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## **Cultura nacional e comportamento ético: O papel da busca por legitimidade**

*National culture and ethical behavior: The role of searching for legitimacy*

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### **Nota de esclarecimento:**

Comunicamos que devido à pandemia do Coronavírus (COVID 19), o VIII SINGEP e a 8ª Conferência Internacional do CIK (CYRUS Institute of Knowledge) foram realizados de forma remota, nos dias **01, 02 e 03 de outubro de 2020**.

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## **Cultura nacional e comportamento ético: O papel da busca por legitimidade**

### **Objetivo do estudo**

Analisar a relação entre cultura e comportamento ético, e a interação com a busca por legitimidade das ações das empresas.

### **Relevância/originalidade**

Embora a cultura nacional e o comportamento ético tenham sido estudados na literatura, ainda não há contribuição significativa sobre como a busca por legitimidade (através da abordagem da teoria institucional) pode impactar esta relação.

### **Metodologia/abordagem**

Nossa amostra é composta por 30.240 empresas obtidas usando dados secundários do Banco Mundial e as dimensões culturais nacionais do Projeto GLOBE. Utilizamos análises de regressão múltipla para testar as nossas hipóteses.

### **Principais resultados**

Identificamos que o comportamento ético tem associações positivas com o coletivismo institucional, aversão à incertezas, orientação para o futuro e igualitarismo de gênero; e associações negativas com orientação para o desempenho e orientação humana. Além disso, a busca por legitimidade das ações das empresas é uma forte moderadora em várias dessas relações.

### **Contribuições teóricas/metodológicas**

Mostramos que a teoria institucional, através da busca por legitimidade das ações das empresas, pode ter implicações na relação entre a cultura e o comportamento ético. Além disso, mostramos como a lente da teoria institucional pode iluminar os estudos sobre comportamento ético.

### **Contribuições sociais/para a gestão**

Os gestores devem estar conscientes de que, além da cultura nacional, a busca por legitimidade das empresas pode ter um impacto sobre o comportamento ético. Assim, aconselhamos que os gestores devem ser conscientes das ações das empresas que podem iniciar a busca por legitimidade, influenciando assim a ética empresarial.

**Palavras-chave:** Comportamento Ético, Cultura, Teoria Institucional, Regressão, Busca por Legitimidade



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## *National culture and ethical behavior: The role of searching for legitimacy*

### **Study purpose**

Analyze the relationship between culture and ethical behavior, and the interaction with search for legitimacy firms' actions

### **Relevance / originality**

Although national culture and ethical behavior has been studied in the literature, there is still not significant contribution on how the search for legitimacy (through the institutional theory approach) can impact this relationship.

### **Methodology / approach**

Our sample is comprised of 30,240 firms acquired through secondary data from the World Bank and the national cultural dimensions were obtained from the GLOBE Project. We employed multiple regression analyzes to test our hypotheses.

### **Main results**

We identified that ethical behavior has positive associations with institutional collective, uncertainty avoidance, future orientation, and gender egalitarianism; and negative associations with performance orientation and humane orientation. Also, search for legitimacy firms' actions is a strong moderator in several of those relationships.

### **Theoretical / methodological contributions**

We show that institutional theory, through the search for legitimacy firms' actions, can have implications in the relationship between culture and ethical behavior. Furthermore, we show how the institutional theory lens can enlighten the studies of ethical behavior.

### **Social / management contributions**

Managers should be aware that, besides national culture, firms' search for legitimacy can have an impact on ethical behavior. Thus, we advise that managers should be conscientious regarding the firms' actions that can onset search for legitimacy, thus influencing business ethics.

**Keywords:** Ethical Behavior, Culture, Institutional Theory, Regression, Search for Legitimacy



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## 1 Introduction

The ethical behavior has been considered essential for the firm's performance, which is influenced by the culture that people are inserted (House, Hanges, Javidan, Dorfman & Gupta, 2004; Kaptein, 2008; Russell *et al.*, 2016; Treviño, den Nieuwenboer & Kish-Gephart, 2014). Nowadays, the international context has the globalization challenges, whose the business ethics and ethical behavior are supposed to improve the firm's performance. Ethical behavior is relevant because it allows enterprises to gain competitive advantages and recognition by the society (House *et al.*, 2004).

The definition of ethical behavior is the human action on policies, values and rules on organizations, whose individual actions performed by the collaborator based on standardized practices at the institutional level (Baker, Hunt & Andrews, 2006; Wiernik & Ones, 2018). The biggest current firms' challenges are the tax evasion and the legal differences at the international level, then, firms should choose and consider ethics as a strategy to respond to these pressures (Gaughan & Javalgi, 2018; Shaw & Whitney, 2016; Tan & Wang, 2011). Also, institutional theory exemplified as the search for legitimacy firm's actions is related to the business ethics (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 1995). Furthermore, the culture is a shared understanding of practices and values, whose vary among societies and shapes the human behavior (House *et al.*, 2004). Our purpose is to analyze the relationship between culture and ethical behavior, and how the search for legitimacy firms' actions can moderate this relationship.

We used multiple regression to test our hypotheses. At firm level, our sample is comprised of 30,240 firms, from 30 countries, drawn from World Bank Enterprise Survey – WBES (World Bank, 2019). At national level, we used the nine cultural dimensions of the GLOBE Project and its data (House *et al.*, 2004). We identified that *ethical behavior* has positive associations with *institutional collective*, *uncertainty avoidance*, *future orientation*, and *gender egalitarianism*; and negative associations with *performance orientation* and *humane orientation*. Also, *search for legitimacy firm's actions* is a strong moderator in several of those relationships.

