

The influence of behavior on the image of a company

Is culture a moderator?

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Abstract

This research paper investigates the influence of three particular (un)ethical behaviors, alcohol use in companies, female discrimination and fairtrade practices, on the image of a company. The (un)ethical behaviors chosen are based on the five major unethical behaviors of the present. With the use of the neural network theory, the way an image is shaped in one's mind has been analyzed and the relationship between (un)ethical behavior and the image of a company has been researched. Besides this, it has been looked at if culture influences the relationship between (un)ethical behavior and the image of a company, by two opposite cultures chosen, Latin American and European. Those two cultures have been analyzed by the Hofstede model to see why differences exist in the way the different cultures influence the relationship between the (un)ethical behavior and the image of a company. It can be concluded based on this literary analysis in this research paper that culture is a moderator on the relationship between the (un)ethical behavior and the image of a company. This means, that culture influences and changes the relationship between (un)ethical behavior and the image of a company. A research proposal is provided in order to conduct future research on the particular topics discussed in this research paper.

Chapter 1: Introduction

According to Cicero, Socrates was "the first to call philosophy down from the heavens and set her in the cities of men and bring her also into their homes and compel her to ask questions about life and morality and things good and evil" (Yu, 2005). This shows that already around 350 BC, Socrates was discussing the topic of what is right and wrong, translated to the topic of ethics in the present. Similar, according to Yu "a history of Greek ethics is a history of disputes about what happiness is and how to achieve it" (2005). In Greek history, happiness was not the notion as we know it today, namely as joy and fun, but happiness was the term used to refer to the quality of life as a whole. Aristotle considered the quality of life higher when behaving ethically (Yu, 2005).

Even though it has been a long journey, and there is more clarity about the meaning of ethics nowadays, for example by knowing that ethics is not only about what is right and wrong for an individual, but likewise for the environment of the individual (Kodish, 1998), ethics is still a very debated topic. Because of new developments, like for instance more developed machinery which can result in more pollution, even more ethical questions arise.

1.1 (un)Ethical behavior

In the present, the five major unethical practices companies can be involved in are the following; environmental pollution, discrimination, giving gifts and bribing, mistreating personnel and misrepresentation of for example the provided products or services, or not representing the entire company well (Barnett, Bass and Brown, 1994). Based on those major unethical practices, three unethical concerns are chosen to be addressed in this research paper. Firstly alcohol use in companies will be addressed, which might be considered as parts of both mistreating personnel and misrepresentation of the company regarding the five major unethical business practices. With alcohol use in companies is meant how outsiders might view a company which buys its employees alcohol. In a research conducted by Crigger, Courter, Hayes and Shepherd (2009), the thoughts of patients and nurses about alcoholic drinks in the pharmaceutical branch were investigated. Both groups found alcoholic drinks, in the research called happy hours, very unethical and inappropriate. Even though this article is about the pharmaceutical branch specifically, in this research paper it will be researched if people perceive buying alcohol for your employees as an unethical issue in other branches as well.

The next unethical problem in this research paper is about female discrimination, which is part of the more general discrimination which is one of the five major unethical practices in business. Research will have to show whether female discrimination still exists. With female discrimination is meant whether female employees get promoted less compared to male employees, whether females are not accepted for a job because they are female, or whether females might receive less salary than a man in the same position.

After having discussed two unethical problems, one ethical issue will be discussed. Discussing one ethical issue compared to two unethical problems, creates the possibility to compare the influence that both unethical and ethical concerns have on the image of a company. The ethical behavior that will be addressed in this research paper are fairtrade practices. Fairtrade practices can be regarded as part of the movement against mistreating personnel and the movement against environmental pollution, two of the major unethical conducts in business. Fairtrade practices are a relatively new phenomenon, tracing back to the first fairtrade organization in 1964 (Fridell, 2007) and being of great importance today. For example according to Johannessen & Wilhite (2010) "Selling Fairtrade coffee gives large companies, such as Lidl and Starbucks, the image of more socially concerned companies".

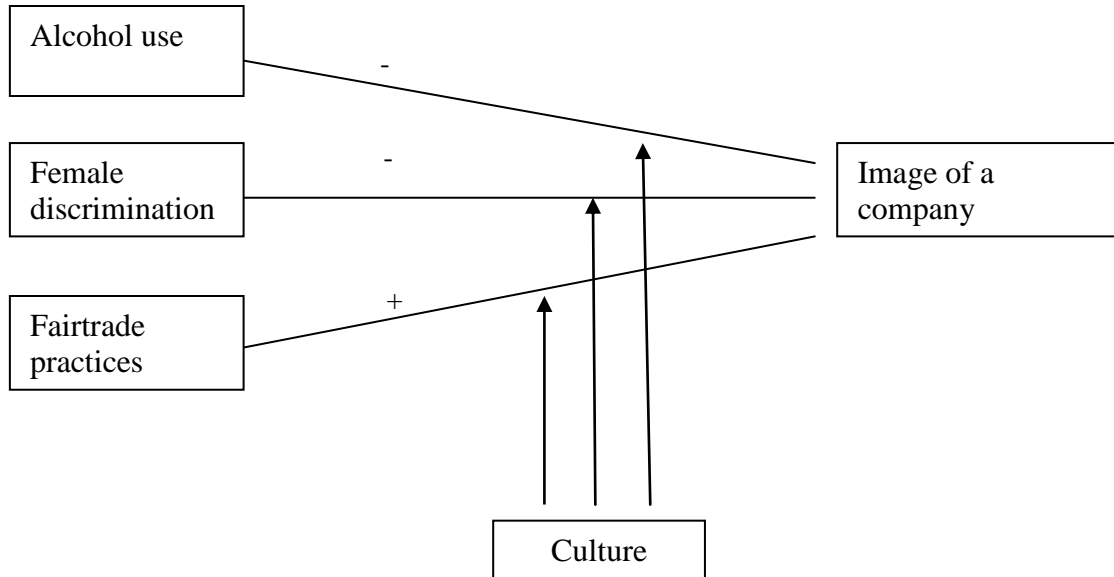
1.2 Problem statement

The three (un)ethical behaviors, alcohol use in companies, female discrimination and fairtrade practices are chosen to see what influence the (un)ethical behavior has on the image of a company. To know if an image is influenced positively or negatively is important because as research will show, purchase decisions by consumers are mainly based on emotions. Because decisions are emotional, this means that feeling positive or negative about an image of a company, and therefore a company itself, might result in buying more when the consumer feels happy about a company, and buying less when the consumer feels unhappy about a company. Therefore knowing if (un)ethical behavior might harm the image of a company, is important.

Besides researching what effect the unethical behavior has on the image of a company, two opposite societies are chosen, namely Latin American and European, to research if alcohol use in companies, female discrimination and fairtrade practices have a different influence on the image of a company in Latin American or European countries. Those specific societies are chosen because they are so extremely opposite from each other, that by choosing Latin American and European societies the biggest effect that culture has on the fact that (un)ethical behavior influences the image of a company will or will not be shown. The two societies are for example different in that Latin America is collectivistic, and Europe is individualistic (Hofstede, 2010). Furthermore alcohol use in companies, female discrimination and fairtrade practices in combination with Latin American and European cultures are chosen because those behaviors are expected to be perceived differently across those two cultures.

To look how Latin American and European societies perceive (un)ethical behavior and therefore perceive the image of a company differently, the Hofstede model will be used, which is a model that looks at different cultural values (power distance, individualism vs. collectivism, uncertainty avoidance index and masculinity vs. femininity) in order to be able to compare Latin American and European societies.

The problem statement for this research paper will thus be: *Does (un)ethical behavior have a negative/positive influence on the image of a company? And does the relationship between the (un)ethical behavior and the image of a company change through culture?* The model underneath shows the research question schematically.



In the model above one can see schematically how the factors alcohol use in companies, female discrimination and fairtrade practices, will influence the image of a company. The (un)ethical behavior will influence the image negatively or positively, shown by the negative minus and positive plus sign. Expected is that the alcohol use will have a negative influence, as will female discrimination whereas fairtrade practices will have a positive influence. The different cultures will influence the relationship between (un)ethical behavior and the image of a company.

[1.3 Method and chapter overview](#)

The method used in this research paper will be a literary analysis. By the use of answering the following sub questions per chapter, a clearer overview will be given of all the information that will be provided. After the general introduction (chapter 1), firstly ethics (chapter 2) will be discussed. In this chapter the main questions that will be asked are: 'what is ethics?', 'what is ethical?', and 'what is unethical?'. After this general information, the specific behaviors that were chosen for this research paper, alcohol use in companies, female discrimination and fairtrade practices will be discussed. It will contain a deeper analysis of the 3 (un)ethical behaviors, by providing explanations why these specific behaviors are perceived to be (un)ethical.

The next chapter (chapter 3) will be devoted to the image. Not only will an explanation of the image be given, but also the underlying theory of how people form a certain positive or negative image of a company will be discussed. The theory is called the neural network theory,

and is based on associations people (and therefore consumers) have in their mind and how associations work in the brain. After this chapter, a chapter (chapter 4) describing and analyzing the Hofstede model, which is a model about culture, will follow. This will be done on the basis of a comparison between the two different cultures, using the Hofstede model. Here, an explanation will also be given why those (dis)similarities exist, using the cultural analysis of Hofstede. The questions 'what indicators does Hofstede use for his analysis?', 'are these indicators applicable here?', 'why do these dissimilarities exist, can they be explained with the use of Hofstede's indicators?' will be answered.

