EFFECTIVE ETHICS MANAGEMENT AND CULTURE: EXAMINATION OF INTERNAL REPORTING AND WHISTLEBLOWING WITHIN A NAFTA MEMBER CONTEXT.

A DISSERTATION SUBMITTED TO THE GRADUATE DIVISION OF THE UNIVERSITY OF HAWAI‘I IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF DOCTOR OF PHILOSOPHY IN INTERNATIONAL MANAGEMENT AUGUST 2004

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This dissertation is dedicated to my grandfather, Pete Mac Nab, who was unable to attend college but worked to help support his brother’s university education.
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ABSTRACT

Sampling 1,187 business professionals, this research effort examines the potential relation of Hofstede culture dimensions to the propensity for, and potential effectiveness of, both internal reporting and whistle blowing as ethics management tools within a NAFTA (North American Free Trade Agreement) context. Samples from a total of ten regions in the U.S., Canada and Mexico were taken to help increase the accuracy and meaningfulness of the findings by recognizing diversity within culturally complex nations. Of the cultural Hofstede dimensions examined, uncertainty avoidance and power distance had the most consistent and significant relations to whistle blowing and internal reporting, while collectivism was not found to have a significant impact. Managers who better understand the specific cultural links to identified areas of ethics management, like internal reporting and whistle blowing, stand an increased probability of crafting the most effective organizational strategies in this area. Researchers can gain from increased insight, allowing departure from assumptions of how cultural dimensions might influence ethics management to an empirically based position.
1. What are the larger issues and where will this work fall within that perspective?

*Ethics management tools have sometimes been assumed as culture free. Additionally, research has assumed that all cultural dimensions work equally to influence the acceptability of such tools. Both approaches are inappropriate and this study examines the specific influence of culture on a dimension by dimension basis.*

2. What is the main research question?

*How do specific dimensions of culture and group identity potentially influence the acceptability and utility of internal reporting and whistleblowing?*

3. Why does this matter?

*The utility of most management tools are influenced by the appropriateness of the instrument to both the user and the intended goal. Mediation* (Vygotsky, 1978) *requires that for most effective artifact design, a reasonable match to the user exist. Effective ethics management instrument design will require an understanding of how appropriate the tool (internal reporting and whistleblowing) fits the intended user who is bound in a cultural reality. Both Hofstede (1980, 2001) and Vygotsky (1978) suggest that culture is a basic starting point for examination of instrument utility with subject to instrument mediation. As a starting point of consideration in the mediation process, cultural perspectives and influences are potentially important but are not exclusive in their impact to the process.*

4. What is the scope of the project?

*Examination of Hofstede cultural dimensions as holding an exogenous relation to propensities for internal reporting and whistleblowing (endogenous items). National-level examination will take place with future work, delving into more regional and idiocentric aspects.*

5. What are the specific questions?

*How will culture, as parameterized by Hofstede dimensions, moderate subject propensity for internal reporting and whistleblowing?*

*What considerations should management explore for implementation of such tools in foreign contexts?*

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1 Mediation is a term that is used throughout this dissertation as specific nomenclature related to Vygotsky activity theory. For Vygotsky theorists, mediation refers to the process of developing, implementing and using tools (concrete or abstract) for achievement of a specific purpose.
Is there both quantitative and theoretical evidence for the separation of internal reporting and whistleblowing?

6. What is the theoretical framework?

This research combines Vygotsky’s (1978) Activity Theory with Hofstede’s (1980) dimensions of culture to examine culture’s potential influence on the mediation of target ethics management tools.

7. What is the basic empirical methodology being used?

Hierarchical hypotheses testing using structural equation modeling. The structural model includes Hofstede dimensions of culture as exogenous, latent variables (independent) with internal reporting and whistleblowing as the model’s endogenous, latent variables (dependent). See appendix A and B.
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CHAPTER 1. INTRODUCTION

The importance for sound organizational management of ethics has become more apparent during the first part of the new millennium. Well-publicized organizational and individual ethical breaches (e.g., Tyco, Enron, WorldCom, Arthur Andersen, Abu Ghraib prison) have had multiple influences – including damage to the organization, disruption of stakeholder wellbeing and even more holistic economic fallout. At the outset of this research effort several years ago it was still necessary to explain and justify to some colleagues why the focus on ethics management was important. It is no longer necessary to make such explanations, as they have now become much more tacit in nature.

However, for many western organizations, the challenge is not, and has not been, the lack of any moral direction. In fact, the literature supports, for example, that most major U.S. corporations have already developed at least a basic understanding of ethical standards as demonstrated through codes of conduct, legal guidelines, policies or as exemplified in mission and vision statements. For a vast majority of these organizations, the question is not what are the standards but how to successfully manage the organization to effectively support and follow these standards. Ethics management, as defined by this research, refers to the methods, tools, policies and concepts used to influence the moral climate or direction of an organization or group. For example, WorldCom was not a company without ethical codes of conduct and defined ethical guidelines; however, it was an organization unable to successfully implement systems and a management process to support these identified standards.