## 2 Ethical Behaviour

The Ethical Behavior is defined as acting on policies, values and rules of some organization (Baker, Hunt & Andrews, 2006), which individual actions performed by the collaborator based on standardized practices at the Institutional Level (Wiernik & Ones, 2018). Also, the Ethical Behavior is essential for work performance, because if someone does not behave ethically, it implies the violation of the norms of some organization or the violation of socially moral accepted norms, and hence, the stakeholders of an organization can be harmed in some way (Kaptein, 2008; Russell *et al.*, 2016; Treviño, den Nieuwenboer & Kish-Gephart, 2014). Russell *et al.* (2016) exemplified some behaviors considered ethical: reporting inappropriate behavior of the peers to managers; to be truthful; to know to save confidential information related to the business or related to personal data (e.g. data of the stakeholders); to avoid conflicts of interest; to respect the intellectual property; not offending others; and, not bullying at the workplace.

The biggest challenges for international business in the current globalized world are the use of offshore companies for tax evasion and the challenges on the legal differences at the international level (Gaughan & Javalgi, 2018; Shaw & Whitney, 2016) and these challenges make multinational corporations considering strategies to respond to institutional pressures and choose how they will deal with countless issues both in their home and host country (Tan &



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Wang, 2011). Also, there are some guidelines that emerges from the international and globalized business literature: outsourcing, worker conditions at the workplace, the leadership role on fostering business ethics and a globalized ethic pattern to be used in international business (Sachidhananda, Shetty, Pallavi & Jyothilaxmi, 2017; Scherer, Palazzo & Trittin, 2015).

### 3 Cultural Dimensions

Hofstede (2001) studied the culture differences among IBM employees in over 50 countries, and identified five independent cultural dimensions which vary according to the country, which are the - power distance, uncertainty avoidance, individualism versus collectivism, masculinity versus femininity, and long-term versus short-term orientation. Trompenaars and Hampden-Turner (1997) identified seven cultural dimensions, which five are related to the people (which are: universalism versus particularism; individualism versus communitarianism; neutral versus emotional; specific versus diffuse; achievement versus ascription), one is related to the way that the society manage the time (sequential or synchronic), and the other one is related to how the society manage the nature and the environment (internal control or external control). There are seven cultural dimensions according Schwartz (2006): harmony; embeddedness; hierarchy; mastery; affective autonomy; intellectual autonomy; and egalitarianism. Hence, Schwartz (2006, p. 141) categorized three relations of the interaction of these dimensions: “embeddedness versus autonomy, hierarchy versus egalitarianism, and mastery versus harmony”. Ghemawat (2001) studied the distance among the countries in the global expansion context, and the “cultural distance” is one of the four dimensions to analyze it (the others are: administrative and political distance; geographic distance; and economic distance), thus, it is required to consider the difference of languages, ethnicities (the degree of connection of the ethnic issues and the social networks), religions and norms.

House et al., (2004) designed a cultural dimension taxonomy called “Global Leadership and Organizational Behavior Effectiveness” (GLOBE Project), and the difference between the Hofstede and GLOBE Project approaches is that the last one works on the desired values and practices as manifestation of the individual values, moreover, the nine cultural dimensions of GLOBE project (i.e. power distance, performance orientation, humane orientation, in-group collectivism, uncertainty avoidance, future orientation, gender egalitarianism, assertiveness and institutional collectivism) can provide us with better results and more reliable use of the data.

According to Carl, Gupta and Javidan (2004, p. 513), the power distance “reflects the extent to which a community accepts and endorses authority, power differences, and status privileges”, moreover the GLOBE Project uses the same definition of power distance used by Hofstede (2001), which is “the degree to which members of an organization or society expect and agree that power should be shared unequally” (Carl et al., 2004, p. 517).

The literature on the link between power distance and ethical behavior found that: the self-esteem can partially reduce power-distance and support ethical behavior (Suar, Gochhayat & Suar, 2016); low power distance is positively related with strength perception of auditing and reporting standards (Karaibrahimoglu & Cangarli, 2016); power distance and paternalism are not related with employees reporting ethical violations committed by their superiors, it means that the employees do not question the decisions made by their bosses, then, the superiors are charged by these kind of decisions (Ardichvili, 2017). So, the first hypothesis is that the power distance is negatively related to ethical behavior. **H1: Power distance is negatively related to ethical behavior.**



According to Javidan (2004, p. 239, 276), the performance orientation “reflects the extent to which a community encourages and rewards innovation, high standards, and performance improvement”, and is “the extent to which a human community encourages and rewards setting challenging goals, innovation, and performance improvement”.