In chapter 5 it will be made clear if the different societies, Latin American and European, influence the relationship between the (un)ethical behavior and the image of a company. If there is a difference between the influence the cultures have on the relationship between (un)ethical behavior and the image of a company, culture can be said to be a moderator. The difference between the two cultures, by showing the amount of influence the cultures have on the relationship between the ethical behavior and the image, will be visible.

In chapter 6 a short overview and a conclusion will be given. By answering all the above sub questions with the use of literary analysis, hopefully a clear overview of the research question and all its subtopics will be given, aiming towards a clear conclusion. In the final chapter, a research proposal will be presented (chapter 7) to show how practical research can be done in order to advance the knowledge that has been theoretically construed in this research paper.

1.4 Academic and managerial relevance

As seen in the model above, there is an expected negative relationship between unethical behavior, alcohol use in companies and female discrimination, and the image of a company, but on the other hand a positive relationship is expected between fairtrade practices and the image of a company. According to Davis (1996) there are two sides to companies who try to behave ethically. As an example, the author uses the Body Shop, which tries to help peasants by buying the natural products from the peasants. As a reaction to this so-called ethical behavior, the media is trying to discover any unethical behavior the company is involved in, so they can show the hypocrisy of the ethical behavior the Body Shop is involved in (Davis 1996). Therefore in his view, ethical behavior is not always necessary and a good option for companies. On the other hand Sagar, Khandelwal, Mittal and Singh (2011) argue that ethical behavior can lead to an advantage compared to competitors, because consumers tend to like ethical behavior in companies, and when they can choose between an unethical behaving company and an ethical behaving company, they will choose an ethical company. The contrasting views immediately show the debate going on about ethics, and moreover the relevance of this research paper because there is still no absolute clarity about the topic. There should be clarity about ethics, because it is very important to know

for companies if behaving ethically actually influences the image people, and therefore consumers, perceive of a company.

According to Sagar et al. (2011) ethics can differentiate across societies based on (among other things) culture. Therefore the cultural aspect in this research paper seems very relevant and necessary because international companies should know what behavior is perceived differently across Latin American and European cultures, and therefore the companies will know how to behave. Besides, the links between the use of alcohol in a company and female discrimination on one hand, and the image of a company on the other hand, are new concepts, and therefore worthwhile to investigate.

As Maxfield (2005) shows in her research paper, little research has been done on the discrimination of women in Latin America, likewise Gupta, Hanges and Dorfman (2002) describe cultures in the Latin American region as male oriented cultures, which might aim at higher levels of female discrimination.

Chapter 2: Ethics

In this research paper three (un)ethical concerns, alcohol use in companies, female discrimination and fairtrade practices are discussed. In order to research how ethics is perceived in the European and Latin American cultures, and how behaving (un)ethically influences the image of a company in European and Latin American societies, it is necessary to distinguish between ethical and unethical behavior. Therefore this chapter will be used to clarify the notion of ethics.

2.1 Ethics in general

Kodish (1998) defines ethics in the following way: "the art of deciding what we as individuals and in society 'should' do when faced with competing values, circumstances, consequences, etc." This means that ethics is what ought to be right, for ourselves and for our environment. Nevertheless what we ought to be right can differ enormously across nations and cultures and therefore knowing the definition of ethics is not yet enough, and one should consider differences between the influence of cultures to grasp the full meaning of ethical behavior. Therefore, whenever international managers want to succeed in more than one country, they should consider and recognize the different values societies employ as a result of cultural influences (Tan & Chow, 2009). Therefore ethics will not have to be perceived and reacted to similarly in different cultures. To discover and explain the differences between the influence different cultures have, on the relationship between (un)ethical behavior and the image of a company, is the purpose of this research paper.

2.2 Business ethics

In this research paper ethics will be discussed while doing business, because the research is about the influence of (un)ethical behavior, alcohol use in companies, female discrimination and fairtrade practices, on the image of a company. Therefore not the general concept of ethics will be used here, but a more specific concept namely business ethics, which can be defined as involving ethics in a business environment (Hurn, 2008). While this sounds intuitive and logical theoretically, practically it is not a straightforward issue because what lies "at the heart of the matter of business ethics [is] the tension between private interests, realized through the seemingly irresistible quest for capital accumulation and growth, and community needs" (Neimark, 1995). Business ethics is not a clear set of rules; rather it is based on a more general concept of moral principles, which are being adapted to every particular situation (Sinclair 1993). Thus behaving ethically in business means not accordant rules and laws, but accordant an unwritten lawful code of moral behavior.

2.3 The present

In order to clarify the notion of business ethics, the current situation will be approached here and explained by the use of the five major unethical concerns in business settings of the present which are environmental pollution, discrimination, giving gifts and bribing, mistreating personnel and misrepresentation of for example the provided products or services, or not representing the entire company well. In a research by Vitell, Dickerson and Festervand (2000), the authors researched the beliefs regarding ethics in small businesses, held by employees and their management. All major unethical concerns expressed here, are also mentioned in their research paper when the authors discuss which unethical practices are most wanted to be eliminated.

2.3.1 Environmental pollution

The first major unethical concern in business ethics that will be discussed is environmental pollution. Environmental pollution was found to be highly unethical and unacceptable by the executives of small companies, but the executives also thought that their employees would think otherwise. For example that when a result needs to be achieved, for instance getting rid of toxic waste, employees would choose for the simplest solution, and therefore might pollute the environment and hence act differently than their executives (Vitell et al. 2000). Environmental pollution is perceived to be very unethical because it can harm stakeholders of the firm that is polluting the environment. A firm can, by dumping toxic waste, especially harm the surrounding community and their health. This violates the human rights of a community by harming their living environment (Kulkarni, 2000).

2.3.2 Discrimination

The second major unethical concern in business ethics of the present is discrimination. There are many forms in which one can discriminate. Well known examples are discrimination on basis of race, sex, national origin and age. It is morally wrong to discriminate an entire group of people based on one of the examples given. Discrimination can be traced back to certain stereotypes and prejudices formed by an experience with a person or small sample from the discriminated group (Block, 1992). Firms can do this by not hiring someone who has a certain trait what the firm does not like, by not promoting someone to a higher position in the firm, or by denying the person the amount of salary the person is entitled to.

2.3.3 Bribing and gift giving

The third major unethical concern in business ethics of the present is bribing and gift giving. For example paying large sums of money to foreign governments in order to get work done quicker would constitute a bribe. Whereas giving gifts and bribing people is perceived as very unethical for outsiders of a company, companies themselves might view it differently. A research by Fritzsche (2000) in which the authors have asked managers to respond to certain hypothetical

situations, showed that bribing is not an obvious ethical or unethical case. Whereas most managers indicated that they would not bribe a government of a foreign country to get business done, some argued that bribing or 'giving gifts' is acceptable in some countries and therefore it could be a good investment. For example in China, gift giving is a social custom based on old traditions, and is highly recommended when doing business in China. Compared to Europe, where gift giving is not appreciated (Steidlmeier, 1999). This indicates that the one who is willing to bribe should investigate whether bribing in the country where business is done is perceived ethical or unethical before offering the bribe which can also be perceived as offensive. The managers in the research by Fritzsche (2000), did nevertheless not neglect the fact that such an investment, or bribe, might help a corrupt government, instead of helping a country. In this case, most managers would have avoided the bribery.

2.3.4 Mistreating employees

The fourth major unethical concern in business ethics of the present is mistreating employees, which can be done in several ways. For instance Wal-Mart is a well-known example in the way they treat their personnel. Employees at Wal-Mart earn low wages and whenever they work overtime, they do not get paid the extra time. Besides this, Wal-Mart does not give their employees extra decent benefits like health care and pensions. The employees are also forced to spy on each other, and report information to their superiors. This does not increase the moral and culture of the company (Kimel, 2006). Another form of mistreatment of employees by their management is providing an unsafe work environment, in which employees have to work. Especially an unhealthy work place, in which employees are exposed to for instance unhealthy toxics, is perceived as highly unethical (Danna & Griffin, 1999). An example of this is the cotton industry in which fabrics are dyed and bleached by the employees even though the dye and bleach used contain harmful chemicals (http://www.oecotextiles.com/PDF/textile_industry_hazards.pdf). Danna & Griffin (1999) also point out that an increasing amount of sexual harassment claims have been made over the last years, which shows another part of mistreatment that can occur.

2.3.5 Misrepresentation

The last unethical practice from the five major unethical practices is misrepresentation. Misrepresentation can take many forms. The smallest form of misrepresentation is when a salesman lies to his customers about the performance of a product. A bigger unethical concern is when advertisements are misleading, trying to trick consumers in buying the products. Even though there are laws trying to prevent misleading advertising, Drumwright & Murphy (2009) show in their research paper that misleading advertisements still occur frequently, and it is very hard to prohibit this unethical behavior. Another way in which a firm is able to represent itself in the wrong manner is by covering up information. This can be information about illegal or

unfavorable practices, for example bribing or using child labor to produce products, or when a firm is leaving out important financial information from a financial report, or even presenting falsified information. By leaving out important information, transparency is being undermined, which can harm the stakeholders in the firm when they are not able to make the correct decisions based on the available information (Atkinson, 2002). Also Reinstein, Moehrle and Reynolds-Moehrle (2006) show in their research, by analyzing cases in which corporations hid important information which consequently ended in a scandal and in most cases a bankruptcy, that hiding information is unethical because it may harm a lot of people.

