoeberl & Baumhart, 2003; Schlegelmilch & Robertson, 1995; Vogel, 1992).

North (1990: 3) argues that institutions serve as constraints to regulate economic activities by providing the *rules of the game*. Institutions interact with both individuals and organizations (North, 1990; Scott, 1995), and influence individuals' decision-making by signaling which norms, behaviors, and choices are acceptable and which are unacceptable (Peng & Heath, 1996). By providing limits to the set of behaviors and choices of individuals and organizations, institutions provide a stable structure for economic exchanges, thereby reducing uncertainty (North, 1990).

The institutional framework is comprised of both formal and informal constraints on individual and organizational behavior (North, 1990). Formal constraints include political, judicial, and economic rules and contracts, whereas informal constraints include the codes of conduct, norms of behavior, and conventions that are embedded in culture and ideology. Informal institutions are the crystallizations of culture, and culture is the substratum of institutional arrangements (Hofstede et al., 2002). Three elements are particularly influential in the structure of top managers' goals: national culture and values, the corporate governance system, and the educational system.

National Culture

Aspects of national culture may influence top managers' ethical attitudes and goal structure (Christie et al., 2003; Vogel, 1992). In his seminal work on cultural differences, Hofstede (2001; Hofstede & Hofstede, 2004) described two dimensions, individualism-collectivism and power distance, which are likely to shape top managers' goal structure.

Individualism is characterized as the emphasis of personal goals over group goals (Hofstede, 2001; Hofstede & Hofstede, 2004). Several specific differences between individualists and collectivists are relevant to the shaping of top manager's business goals structure. Individualists have independent selves, primarily organized and made meaningful by reference to their own internal repertoire of thoughts, feelings, and actions, rather than by reference to the thoughts, feelings, and actions of others (Aaker & Maheswaran, 1997; Markus & Kitayama, 1991). Individualists are more

short-term oriented, conduct business independently of personal relationships, and use a cost-benefit analysis (economic model) to evaluate business deals (Hofstede, 2001). In collectivist cultures, the self is defined as part of a group. Being a member of a group is an important indication of identity and achievement. Collectivists subordinate their personal goals to the goals of the collective (Triandis, 1995). Success is defined in terms of the success of the group (Hofstede, 2001). People with interdependent selves (i.e., with collectivistic values) are usually more attentive and sensitive to others (Markus & Kitayama, 1991) and more empathic (Furrer, Liu & Sudharshan, 2000) than those who have independent selves and who possess more individualistic values.

Individualist cultures are conducive to the development of top managers' perceptions of the independence between self-interested and ethical goals, because they support and legitimize both personal outcomes and individual responsibility. On the other hand, in collectivist cultures, top managers are more likely to see self-interest and ethics as less compatible goals, because their personal goals are subordinated to the goals of the collective, thereby increasing perceived conflicts between self-interest and other-oriented attitudes. Christie et al. (2003) found that while most individualist American managers (98%) expressed their disagreement with the statement that "being ethical and being profitable do not go together," only 71% of the Indians and 38% of the Korean, who are less individualist, did so. They found that American managers, in general, along with a deep understanding of the role of ethics in business, seem to believe strongly that "being ethical" and "being profitable" are not mutually exclusive, which is also consistent with the findings of Vogel (1992). On the other hand, Vogel (1992) also found that German managers, who are less individualistic, are relatively more skeptical about the notion that ethics and profitability are compatible. Managers with individualistic values are more likely to be sensitive to neo-classical liberalism, which assumes that individuals are motivated by self-interest only (e.g., Friedman, 1953). However, as individualists, they believe that the choice between self-interest and ethics is an individual choice. We expect that in countries with individualist values, self-interest and ethics are likely to be perceived as independent goals. Managers with collectivist values subordinate their personal goals to the goals of the group, and therefore, they are more likely to act as stewards of their firm at the expense of their self-interest (Davis et al., 1997). Therefore, we expect that in countries

with collectivist values, self-interest and ethics are likely to be perceived as incompatible.

Consequently, we hypothesize:

Hypothesis 1a: The more collectivistic (individualistic) a particular country, the more local managers view self-interest and ethics as incompatible (independent) goals.

A second cultural dimension identified by Hofstede (2001; Hofstede & Hofstede, 2004) that is particularly relevant to better understand differences in top managers' business goal structure is power distance. Power distance is defined as "the extent to which less powerful members of organizations and institutions accept and expect that power is distributed unequally" (Hofstede, 2001: ix). In large power distance cultures, it is considered legitimate that less powerful members are dependent on more powerful members. As a consequence, privileges and status symbols for those in higher position are both expected and popular. In these cultures, the most powerful members also expect their power to be recognized and respected. Conversely, in small power distance cultures, inequalities are minimized, independence of the less powerful is valued and encouraged, and status and class symbols are frowned upon (Hodgetts & Luthans, 1993). The concept of power distance has its roots in the family structure and is pervasive in the institutions that socialize members of the culture (school, church, and social organizations). In large power distance cultures, organizations are centralized, and they include large differences in authority, salary, and privileges between those at the top and those at the bottom. In small power distance cultures, organizations are decentralized, there is more consultation in decision-making, and the differences in salary and perquisites are minimized. In large power distance countries, managers are considered as powerful members of society who are likely to use their power and their managerial discretion to their own advantage. In such countries, less powerful stakeholders are likely to accept such managerial opportunism (Hofstede, 2001). Therefore, we expect that managers in large power distance countries perceive a trade-off between self-interest and ethics. On the other hand, in small power distance countries, there is a balance of power between managers and other stakeholders who are powerful enough to control managerial opportunism. Therefore, managers, based on instrumental rationality, are likely to perceive that ethics is a mean to achieve their self-interested goals. In such countries, ethics and self-interest are likely to be perceived as more compatible.

Consequently, we hypothesize:

Hypothesis 1b: The larger (smaller) power distance in a particular country, the more local managers view self-interest and ethics as incompatible (compatible) goals.

Societal modernization theorists posit that economic development and industrialization are associated with systematic changes in legal, political, and cultural institutions that transcend historical cultural value differences (e.g., Inglehart, 1997; Kaufmann & Kraay, 2002; Mauro, 1995). In particular, Inglehart's (1997) theory of country-level cultural change suggests that national cultures progress through three stages: pre-industrial, industrial, and advanced industrial. Pre-industrial societies have strong collectivistic values that emphasize the importance of conformity to traditional norms as well as familialism (obligations to family and kinship ties). Industrial economies adopt a materialist value system that emphasizes individual achievement, materialism, deference to rational-legal authority, and maximization of economic growth goals (Fukuyama, 1995; Hofstede, 2001; Inglehart, 1997). In advanced industrial economies, high levels of economic security, technological development, and education result in the adoption of postmaterialist values that emphasize subjective well-being, self-expression, quality of life, as well as concern for others. For people with postmaterialist values, these become higher goals than economic growth (Inglehart, 1997).