Researches on performance and ethical behavior found that: the performance orientation which has a positive impact on ethical behavior and the job performance outcomes ethical assessments, and similar findings argue that performance fosters the organizational ethical behavior (Aguinis, Joo & Gottfredson, 2012; Caza, Barker & Cameron, 2004; Deshpande, Joseph & Prasad, 2008; Jacobs, Belschak & Den Hartog, 2014; Selvarajan & Cloninger, 2009; Yingjun, 2011); the ethical behavior is positively related with good job performance and sales performance, and similar findings argue that ethics fosters organizational performance and unethical behavior can explain lower performance (Enciso, Milikin & O’Rourke, 2017; Kerssens-van Drongelen & Fischer, 2003; Lussier, Hartmann & Bolander, 2019; Saeed, Shakeel & Lodhi, 2013); emotional exhaustion is negatively associated with sales performance and ethical behavior (Lussier et al., 2019). Furthermore, the relation between the performance and ethical behavior varies on different cultures and locations, e.g. higher performance, higher will be ethical behavior of salespeople in the United States, while the opposite was true in Taiwan (Honeycutt, Siguaw & Hunt, 1995). The majority of the literature points out that performance and ethical behavior are linked and positively related themselves, so the second hypothesis of this paper is: **H2: Performance orientation** is positively related to *ethical behavior*.

According to Kabasakal and Bodur (2004, p. 569), another important cultural dimension is the humane orientation, which is “the degree to which an organization or society encourages and rewards individuals for being fair, altruistic, friendly, generous, caring, and kind to others”, and can be better understood “in the way people treat one another and in social programs institutionalized within each society”. The literature suggests that rewarding (and how rewarding) or promoting ethics within organizations foster positive organizational outcomes and rewarding unethical behavior undermines organizational outcomes (Cadogan, Lee, Tarkiainen, & Sundqvist, 2009; Koh & Boo, 2001; Honeycutt, Siguaw & Hunt, 1995; Selvarajan & Cloninger, 2009), and considering these assumptions, the third hypothesis is: **H3: Humane orientation** is positively related to *ethical behavior*.

Gelfand, Bhawuk, Nishii and Bechtold (2004) distinguished collectivism and individualism. On the one hand, collectivism is characterized by: strong cohesive groups; the self is viewed as interdependent with groups; the social behavior is oriented by duties and obligations; there is an emphasis on group; the economy of collectivist countries are often agricultural and developing; the pace of life is slower; there is lower heart-attack rates, lower subjective well-being, lower divorce rates; the families are larger; the love is less considerate to make marriage decisions; the communication is indirect; and the individuals engage more in in-group activities, focus on group goals than individual goals, differentiate more on in-groups and out-groups, and have fewer social interactions, however, there is the tendency to be longer and more intimate social interactions.

On the other hand, individualism is characterized by: individuals focus on to take care of themselves and their close family members, focus on individual goals than group goals, engage more in activities alone, have more social interactions, however, there is the tendency to be shorter and less intimate, and make differentiate less on in-groups and out-groups; the self is viewed as independent with groups; the social behavior is oriented by the owner attitudes and personal preferences; there is an emphasis on rationality; the economy of individualist countries are often industrials, hunting, gathering and wealthy; the pace of life is faster; there



is higher heart-attack rates, higher subjective well-being, the families are smaller (nuclear families); the love is more considerate to make marriage decisions; and the communication is direct (Gelfand et al., 2004).

According to Gelfand et al. (2004), there are two societal-level measures to collectivism: the in-group collectivism and the institutional collectivism. This first one assess “the degree to which individuals express pride, loyalty, and interdependence in their families” and the last one assess “the degree to which institutional practices at the societal level encourage and reward collective action” (Gelfand et al., 2004, p. 463).

The literature is incipient on ethical behavioral studies on in-group collectivism and institutional collectivism, although there are some findings in the literature about it: the perceived ethical behavior tends to be more on low in-group collectivism and high institutional collectivism (Karaibrahimoglu & Cangarli, 2016), the in-group collectivism is related to undesired social practices and better practices for institutional collectivism (Gelfand et al., 2004) and Hofstede's cultural “collectivism” dimension is related to business ethical behavior (Okpara, 2014). So, the fourth hypothesis investigates if the in-group collectivism is negatively related to ethical behavior, and the fifth hypothesis investigates if the institutional collectivism is positively related to ethical behavior, which are based on the research of Karaibrahimoglu and Cangarli (2016) that pointed out this tendency. **H4:** *In-group collectivism* is negatively related to *ethical behavior*. **H5:** *Institutional collectivism* is positively related to *ethical behavior*.

Sully de Luque and Javidan (2004, p. 602, 603) argued that uncertainty avoidance is the “extent to which ambiguous situations are threatening to individuals, to which rules and order are preferred, and to which uncertainty is tolerated in a society”, in other words is “the extent to which members of collectives seek orderliness, consistency, structure, formalized procedures, and laws to cover situations in their daily lives”. Although, it has been analyzed at the individual, organizational and societal levels, the GLOBE Project adopted the organizational and societal measure.

The literature suggests that individuals within a more ‘uncertainty avoidance’ are more likely to behave unethically, furthermore, higher uncertainty avoidance national level, higher corruption level is, and, higher ethical standards are related to low uncertainty avoidance and lower ethical standards are related to high uncertainty avoidance (Bernardi, 2006; De Clercq & Dakhli, 2009; Husted, 1999; Salter, Guffey & McMillan, 2001), however Karaibrahimoglu and Cangarli (2016), De Luque and Javidan (2004), and Okpara (2014) found that higher ethical behavior, higher uncertainty avoidance is. So, our sixth hypothesis were made based on the majority findings of the literature: **H6:** *Uncertainty avoidance* is negatively related to *ethical behavior*.