2.4 Three (un)ethical concerns explained

2.4.1 Alcohol use in companies

The first unethical practice researched in this research paper is alcohol use in companies. Alcohol use in companies can be seen as a topic extracted from two out of the five major unethical concerns in the present. Looking at alcohol use in companies from an ethical perspective, one can argue that providing alcohol for employees can be seen as mistreating employees, but also as a misrepresentation of the company. Alcohol use in companies can be perceived as mistreating employees, because alcohol, or the scientific name dietary ethanol (ETOH), is a very toxic drug which is the most widely consumed drug (Ferreira & Willoughby, 2008). Besides this, research has indicated that the rates of alcohol consumption are steadily increasing, especially among the youth and women. Because alcohol is considered to be a strong drug, excessive use of the drug can lead to the abuse of alcohol (Ferreira & Willoughby, 2008). Likewise alcohol consumption in companies can be considered as misrepresentation of the company, because outsiders of a company do not expect and know that alcohol is being used. For instance according to the research by Crigger et al. (2009) an hospital which is hosting an alcoholic gathering for its employees was considered to be highly unethical, because outsiders of the hospital did not expect the employees of an authority like this to be involved with alcohol at the workplace.

Harrington, Mosher and Colman (1987) explain the ethical consequences of alcoholic events hosted by an employer. The authors start by illustrating the amount spent on alcohol by companies in the United States on either an event for the employees in the workplace, or business dinners outside the workplace, that amounted to the sum of 13 billion dollars in 1984, which was 19% of all alcohol purchases of that year. Even though the general knowledge about alcohol is that it is a very toxic drug, the amount spent on alcohol by companies was considered to be normal. A legal result of an alcoholic event hosted by the employer shown by Harrington et al. (1987) is that whenever an employee, who has been attending an alcoholic gathering, causes any kind of accident; the liabilities can be placed on the company. The authors use a hypothetical case to illustrate the ethical concern of alcohol use in companies. In the case, an alcoholic Christmas event

is hosted by a company, after which an employee drives home himself and causes an accident on his way, hereby killing two other people. For the authors this shows the level of unethical behavior of the case, because other innocent people get involved in the alcoholic Christmas drink. Behaving ethical is behaving with a moral, not just for yourself but also for your environment, which is neglected in this case. Besides the liability which is placed on the employer, the employee himself can also be held liable because he has chosen to drink alcohol. Also the peers of the employee can be held liable, because often peer pressure encourages the consumption of alcohol (Lashbrook, 2000).

2.4.2 Female discrimination

The second unethical practice discussed in this research paper is female discrimination. This topic fits in with the second major topic of unethical behavior in the present, which is the overall notion of discrimination. Discrimination is based on stereotypes, likewise is female discrimination which is based on stereotypes against women. Some examples of female stereotyping are described by Lane & Piercy (2003). The first stereotype mentioned by them goes back into history, where women were supposed to work around and in the house, and not take a job outside of the house. A job outside the house was performed by men, who were assumed to be stronger and more capable of performing the job. Also women are assumed to become a mother sometime during their life, after which most of them either quit to take care of children, or decide to start working part-time. In this case, most corporations prefer men, because this provides them with more certainty about the availability of the employee. Nevertheless, whenever an employer decides to hire a woman instead of a man in this case, the common stereotype that exists among employers about part-timers is that part-timers have too little time to spend in the company, and therefore only stay on the surface of cases because part-timers are not as committed to the job as full-timers, who are supposed to know everything about a case. Another stereotype against women is that most women do not want a career, because they are not as ambitious as men are. Besides this, men are "task-focused" (Lane & Piercy, 2003), which means that men will get the task done, and therefore have greater aspirations for a leadership role. Compared to women who are found to be more "interpersonally focused", aiming at keeping people happy and satisfied and caring for their surroundings.

The stereotypes against women might consequently result in women not getting a job they have applied for, because a man was assumed to be more suitable. Likewise women might not get promoted as fast and as often as men do based on the stereotypes against them. Lastly in most cases, women earn a lot less than their male colleagues; to be exact women only earn 65% of the salary of a male peer (Lane & Piercy, 2003). According to Lane & Piercy the behavior of managers who are discriminating on basis of gender is highly unethical, and they will have to outgrow the basic stereotypes that still exist but are outdated. Another view is represented by

Block (1992), who says that discrimination is a logical result of evolution theory, and even though it is morally wrong to do so, it is one's civil right to discriminate and have freedom of speech. Finally, the discrimination of women is found to be unethical because it restricts the rights of female employees (Hopkins, Hopkins and Mitchell, 2008), or future applicants, which is against human rights every human has.

2.4.3 Fairtrade practices

The last ethical topic that is discussed in this research paper is concerning fairtrade practices. The basic notions of fairtrade practices are the following; the products that are sold are directly bought from its producers, so that farmers are being helped in developing countries. Farmers are not just helped by selling their products but also by technical assistance. Also because of the direct contact with the producers of the product, the relationships between farmers and sellers are transparent and long lasting. Another aim of fairtrade practices is the protection of the environment, by for instance packing the products in paper rather than in plastic packaging (Nicholls, 2002).

Whereas fairtrade practices are rather the opposite of the previous unethical issues, (alcohol use in companies and female discrimination) fairtrade practices still have the ability to fit in with the five major unethical practices of the present. For instance, engaging in fairtrade practices help a company to move against environmental pollution by aiming at the protection of the environment. Companies engaged in fairtrade practices are usually companies with low waste disposal, and if they do they try to do it environmentally responsible. Besides this, by allowing farmers of developing countries to sell their products, they produce their products the natural way, instead of polluting the environment by using intensive machinery. By helping farmers in a sustainable way, fairtrade practices are considered as aiming at helping personnel instead of mistreating personnel which also fits in with the five major unethical dilemmas of the present. By engaging in fairtrade practices, a company can counteract any misrepresentation of the company. By showing an ethical good side, a company can represent themselves correctly, instead of lying and covering up unethical practices. Fairtrade practices, by aiming at the protection of the environment, and helping farmers in developing countries, are ethical practices to be involved in, because it are practices of what ought to be right, not only for the ones involved in fairtrade practices by helping others, but also for the environment as a whole.

2.5 Chapter conclusion

In this chapter the three (un)ethical concerns, alcohol use in companies, female discrimination and fairtrade practices have been discussed in detail. It has become clear why the chosen (un)ethical behaviors are either ethical or unethical. An alcoholic drink hosted by an employer is found to be unethical, because alcohol is a toxic drug which, by drinking it, can cause accidents. When

accidents happen after alcohol has been consumed while at a drink hosted by an employer, the liability partly lies with the company. Female discrimination is shown to be unethical because it restricts the rights of female employees, or future applicants, which is against the basic human rights every human has. On the contrary, fairtrade practices have been shown to be ethical. As a company, being involved in fairtrade practices is ethical because it helps to develop local farmers, by selling and producing a product. In the next chapter image in general will be discussed, and an explanation will be given how an image is formed.

Chapter 3: Image

In this research paper the aim is to see the influence of (un)ethical behavior, consisting of alcohol use in companies, female discrimination and fairtrade practices, on the image of a company considering two opposite cultures. Now the theoretical background of ethics has been given, a theoretical background of what image is will be sketched.

3.1 What is image

Dichter's (1985) definition of image is that "it describes not individual traits or qualities, but the total impression an entity makes on the minds of others. It is a most powerful influence in the way people perceive things". In this research paper it will be made clear that image is not what a company *is*, but how people *perceive* a company. People in this sense can be insiders of the company (employees), or outsiders (consumers and other outside stakeholders). This distinction will be clarified by figure 1. An addition Dowling (1993) made to the definition of the image of a company is that a "company does not have a single image. Rather it has many images. The reason is that each person holds their own image of a company".

The notion and the awareness of an image of a company have a short history. Dowling (1993) states in his research paper that in the late 1950's companies in the United States started to realize that a company and brands have an image too, after which companies started to incorporate the importance of having an image, and letting people perceive the right image of their company into their business strategy.

3.2 What influences the image of a company

Dowling (1986) and Brown et al. (2006) both show the important factors that play a role in the formation of an image. Whereas different concepts are used by both researchers, a link between the researches will be made here. Brown et al. (2006) uses figure 1 to illustrate the factors that play an important role in the construction of the corporate image.

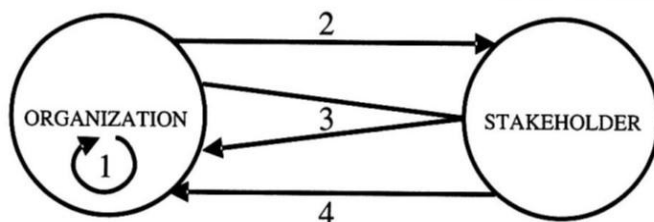


Figure 1: Key Organizational Viewpoints.¹

¹ Reprinted from "Identity, Intended Image, Construed Image and Reputation: An Interdisciplinary Framework and Suggested Terminology", 2006, T.J. Brown, P.A. Dacin, M. G. Pratt, D. A. Whetten, Journal of the Academy of Marketing Science, 34, p. 100. Copyright 2006 by Academy of Marketing Science.