In the postmodern shift, values that play a key role in the emergence of industrial society—economic achievement motivation, economic growth, economic rationality—fade in salience. At the national level, there is a radical shift from the priorities of early industrialization, and a growing tendency to emphasize economic growth as being subordinated to concerns for its impact on the environment (Inglehart, 1997). Consistent with Inglehart's (1997) theory, both national and individual level studies have found that postmaterialist values are positively related to the perceived importance of social responsibilities and ethics (e.g., Getz & Volkema, 2001; Husted, 1999; Kaufmann & Kraay, 2002; Singhapakdi, Karande, Rao & Vitell, 2001). Postmaterialist values have also been shown to be associated with more effective economic, political, and regulatory institutions to control corruption and ensure ethical business conduct (Glaeser, La Porta, Lopez-de-Silanes & Shleifer, 2004; Kaufmann & Kraay, 2002).

At the individual level, maximizing economic gain gradually fades from being top priority: self-expression and the desire for meaningful work are becoming more crucial for a growing segment

of the population. Motivation at work shifts from emphasis on maximizing income as the top priority, toward an increasing emphasis on the quality of the work experience (Inglehart, 1997). In countries with materialist values, managers value individual achievement, materialism, and maximization of economic growth, and therefore, are more likely to pursue self-interested goals rather than ethical goals. We expect self-interest and ethics to be perceived as incompatible goals in such countries. On the other hand, in countries with postmaterialist values, managers are likely to believe that both self-interested as well as ethical goals are valid. Therefore, we expect self-interest and ethics to be perceived as independent in such countries. Consequently, we hypothesize that:

Hypothesis 1c: In countries with materialist (postmaterialist) values, managers tend to view self-interest and ethics as incompatible (independent) goals.

Corporate Governance System

Corporate governance refers to “those administrative monitoring and incentive mechanisms that are intended to reduce conflicts among organizational actors due to differences in incentives” (Lubatkin et al., 2007: 43). In other words, governance concerns the structure of rights and responsibilities among the parties with a stake (i.e., stakeholders) in a firm (Aguilera & Jackson, 2003; Aoki, 2000). Two broad approaches to corporate governance can be contrasted: the Anglo-American and the Continental European approaches (Becht & Röell, 1999; Hall & Soskice, 2001; La Porta, Lopez-de-Silanes, Shleifer & Vishny, 1998). The Anglo-American approach gives power to investors and other stakeholders through legal protection. Protection of minority rights and legal prohibitions against managerial self-dealing are examples of such mechanisms (Shleifer & Vishny, 1997). The Continental European approach is based on ownership by large investors associated with other stakeholder participating, that is, matching significant control rights with significant cash flow rights. Shleifer and Vishny (1997) argue that a good corporate governance system should combine both approaches with some type of large investors and legal protection of their rights and those of other stakeholders. Corporations in the United States, Germany, and Japan are governed through somewhat different combinations of legal protection and concentrated ownership, but possess at least some elements of

both, which distinguish them from countries with poor governance systems, which lack at least one of these two elements (Shleifer & Vishny, 1997).

Because a good corporate governance system seeks to balance or at least take into account the rights of multiple stakeholders, managers in countries with good (i.e., stricter) corporate governance systems are more likely to view self-interest and ethics as compatible goals, consistent with instrumental rationality. On the other hand, in countries with poor (i.e., less strict) corporate governance systems, managers have more latitude to pursue opportunistic and self-interested goals at the expense of other stakeholders. Therefore, they are more likely to perceive self-interest and ethics as incompatible. Vogel (1992) argues that in the United States, where regulations governing business tend to be more strictly enforced, managers view ethics and profitability as more compatible than in other countries where they are less strictly enforced. Hence,

Hypothesis 2: In countries where institutional standards of corporate governance are stricter, managers view self-interest and ethics as being more compatible goals.

Type of Managerial Education

Among the informal institutions identified by North (1990), education has an important effect on the taken-for-granted beliefs and values that are imposed on, or internalized by, social actors (Scott, 1995). The legitimacy of managerial goals depends on managers' different worldviews, which are influenced by their educational backgrounds and the diffusion of cognitive models of control among them (Aguilera & Jackson, 2003; DiMaggio & Powell, 1983). As such, business schools act as homogenizing institutions through the diffusion of these cognitive models of control. Ghoshal (2005) suggests that business schools propagate ideologically inspired theories, which, unlike theories in the physical sciences, tend to be self-fulfilling in the social sciences (Gergen, 1973). For example, teaching theories, such as Agency or Transaction Costs theories, which assume that people behave in self-interested ways or opportunistically and draw conclusions for goal setting based on that assumption, induces managerial attitudes and behaviors that are likely to enhance self-interested and opportunistic behavior among future managers (Ghoshal & Moran, 1996). Ghoshal (2005: 77) further

explains “Whether right or wrong to begin with, the theory can become right as managers—who are both its subjects and the consumers—adapt their behaviors to conform with the doctrine.” On the other hand, teaching the importance of corporate social responsibilities and ethical behaviors is also related to the level of ethics (Yoo & Donthu, 2002).

Over time, European and U.S.-based business schools have developed a range of different and quite distinctive approaches to management education (Antunes & Thomas, 2007). For example, U.S. managers typically receive education in “general” management, with a strong emphasis on finance. The diffusion of shareholder value as management ideology in the last decade has reinforced financial goals within the firm (O’Sullivan, 2000). In contrast, German managers typically hold Ph.D. degrees in technical fields such as engineering or chemistry. German management ideology has traditionally stressed *Technik*—achieving technical excellence as a manager’s central goal (Lawrence, 1980). German managers thus tend to adopt a corporatist or pluralistic view of the firm as serving multiple constituents. These factors lean away from pursuing merely financial interests and toward strengthening functional orientations (Aguilera & Jackson, 2003).

Overall, the domination of the business function view in U.S. style MBAs (Mintzberg, 2004) leads managers to perceive ethics and self-interest as two independent goals. Antunes and Thomas (2007) argue that American business schools do not encourage managers to incorporate an integrative philosophy directly into the daily functioning of their workplaces and do not provide sufficient ethical and professional guidance. European business schools have developed their own identities, styles and approaches to management education with a strong focus on reflective, integrative and action-based learning (Antunes & Thomas, 2007), which have led managers to perceive ethics and self-interest as two incompatible goals. Hence,

Hypothesis 3: In countries where MBA programs propagate a functional (integrated) view of management, managers tend to view self-interest and ethics as independent (incompatible) goals.

Gender Differences

There is previous evidence of differences in business goals between men and women. Beggs and Lane (1989) noted such differences on three business goals corresponding to the following items 'be a socially responsible company,' 'provide high rewards and benefits to employees,' and 'create a pleasant and friendly workplace.' In each case, female respondents rated these items more important than males. According to Beggs and Lane (1989: 477), "When rating the goals as CEOs of successful firms would, male respondents rated 'maximize dividends for the shareholders' as more important than did female respondents."

The difference between women and men is related to deep values derived from archetypal gender roles (Hofstede, 1998; Mead, 1948). According to Hofstede (1998), masculinity is characterized by more assertiveness and ego boosting, with the consequence that males favor individual performance orientation and value career-minded people. This goes in line with a competitive orientation, whereby personal outcomes of self-interested individuals will always be preferred over joint social outcomes. As a consequence, masculinity tends to hinder cooperation. Strategic male players will be tempted to opportunistically defect because it may provide them with larger individual outcomes than cooperation with the other party.