According to Ashkanasy, Gupta, Mayfield and Trevor-Roberts (2004, p. 285), future orientation is defined on GLOBE Project as “the extent to which members of a society or an organization believe that their current actions will influence their future”, and oriented-future people “focus on investment in their future, believe that they will have a future that matters, believe in planning for developing their future, and look far into the future for assessing the effects of their current actions”.

There are fewer studies on the relation between future orientation and ethical behavior. Although, Karaibrahimoglu and Cangarli (2016) suggested that higher ethical behavior, higher will be the future orientation indicators, Das (2005) found that ethical behavior is not associated with future orientation. Karaibrahimoglu and Cangarli (2016) utilized the nine cultural dimensions of GLOBE Project, it means that they worked on the self data chosen by us, by this



reason our seventh hypothesis is: **H7**: *Future orientation* is positively related to *ethical behavior*.

The gender egalitarianism on the GLOBE Project is the extent to which a society minimizes or seek to minimize the gender role differences (Emrich, Denmark & Hartog, 2004), and it is subdivided in two components interdependent with themselves: the attitudinal domain (gender stereotypes and gender-role ideology), and the behavioral domain (gender discrimination and gender equality).

Our eighth hypothesis considered was made considering that, often, women around the world have the “responsibility for nurturing people generally, and children” and men “are placed in charge of economic matters” (Emrich, Denmark & Hartog, 2004, p. 348), and the literature on gender related to ethical behavior: several studies found that women show more ethical inclinations than men (Chalermrunroj, Phattharayuttawat, Ratta-Apha & Auampradit, 2018; Frempong, 2019; Keith, Pettijohn & Burnett, 2009; Kennedy & Kray, 2015; Liu, Niu & Lin, 2018; Tormo-Carbó, Oltra, Klimkiewicz, & Seguí-Mas, 2019), fewer studies found that men show more ethical inclinations than women (Dimitriou & Ducette, 2018), also, there are studies that revealed no significant difference based on gender (Khan, 2012; Turan, 2009). Furthermore, Suar and Gochhayat (2016) separate ethical values and ethical attitudes and found that women manifest higher corporate responsibility values than men, however, women showed similar ethical behaviors as men. If the gender egalitarianism proposes to minimize the gender role differences (Emrich, Denmark & Hartog, 2004) and that, often, women tend to be more ethical than men according to several studies above, our eighth hypothesis is: **H8**: *Gender egalitarianism* is positively related to *ethical behavior*.

According to Hartog (2004, p. 395), assertiveness is “the degree to which individuals in organizations or societies are assertive, tough, dominant, and aggressive in social relationships”. Studies on the relation between assertiveness and ethical behavior are incipient. Kang and Berger (2010) found that employee assertiveness was used to struggle with unethical organizational decisions made by managers. Thus, our ninth hypothesis considered the finding of the last study cited, in other words, if the assertiveness is one way to resist unethical behavior, we hypothesize that: **H9**: *Assertiveness* is positively related to *ethical behavior*.

#### **4 Search for Legitimacy**

Institutional theory is based on studies in order to understand the reasons of institutional activities engagement (such as, process and structures) which institutions wants to be recognized and legitimized by the society and the reasons of institutions behaviors to be fitted in norms which mismatch with economic business goals (Meyer & Rowan, 1977; DiMaggio & Powell, 1983; Scott, 1995).

Isomorphism is an institutional characteristic of the modern world which legitimates the institutions and promotes the organizations survivance. According to Meyer and Rowan (1977), the isomorphism impacts on institutions incorporating elements which are legitimated externally (not based on efficiency), employing ceremonial assessment criteria, making dependence on externally fixed institutions and maintaining stability, furthermore, they argued that the organizational success and survival requires that the organization become isomorphic and sagacious conformity with the institutional rules.

Moreover, DiMaggio and Powell (1983) described three kinds of isomorphic process: coercive (it stems from formal and informal pressures by institutional which one institutional is dependent, e.g. legal environment), mimetic (imitation as response to uncertainty, e.g. copying process and methods of others institutions), and normative (associated with professionalization, e.g. a collective of workers defining working methods and conditions). And, Scott (1995) argued that institutions should be conceived on regulative (based on





experience and by a coercitive mechanism), normative (based on social obligation and by a norm appropriation), or cognitive systems (based on “taken for granted” and by the mimetism) to arise and survive.

The Institution searches for legitimacy in order to have cultural support which allows its survivance. The legitimation developed by repeating behavioral patterns and sharing signs “involves connecting it to wider cognitive frames, norms or rules” (Scott, 1995, p. 46). According to Scott (1995), the institutions can be legitimated on regulative, normative or cognitive pillars. The regulative pillar uses the rules, laws and sanctions as indicators and its legitimacy basis is the institution be legally sanctioned. The normative pillar use the certification and accreditation as indicators and its legitimacy basis is the institution be morally governed. And the cognitive pillar use the prevalence and isomorphism as indicators and its legitimacy basis is the institution be culturally supported and being conceptually correct.