The figure uses four arrows to illustrate different notions of an image, compared to Dowling (1986) who states that the image of a company will be influenced and shaped by three main sets of information.

The first arrow in figure 1 (1) portrays the identity of a company (Brown, 2006). These are the perceptions of an organization held by the insiders of the company. According to Dowling it is important to know what the perceptions of the insiders of a company are, because one of the main sets of information that shapes the image of a company is information that is being transferred from insiders to the outsiders of a company, therefore consumers. Dowling calls this group of information the interpersonal communication, which is the information from insiders of the company to outsiders of the company. Therefore it is important to know what the insiders (employees) think of the company they work in, so they can transmit the right perception to (future) consumers. Considering this, it has been found important to have a clear corporate culture among employees, in order for the entire company to have the same identity, which the employees can transfer to the outsiders of the company.

The second arrow (2) demonstrates the intended image. These are the perceptions the managers of a company want outsiders to hold about the company. The intended image can be influenced by another flow of information described by Dowling (1986), namely the information provided by the company itself. By this mass media communication, the company can shape the image the way the company intends to, and portray themselves the way they want to be perceived. Therefore the information a company provides for its stakeholders is of major importance, because it can influence the intended image.

The third (3) arrow shows the construed image of a company. This image contains the associations that the members of the organization think outsiders of the organization to hold about the company. According to Brown et al. (2006) what associations members of an organization think outsiders of the organization hold about the company, has a major influence on the identity of a company. This means that the associations members of a company hold about the company are shaped by the associations the members think outsiders hold about the company.

The last arrow (4) is the actual corporate image. This is all the actual information an outsider of a company holds about that company (Brown et al., 2006). The actual corporate image can be influenced and shaped by another, and final, major set of information, namely personal experience (Dowling, 1986) with the regarding company. The experience an individual has with the regarding company plays a major informative role in the image an individual has about a company. Whenever an individual has a bad experience with a company, for instance when the individual received bad costumer service, this will influence the image of a company negatively. On the contrary, when an individual has a good experience with a company, when the company for instance provides good customer service, this might influence the image of a company positively.

Experiences with a company will be transferred from one individual to another by word of mouth, which can significantly influence the attitude of the receiver of the information by word of mouth, towards the regarding company (Jansen, Zhang, Sobel & Chowdury, 2009).

3.3 Behavior and the image of a company

Both researchers, Dowling (1986) and Brown et al. (2006) show with the use of the illustration of figure 1, the difficulty about knowing how others perceive your company, and the discrepancy between how you think others perceive your company, and how others actually perceive your company. Consequently it indicates the difficulty to influence the perceptions outsiders might have. A company can influence the perception outsiders have of the company by providing positive associations with the company. Positive associations can be created for instance whenever a firm is involved in ethical practices and when the way a firm portrays itself is actually true, as shown by the research of Creyer and Ross (1996). The research by Creyer and Ross (1996) shows that it is very influential whenever a firm behaves unethical, and the consumers find out about this behavior afterwards. In their research Creyer and Ross (1996) address the research question whether behaving unethically as a company, influences the image of that company negatively, and therefore influences the price consumers want to pay for the product of that company. Creyer and Ross (1996) conclude that unethical behavior does result in a negative image of that company. Whenever people expect a company to behave ethically, and the consumers find out afterwards that they have been deceived by a company, by that company behaving unethically, the image they get of that company is a very negative one and will consequently result in a lower price consumers want to pay for the products of the unethical company.

The research by Creyer and Ross (1996) shows that ethical behavior can surely be beneficial not only for society, but also for companies, as long as companies create awareness among consumers about their ethical behavior, because whenever consumers know about the ethical behavior of a company, it can have a positive influence on the image of a company (Creyer, 1997). Whenever companies are involved in ethical behavior, and outsiders are aware of the ethical behavior of a company, this will also create positive associations with the regarding company. By having positive associations with a company, the image of that company will also be more positive (Ambler, Ioannides and Rose, 2000). The processes which are needed in order to create associations are described by the neural network theory.

3.3.1 Neural Network Theory

In order for a positive or negative image to be constructed, certain processes have to be activated in the brain. The processes that have to be activated are described by the neural network theory, which is a theory about the working of the brain and the way humans perceive things. Whether an

image of a company is perceived to be positive or negative depends on the associations one has with the company. Associations are formed and transmitted by brain cells, also called neurons. A neuron can get activated by internal or external sources, by information received through the five senses since the brain is connected to the rest of the nervous system. Therefore, whenever the five senses are exposed to sensory stimuli, a stimulus can either grab the attention of the perceiver or not. Whenever a stimulus has grabbed the attention of the perceiver, it has to be interpreted by the perceiver. Whether neurons in the brain are activated or not, depends on whether a stimulus has gathered the attention of the perceiver. Consequently, whenever attention is given to a stimulus, neurons in the brain are activated. Whenever a neuron is activated by a stimulus, it is able to activate other neurons, which leads to a whole network of activated neurons, called a neural network.

A neural network is also called an associative network, because whenever one neuron is encouraged, it encourages the neurons that one associates with the first neuron. Hence, thinking about one thing specifically, will eventually lead to thinking about other things. In figure 2 an example is shown of an associative network, using the famous brand Nike.

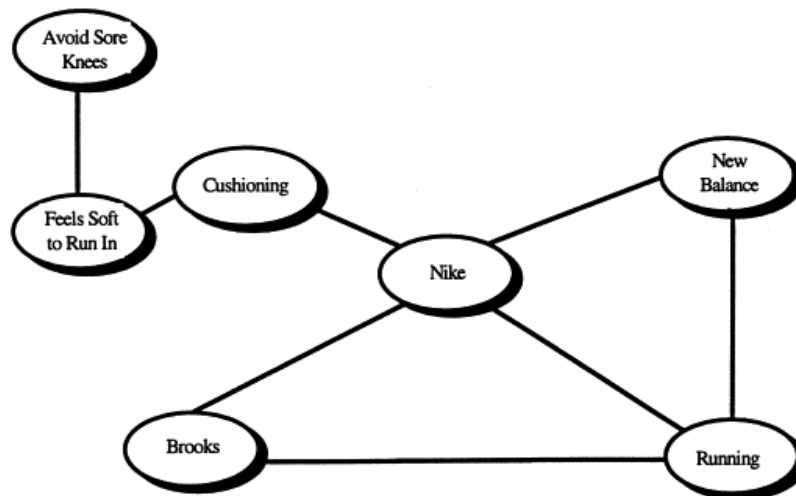


Figure 2: Example associative network.²

Another example is for instance whenever one starts thinking about a famous actress, for example Eva Longoria, one might associate her with a television series she has been acting in. But one can also associate her with beauty, after which one will think about her long eyelashes leading to the thought of Eva Longoria being associated with the cosmetic brand L'Oreal Paris. Whoever has this neural network in his mind, shows to have a positive association between Eva Longoria and the cosmetic brand L'Oreal Paris which can result in a perceived positive image, which is why the

² Reprinted from "Brand diagnostics: Mapping branding effects using consumer associative networks", 1998, G., R., Henderson, D., Iacobucci, B., J. Calder, European Journal of Operational Research, 111 p. 310. Copyright 1998 by Elsevier Science B.V.

company wants consumers to have positive associations with the company. According to the Handbook of Marketing Research “strong, favorable and unique brand associations are essential” in order to form a positive image of a company in the mind of consumers. This means that the associations consumers have in their mind regarding a company, should be positive and strong, meaning that whenever a consumer thinks about something specifically, the recalled associations should lead to the regarding company.

When thinking about one thing which leads to other thoughts happens often, the association which is stored in one's memory will grow stronger. Also whenever this thought process is repeated, the chemical process of sending the chemical signal in the synapse occurs faster, which make the associations immediately. This in turn will enlarge the neural network, which leads to easier activation of the network. In order for an association to be recalled, it has to be stored in one's memory. Creating a memory is based on attention: the more attention a memory gets, the stronger the memory grows, and consequently the associations connected to the initial thought will be stronger. In order for a company to be stored in the memory of a consumer, it has to be perceived repeatedly by the consumer. Whenever a company wants to be perceived positively, and therefore have a positive corporate image, the perceiver must have positive associations with the company. Increasing positive associations that are linked to a company can be done by linking a company to positive things and practices. For instance by linking a company to a famous person, preferably an expert, in advertisements or by being involved in ethical practices (Brown & Dacin, 1997).

3.4 Chapter conclusion

The theoretical background of ethics and image have been discussed in this chapter and the previous chapter. In this chapter it has been shown that an image is shaped by several sets of information the perceiver of the image processes. After information is gathered about for instance a company, several associations are shaped based on the information. Associations that are linked together can also be called a neural network, which has been explained in this chapter by the neural network theory. In order for a company to create a positive image about themselves, associations should also be positive. Behaving ethically can stimulate the creation of positive associations, which in turn can lead to a positive image. The next chapter will include an explanation of the Hofstede model, and also a comparison between the two societies, European and Latin American, based on the Hofstede model.