The thrust of this research is to specifically examine the common ethics management tools of internal reporting and whistleblowing within a cross-cultural psychology framework. In doing so a more refined and accurate distinction will be made to identify the nuances between
internal reporting and whistleblowing. Because they are quite different and have different impact on the organization, this distinction needs to be made. Additionally, too often the current ethics management literature incorrectly fails to make the distinction. This research will make this examination not only on a U.S. national perspective but in a cross-cultural perspective.

Research has clearly established the need to carefully consider cultural psychology when using management techniques in foreign contexts. However, it is not uncommon that, both in practice and in the literature, aspects of ethics management are assumed as “culture free” – as if the moral nature of their intended purpose automatically supercedes the foreign culture. Nevertheless, both ethics and management have been found to be influenced by cultural psychology. Therefore, specific aspects (e.g., tools) of ethics management also need to be carefully considered and examined with automatic assumptions of effectiveness or applicability abandoned.

Inasmuch, this research effort is carefully constructed to examine the potential effectiveness of identified ethics management tools within a cross-cultural framework. Business professionals from all NAFTA (North American Free Trade Agreement which includes Canada, the U.S. and Mexico) member countries (Canada, the U.S. and Mexico) were examined for this work. However, the rigor of the investigation did not stop there. A total of ten diverse regions countries were examined.

Although aspects of Western Hemisphere trade are currently being negotiated and grappled with (Hakin, 2004), trade expansion is predicted to continue over the next decade. Chile has already successfully negotiated a free trade agreement with the U.S. while Peru and Ecuador are seeking advice on how to do the same. FTAA (Free Trade Area of the Americas) developments are currently progressing for an expanded version of the 1991-1993 negotiated
NAFTA. Under a FTAA agreement, more nations in South and Central America would participate in trade liberalization with current NAFTA members. As cross-cultural activity increases in this context, questions surface regarding the effective management of ethics. Are the ethics management approaches of one culture appropriate in another? How sensitive to culture are well-known ethics management tools like whistleblowing and internal reporting? Can such tools be appropriately adjusted for increased cross-cultural effectiveness? Solomon (1992) sums it up well by stating that important aspects of ethics management are contextual and one of the problems with theories which attempt to develop culture-free approaches is that they try to transcend context and end up with vacuity.

This research also introduces the idea of pseudo-emic. Cross-cultural research in general, and ethics management research in particular, is too often constructed around generalizations whereby limited samples of complex, culturally diverse regions (nations) are assumed to apply nationally – for example the research that samples from New York city and makes broad statements about the United States in general. As task complexity of the context increases (e.g., managing an international joint venture v. managing a casual tourist group of thirty people), these types of pseudo-emic generalizations can create a variety of misunderstandings, disconfirmed expectancies and unsuccessful results. Pseudo-emic research is typified by inaccurate representation of the identified sub-region (often a nation). Pseudo-emic research can be created from several influences or combinations: a) sample not representative of any meaningful regional diversity; b) lack of identification of sample origin in a culturally diverse nation; c) misinterpretation of the findings; d) improper psychometric instrument development (e.g., lack of proper regional interpretation).
Although this current research effort does not sample all meaningful regional diversity in subject nations, it does develop a diverse regional mosaic for each and clearly identifies what regions of said nations were sampled, thus allowing it to avoid the sometimes common pseudo-emic trap.

Theoretically, this research combines the work of Vygotsky (1978) and Hofstede (1980) to construct a platform from which to examine culture’s potential influence on internal reporting and whistleblowing. Vygotsky’s activity theory mandates that for successful tool mediation, reasonable and good cultural fit must exist between instrument and subject for the intended goal and purpose. Poor mediation will require that the subject focus too much attention on peripheral considerations and such instruments face higher probability of rejection or poor performance facilitation. Hofstede provides a functional parameterization of culture for this study. Vygotsky theory specifically provides the inclusion of moral control mechanisms as instruments and tools and thus the match is sound for this study.

A summary of the research effort includes:

- Psychometric instrument development for internal reporting and whistleblowing (residual).
- Psychometric instrument development for Hofstede cultural dimensions (residual).
- Examination of the distinction between internal reporting and whistleblowing.
- Specific examination of culture’s influence on internal reporting (main).
- Specific examination of culture’s influence on whistleblowing (main).

The extent of project management for this dissertation has been significant and the overall effort has benefited by attracting two Fulbright awards. The financial support of the William J. Fulbright foundation has elevated this effort from a normal dissertation scope to one of longer reaching research potential. As part of a project to examine the potentially important
influence of culture on specific aspects of ethics management, this research combines the team efforts of thirteen professors from ten regions of the U.S., Canada and Mexico. The study gathered quantitative and qualitative information in each region with special emphasis on aspects of culture and ethics management.