Thus, we supposed that the search for legitimacy impacts the relationship between cultural factors and ethical behavior. We hypothesized that the “power distance is negatively related to ethical behavior” (H1) and supposing that the search for legitimacy weakens this relationship. Therefore, we suppose that: **H1a:** *Search for legitimacy firms’ actions weakens the negative relationship between power distance and ethical behavior.*

The performance fosters the organizational ethical behavior (Aguinis, Joo & Gottfredson, 2012; Caza, Barker & Cameron, 2004; Deshpande, Joseph & Prasad, 2008; Jacobs, Belschak & Den Hartog, 2014; Selvarajan & Cloninger, 2009; Yingjun, 2011) and the ethical behavior is encouraged by the society. Also, institutions which searches for legitimacy should consider to foster the performance orientation, which is hypothetically culturally supported by the societies and related with the cognitive institution structure (Scott, 1995). Our second hypothesis is that the “performance orientation is positively related to ethical behavior” (H2) and supposing that the search for legitimacy strengthen this relationship. Therefore, we suppose that: **H2a:** *Search for legitimacy firms’ actions strengthens the positive relationship between performance orientation and ethical behavior.*

Considering our third hypothesis (H3) on humane orientation be positively related to ethical behavior and supposing that the search for legitimacy strengthen this relationship, Kabasakal and Bodur (2004) argued that humane orientation is the societal or organizational encouragement and rewarding individuals for fairness, altruism, friendship, generosity and so on. In addition, the institutional success can be achieved by isomorphic and sagacious conformity with the institutional rules (Meyer & Rowan, 1977) and based on the institutional cultural support (Scott, 1995), in other words, successful institutions are recognized by the society regarding social supported behavior (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 1995). Thus, we suppose that: **H3a:** *Search for legitimacy firms’ actions strengthens the positive relationship between humane orientation and ethical behavior.*

We hypothesized that the “in-group collectivism is negatively related to ethical behavior” (H4) and the “institutional collectivism is positively related to ethical behavior” (H5). If the perceived ethical behavior tends to be more on low in-group collectivism and high institutional collectivism (Karaibrahimoglu & Cangarli, 2016), and the search for legitimacy of institutions is being recognized by the society regarding social supported behavior, which ethical behavior is considered social supported behavior (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 1995), we suppose that: **H4a:** *Search for legitimacy firms’ actions weakens the negative relationship between in-group collectivism and ethical behavior.*

**H5a:** *Search for legitimacy firms’ actions strengthens the positive relationship between institutional collectivism and ethical behavior.*



If individuals within a more ‘uncertainty avoidance’ are more likely to behave unethically and lower ethical standards are related to high uncertainty avoidance (Bernardi, 2006; De Clercq & Dakhli, 2009; Husted, 1999; Salter, Guffey & McMillan, 2001), and taking into account that unethical behavior is not socially supported and, hence, disturbs the institutional search for legitimacy (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 1995). Therefore, considering our sixth hypothesis (H6), we suppose that: **H6a**: *Search for legitimacy firms’ actions* weakens the negative relationship between *uncertainty avoidance* and *ethical behavior*.

If higher ethical behavior, higher will be the future orientation indicators (Karaibrahimoglu & Cangarli, 2016) and taking into account that ethical behavior is socially supported and, hence, fosters the institutional search for legitimacy (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 1995), also, considering our seventh hypothesis (H7), we suppose that: **H7a**: *Search for legitimacy firms’ actions* strengthens the positive relationship between *future orientation* and *ethical behavior*.

The literature suggests that women is seen having more ethical inclinations than men (Chalermrunroj, Phattharayuttawat, Ratta-Apha & Auampradit, 2018; Frempong, 2019; Keith, Pettijohn & Burnett, 2009; Kennedy & Kray, 2015; Liu, Niu & Lin, 2018; Tormo-Carbó, Oltra, Klimkiewicz, & Seguí-Mas, 2019) and the gender egalitarianism proposes to minimize the gender role differences (Emrich, Denmark & Hartog, 2004), considering our eighth hypothesis (H8), we suppose that: **H8a**: *Search for legitimacy firms’ actions* strengthens the positive relationship between *gender egalitarianism* and *ethical behavior*.

Kang and Berger (2010) found that employee assertiveness was used to struggle with unethical organizational decisions made by managers, in other words, in higher assertiveness societies which assertive employees struggle with unethical managerial behavior and supposing that struggling with unethical behavior is buffering social unsupported behaviors even fostering ethical and social supported behaviors, and, hence, it probably fosters the institutional search for legitimacy. Therefore, considering the ninth hypothesis (H9), we suppose that: **H9a**: *Search for legitimacy firms’ actions* strengthens the positive relationship between *assertiveness* and *ethical behavior*.

For better understanding, the figure 1 is our research framework and illustrates all of our hypotheses: the relationship between the nine cultural dimensions with ethical behavior, along with how search for legitimacy firms’ actions moderate the relationships between cultural dimensions and ethical behavior.

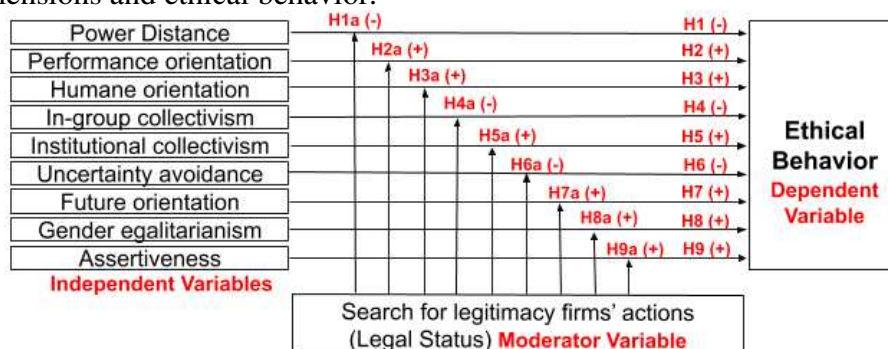


Figure 1. Research Framework.