Chapter 4: Hofstede Model

The Hofstede model is a model that tries to analyze differences between cultures, relating the differences to specific behavior among the members of a culture. Hofstede defines culture as "the collective mental programming of the human mind which distinguishes one group of people from another" (2001). This means that a group of people can be distinguished from another group of people by the way their mind is programmed. The minds of people get programmed by their environment they are raised in. The Hofstede model does not only distinguish the differences between countries, it can also provide explanations why differences in behavior across cultures exist. Knowing the exact differences is especially important when one is engaged in the branch of international marketing. By analyzing different cultures, international marketing managers can adapt their marketing strategy towards the specific culture they are operating in (Mooij & Hofstede, 2010). The model compares 76 countries which are all scaled on a scale of 1-100 on 5 different dimensions. The scores are relative; one country is compared to another country (<http://www.geerthofstede.nl/dimensions-of-national-cultures>). The model is also important to know the different ways in which your company can be perceived by different societies.

4.1 The dimensions of the Hofstede model

The Hofstede model is based on five dimensions which are compared across countries to show the differences in culture. The dimensions are: power distance, individualism vs. collectivism, masculinity vs. femininity, uncertainty avoidance, and long vs. short-term orientation (Hofstede, 2001).

4.1.1 Power distance

The power distance dimension can be defined as "the extent to which less powerful members of a society accept and expect that power is distributed unequally" (Mooij & Hofstede, 2010). This dimension is therefore looked at from the view of less powerful members. Of course the regime of a government is very important in a country and they can impose a high power distance, the acceptance of the members of the society is as important. Whenever they expect and accept the fact that power will always be distributed unequally, higher powerful members will take advantage of this acceptance and inequality will persist to exist. This is of course not just the case in entire countries, but also in companies when a big distance exists between the employees of a company and its management. Consequently, in large power distance cultures, everyone has his or her rightful place in a social hierarchy and accepts this place.

4.1.2 Individualism vs. collectivism

In individualistic societies, people tend to look after themselves and their immediate family only, whereas in collectivistic societies people want to belong to a group, which in return for loyalty

looks after them. Also, when a culture is based on individualism, one has its own identity, in comparison of having the identity of an entire group, which is the case when a culture is based on collectivism. Individualistic cultures are low-context communication cultures with explicit and therefore very direct verbal communication. This is in contrast to collectivistic cultures which have high-context communication, with an indirect form of verbal communication.

4.1.3 Masculinity vs. femininity

The main difference between a masculine and a feminine society is that a masculine society is aimed at achievement and success, while in a feminine society the main values are caring for others and establishing a high quality of life. Because achievement and success are important conditions for a masculine society, they like to show their good performance and success by buying status-related products. Status related products are linked to for instance certain brands which others associate with status, like expensive cars. Translated to behavior in different societies, the difference between masculine and feminine society means for instance that in masculine societies household work is mainly done by the wife, compared to feminine cultures when the household work is mainly shared.

4.1.4 Uncertainty avoidance

The fourth dimension, uncertainty avoidance means the extent to which people do not like to take risks, and feel threatened by ambiguity, and therefore try to evade a situation in which uncertainty appears. Whenever uncertainty avoidance is rated strongly in a culture, there is a need for strict rules and structure, so there is no room left for uncertain situations. This avoidance of uncertain situations results in cultures that are less open towards new situations and therefore less open towards innovation compared to low uncertainty avoidance cultures. These cultures are not averse to taking risk, and do not try to avoid uncertainty and are therefore open to new experiences and to innovation and change.

4.1.5 Long vs. short-term orientation

Long- versus short-term orientation is the fifth, and in some cases the last dimension. This dimension indicates the way a society looks at its future. This can be done in two opposite ways, one in which a society has a pragmatic future-orientated perspective which is the long-term perspective, compared to the conventional historic perspective, which is the short-term view. Short term oriented societies look back at the past and foster the present. This relates to values such as national pride and tradition, which they do not want to change in the future, or at least short term oriented cultures are not aiming towards renewal in the future. The most important thing in short term societies is that its members live in the present, and therefore do not want to change what is going well now, to adapt to future changes. In contrast to long term oriented societies, in which its

members do things now, in order to get rewarded in the future. Long term oriented societies therefore aim towards changes in the future, being able to adapt the society to new circumstances.

4.1.6 Model relevance

Based on the dimensions, one can tell that the Hofstede model is not only important for marketing managers when introducing new products or when meeting foreigners and trying to behave like foreigners, but also to know the different ways in which your company can be perceived by different societies i.e. how the cultural dimensions influence the image people have about a company. As has been shown before, the manner in which an image is communicated towards the outsiders of a company is very important. Based on the dimensions Hofstede (2001) shows that the level of communication can differ between societies. For instance, in a collectivistic and a high power distance culture, people will base their purchase decisions on feelings and trust in a company. In contrary, individualistic cultures of low power distance, the individuals will gather information about the product or company through media or friends. This is also the way one forms an image of a company, either by interpersonal relations or via opinions of others.

4.2 The applied Hofstede Model

Research done by Hofstede (2001) has shown the relative scores of several countries on the different dimensions: power distance, individualism vs. collectivism, masculinity vs. femininity, uncertainty avoidance and long vs. short-term orientation. In this section, the comparison will be made between Latin American and European countries.

4.2.1 Power distance

For the first dimension, power distance, the scores for Latin American and European societies are slightly divided. For Latin American countries, the scores are relatively high for the power distance dimension. This indicates that in these countries the less powerful members of a society expect and accept the fact that power is distributed unequally. This means that in Latin American countries a strict hierarchy is established and enacted (Hofstede, 2001). In contrast to the high scores of Latin American countries, Anglo and Germanic countries have a lower score on the power distance dimension. This lower score concretely means that European countries do not follow a strict hierarchy, and people are more independent. There are equal rights in these countries, which also means that for instance in corporations, managers are accessible for their employees. Because of the low power distance, verbal communication is in a direct style and people are allowed to join a conversation by stating their opinion.

4.2.2 Individualism vs. collectivism

The countries in Latin America are classified as being developing countries (Beine, Docquier and Rapoport, 2008). According to Hofstede in most developing countries collectivism scores higher than individualism. This means that in Latin American countries people belong to certain groups, of which the members take care of each other. Together with the high power distance score in Latin American countries, this usually results in groups based on power, hierarchical classes and race. The opposite of this are the individualistic Western countries, in which people look after themselves and direct family. In individualistic societies strict groups based on class are supposedly not established and social bonds and frameworks are preferred to be more loose.

4.2.3 Masculinity vs. femininity

The third dimension is masculinity vs. femininity, which is harder to generalize than the other dimensions. The scores on this dimension differ a lot per country, so a few examples of countries will be given to clarify the differences. Masculinity is supposed to be moderately low in Latin American countries. Nevertheless, for instance Ecuador scores very high on masculinity. This indicates that Ecuadorians strive for success and status. This can coincide with the fact that they are a collectivist society, in which people try to belong to a group, which provides them with a higher status. Another Latin American country on the other hand, Costa Rica, has one of the lowest scores on masculinity and is therefore considered a feminine society. This is shown by the amount of women in business and the amount of female students. In Europe this dimension is also slightly divided among its member countries. For instance Germany, Austria and Switzerland have a very high score on masculinity. This indicates that those countries are performance driven and ambitious to reach a higher status, and therefore consider work as very important. Those German speaking countries differ a lot with Nordic countries and for instance the Netherlands in which masculinity is very low, which makes those countries feminine societies. In these societies the people try to find a balance between work and life, and people strive for equality and consensus among the people.

4.2.4 Uncertainty avoidance

The fourth dimension is uncertainty avoidance on which Latin American countries score relatively high. Also German speaking countries and western European countries score relatively high on this dimension. This means that all these societies prefer to avoid uncertainty and taking risks. In these countries people prefer to have stricter rules, to avoid ambiguous situations. Exceptions to those countries are Nordic countries. For instance Denmark has a very low score on this dimension which means that they do not avoid taking risks, and therefore do not need a lot of structure and

rules in their life. And they are not scared to try new things. This factor contributes to the fact that Denmark innovates a lot, and therefore produces a lot of innovative products.

4.2.5 Long-term orientation

In most research that has been done, the last dimension is long-term orientation. The score for Latin American countries on this dimension is low, which indicates that the societies are not aimed towards the future, but merely towards the present, respecting the traditions and rituals of the past. In the European countries the score on this dimension on average is moderate, but still indicating short-term orientated societies rather than long-term oriented societies, with scores leaning towards the middle in between those two extremities. This means that people in European societies prioritize what is happening in the present, over what might be happening in the future. This consequently results in aiming at quick results and therefore forming impatience.

4.3 Chapter conclusion

To conclude, Gupta et al. (2002) describe the Latin American culture as being "characterized by the practices of high power distance, and low performance orientation, uncertainty avoidance, [low] future orientation, and institutional collectivism. In other words, Latin American societies tend to enact life as it comes, taking its unpredictability as a fact of life, and not overly worrying about results", therefore aiming at a male oriented culture. Compared to Latin American culture, European culture, which one might be unable to call a culture as a whole, because there are many differences among the countries (Ifversen, 2002), is generally characterized by the practices of low power distance, individualism, moderate femininity rate, high uncertainty avoidance and average long term orientation. In figure 3 below, one can see the differences graphically. Two Latin American and European countries have been chosen, to both see differences between Europe and Latin America and the countries in the same continent. The two most noticeable things about the graph is the fact that there is a clear difference between Latin American and European countries on the basis of power distance and individualism vs. collectivism. As shown before, power distance is high in Latin American countries, and low in European countries. And European countries are individualistic, while Latin American countries are collectivistic. As can be seen from the chart, the dimension of long-term orientation has not yet been concretely measured by Hofstede himself in Latin America.

