

## **Leadership Ethics and Culture: A Comparative Note Between United States and China**

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**ABSTRACT:** *Country differences give rise to some interesting and contentious ethical issues. The questionable activities of some business organizations throughout the world have raised the concern for ethical responsibilities. This paper analyzes leadership ethical views from the perspective of the United States and China. The ethical climates and challenges of the two countries are also compared and contrasted on some selected topics such as bribery, political participation by businesses, child labor, gender equality, and human rights.*

**KEYWORDS:** *Business Ethics, Global Management, Cultural Difference, US-China Business, Guanxi*

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### **I. INTRODUCTION**

Many western governments are concerned about the payment of bribe to government officials to gain market access to a foreign country since to many Westerners bribery seems to be a corrupt and morally repugnant way of doing business (Hill, 1998). In the United States, for example, the Foreign Corrupt Practices Act (FCPA) of 1977 prohibits U.S. companies from making questionable payments to foreign officials for the purpose of obtaining or retaining business. On the other hand, in many parts of the world the simple fact is that payoffs to government officials are part of life. For instant, in Chinese culture, gift-giving is a popular approach to build strong relationship between businesses and government (Steidlmeier, 1999).

**BRIBERY AS A BUSINESS PRACTICE :** The bribery scandals exposed the practice of giving very expensive gifts and money to well-placed government officials in return of special favors, large orders, and protection (Ball and McCulloch, 1999). Although media exposure of questionable payments is fairly recent, for a long time it has been common knowledge in the international business community that gifts or money payments are necessary to obtain favorable action from government officials. Bribery in International Business has rapidly become a major public policy issue around the world. One of the most sinister features of bribery is its corrosive effect on the public's respect for the rule of law, and therefore, on the structure and stability of society (Mauro, 1995).

Giving business gifts of high volume is totally unaccepted in the United States (Hill, 1998). U.S. laws prohibit American companies from making questionable payments to foreign officials for the purpose of obtaining or retaining business. For example, Foreign Corrupt Practices Act (FCPA) makes it unlawful for U.S. businesses to pay bribes to foreign bureaucrats (Cateora & Graham, 2002). Strict penalties can be imposed on the companies who found guilty of paying inducement for special favors. Although bribery is a legal issue, in the United States it is seen as a cultural context. According to Hough and Neuland (2007), "almost all ethical systems worldwide are based on religion". They also mentioned that as a Protestant majority country, the attitude of strong work ethic is firmly established in the United States. Therefore, the U.S. culture, which focuses on the basic question of ethics, views bribery as a felony. On the other hand, Chinese culture is based on *Guanxi* which originally means "interpersonal connections" (Xin & Pearce, 1996). However, ethical concern has risen due to improper application of *Guanxi* which leads to corruption. For instant, in China, gift-giving is customary to build strong relationship between businesses and government (Steidlmeier, 1999). Gifts are not only accepted but also expected. Therefore, multinational companies are facing ethical dilemma while doing businesses in China (Landwehr, 2009). The absence of strong anti-corruption law is further encouraging the bureaucrats and business organizations to practice immoral conducts (Cateora & Graham, 2002). The low-paid salaries of the highly powerful government officials are inspiring corruption in China as well (Barboza, 2009).

## II. POLITICAL PARTICIPATION BY BUSINESSES

Direct political participation by businesses in China occurs which is not practiced in the United States (Lawrence & Weber, 2008). For example, a firm's leader can be selected as a congressman to the National People's Congress in China. However, there are some similarities too. Businesses in China also may become involved through information strategy tactics, such as lobbying or mobilizing support for legislative issues. Financial strategies also occur in Chinese political system even though there is no political campaigning like the United States. In China, businesses use gift-giving, charity and education contribution, and honoraria for speaking to financially influence the political system.

## III. CHILD LABOR

In the United States, serious concern has been raised about the buying public's moral complicity in purchasing products assembled or otherwise manufactured in developing countries with child labor (The State, 1997). Some people have also raised fear that boycotting products manufactured through child labor may force these children to turn to more dangerous or strenuous professions, such as prostitution or agriculture. For example, in a study, the United Nations Children's Fund (UNICEF) found that 5,000 to 7,000 Nepalese children turned to prostitution after the United States banned that country's carpet exports in the 1990s. In China, child labor is a much neglected issue compare to the United States. The business organizations recruit cheap child labor to reduce their operating expenses (Carroll et al., 1999). The Chinese government is reluctant to enforce law against child labor because they believe it is a source of generating income for many households.

## IV. GENDER EQUALITY

Society's traditional view towards male and females roles also differs between the United States and China. According to Hofstede's (1980) *cultural dimension*, the United States has higher masculinity score (62) than China (50). In view of that, it can be concluded that in the United States it is preferable to appoint a male as a team leader; however, in China male and female should be treated equally.

## V. HUMAN RIGHTS

A major ethical dilemma facing firms from American companies is whether they should do business in totalitarian countries that routinely violate the human rights of their citizens (Myers, 1996). There are two sides to this issue. On one hand, some argue that investing in totalitarian countries provides comfort to dictators and can help prop up repressive regimes that abuse basic human rights. For instant, Human Rights Watch, an organization that promotes the protection of basic human rights around the world, has argued that the progressive trade policies adopted by Western nations toward China have done little to encourage the Chinese to limit human rights abuses. In contrast, others argue that investment by a Western firm, by raising the level of economic development of a totalitarian country, can help change it from within. They note that economic well-being and political freedoms often go hand in hand. Thus, for example, when arguing against attempts to apply trade sanctions on China in the wake of violent in 1989 government crackdown on pro-democracy demonstration, the Bush administration claimed that U.S. firms should continue to be allowed to invest in China, since greater political freedoms would follow the resulting economic growth. The Clinton administration used similar logic as the basis for its 1996 decision to decouple human rights issues from trade policy considerations.

## V. DEALING WITH UNFAIR BUSINESS PRACTICES IN CHINA

American companies doing businesses in China may seek help from the U.S. government and/or international organizations like the United Nations (UN), World Bank (WB), and Organization of Economic Cooperation and Development (OECD) for combating unethical business practices. For example, the U.S. government may put pressure on Chinese government through various diplomatic channels to constitute strong laws against corruption. Moreover, China may be forced to sign international conventions like "OECD Convention on combating bribery" to maintain higher standard of ethical behavior (Cateora & Graham, 2002). Moreover, multinational companies should cautiously try to understand the components of Chinese culture which clearly differentiate socially accepted gift from bribery (Steidlmeier, 1999).

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