Indeed women pay more attention to social cues while men pay more attention to nonsocial cues (Williams & Best, 1982). Additionally, men have been found to be more directed toward impersonal and individualistic tasks and goals, compared to women (Baird, 1976; Gill, Stockard, Johnson & Williams, 1987). Research on communication patterns shows that men favor social hierarchies, while women tend to be socially oriented (Tannen, 1990). Through face-to-face communication, women are more inclined to look for intimacy, support, and consensus (Tannen, 1990). Men have also been shown to be more motivated by achievement needs (Hoffman, 1972). The Bem's sex role inventory (BSRI; Bem, 1981) identifies men as tending to adopt assertive traits.

The tendency to comply with the dominant normative discourse, that of social responsibility rather than self-interest, is an important determinant of the valuation and compatibility of business goals. In this respect, gender differences in influenceability (Becker, 1986; Eagly & Crali, 1981) are

meaningful: women are more likely to comply with orders, whereas men are more likely to rebel (Minton, Kagan & Levine; 1971; Stockard, Van de Kragt & Dodge, 1988). Evidence of high levels of compliance with legal prescriptions by women is given by the low female percentage in the prison population worldwide. The female prison population is below 2% in some countries and never exceeds 10%. It is generally around 5% in most countries, which leaves a hefty 95% for the male prison population¹. Females display on average a lower level of opportunistic behavior, are less violent, and are less inclined to moral misbehavior than males (Hofstede, 1998). Hence, it is expected that:

Hypothesis 4a: Female managers score lower than male managers on self-interest.

Hypothesis 4b: Female managers score higher than male managers on ethics.

Goal Compatibility and Corruption

There are significant differences in levels of corruption across countries (Husted, 1999) indicated by the Corruption Perception Index (CPI), established by *Transparency International* (TI) on a scale from 1 to 10, from most corrupt to no corruption at all. The CPI shows Finland at 9.9 and Bangladesh at 0.4 (2001 data). In many countries where the CPI is below 3, economic actors take advantage of their power to complement their income, much bribery being based on the bribee racketeering the briber to obtain some favor. Political and business leaders in such countries are quite often “role models” for their people in terms of diverting public money into private pockets. The general perception that self-interest and ethics are incompatible goals legitimates opportunistic behavior, thereby leading to high levels of corruption.

Egalitarian social systems associated with effective parliamentary democracy prevent leaders from being opportunistically tempted as well as the small profits of everyday corruption made at all levels in unequal societies. Perceived goal incompatibility is tightly linked with opportunism: opportunistic behaviors are *lato sensu* stronger where self-interest is a distinctive feature of ego-boosting, assertive, and competitive cultures (Husted, 1999; Husted, Dozier, McMahon & Kattan, 1996). In the world of business, strong emphasis is put on being competitive and aggressive. The

¹ See statistics from the International Center for Prison Studies (King’s College, University of London at: <http://www.kcl.ac.uk/depsta/rel/icps/worldbrief/>).

emphasis on business ethics increases the frequency and the degree of value conflicts experienced by individuals and corporate leaders between company competitiveness and corporate ethics. Recent cases concerning fraudulent auditing procedures within large multinational corporations, such as Enron, Arthur Andersen, or Parmalat (Coffee, 2004; Gordon, 2002), suggest that these conflicts are not always solved in a way that is favorable to ethical behavior. However, value conflicts will be easier to overcome where business goals are perceived as compatible.

Two classical dimensions of ethics can be considered: distributive and procedural justice (Rawls, 1999). The orientation toward others, and therefore, the altruistic dimension of ethical behavior (caring for others and being primarily concerned with group-level outcomes rather than self-interest) is in line with the concept of distributive justice. Business goal compatibility means that economic achievements are not at odds with the proper redistribution of riches and social responsibility can be promoted while pursuing self-interested goals. At the country level, orientation toward others translates into aggregate measures of social solidarity and economic redistribution and more responsible behavior toward employees and the society at large. On the other hand, the perception that self-interest and other-regarding responsible behavior are compatible goals is also consistent with the procedural side of ethics. Indeed, respect of rules and transparent/accountable economic behavior, in line with the concept of procedural justice, results in a reduction of corruption to obtain favors and let others act contrary to their moral and legal obligations (e.g. Husted et al., 1996). Business goal compatibility means that economic achievements are not at odds with respect of rules and transparent/accountable economic behavior, thereby decreasing the general level of corruption at the national level. Therefore, we assume that the level of corruption in a particular country is related to the perceived business goal compatibility in the national group. The more (less) managers perceive that self-interest and ethics are incompatible business goals, the higher (lower) local corruption is. Hence:

Hypothesis 5: Countries where managers tend to view self-interest and ethics as compatible goals display lower levels of corruption.

METHODOLOGY

There is a growing consensus in the comparative institutional literature that nations embody a coherent institutional logic. However, Aguilera and Jackson (2003) note that this literature tends to hold the behavior of the actors within each nation constant. By doing so, it runs the risk of presenting an oversocialized view in the sense that it implies that all actors fully conform to the norms, values, and rules of their society. In line with Aguilera and Jackson (2003), we adopt a variant of institutional theory that stresses the interplay of institutions and individual actors (Scharpf, 1997; Williamson, 2000). The new institutional view is similar to Granovetter's (1985) embeddedness theory, in that it assumes an on-going interaction between a nation's institutions and its actors, which influences the range of individual behaviors. Drawing insight from this literature, we reason that there is variance in individual perceptions, attitudes, and behaviors about the trade-off between ethics and self-interest within countries, but that variance is less than that across countries (Lubatkin et al., 2007).

In order to test this assumption, we first assess the cross-national invariance of our measurement instrument at the individual level using multi-group confirmatory factor analysis. Then, to test if variance within countries is smaller than across countries, we run a multivariate analysis of covariance (MANCOVA) with country and gender as independent variables, work experience (in years) as covariate and ethics and self-interest as the dependents variables. A significant country effect means that variance between countries is larger than within countries. Therefore, analysis at the country level becomes meaningful (Hofstede, 2001).

After having established the significance of a country effect, we run a series of correlation analyses to test our hypotheses about the relationships (co-variation) between country-level factors and managers' perceptions of the compatibility or incompatibility of self-interested and ethical goals.

Data and Sample Description

Data were collected with a “Questionnaire about Business Goals,” developed by Geert Hofstede and colleagues (Hofstede et al., 2002)². A list of 15 different goals, drawn from the management literature, was put in questionnaire format. Respondents from executive MBA classes were asked to score how important they thought each of these goals was for “the typical successful businessperson in Country X.” Importance was rated for each goal on a 5-point scale. An academic network administered the same questionnaire to local executive MBA students.” Most locations used the original English language version. In three European countries (France, Germany, the Netherlands) back-translated translations were checked following recommended procedures for ensuring translation equivalence (Van de Vijver & Leung, 1997). The resulting database covers executive MBA participants from 15 countries and 1’742 respondents in total, born and raised in the data collection countries³. Table 1 provides descriptive statistics for the sample.

[Insert Table 1 here]

Instrument Development and Assessment of Cross-National Invariance

In order to develop the instrument for assessing business goals, we followed the recommended procedures for building psychometric scales (Churchill, 1979; Churchill & Peter, 1984). We first used exploratory factor analysis to derive a subset of items that feature the two sets of goals: ‘self-interest’ and ‘ethics.’ Multigroup confirmatory factor analysis was then used to assess the instrument’s cross-national invariance. Latent mean analysis was used to measure the extent to which goals differ in

² The Business Goals Network database (Hofstede et al., 2002) was used, except for the second data collection in New Zealand (72 respondents), which is not included in our database (hence 1’742 versus 1’814). We do not consider U.S. groups from different regions (4) as separate national groups as in Hofstede et al. (2002). The data are not analyzed in the same way as in Hofstede et al. (2002), which was based on exploratory cluster analysis and correlation analysis with cultural dimensions. This study is not only based on ecological correlation but also on individual level data analyses at the group level. In the present research, multigroup confirmatory factor analysis tests for cross-national invariance in order to meaningfully compare across groups.