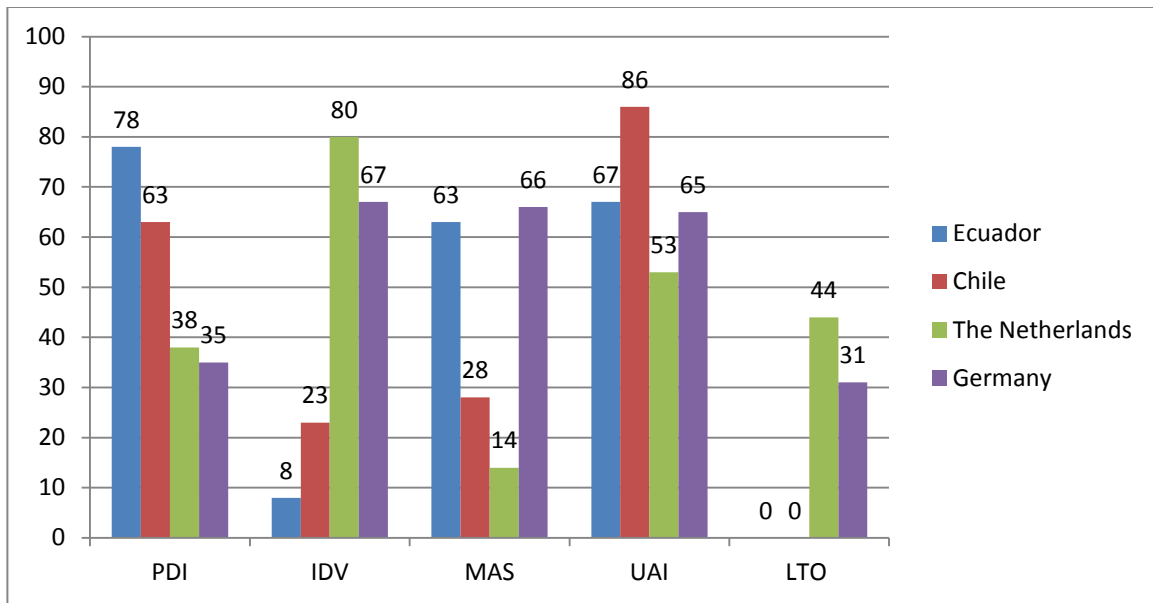


Figure 3: Comparison countries.³

Thus far the three different notions from the initial problem statement, ethics, image and culture, have been discussed. In the next chapter the notions will be brought together to see if the different societies, Latin American and European, influence the relationship between the (un)ethical behavior and the image of a company.

³ Information reprinted from <http://geert-hofstede.com/countries.html> Copyright by © Content by itim international © Design by Holger Nils Pohl, Concept-Designer © Programming by Aiden Tailor at mowaii Creative Agency

Chapter 5: Culture as a moderator

In the previous chapters in this research paper, the different parts of the problem statement have been discussed, namely ethics, image and culture. In this chapter the three main concepts will be brought together, to see if culture influences the relationship between the (un)ethical behavior and the image of a company. This will be done by looking at the relationship between the three (un)ethical behaviors, alcohol use in companies, female discrimination and fairtrade practices, and the image of a company separately, while showing if this relationship is influenced by the two different societies, Latin America and Europe.

5.1 The relationship between alcohol use in companies and company image

As has been discussed in the chapter about ethics (chapter 2), alcohol use in companies can be seen as mistreating employees because alcohol is a very toxic and the most widely consumed drug. Therefore, providing it for one's personnel can be regarded as an unethical practice. Nevertheless, differences between societies do exist whether drinking alcohol can be perceived as unethical or not, depending on the reasons why people drink. Holtzer (2007) shows that in Latin America it has been proved to be socially accepted to drink alcohol. Most consumers of alcohol in this region drink alcohol while they are among friends. Because it is a collectivist society, based on the dimensions of Hofstede, people tend to drink together. Another important thing which Holtzer (2007) shows, is the fact that because of the high power distance that exists in Latin American societies, employees tend not to refuse alcoholic drinks offered by their employers. Refusing drinks from one's employer can be considered rude and because one's status is rather important in Latin America, being rude to one's employer can have negative effects for the employee. Also, men in Latin American countries have the tendency to drink more than women, which the author dedicates to the fact that historically men have more power than women, giving men the right to choose whether to drink or not. Because of these reasons, drinking alcohol in general, and drinking alcoholic drinks provided by one's employer, is not considered unethical, but rather as a socially accepted norm.

For western countries it has been shown before by Crigger et al. (2009) and Harrington, Mosher and Colman (1986) that alcoholic drinks hosted by an employer is perceived to be highly unethical, because of the negative consequences alcohol can entail, for either the consumer of alcohol or outsiders. Whereas a report by the World Health Organization (http://www.who.int/substance_abuse/publications/global_alcohol_report/en/) shows that in European countries, the level of alcohol consumption is the highest compared to the rest of the world, western societies tend not to appreciate having alcoholic drinks hosted by their employer. This can be explained by the low power distance which prevails in European societies, according to Hofstede, therefore employees can decline alcoholic drinks offered by their employer.

As has been shown in the chapter about image (chapter 3), unethical behavior by a company can create negative associations with the company in the mind of the consumer, based on the neural network theory. Because for Latin America drinking alcohol, provided by an employer is not perceived as unethical behavior, this will not create negative associations, and will therefore not negatively influence the image of a company. Alcohol consumption might consequently influence the image of a company positively. On the contrary, in Europe drinking alcohol is not perceived unethical either, but alcoholic drinks hosted by an employer are considered as unethical. Hosting alcoholic drinks as an employer might therefore create negative associations with the company, and might influence the image of the company negatively.

5.2 The relationship between female discrimination and company image

In chapter 2 about ethics, female discrimination has been shown to be unethical in general; because it restricts the rights of female employees which is therefore against human rights every human has (Hopkins, Hopkins & Mitchell, 2008). Nevertheless, whether female discrimination results in a negative image of a company in different cultures will be discussed in this section.

Christensen, Lafferty, Villar del, Mannis, Mykkanen, Spann and Tsuruoka (2008) have written a research paper about women in Latin America, in which they address the situation of female discrimination in the Latin American region. Not only do they show that women get discriminated frequently, the authors also argue that the discrimination is 'tolerated historically'. Because the societies in Latin America are based on traditional habits and ideologies, the stereotypes of women described in the chapter about ethics (chapter 2) play a major role in the present. Because of these stereotypes women are still supposed to be occupied with the family, and are dominated by men. Not only does this result in the discrimination of women in a company, the discrimination process already starts when education starts at a young age. When both males and females get educated, in these societies educating males is more important because based on the stereotypes the male will be having a career, while the female has to be concerned with family life. According to Hofstede, this can be shown by the high score on the masculinity dimension, and because Latin American societies are collectivistic, families tend to be very important. Christensen et al. (2008) also show that the situation for women is steadily improving in Latin America, nevertheless female discrimination is still accepted and tolerated by the society therefore it is not perceived as highly unethical when female discrimination occurs.

On the contrary for Europe, Arnold, Bernardi, Neidermeyer and Schmee (2007), show that 52.2 % of the 200 largest multinational companies have a code of conduct. The companies that are involved in their research are companies from the western world, and all respondents come from Western Europe. In 44% of these cases the notion of appropriate conduct among employees, which includes discrimination, is included in the code of conduct. This means that companies perceive

the manner in which they behave ethically so important that companies include it in the conduct statement. Discrimination of employees is enclosed in the codes of conduct which means that discrimination in general in a company is perceived as highly unethical. Compared to Latin American societies, European societies tend to be more feminine which can explain why female discrimination is found to be unethical in European societies.

As has been shown in Latin America, female discrimination is not perceived as highly unethical because it is still tolerated. In the chapter about image (chapter 3), it has been stated that behavior by a company can influence the image of a company, by creating associations in the mind of the consumer. Whereas in Latin America female discrimination is not perceived as unethical behavior, it does not create negative associations, and female discrimination therefore does not influence the image of a company negatively. Female discrimination might consequently influence the image of a company positively. Compared to Europe where female discrimination and discrimination in general, is perceived as highly unethical. Unethical behavior can raise negative associations in the mind of consumers with the company (as shown in chapter 3), which will influence the image negatively.

5.3 The relationship between fairtrade practices and company image

Fairtrade practices are very important in Latin American societies. Because as has been shown before, fairtrade practices are aiming at the development and support of local farmers and the visibility of the origin of the products that are produced. Most products that are aimed at by fairtrade practices, for instance fairtrade coffee and fairtrade bananas, originate from Latin America and Africa (Farnworth & Goodman, 2008). Because fairtrade products originate from Latin America, farmers in this region are supported and are developing because of fairtrade practices. Therefore fairtrade practices will be considered as highly ethical in the Latin American region, because of the support local farmers gain while being involved in fairtrade practices. Whether Latin American consumers appreciate fair trade products, is yet unclear, and more research will have to be conducted to draw a definite conclusion.