Source: Authors.

## 5 Sample and Methods

We tested the relationship between ethical behavior and cultural factors at firm-level data. The full dataset and R scripts for data preparation and data analysis can be found in a



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public Open Science Framework (OSF) repository (Storopoli & Beck, 2020) with the following link: <http://osf.io/jkprg>.

For the dependent variable, ethical behavior, we used the 2018 World Bank Enterprise Survey - WBES (World Bank, 2019). It is a firm-level survey of a representative sample of an economy's private sector and it covers a broad range of business environment topics including corruption, competition, infrastructure, access to finance, crime and performance measures. The WBES is answered mostly by business owners and top managers. At the end of the questionnaire there's an option for the interviewer to state their perception about the interviewee responses, whether they are truthful, somewhat truthful or not truthful. We coded 0 for somewhat truthful and not truthful because it represents negative ethical behavior; and 1 for truthful for positive ethical behavior.

The total responses available for the 2018 WBES are 125,558 firms. To avoid cultural bias, we only used firms that have full national ownership, so we removed 3,961 firms. Also, we restricted our WBES firm samples to questionnaires answered in only one interviewer visit and that only interviewed one person, therefore, we aimed to eliminate interviewer bias. We believe that more than one-visit interview and that interactions with more than one representative from the firm would interfere somehow in the interview procedure. Thus, more 23,858 firms were removed. Some WBES countries were surveyed two or three times, thus, to avoid possible interferences we only used the firm responses from the last year for each country in that situation, reducing the sample to 59,624 firms.

We used national culture as the independent variable. To measure national culture, we drew on The Global Leadership & Organizational Behavior Effectiveness (GLOBE) project. It is a survey-based study of societal culture, organizational culture, and attributes of effective leadership in 62 societies around the world (GLOBE, 2004). The GLOBE breakdowns in nine culture dimensions whose are power distance, performance orientation, humane orientation, in-group collectivism, uncertainty avoidance, future orientation, gender egalitarianism, assertiveness, and institutional collectivism (these dimensions were better explained in item 2.2). For each dimension a score is calculated that ranges from 1 to 7. The last data for the nine GLOBE dimensions are from 2004 and we had to remove South Africa because it was measured in two different "societies" (from the GLOBE perspectives): the black and the white--a reminiscence of the apartheid.

When we've merged the data from WBES and GLOBE we were left with only 30 countries that were represented in both datasets. So, our data for national culture was ultimately drawn from 30 countries, which reduced our WBES survey sample to 32,301. Also we have 2,061 missing data from our dependent variable ethical behavior, so the final sample is 30,240.

To moderate the effects of national culture on ethical behavior, we measured the search for legitimacy firms' actions. To act as a proxy for search for legitimacy firms' actions, we used the legal status/governance of the firm. We coded 1 for sole proprietor or partnership, 2 for private held company, and 3 for publicly listed company.

To control for alternate correlations, we have the following variables as control variables: size (natural logarithm of last year fiscal sales); age (from the year established); and owner gender (dummy coded as 1 if any females are one of the owners).

## 6 Results

The descriptive statistics and correlation coefficients of the variables appear in Table 1. The variables are depicted as either dependent, independent, moderation and control. For each variable, we present the total sample size (**N**), mean (**M**), standard deviation (**SD**) and the correlations amongst other variables together with the correlations' *p*-value.



In table 2, we present the regression models. The first model (Model 1) has only the control variables. The second model (Model 2) has only the independent variables (with controls) and tests hypotheses H1 through H9. Finally, the third model (Model 3) adds the moderations variables and tests hypotheses that end with an ‘a’ (H1a to H9a).

Table 2: **Regression Models**

	Model 1 (1)	Model 2 (2)	Model 3 (3)
Power distance		0,95	-0,034
Performance orientation		-.404***	-1.923***
Humane orientation		-.616***	-0,273
Institutional collectivism		0.169**	.647**
In-group collectivism		-0,051	1.316***
Uncertainty avoidance		.171***	1.243***
Future orientation		.317***	-.707***
Gender egalitarianism		.332***	.420***
Assertiveness		.193***	.798***
Legal status			6.177***
Power distance * Legal status			0,273
Performance orientation * Legal status			5.422***
Humane orientation * Legal status			-1.453***
Institutional collectivism * Legal status			-2.237***
In-group collectivism * Legal status			-5.681***
Uncertainty avoidance * Legal status			-2.659***
Future orientation * Legal status			3.182***
Gender egalitarianism * Legal status			-0,143
Assertiveness * Legal status			-3.078***
Log sales	-.053***	.126***	.112***
Firm age	.207***	.216***	.187***
Female owner	.449***	.412***	.321***
Observations	26.004	26.004	25.535
Log Likelihood	-15.684,07	-15.268,06	-14.903,72
Akaike Inf. Crit.	31.376,15	30.562,12	29.853,44

Note: \*p<0.1; \*\*p<0.05; \*\*\*p<0.01

Model 2 reveals, while adjusting for all the control variables, according to our hypotheses, that *future orientation* ( $p<0.01$ ), *gender egalitarianism* ( $p<0.01$ ), and *assertiveness* ( $p<0.01$ ) are positively related to *ethical behavior*, that *in-group collectivism* ( $p<0.05$ ) is negatively related to *ethical behavior*. So, we found support for **H4**, **H7**, **H8** and **H9**. And contrary to our expectations, the *performance orientation* ( $p<0.01$ ) and *humane orientation* ( $p<0.01$ ) are negatively related to *ethical behavior*, and *uncertainty avoidance* ( $p<0.01$ ) is positively related to *ethical behavior*. Thus **H2**, **H3**, and **H6** were not supported by our sample data. Furthermore, *power distance* (**H1**) and *institutional collectivism* (**H5**) do not have any significant relationship with *ethical behavior*, making **H1** and **H5** inconclusive.