³ At the University of Hawaii, the 61 respondents were divided into 30 ethnic Caucasians (European descent) and 31 ethnic Asians, including some Pacific Islanders and persons of mixed ancestry. A group of Chinese students were studying in the United States and Australia.

particular countries from the United States set as baseline country⁴. We also assessed the degree of perceived goal compatibility at a global level as well as for individual countries.

Initial Development of the Scales

The 15 business goals were used as a starting base for exploratory factor analysis. The whole sample was used in the first step to assess the factorial structure. We deleted items with smaller communalities and eliminated a third factor based on only two items ('family interests' and 'patriotism, national pride') which was not obviously consistent, especially in a cross-national perspective. Two factors, opposing self-interested to responsibility goals clearly emerged, accounting for 62% of the variance. Factor 1 emphasized ethics with four business goal items displaying high loadings: 'respecting ethical norms' (.79), 'responsibility towards employees' (.82), 'responsibility towards society' (.82), and 'staying within the law' (.71). Conversely, self-interest items loaded on factor 2, that is, 'growth of the business' (.73), 'personal wealth' (.79), 'power' (.80), and 'this year's profits' (.71). In the second step, exploratory factor analysis was replicated for each individual national group. Configural invariance was assessed at an exploratory level with the same pattern of salient loadings being observed for all groups. The next step was to assess cross-national invariance based on multi-group confirmatory factor analysis (Byrne, 2001).

The resulting scales describe business goals in terms of both material, profit, and wealth terms on the one hand (self-interest) and responsibility towards employees, society, and the law, on the other hand (ethics). Both dimensions (self-interest and ethics) attain a good level of internal reliability as well as convergent validity (see Table 2). All items are significantly related to their construct, supporting the assumed relationships between constructs and their indicators. Convergent validity of

⁴ Cross-national invariance measurement based on confirmatory factor analysis frees loadings (for non metric invariant items) and intercepts (for non scalar invariant items) for particular national groups. This process takes into account response set biases both for extreme/median response style and for the yea-nay saying. Non-standardized data should be used when performing multigroup confirmatory factor analysis. Recent research indicates that relying on standardized data in cross-national/cultural research may result in ambiguous results (Fischer, 2004). Response styles, rather than being bias obscuring true measurement, are reflective of communication styles that are an integral part of culture (Van Hemert, Van de Vijver, Poortinga & Georgas, 2002; Smith, 2004). Correcting response set biases would then potentially remove substantive variation related to country/culture.

individual constructs in the model is confirmed since the mean of squared factor loadings is equal to or higher than .50 for all latent variables (rho of convergent validity, see Table 2). Discriminant validity was assessed on the basis that squared correlation between the two constructs (.020) is much lower than the variance shared by the constructs with their measurement indicators (.601 and .565) (see Fornell & Larcker, 1981).

[Insert Table 2 about here]

Cross-National Invariance Assessment

Before comparing latent means across countries, measurement invariance needs to be addressed at the three-levels: configural, metric, and scalar invariance (Steenkamp & Baumgartner, 1998).

Confirmatory factor analysis was used, based on a structural equations modeling approach (see Byrne, 2001). Measurement equivalence was established by using nested models and assessing whether statistically insignificant differences in fit indices provide support for the invariance hypothesis. The results of the multi-group confirmatory factor analyses support full configural invariance and partial metric and scalar invariance (See Methodological Appendix).

Full metric invariance is not necessary for making valid inferences about group differences (Byrne & Watkins, 2003). When configural invariance is met and metric invariance partially met (invariance constraints have to be relaxed for the loadings of a small number of items), then partial scalar invariance should be tested. Most intercepts will be cross-nationally invariant, but the constraint of equality may be relaxed for some intercepts across countries. In order to assess invariance, we remove equality constraints on some item loadings or intercepts, allowing for partial metric and scalar invariance (see Steenkamp & Baumgartner, 1998). Latent mean analysis could then be used to compare national groups, the mean of a particular group being set at zero (see Byrne, 2001).

Cross-National Differences

Differences in latent means were tested by placing equality constraints only on those parameters known to be invariant (Byrne, Shavelson & Muthén, 1989). Factor loadings and intercepts for 'growth

of the business' and 'responsibility towards society' were released, as well as the intercepts of 'respecting ethical norms' and 'staying within the law' (See Methodological Appendix). Table 3 provides a summary of latent mean differences for national groups for the two scales (self-interest and ethics). Latent mean comparisons for both scales are based on the U.S. groups mean being constrained to zero. Differences should be interpreted as referring to the United States as the baseline country. Respondents in some countries place responsibility goals (ethics scale) at a higher level of importance than U.S. respondents (Australia, Brazil, Hong Kong, and Hungary). German respondents appear as an exception by considering self-interested goals as more important than U.S. respondents. Managers in the majority of countries consider self-interested goals more important than U.S. respondents with the exception of Jamaica and Panama, who consider self-interested goals less important.

Global Assessment of Perceived Goal Compatibility

To assess perceived goal compatibility, the cross-national CFA model with all respondents taken together was derived with satisfactory fit indices (Hu & Bentler, 1998, 1999; see Methodological Appendix). On average, managers see ethical and self-interested goals as relatively incompatible (-0.077 ; $p < .001$). However, this global perceived goal incompatibility should not be overestimated since the negative correlation between both latent constructs, even though significant, is relatively small. Table 3 provides correlation patterns between the two dimensions of business goals for all countries. Respondents in the majority of countries consider that self-interested goals and responsibility goals (i.e., ethical, other-regarding) are independent (*NS*), or *relatively* incompatible (negative and significant correlation). Only Chinese respondents appear as an exception to this rule (See Table 3).

[Insert Table 3 here]

Operationalization of Variables and Country Sample

Sample Used for Testing the Hypotheses

Before testing the hypotheses related to the relationship between country-level institutional characteristics and perceived goal compatibility, we removed respondents who had no business experience from the sample. In order to achieve sampling equivalence (Leung & Bond, 1989), we considered only those managers who study in their respective country of origin. As a consequence, we removed all respondents from the Bahamas, Jamaica, Panama, and China, all of them studying in the United States. We also removed respondents located in Hawaii, due to the unavailability of country level data for this context. Further reasons for deleting groups of respondents from the analysis were their relatively small sample size (all smaller than 65 and mostly about 30) as well as the male/female ratio, which was significantly different from the male/female ratio in other groups. This resulted in a sample of 1'510 respondents from 11 countries (Australia, Brazil, France, Germany, Hong Kong, Hungary, India, the Netherlands, the United Kingdom, and the United States).

Operationalization of Country-Level Indicators

To test our hypotheses relating country-level institutional characteristics to perceived goal compatibility, we used country-level secondary data from published sources.