Farnworth & Goodman (2008) also show that the importance for western countries, under which Europe, is that more clarity and awareness about where the product originates from is created for the consumer. When products are traded the regular way, it can be stated that the trade is 'unfair' (Farnworth & Goodman, 2008) because the traders in the western societies try to cover up the way the products are produced. Consequently traders can be involved in 'socially unjust practices', by for instance using child labor, without the final consumer of the products knowing this, and therefore basing a purchase decision on imperfect information. Apparently European consumers appreciate fairtrade practices and believe it is important to increase the amount of fairtrade products. That European consumers find fairtrade practices important can be emphasized

by the fact that the average growth of fairtrade product sales has been increasing by 20% since 2000 (Farnworth & Goodman, 2008). That fairtrade practices are found to be important in European societies can be explained by the long term orientation dimension by Hofstede, because by supporting fairtrade practices in the long term the earth can be made into a better place.

It can be said that in both societies fairtrade practices are perceived to be highly ethical, in Latin America because it helps with the development of local farmers, and in Europe because it provides a higher clarity about the origin of the fairtrade products. Thus, whenever a company is involved in fairtrade practices, the associations the consumer has with the company will be positive, influencing the image of the regarding company in a positive manner.

5.4 Chapter conclusion

Alcoholic drinks hosted by an employer, was not found to be unethical in Latin America. Linking this to the dimensions of Hofstede (chapter 4), one can conclude that employees are found to be rude when they decline alcohol provided by their employer, this is based on the high power distance dimension. Also men tend to drink more, because in general the societies in Latin America are found to be masculine. On the contrary in European societies, low power distance prevails, so employees can decline alcoholic drinks.

Female discrimination is not perceived as unethical in Latin America because they are accustomed to it. This can be traced back to their culture, because according to the dimensions of Hofstede, Latin American societies are masculine societies. Also, because Latin American societies are collectivistic, families are very important, and therefore females are still stereotyped to stay at home and take care of the family. Contrary to European societies, where female discrimination is found to be unethical, because those societies are individualistic, and more feminine, in general, compared to Latin American societies.

Fairtrade practices are perceived as ethical in both Latin American and European societies. In Latin American countries it is found to be ethical because it helps with the development of local farmers. In Europe fairtrade practices are perceived as ethical because the practices provide more clarity about the origin of the products purchased by consumers. That fairtrade practices are found to be important in European societies can be explained by the long term orientation dimension by Hofstede, because by supporting fairtrade practices in the long term the earth can be made into a better place.

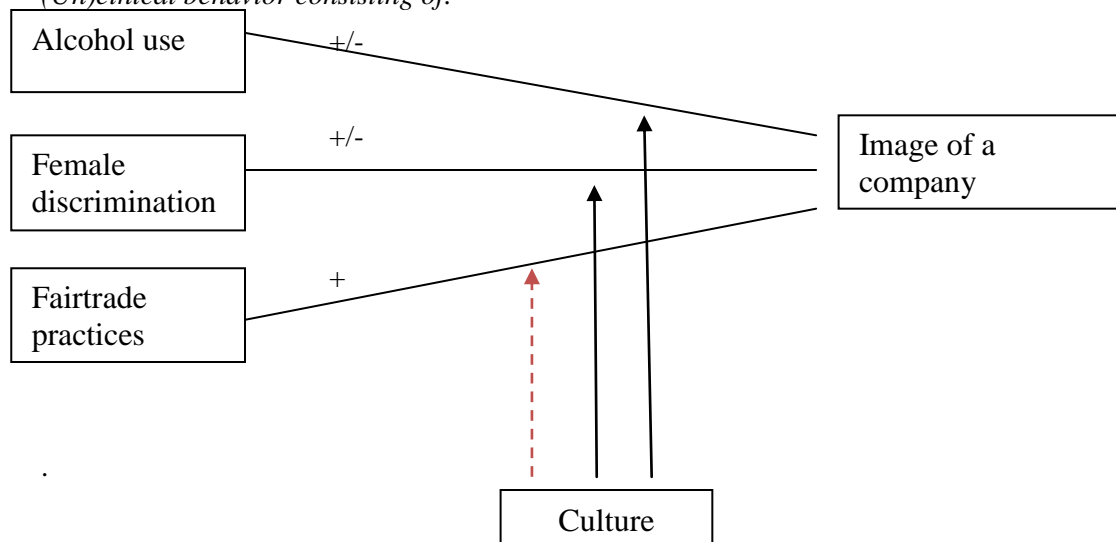
Chapter 6: Conclusion

In this research paper the aim has been to answer the research question: *Does (un)ethical behavior have a negative/positive influence on the image of a company? And does the relationship between the (un)ethical behavior and the image of a company change through culture?* This has been achieved by analyzing the different parts of the question separately, after which they have been joined again in the previous chapter.

Ethical behavior in business has been analyzed based on the five major unethical business practices of the present. Based on these five major practices, three (un)ethical concerns were chosen, alcohol consumption in companies, female discrimination and fairtrade practices, to analyze throughout the research paper. Image has been analyzed with the use of the neural network theory, which describes the processes in the brain which create associations on which the image of a company is based. Whenever positive or negative associations with a company are created, the image of the company will also be more positive or negative.

Afterwards, both cultures, Latin American and European, have been discussed and compared, with the use of the Hofstede model, which tries to analyze different cultures based on several dimensions. Having looked at all the concepts of the research question separately, in the previous chapter the different concepts have been connected. In this chapter it has been shown that culture changes the relationship between alcohol use and female discrimination in companies, and the image of a company. One can consequently state that culture in the case of alcohol use and female discrimination in companies, is a moderator. For fairtrade practices on the contrary, it has been shown that culture does not influence the relationship between fairtrade practices and the image of a company. Based on these conclusions, the model introduced in chapter one is proved to be like underneath, in which the red arrow in the model means that culture has not yet proven to be a moderator regarding fairtrade practices.

(Un)ethical behavior consisting of:



6.1 Recommendations for companies

An image of a company can be a very useful asset for a company (Ambler, Ioannides and Rose, 2000), when the image consumers have in their mind about the company is positive. The research conducted in this research paper has shown that culture, usually, influences the relationship between (un)ethical behavior and the image of a company. This consequently means for companies that behavior they are involved in can, depending on the culture they are operating in, lead to a positive or negative image. Companies therefore should research a new culture they want to operate in, before moving into that new culture, and not just blindly duplicate their company culture from their home country. The way in which a company works at home, might not be appreciated abroad, which might influence the image of a company abroad. For instance whenever a company uses the same company structure, i.e. hierarchy, abroad as in its home country, while the home country is based on low power distance, and abroad might be based on high power distance, situations might be created which are not appreciated in the country the company has moved to. A situation might be that a manager is behaving too amicably towards his employees, while the employees are not used to the situation that they are being approached as peers by their manager. This might create several problems, especially in the way a company is used to operate. Therefore a company should be well informed about a culture they want to operate in.

6.2 Limitations and future research

In this research paper literary analysis has been conducted, which has proven quite fulfilling for the theoretical background. Nevertheless, some literary sources that have been used are not up to date; therefore future research is needed to draw fulfilling conclusions about the present. Besides the fact that literature has not always been up to date, literary analysis alone is not sufficient to draw firm conclusions about the influence of culture on the relationship between (un)ethical behavior and the image of a company.

Even though culture does not show to be a moderator regarding fairtrade practices based on this research paper, it is essential to research fairtrade practices better in order to conclude if culture does not influence the relationship between fairtrade practices and the image of a company. A limitation of this research is that information is missing about the consumption of fairtrade products in Latin America. Therefore it needs to be researched whether fairtrade practices are perceived as ethical practices in Latin America, not just based on the fact that it is ethical to help to develop local farmers, but also whether it is ethical to consume fairtrade products.

Based on the reasons above, more research needs to be conducted in order to provide a final complete conclusion in these specific matters. Therefore, the next and final chapter will be a research proposal, in order to perform future research to reach fulfilling conclusions regarding the influence of (un)ethical behavior on the image of a company, and whether this relationship changes through culture.

Chapter 7: Research Proposal

In this research paper it has become clear that a lot of information exists, and a lot of research has been done on the concepts of the initial problem statement separately. For example a lot of information exists about alcohol use, but not about the effect it has on the image of a company when companies provide alcoholic drinks for their employees. Therefore this proposal aims at the research of the combination between the different specific concepts. Firstly the combination between alcohol use in companies and the image of a company needs to be researched. Secondly the link between female discrimination and the image of a company, and lastly the link between fairtrade practices and the image of a company needs to be researched.

7.1 Method

7.1.2 Design

To research whether (un)ethical behavior influences the image of a company, questionnaires are designed and will have to be filled out. With the results of the questionnaires, regression analysis will be used to identify the relationship between the (un)ethical behavior and the image of a company. In order to reach a normal distribution using statistical techniques, sample sizes should be sufficiently large. A recommended number for respondents in this research proposal is 50 respondents per topic, per culture. For example; in order to research alcohol use in companies, 50 respondents are needed in Latin America, and 50 respondents are needed in Europe. Because three relationships, based on the three (un)ethical issues, are researched in both cultures, this will result in 6 groups of 50 respondents. This adds up to a total of 300 respondents. The respondents will have to participate voluntarily and be allowed to "remain anonymous [by] asking for only the necessary minimum of demographic information, in order to improve the participation rate and elicit more truthful answers" (Tan & Chow, 2009).