Model 3 adds the moderation effect of *legal status* to Model 2. *Legal status* enhances the relationships of *performance orientation* ( $p<0.01$ ) and *future orientation* ( $p<0.01$ ) to *ethical behavior*, thus supporting **H2a** and **H7a**. *Legal status* weakens the relationships of *humane orientation* ( $p<0.01$ ), *institutional collectivism* ( $p<0.01$ ), *in-group collectivism* ( $p<0.01$ ), *uncertainty avoidance* ( $p<0.01$ ) and *assertiveness* ( $p<0.01$ ) to *ethical behavior*. So, hypotheses **H4a** and **H6a** were supported and **H3a**, **H5a** and **H9a** found no support. Legal status’



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Table 1: Descriptive Statistics and Correlations

Variables	N	M	SD	1	2	3	4	5	6	7	8	9	10	11	12	13
<i>Dependent variable</i>																
1 Ethical Behavior	30.240	0,69	0,46													
<i>Independent variables</i>																
2 Power distance	32.301	5,37	0,3	0.04****												
3 Performance orientation	32.301	4,03	0,35	0.11****	0.35****											
4 Humane Orientation	32.301	4,31	0,4	0.15****	0.17****	0.70****										
5 Institutional collectivism	32.301	4,31	0,32	0.05****	0.30****	0.33****	0.47****									
6 In-Group collectivism	32.301	5,66	0,4	0.09****	0.38****	0.37****	0.44****	0.18****								
7 Uncertainty avoidance	32.301	3,96	0,56	0.06****	0.37****	0.78****	0.48****	0.36****	0.04****							
8 Future orientation	32.301	3,76	0,46	0.07****	0.09****	0.75****	0.58****	0.20****	0.18****	0.74****						
9 Gender egalitarianism	32.301	3,31	0,43	0.11****	0.07****	0.66****	0.50****	-0.02****	0.38****	0.56****	0.70****					
10 Assertiveness	32.301	3,98	0,36	0.07****	0.26****	0.10****	0.37****	0.53****	0.05****	-0.01**	0.05****	0.03****				
<i>Moderation variables</i>																
11 Legal status	31.650	1,46	0,56	0.10****	0	0.46****	0.37****	0.15****	0.21****	0.46****	0.45****	0.51****	0.06****			
<i>Control variables</i>																
12 Log sales	28,34	16,8	2,77	0.00	0.06****	0.10****	0.16****	0.13****	0.13****	-0.02**	0.05****	0.05****	0.23****	0.07****		
13 Firm age	31.811	23,2	14,9	0.04****	0.04****	0.05****	-0.01*	0.11****	0.06****	0.05****	0.09****	0.05****	0.03****	0.09****	0.11****	
14 Female owner	31.931	0,34	0,47	0.08****	0.06****	0.03****	0.07****	0.06****	0.04****	-0.01*	0.15****	0.14****	0	0.13****	0,01	0.05****

Note: N= number of sample size M= mean SD= standard deviation \*\*\*\*=  $p \leq 0.0001$  \*\*\*=  $p \leq 0.001$  \*\*=  $p \leq 0.01$  \*=  $p \leq 0.05$



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moderation effects were inconclusive for *power distance* (**H1a**) and *gender egalitarianism* (**H8a**).

## 7 Discussion

**H2** hypothesized that *performance orientation* is positively related to *ethical behavior*, and **H2a** that *search for legitimacy firm's actions* strengthens this relationship. We've found only support for **H2a**. Honeycutt et al. (1995) found that the relation between performance and ethical behavior varies on different cultures and locations, e.g. higher performance, higher will be ethical behavior of salespeople in the United States, while the opposite was true in Taiwan. In other words, the performance and ethical behavior probably varies among the 30 countries - and cultures - in our sample, thus explaining why **H2** was unsupported.

Furthermore, on the negative relationship between *performance orientation* and *ethical behavior*, we suppose that the people tendency to focus only on firm's performance, independently of ethics or creeds. As **H2a**, the *search for legitimacy firm's actions* changed the behavior pattern supposed for **H2**, so, the reason for this is that the *search for legitimacy firm's actions* leads the previous behavior to a social supported behavior which allows the firm's recognition by the society (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 1995).

The third hypothesis (**H3**) is that *humane orientation* is positively related to *ethical behavior*, and **H3a** that *search for legitimacy firm's actions* strengthens this relationship. The **H3** is based on the literature which suggests that rewarding or promoting ethics promotes the ethical behavior (Cadogan, Lee, Tarkiainen, & Sundqvist, 2009; Koh & Boo, 2001; Honeycutt, Siguaw & Hunt, 1995; Selvarajan & Cloninger, 2009), and **H3a** is based on the literature which suggests that successful institutions are recognized by the society regarding social supported behavior, such as the supposed humane orientation (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 1995). However, contrary to our expectations and the literature, the **H3** and **H3a** were not supported by our data.