Individualism and Power Distance. Variables related to national culture, that is, individualism and power distance were operationalized using country scores in Hofstede (2001). Hofstede's country scores are the most widely used among international management scholars (Sivakumar & Nakata, 2001; Søndergaard, 1994), including the most recent research (Kirkman, Lowe & Gibson, 2006; Taras & Steel, 2006).

Postmaterialism. In order to measure postmaterialism at the country level, an index was computed based on the four-item postmaterialism scale included in the 1999-2002 *World Value Survey* (Inglehart, Basáñez, Díez-Medrano & Luijckx, 2004). This scale measures the extent to which respondents give priority to the values of self-expression and autonomy over those of physical and

economic security. It is based on the relative rankings by respondents for a list of materialist (maintaining order, fighting rising prices) and postmaterialist (giving people more say in government, protecting free speech) national values (see Inglehart, 1997, for a detailed description). The scale was aggregated at the country level by computing the differences between the percentage of respondents with postmaterialist and the percentage of respondents with materialist values divided by the sum of these two percentages (See Inglehart et al., 2004, for a detailed description of how respondents were classified as materialists, mixed, or postmaterialists).

Corporate Governance System. A measurement scale for Corporate Governance Systems was developed based on data from the *Global Competitiveness Report* (2001). Five items were selected because they highlight key components of corporate governance systems. When data from over 80 countries were submitted to exploratory factor analysis, a single factor emerged explaining 90% of the variance. The factor items displayed high loadings: ‘Strength of Accounting and Auditing Standards’ (.91), ‘Effectiveness of Lawmaking Bodies’ (.92), ‘Property Rights’ (.96), ‘Efficiency of Legal Framework’ (.99), and ‘Judicial Independence’ (.97). Confirmatory factor analysis resulted in high model fits (GFI = .944; AGFI = .832; CFI = .987). Cronbach alpha was .967 and Jöreskog rho was .974. Given its high internal reliability, the resulting scale was used as an indicator of strictness of corporate governance systems.

Managerial Education. Type of managerial education contrasts U.S. based vs. non-U.S. based executive education styles and was operationalized by a dummy variable (1 for U.S. based and 0 for non-U.S. based education style). As previously discussed, U.S. like business schools favor functional education, whereas non-U.S. business schools have more integrative programs. Based on a qualitative content analysis of the EMBA program Web sites, we classified respondents from Australia, Hong Kong, New-Zealand, the United Kingdom, and the United States as receiving a U.S. based managerial education and respondents from Brazil, France, Germany, Hungary, India, and the Netherlands as receiving a non-U.S. based managerial education (see Table 4).

Corruption Levels. Measuring corruption is problematic because objective measures are hardly available due to the secrecy of corrupt dealings. Subjective measures relying on questionnaire-based surveys represent an acceptable alternative for this problem (Habib & Zurawicki, 2002). They

measure the perception of corruption rather than corruption *per se* and are compiled by non-governmental organizations such as Transparency International (TI), Political Risk Services, and the World Economic Forum. In this study, corruption levels are based on the Corruption Perception Index (CPI) (http://www.transparency.org/policy_research/surveys_indices/cpi) from TI, which is widely used by academics and companies (e.g., Getz & Volkema, 2001; Habib & Zurawicki, 2002; Husted, 1999). CPI data are based on 7 to 9 studies per country, rarely less and are averaged into country indexes, which ensure *a priori* compensation for biases. CPI is reverse coded, it is a transparency index, a high CPI means a low level of corruption and a low CPI means a high level of corruption. In this study, 2001 data were used in order to ensure consistency between the different indicators.

Economic Development. To measure economic development, we used the gross domestic product (GDP) per capita, which is the most direct and often used measure of the economic development of a country (Getz & Volkema, 2001). In this study, the statistics published for 2001 by the United Nations Statistical Division (<http://unstats.un.org/unsd/default.htm>) were used. Scores for country-level indicators are presented in Table 4.

[Insert Table 4 here]

DATA ANALYSIS AND HYPOTHESIS TESTING

Country Effects

We performed multivariate analysis of covariance (MANCOVA) where the dependent variables were summative scales for ethics and self-interest and the independent variables were nationality and gender. Work experience was used as a covariate. Furthermore, the interaction effect between nationality and gender was also entered into the model. Other interactions were not significant and consequently removed for parsimony.

MANCOVA showed a significant effect for nationality (Wilks' $\Lambda = .963$, $F = 2.839$, $p < .001$) and for the interaction between nationality and gender at 10% ($\Lambda = .980$, $F = 1.526$, $p = .063$) as reported in Table 5. Main effects of gender and work experience were not significant. For gender,

empirical findings are consistent with CFA results. When the CFA model is estimated based on male managers data (-.089; $p < .001$), there appears to be no significant difference in terms of perception of goal compatibility as compared with female managers (-.061; $p < .032$).

[Insert Table 5 about here]

Countries rank as follows as concerns self-interest: France, Australia, the United States, Brazil, India, the Netherlands, Hong Kong, New Zealand, the United Kingdom, Hungary, and Germany. For ethics, countries rank as follows: Germany, the United Kingdom, New Zealand, Hong Kong, the United States, Hungary, the Netherlands, Australia, France, India, and Brazil.

In terms of interaction between nationality and gender, the only significant difference (at $p < .05$) is for Germany where female managers attribute more importance to ethical goals than male managers. There was no significant difference in terms of self-interested goals.

Empirical findings

To test hypotheses 1 to 3, we computed Pearson's correlation coefficient between the country-level indicators for individualism, power distance, postmaterialism, corporate governance, managerial education and the compatibility (i.e., correlation) between self-interest and ethics. The correlation with the CPI was also computed to test hypothesis 5 and the correlation with GDP per capita was computed to rule out alternative explanations in terms of country wealth effect (Hofstede, 2001). The correlation matrix is presented in Table 6

[Insert Table 6 about here]

Hypothesis 1a, which stated that the more collectivistic (individualistic) a particular country is, the more local managers view self-interest and ethics as incompatible (independent) goals is supported with a positive and significant correlation between individualism/collectivism and the trade off between self-interest and ethics ($r = .597$, $p = .052$). Hypothesis 1b, which stated that the larger (smaller) power distance in a particular country, the more local managers view self-interest and ethics as incompatible (compatible) goals is also supported with a negative and significant correlation between power distance and the trade off between self-interest and ethics. The relationship between

power distance and the incompatibility of self-interest and ethics is significant ($r = -.664$, $p = .026$).

Hypothesis 1c postulating that in countries with materialist (postmaterialist) values, managers tend to view self-interest and ethics as incompatible (independent) goals is also supported with a positive correlation between postmaterialism and the degree of compatibility between ethics and self-interest ($r = .769$, $p = .026$).

Hypothesis 2, stated that where institutional standards of corporate governance are stricter, managers view self-interest and ethics as more compatible goals. The hypothesis is supported with a positive and significant correlation coefficient of $.664$ ($p = .026$). Concerning the effect of managerial education, Hypothesis 3 proposed that in countries where MBA programs propagate a functional (integrated) view of management, managers tend to view self-interest and ethics as independent (incompatible) goals. The hypothesis is strongly supported with a positive and significant correlation coefficient of $.840$ ($p = .002$).