Because the research tries to discover whether culture is a moderator, two cultures will have to be compared. Based on this research paper in which four different countries have been compared in detail in chapter 4, the recommended countries to compare during this research are Ecuador and the Netherlands. Those two countries are chosen because they have the most opposite score on the Hofstede dimensions, which might therefore lead to higher and more interesting differences in this research.

7.1.3 Research alcoholic drinks provided by companies

In order to measure the influence the three different (un)ethical behaviors have on the image of a company, the question "How would you rate the image of the company?", which is based on a question from the Handbook for Marketing Research (2006), will be asked to the respondents, after they have read a company description. The scale used to rate the image is a scale of 1- 7, 1 meaning "negative image" to 7 meaning "positive image".

The company descriptions on which the rated images are based are being manipulated, meaning that a group of people will get a scenario in which the company is involved in one of the (un)ethical issues of this research paper, and another group of people will get a scenario in which the company is not involved in one of the (un)ethical issues of this research paper. An example of the manipulation is that a group of respondents will get a situation in which a company provides alcohol for their employees (scenario 1); the other group will get a situation in which a company does not provide alcohol for its employees (scenario 2). The scenarios can be like this:

Scenario 1:

Company A is a company involved in the production and the sales of bananas. The company was found in 1998, by two present board members. Their headquarter is located in California, United States. The company employs 465 people. Every Friday afternoon the employer organizes a gathering in which alcoholic drinks are provided for the employees. Employees work a 40 hour workweek, working eight hours per day. The company already aims at selling at several markets; nevertheless the company is trying to expand their reach every year.

Scenario 2:

Company B is a company involved in the production and the sales of wooden chairs. Their headquarter is located in California, United states. The company employs 465 people, which are spread across the United States. Employees work a 40 hour workweek, working eight hours per day. The company is trying to expand, by starting new operations in Asia and Europe. Yearly sales are increasing, with an amount of \$20 million in 2011. By innovating, designing and creating new products, company B is trying to reach the top of the wooden chair production market.

By having two different scenarios in two different groups, the results of the groups can be compared, and differences that arise between the rated image of both scenarios should become clear.

In order to research if culture is a moderator, every scenario should be rated in both cultures. By having a scenario rated in both cultures, the results of the rated image can be compared, and differences should, based on this research, arise between the rated image of both scenarios in the different cultures, Latin America and Europe.

To not just base the research on the rated image of the scenarios, statements can be asked to get rated after the scenarios have been rated, in order to check if differences do actually exist between cultures. The statements will also have to be rated on a scale from 1 to 7, 1 meaning "Strongly Disagree" to 7 meaning "Strongly Agree". Examples of such statements regarding the scenario about alcohol use above are the following:

1) Sponsored alcoholic drinks by a company for its employees are ethical/appropriate.

2) Catered lunches (including alcohol) by a company for its employees are ethical/appropriate.

The statements can also be rated by respondents who have rated a scenario in which a company was not involved in (un)ethical issues. Doing this, one can still research the influence of (un)ethical behavior on the image of a company, in both cultures.

Chapter 8: References

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Appendices: Questionnaires research proposal

Appendix I: Questionnaire group 1

Scenario 1:

Company A is a company involved in the production and the sales of bananas. The company was found in 1998, by two present board members. The headquarter is located in California, United States. The company employs 465 people. Every Friday afternoon the employer organizes a gathering in which alcoholic drinks are provided for the employees. Employees work a 40 hour workweek, working eight hours per day. The company already aims at selling at several markets; nevertheless the company is trying to expand their reach every year.

Based on the description above, how would you judge the image of the company? From a scale of 1- 7, 1 meaning "negative image" to 7 meaning "positive image".

Now rate the following statements on a scale from 1 to 7, 1 meaning "Strongly Disagree" to 7 meaning "Strongly Agree".

- 1) Sponsored alcoholic drinks by a company for its employees are ethical/appropriate.
- 2) Catered lunches (including alcohol) by a company for its employees are ethical/appropriate.
- 3) Business dinners (including alcohol) by a company are ethical.
- 4) I drink alcohol when my peers do.

Scenario 2:

Company B is a company involved in the production and the sales of wooden chairs. Their headquarter is located in California, United states. The company employs 465 people, which are spread across the United States. Employees work a 40 hour workweek, working eight hours per day. The company is trying to expand, by starting new operations in Asia and Europe. Yearly sales are increasing, with an amount of \$20 million in 2011. By innovating, designing and creating new products, company B is trying to reach the top of the wooden chair production market.

Based on the description above, how would you judge the image of the company? From a scale of 1- 7, 1 meaning "negative image" to 7 meaning "positive image".

Now rate the following statements on a scale from 1 to 7, 1 meaning "Strongly Disagree" to 7 meaning "Strongly Agree".

- 1) In general, men can perform certain duties better than women.
- 2) Tradition should be respected because history is a mirror of the future.
- 3) Female employees cannot work like male employees because they have to be occupied with their family.
- 4) Excluding certain groups of people is justified to achieve better results.

Appendix II: Questionnaire group 2

Scenario 1:

Company A is a company involved in the production and the sales of fairtrade bananas, which aims at helping local farmers in less developed areas. The company was found in 1998, by two present board members. They started the company by simply shipping the bananas from the production location to the selling location. The headquarter is located in California, United States. The company employs 465 people. Employees work a 40 hour workweek, working eight hours per day. The company already aims at selling at several markets; nevertheless the company is trying to expand their reach every year.

Based on the description above, how would you judge the image of the company? From a scale of 1- 7, 1 meaning "negative image" to 7 meaning "positive image".

Now rate the following statements on a scale from 1 to 7, 1 meaning "Strongly Disagree" to 7 meaning "Strongly Agree".

- 1) In general whenever the choice exists between fairtrade and normal products, I choose fairtrade products.
- 2) The origin of fairtrade products is clear to me.
- 3) I associate fairtrade with the development and support of local farmers
- 4) The development of local farmers should be stimulated
- 5) Fairtrade products do not have any added value.

Scenario 2:

Company B is a company involved in the production and the sales of wooden chairs. Their headquarter is located in California, United states. The company employs 465 people, which are spread across the United States. Employees work a 40 hour workweek, working eight hours per day. The company is trying to expand, by starting new operations in Asia and Europe. Yearly sales are increasing, with an amount of \$20 million in 2011. By

innovating, designing and creating new products, company B is trying to reach the top of the wooden chair production market.

Based on the description above, how would you judge the image of the company? From a scale of 1- 7, 1 meaning "negative image" to 7 meaning "positive image".

Now rate the following statements on a scale from 1 to 7, 1 meaning "Strongly Disagree" to 7 meaning "Strongly Agree".

- 1) Sponsored alcoholic drinks by a company for its employees are ethical/appropriate.
- 2) Catered lunches (including alcohol) by a company for its employees are ethical/appropriate.
- 3) Business dinners (including alcohol) by a company are ethical.
- 4) I drink alcohol when my peers do.

Appendix III: Questionnaire group 3

Scenario 1:

Company A is a company involved in the production and the sales of bananas. The headquarter is located in California, United States. The company was found in 1998, by two present board members. They started the company by simply shipping the bananas from the production location to the selling location. The company employs 465 people, of whom 72% is male, the remaining employees are female. Employees work a 40 hour workweek, working eight hours per day. The company already aims at selling in several markets; nevertheless the company is trying to expand their reach every year.

Based on the description above, how would you judge the image of the company? From a scale of 1- 7, 1 meaning "negative image" to 7 meaning "positive image".

Now rate the following statements on a scale from 1 to 7, 1 meaning "Strongly Disagree" to 7 meaning "Strongly Agree".

- 1) In general, men can perform certain duties better than women.
- 2) Tradition should be respected because history is a mirror of the future.
- 3) Female employees cannot work like male employees because they have to be occupied with their family.
- 4) Excluding certain groups of people is justified to achieve better results.

Scenario 2:

Company B is a company involved in the production and the sales of wooden chairs. Their headquarter is located in California, United states. The company employs 465 people, which are spread across the United States. Employees work a 40 hour workweek, working eight hours per day. The company is trying to expand, by starting new operations in Asia and Europe. Yearly sales are increasing, with an amount of \$20 million in 2011. By innovating, designing and creating new products, company B is trying to reach the top of the wooden chair production market.

Based on the description above, how would you judge the image of the company? From a scale of 1- 7, 1 meaning "negative image" to 7 meaning "positive image".

Now rate the following statements on a scale from 1 to 7, 1 meaning "Strongly Disagree" to 7 meaning "Strongly Agree".

- 1) In general whenever the choice exists between fairtrade and normal products, I choose fairtrade products.
- 2) The origin of fairtrade products is clear to me.
- 3) I associate fairtrade products with the development and support of local farmers.
- 4) The development of local farmers should be stimulated.
- 5) Fairtrade products do not have any added value.