The literature suggests that the *in-group collectivism* is related with unethical practices and better practices with *institutional collectivism* (Gelfand et al., 2004; Karaibrahimoglu & Cangarli, 2016). Thus, based on this, we hypothesized **H4** and **H5**: **H4** states that *in-group collectivism* is negatively related to *ethical behavior*, and **H4a** that *search for legitimacy firm's actions* weakens this relationship.

According to our expectations, **H4** is supported by our data, while **H4a** is not supported. In other words, there is a negative relationship between in-group collectivism and ethical behavior, however, the search for legitimacy firm's actions strengthens this relationship and then, **H4a** has a positive relationship to ethical behavior. An explanation for this, maybe, is that the pride in the individual accomplishments of the group or family which is a in-group collectivism feature (Gelfand et al., 2004) is minimized, and the search for legitimacy firm's actions takes place in order to foster the organizational or societal goals (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 1995), even if individual goals losses, which has a nature like the institutional collectivism (Gelfand et al., 2004).

Although, **H5** is inconclusive, our data supported **H5a** which hypothesized that the *search for legitimacy firm's actions* weakens the negative relationship between *institutional collectivism* and *ethical behavior*, which is explained, because it fosters the own achievement of organizational or societal goals, that is, the degree and the extent of the institutional collectivism is wider.



We hypothesized that *uncertainty avoidance* is negatively related to *ethical behavior* (**H6**) and that *search for legitimacy firm's actions* weakens this relationship (**H6a**). However, **H6** was not supported by our data, and contradicts the majority findings from the literature (Bernardi, 2006; De Clercq & Dakhli, 2009; Husted, 1999; Salter, Guffey & McMillan, 2001). Furthermore, our results show that the *uncertainty avoidance* is positively related to *ethical behavior* and, thus, converges with Karaibrahimoglu and Cangarli (2016), De Luque and Javidan (2004), and Okpara (2014) regarding the positive relationship between *uncertainty avoidance* and *ethical behavior*.

Furthermore, **H6a** was supported, because the *search for legitimacy firm's actions* emphasizes the institutional role in society and, thus, the society accepts and recognizes the firm's actions. Also, there is no consensus in the scientific literature on this matter, several studies suggest negative relation between *uncertainty avoidance* and *ethical behavior* (Bernardi, 2006; De Clercq & Dakhli, 2009; Husted, 1999; Salter, Guffey & McMillan, 2001), as positive relation between them (De Luque & Javidan, 2004; Karaibrahimoglu & Cangarli, 2016), hence, not only the lack of consensus, but also the own variation among our sample is, maybe, an explanation for our hypothesis **H6** not being supported and the contrary for **H6a**.

Based on the literature (DiMaggio & Powell, 1983; Karaibrahimoglu & Cangarli, 2016; Meyer & Rowan, 1977; Scott, 1995), we hypothesized that *future orientation* is positively related to *ethical behavior* (**H7**), and *search for legitimacy firm's actions* strengthens this relationship (**H7a**). Our data supported both **H7** and **H7a** as expected.

Also, as expected, our data depicts a significant positive relation between *gender egalitarianism* and *ethical behavior* (**H8**) which is in-line with the majority of studies (Chalermrungrroj, Phattharayuttawat, Ratta-Apha & Auampradit, 2018; Frempong, 2019; Keith, Pettijohn & Burnett, 2009; Kennedy & Kray, 2015; Liu, Niu & Lin, 2018; Tormo-Carbó, Oltra, Klimkiewicz, & Seguí-Mas, 2019); however, our data is inconclusive on the moderation effects of *search for legitimacy firm's actions* (**H8a**).

We hypothesized that *assertiveness* is positively related to *ethical behavior* (**H9**) and that *search for legitimacy firm's actions* strengthens this relationship (**H9a**). As expected, our data supported **H9**, which converges with the literature (Kang & Berger, 2010). However, our data did not support **H9a**.

## 8 Conclusions

Our objective was to analyze the relationship between culture and ethical behavior, and how the search for legitimacy firm's actions can moderate this relationship. In order to fulfill it, we drawn data from the World Bank and also from GLOBE Project's national culture. Our sample was comprised of 30,240 firms from 30 countries. Our data shows that *uncertainty avoidance*, *institutional collectivism*, *future orientation*, *gender egalitarianism* and *assertiveness* are positively related to *ethical behavior*, and that *performance orientation*, and *humane orientation* are negatively related to *ethical behavior*. For *in-group collectivism* and *power distance* our data is inconclusive.

Also, we found that *search for legitimacy firm's actions* as moderator variable strengthens the positive relation between *future orientation* and ethical behavior; weakens the negative relation between *performance orientation* and *in-group collectivism* with ethical behavior; strengthens the negative relation between *human orientation* with ethical behavior; and weakens the positive relation between *uncertainty avoidance*, *institutional collectivism* and *assertiveness* with *ethical behavior*.

Our main limitation is the use of relative old data from national culture. However, while we used GLOBE data from 2004, we believe that the cultural factors are stable and do not vary



so quickly, because national culture and its qualities are consistently transmitted across generations (House & Javidan, 2004).

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