Hypothesis 4a, which stated that female managers score lower than male managers on self-interest is not supported based on the MANCOVA results reported above (see Table 5). Hypothesis 4b, which stated that female managers score higher than male managers is only supported in Germany. The lack of significance of gender in explaining differences in the importance of business goals is further confirmed by a two-group model where there is full invariance and the 'structural means' model is the first to be confirmed in the hierarchy of nested models. It shows that there is full model invariance for men and women and that latent means do not significantly differ between them as concerns both self-interested and ethics goals.

Hypothesis 5, which stated that in countries where managers tend to view self-interest and ethics as compatible rather than incompatible goals, display lower levels of corruption (i.e., higher levels of transparency) is supported with a positive and significant correlation between CPI and the trade off between self-interest and ethics ($r = .585$, $p = .059$).

In order to rule out the alternative explanation by the level of economic development, we tested a country wealth effect by computing the correlation between country GDP per capita and the trade-off. The correlation coefficient is not significant ($r = .466$, $p = .149$) providing no support for a country wealth effect.

DISCUSSION AND CONCLUSION

The parsimonious scale of business goals that has been developed in the present research displays high internal reliability and its cross-national invariance, although partial, is demonstrated. It has the potential to be extended to a larger set of countries. Managers of a diversified sample of countries rather than perceiving self-interested and ethical business goals as compatible consider that there is a necessary trade-off between them. There are country differences in the perceived importance and compatibility of self-interested and ethical goals for top managers. Compared to our baseline country, the United States, other countries tend to perceive lower goal compatibility, to put slightly more emphasis on both self-interested goals and ethical, other-oriented goals on average. Differences in perceived compatibility of the business goals of top managers can be explained by variables at three different institutional levels: Culture, corporate governance, and managerial education. At the cultural level, difference in perceived compatibility is mostly related to power distance and to individualism to a lesser extent; a result that confirms Vogel's (1992) findings and the three-country comparison of Christie et al. (2003). Managers in postmaterialist cultures are shown to be more at ease with potentially conflicting business goals than managers in materialist cultures. In contexts where institutional settings related to corporate governance are stricter and more sophisticated, providing for a real balance between stakeholders' interests, managers perceive business goals as more independent than in countries where the establishment of corporate governance standards may not yet be on the agenda (or legally decided but not actually implemented), where managers perceive these goals as conflicting. As hypothesized, managerial education is shown to matter. It is the single most significant covariate, giving credence to the argument of Ghoshal (2005) that managers tend to align their behavior with the doctrines they have been taught.

Differences in goal compatibility and importance are not significantly influenced by gender. When considered in interaction with nationality, gender influence is near to significance and in the predicted direction for both self interest ($p < .122$) and ethics ($p < .109$). This suggests that the influence of gender on business goals may differ according to country. Moreover, sampling managers, rather than the general population, may have reduced the impact of gender. Similarly, work experience

is not shown to influence business goal compatibility, which suggests that attitudes are enduring and unchanged by the daily practice of corporate life. Perceptions of goal incompatibility are also shown to be related (at $p < .10$ significance level) to corruption levels. Even though we cannot demonstrate that causality flows from goal compatibility to corruption, our argument is that accepted incompatibility is a ferment of opportunistic behavior that lays the ground for corruption. By legitimizing the very idea that trade-offs are difficult, if not impossible, perceived goal incompatibility supports the view that compromising between goals is mere lip service, double-language discourse, that is, not to be taken seriously. Corrupt countries are often the scene of wide discrepancies between what is said, emphasizing ethical behavior, and what is actually done. On the other hand, the perception of goal incompatibility is not shown to be related to the level of economic development of a particular country, ruling out a wealth effect (Hofstede, 2001).

Theoretical Implications

Our results provide support to institutional theory, which highlights the importance of formal and informal institutions on managers' perceptions (Lubatkin et al., 2007; Scott, 1995). Cultural, regulatory, and educational institutions shape managers' perceptions about the compatibility or the incompatibility between ethical and self-interested goals. The strong correlations between the different institutional levels (See Table 6) further indicate that these institutional factors are not isolated but that they act as a whole in an integrated institutional system (Peng & Heath, 1996; Vogel, 1992). As argued by Hofstede et al. (2002), institutions can be seen as the crystallizations of culture; culture being the substratum of institutional arrangements.

Concerning managers' goal structure, contrarily, to the instrumental rationality logic (e.g., Collins, 1994; Wright & Ferris, 1997), we did not find any support for a positive relationship between self-interest and ethics. In the country sample (except for the Chinese respondents), we found that managers either perceived a trade-off between self-interest and ethics or see them as independent goals. In larger power distance countries, collectivist values, weak corporate governance standards, and integrative managerial education, managers see self-interest and ethics as more incompatible. In

these countries (Brazil being the exception), managers tend to prioritize self-interest over ethics, which is consistent with the neo-classical assumption about the self-interested human nature (Friedman, 1953) and agency theory predictions (Jensen & Meckling, 1976), which provides no support for stewardship theory and the altruistic hypothesis (Davis, Schoorman & Donaldson, 1997).

We found that in several countries with smaller power distance, more individualistic cultures, stricter corporate governance systems, and functional managerial education, managers tend to view ethics and self-interest as independent goals. This provides support to the idea that multiple goals and consideration for others' interests as ends make managers seek a balance between motives rather than maximize either ethics or their self-interest (e.g., Freeman, 1984; Mitchell, Agle & Wood, 1997). These findings are consistent with stakeholder theory, which proposes that managers' goals are developed in collaboration with diverse internal and external stakeholders (Freeman, 1984). Therefore, managers' goals may reflect a compromise between a variety of considerations of which personal welfare may be just one (McWilliams & Siegel, 2001; Sen, 1990).

Managerial Implications

Our research findings suggest that there is virtually no perception of goal compatibility. When interviewed about self-interested and other-oriented business goals, young executives consider, at best, that such goals are independent, and most respondents consider that they are difficult to compromise. Managerial education, especially its functional form, often takes it for granted that 'everything is possible', that is, companies and their top managers could be simultaneously highly profit-oriented, generous, responsible, and honest. However, even if they are indoctrinated in such a way, young executives do not fully believe in such a message. This is proven by the lack of support for a positive correlation (though small) between business goals. Managerial education should more clearly emphasize the conditions under which business goals can be made compatible and allow for some critical discussion of the taken-for-granted compatibility assumption. Doing this probably implies a departure from both functional and integrated views of management, since they cannot properly account for the practical, down-to-earth situations where goal conflicts become evident. In this

respect, we argue in favor of going back to a case study approach that de-emphasizes managerial doctrine in favor of problem resolution through group discussion, confrontation of ideas, and consensus building.

The importance of corporate governance systems is highlighted by this research. Our argument is that congruence with deep-seated attitudes toward the compatibility of business goals is a condition for making such systems work in practice. Causation goes both ways: rather than being merely an antecedent of corporate governance systems, such deep-seated attitudes may also be changed over time by successful governance that increases perceptions of goal compatibility. A large discrepancy between formal governance is likely to occur where only legal dispositions are taken without the necessary enforcement arsenal. As a consequence, a gradual rather than radical introduction of corporate governance standards in settings where they are virtually unknown is recommended.

Limitations and Future Research

The direction of causality is assumed, not demonstrated by this research. It may be simply that goal incompatibility is a covariate of power distance (not a consequence) or a covariate of corruption (not an antecedent). The ecological correlation analysis performed does not allow us to prove causation. Similarly, it is difficult to disentangle the view of management propagated by executive education programs from beliefs about the degree to which business goals are compatible since causality may run both ways.

Country samples varied in size, gender composition, and age distribution. In cross-national research, it seems *a priori* relevant to have similar sample composition in every country surveyed, to achieve comparability of data. However, the search for perfectly matched samples across survey countries, as a way to rule out individual characteristics (i.e., gender, age) as alternative explanations for differences, may be an illusion. Mere similarity across countries may clash not only with representativeness of local populations in country samples but also with real comparability across

countries. Future research should target an extension of data collection to a larger set of countries with increased representativeness both in geographic and cultural terms.

Conclusion

Based on a cross-national sample, this study suggests that, contrary to neo-classical economics assumptions, self-interest is not a universal human motivation (Jenks, 1990; Lubatkin et al., 2007). While in some countries ethics and self-interest are perceived by managers as conflicting goals, in many countries self-interested and ethical goals are perceived as independent. We also show that differences in managerial perceptions of goal importance and compatibility can be explained by institutional and cultural differences rather than by either the level of economic development or individual-level variables such as gender and work experience. Further research should take into account such cross-national differences when studying managerial attitudes and behaviors, especially when they relate to corporate social responsibility.

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Table 1. Sample: Descriptive Statistics

Country	Sample Size			Age ^{1, a}	Work Experience ^{1, a}
	Female	Male	Total		
Australia	28	65	93	34.8 (5.7)	13.5 (6.1)
Bahamas	34	4	38	33.5 (6.1)	14.7 (6.9)
Brazil	26	70	96	35.8 (4.8)	14.9 (5.6)
China	9	14	23	29.1 (4.9)	6.7 (5.7)
France	34	156	190	33.6 (6.3)	10.3 (6.9)
Germany	27	57	84	23.9 (1.5)	.8 (1.1)
Hong Kong	23	78	101	30.8 (4.5)	8.6 (4.9)
Hungary	39	66	105	29.4 (5.3)	5.8 (5.0)
India	22	77	99	23.5 (1.7)	.9 (1.3)
Jamaica	30	15	45	33.3 (7.4)	12.1 (7.8)
Netherlands	17	93	110	36.5 (6.1)	12.9 (7.4)
New Zealand	12	22	34	41.0 (7.3)	21.5 (7.6)
Panama	41	24	65	27.7 (4.7)	6.3 (4.7)
United Kingdom	9	33	42	37.3 (6.7)	16.4 (7.6)
USA	209	347	556	27.6 (6.3)	7.7 (6.2)
USA – Caucasian	15	15	30	30.2 (5.5)	9.8 (6.1)
USA - Japanese	11	20	31	26.9 (3.2)	6.5 (3.4)
Total	586	1156	1742	30.4 (7.0)	8.9 (7.3)

¹ in years; ^a = average (standard deviation).

Table 2. Confirmatory Factor Analysis Results

Items	Stand. Loading	p-Level	Jöreskog Rho	Rho of Convergent Validity
Ethics				
Respecting ethical norms (TETHI)	.788	.000		
Responsibility towards employees (TEMPY)	.807	.000	.857	.601
Responsibility towards society (TSOCI)	.808	–		
Staying within the law (TLAWS)	.693	.000		
Self-Interest				
Growth of the business (TGROW)	.634	.000		
Personal wealth (TWELT)	.828	–	.837	.565
Power (TPOWR)	.825	.000		
This year's profits (TPROF)	.702	.000		

Table 3. Cross-National Comparison of Goal compatibility and Importance

Country	Correlation		
	Ethics–Self-Interest	Ethics/U.S.	Self-Interest/U.S.
Australia	<i>NS</i>	.338 ^{***}	.193 [†]
Bahamas	<i>NS</i>	<i>NS</i>	<i>NS</i>
Brazil	-.301 ^{**}	.465 ^{***}	<i>NS</i>
China	.628 [*]	<i>NS</i>	.805 ^{**}
France	-.409 ^{***}	<i>NS</i>	<i>NS</i>
Germany	-.397 ^{**}	-.322 ^{**}	.454 ^{***}
Hong Kong	-.303 ^{**}	.164 [†]	.265 ^{**}
Hungary	-.317 ^{**}	.373 ^{***}	.596 ^{***}
India	-.431 ^{***}	<i>NS</i>	<i>NS</i>
Jamaica	<i>NS</i>	<i>NS</i>	-.371 ^{**}
Netherlands	-.331 ^{**}	<i>NS</i>	.222 ^{**}
New Zealand	<i>NS</i>	<i>NS</i>	.496 ^{**}
Panama	<i>NS</i>	<i>NS</i>	-.263 [*]
United Kingdom	<i>NS</i>	<i>NS</i>	.303 [†]
U.S.	<i>NS</i>	–	–
U.S. – Caucasian	<i>NS</i>	<i>NS</i>	<i>NS</i>
U.S. – Japanese	<i>NS</i>	<i>NS</i>	<i>NS</i>

[†] $p < .10$; * $p < .05$; ** $p < .01$; *** $p < .001$.

Table 4. Country-Level Indicators

Country	Individualism	Power Distance	Post-Materialism (1999-2002)	Corporate Governance	Managerial Education^a	CPI (2001)^b	GDP/Capita (2001)
Australia	90	36	.628	1.56	1	8.5	26'552
Brazil	38	69	-.442	.02	0	4.0	7'759
France	71	68	-.217	.42	0	6.7	25'074
Germany	65	35	-.244	1.30	0	7.4	25'715
Hong Kong	25	68	NA	1.16	1	7.9	25'581
Hungary	80	46	-.925	.44	0	5.3	12'941
India	48	77	-.902	.35	0	2.7	2'464
Netherlands	80	38	.294	1.30	0	8.9	26'242
New Zealand	79	22	.379	1.34	1	9.4	20'725
United Kingdom	89	35	NA	1.63	1	8.3	24'421
U.S.A.	91	40	.471	1.33	1	7.6	34'888

^a1 = functional; 0 = integrative; ^bCorruption Perception Index (CPI) is reverse coded, it is a transparency index, a high CPI means a low level of corruption and a low CPI means a high level of corruption.

Table 5. MANCOVA Results

Effect		Self-Interest	Ethics	Wilks Λ (<i>F</i>-value)
Nationality	<i>F</i> -value	3.529	2.412	.963
	(<i>p</i> -value)	(.000)	(.004)	(2.839 ^{***})
Gender	<i>F</i> -value	.206	2.459	.998
	(<i>p</i> -value)	(.650)	(.117)	(1.387)
Work Experience	<i>F</i> -value	2.782	.252	.998
	(<i>p</i> -value)	(.096)	(.616)	(1.465)
Nationality * Gender	<i>F</i> -value	1.531	1.572	.996
	(<i>p</i> -value)	(.122)	(.109)	(1.526 [†])

N = 1510; Countries: AUL, BRA, FRA, GER, HCH, HUN, IND, NET, NZL, U.K., and UNITED STATES

Note: Not significant interaction effects were removed for reason of parsimony.

[†] *p* < .10; * *p* < .05; ** *p* < .01; *** *p* < .001.

Table 6. Correlation Analysis

	Corr. Eth-SI	IC	PD	PM	CG	ME	CPI
Correlation Ethics–Self-Interest	–						
Individualism (IC)	.597 [†]	–					
Power Distance (PD)^a	-.664 [*]	-.756 ^{**}	–				
Postmaterialism (PM)	.769 [*]	.659 [†]	-.671 [*]	–			
Corporate Governance (CG)	.664 [*]	.529 [†]	-.769 ^{**}	.825 ^{**}	–		
Managerial Education (ME)^b	.860 ^{**}	.259	-.433	.771 [*]	.710 [*]	–	
Corruption Perception Index (CPI)^c	.585 [†]	.501	-.762 ^{**}	.860 ^{**}	.867 ^{***}	.616 [*]	–
GDP/Capita	.466	.490	-.544	.798 ^{**}	.758 ^{**}	.534 [†]	.833 ^{***}

N = 11, Countries: AUL, BRA, FRA, GER, HCH, HUN, IND, NET, NZL, U.K., and U.S.A.

^aPM data are not available for HCH and UK; ^bFor ME, 1 = functional; 0 = integrative; ^cCPI is reverse coded.

[†]*p* < .10; ^{*}*p* < .05; ^{**}*p* < .01; ^{***}*p* < .001.

METHODOLOGICAL APPENDIX: ASSESSMENT OF CROSS-NATIONAL INVARIANCE

Multi-group confirmatory factor analyses for the national groups should be performed to assess whether there is measurement equivalence between the groups. Configural invariance is met when the items exhibit the same basic pattern of salient and nonsalient loadings across countries, cultures, or groups studied. Metric invariance is met when, in addition to configural invariance, loadings are non significantly different across countries. If conditions of configural invariance and metric invariance are satisfied, the researcher should proceed to test for scalar invariance, which deals with item intercepts (mostly related to consistency in response styles). Scalar invariance can be tested by imposing an equality constraint on the latent means. For further technical advice on how to proceed for testing measurement invariance see: Steenkamp & Baumgartner (1998), Vandenberg & Lance (2000), Byrne (2001), and Schaffer & Riordan (2003).

The first step is to test configural invariance, that is, whether all items load on the same factor in each national group. Therefore, the same model was estimated simultaneously on the seventeen countries (baseline model). Factor loadings were expected to be statistically significant for each group and the overall model had to exhibit satisfactory fit indices. Given the relatively high number of observations in the dataset (1'742), relying on the χ^2 test was impossible due to its sensitivity to sample size. Instead, a combination of fit indices such as CFI, TLI and RMSEA⁵ was used as is usual in confirmatory factor analysis (Byrne, 2001). The overall model was acceptable (CFI = .889, TLI = .836 and RMSEA = .036). The only problematic loading is that of the item TGROW (for factor abbreviations, see Table A1) for Germany ($p = 0.107$). Configural invariance was shown to be met.

The next concerns were metric and scalar invariance. Here again, the χ^2 test was not used for investigating a possible worsening in fit between constrained and baseline models. Since the difference in χ^2 is not reliable due to large sample size, we opted for a measure based on the change in CFI between constrained and baseline models⁶. The threshold values for Δ CFI as concerns measurement invariance are as follows (Vandenberg & Lance, 2000): Δ CFI \geq -.01: the invariance

⁵ CFI, comparative fit index; TLI, Tucker-Lewis index; RMSEA, root mean square error of approximation.

⁶ This criterion is used with large samples. As our dataset is large (1'742), the Δ CFI criteria holds.

hypothesis should not be rejected; $-.01 \geq \Delta CFI \geq -.02$: non invariance is suspected; $-.02 \geq \Delta CFI$: the invariance hypothesis should definitely be rejected and tests for partial invariance should be implemented.

In addition to the ΔCFI criteria, we imposed additional constraints for strengthening the invariance test: TLI and RMSEA should not deteriorate, i.e. no decrease in TLI and no increase in RMSEA should be observed between constrained and baseline models.

In order to assess metric invariance, factor loadings were constrained to be equal across all national groups. CFI change between constrained and baseline models was $-.02$, suggesting that the overall model was not fully metric invariant. Each factor had to be tested separately for partial metric invariance by releasing constraints on particular loadings one at a time and checking for ΔCFI ⁷. If ΔCFI was larger than or equal to $-.01$ and there was no deterioration in TLI and RMSEA, the released item was causing invariance across groups. It should not be set to equality across the seventeen countries. Once the non metric invariant item(s) was/were identified, scalar invariance was explored.

Scalar invariance was tested by imposing an additional constraint to the metric invariant model, that is, item intercepts were set equal across all national groups. A non metric invariant item cannot be scalar invariant (Steenkamp & Baumgartner, 1998). Therefore, only loadings and intercepts of items, which were metric invariant were constrained to equality in the scalar invariance model. At this stage, relying on CFI for comparing models was impossible since the CFI value computed by AMOS is inflated when means and intercepts are estimated. Thus, differences in TLI and RMSEA were used to investigate the items which were scalar invariant. If either TLI or RMSEA did not change in the proper direction, one more parameter should be released. This process was repeated until a satisfactory solution in terms of partial invariance was found.

Some items of the self-interest factor were non metric invariant ($\Delta CFI = -.025$), due to the item TGROW. ΔCFI was reduced to an acceptable level ($\Delta CFI = -.01$) when TGROW was released while TLI and RMSEA did not deteriorate ($\Delta TLI = .064$; $\Delta RMSEA = -.011$). In the subsequent tests for partial scalar invariance, all loadings and intercepts, except TGROW, were constrained to be equal

⁷ At this stage, the baseline model was one in which the factor loadings, the intercepts, and the latent means were unconstrained.

across countries. The CFI criteria as well as changes in alternative fit indices ($\Delta\text{TLI} = .128$; $\Delta\text{RMSEA} = -.009$) indicated that TGROW was the only non metric and non scalar invariant item for self-interest.

The ethics factor was also shown to be not fully metric invariant due to ΔCFI being $-.017$. When the factor loadings of the item TSOCI were set free rather than constrained to be equal across groups, ΔCFI decrease was only $.008$. Partial scalar invariance was examined on the basis of possible deterioration of TLI and RMSEA for each intercept release. The first model, in which factor loadings and intercepts were set free for TSOCI, did not reach partial scalar invariance (i.e., TLI improved whereas RMSEA worsened: $\Delta\text{TLI} = .031$; $\Delta\text{RMSEA} = .007$). Trying different combinations of intercept constraints, the sole scalar invariant item was TEMPY. By freeing intercepts and factor loadings for TSOCI as well as intercepts for TETHI and TLAWS, partial scalar invariance was met with TLI increasing over the baseline model ($\Delta\text{TLI} = .04$) while RMSEA remained unchanged⁸. To sum up, TGROW and TSOCI were non metric invariant and TETHI as well as TLAWS were non scalar invariant (see Table A1).

Table A1. Measurement Invariance

Factors	Items	Metric Invariance	Scalar Invariance
Ethics	TLAWS	Invariant	non invariant, intercept released
	TSOCI	non invariant, loading released	non invariant, intercept released
	TEMPY	Invariant	invariant
	TETHI	Invariant	non invariant, intercept released
Self-Interest	TGROW	non invariant, loading released	non invariant, intercept released
	TPROF	Invariant	invariant
	TPOWR	Invariant	invariant
	TWELT	Invariant	invariant

⁸ The range between lower and upper bounds diminished ($\text{RMSEA}_{\text{lower}}$: from $.024$ to $.026$; $\text{RMSEA}_{\text{upper}}$: from $.039$ to $.036$).