In the remainder of this introduction provides a summary of the dissertation and chapters that follow. The intention is to develop a guide for the reader and to provide a non-technical review of the contributions of this work.

Chapter two develops the concept of ethics management. In addition chapter two will carefully compare and contrast internal reporting and whistleblowing, providing a clear distinction between the two. In developing this distinction, a literature review of relevant ethics management studies in cross-cultural contexts will be examined.

Chapter three constructs the theoretical platform from which this dissertation examines internal reporting and whistleblowing in a cross-cultural context. Culture is examined as relevant to the purpose of artifact design in ethics management tools and also with effective subject to instrument mediation for intended purpose. A theoretical model is developed to illustrate the linkages between individual, culture and instrument. Also examined in this chapter is the concept of pseudo-emic and the dangers it poses to ethics management research. Proposed solutions for pseudo-emic research are examined. Finally, chapter three develops the specific research hypotheses for this work and supporting theory behind hypotheses development and provides a structural model (structural equation modeling) for the research (also see appendix B).

Chapter four reviews the methodological aspects of the dissertation. Because this study developed new instruments for measuring both exogenous (independent latent variables) and endogenous (dependent latent variables) pilot and validity testing were required and took place
in two phases. Our pilot and validity tests required instrument adjustment, eventually leaving three exogenous (i.e., independent latent constructs) variables for culture. Because the study was conducted in three languages (English, French-Canadian and Mexican-Spanish) back-translation efforts for the psychometric instrument are also described. Chapter four will also review basic sampling parameters and subject summary information.

Chapter five lays out the results of the study’s analysis in a hierarchical hypotheses testing format. The strength of each of the six proposed hypotheses are examined and reported.

Chapter six develops a discussion of the findings and results. Recommendations for use and development of ethics management tools are provided with specific emphasis on internal reporting and whistleblowing. Research limitations are examined and recommendations for future studies are developed in chapter seven.
CHAPTER 2. ETHICS MANAGEMENT, INTERNAL REPORTING & WHISTLEBLOWING

Literature Review and Distinctions Between Internal Reporting and Whistleblowing

Business ethics are applied ethics (Valasquez, 1992) and the field of business ethics has been in a state of elevated interest over the past decade. One only need examine the news headlines to understand the implications, ramifications and significant impact ethical decisions, in the form of management action or non-action, has both on the organization and to the external environment – up to and including the general economic environment. Additionally, unethical behavior within organizations may have an adverse influence on organizational performance (Beu & Buckley, 2001) and moral in terms of job satisfaction, organizational commitment and turnover (Schwepker, 2001). The fact that western business schools have identified this as an important subject in which to educate future, would-be management professionals (with over 90% of U.S. business schools now offering course work in the sub-discipline of business ethics) accentuates the importance in this field and proposed study even more. This focus is not only a U.S. phenomena. Between 1987 and 1991 25% of companies surveyed internationally had sponsored new ethics programs and there was a 40% increase in the number of European CEOs making ethical policies in their organizations.

While comprehensive, theoretical and philosophical examination of the general ethics topic have been previously developed (Becker & Becker, 1992; Broad, 1959; Moore, 1903; Sidgwick, 1907; Singer, 1994), with a notable representation of the topic in specific business contexts (Donaldson & Dunfee, 1999; Enderle & Werhane, 1997; Reidenbach & Robin, 1991; Robin, 2000) and in a NAFTA regions (Arruda, 1997; DiNorcia, 1997; Dunfee and Werhane, 1997; Elehee et al., 2002; Pasquero, 1997; Ulshofer, 2000; ), there has been comparatively less focus on sound, empirical research for aspects of ethics management. Although such research is
by no means absent from the literature (Allen, 1995; Gray, 1996; Hian & El’fred, 2001; Jakubowski et al., 2002; Kaptein & Wempe, 1998; Schwartz, 2001; Yeh-Yun Lin, 1999), there is a call for better understanding of the topic within a specific, NAFTA context (Hood & Logsdon, 2002).

2.1 ETHICS MANAGEMENT

Ethics requires management within an organization although the degree and form will vary from organization to organization and from context to context. Ethics management specifically is used as a term to define a set of practices and tools to manage organizational ethics. Inasmuch ethics management is defined as the methods, tools, instruments, policies and concepts used to influence moral climate or direction of an organization or group. For example, whistleblowing, codes of conduct, mission statements, reporting structures/feedback mechanisms, goal setting, leadership type/example, reward/punishment mechanisms, grapevines/gossip and organizational audits could all be examples (although not exhaustive) of this arena. Indeed it is a long list of organizational tools that could be used to manage ethics. The spirit of ethics management is that certain tools will be successful in specific contexts while being inappropriate in others. Ethics management is more concerned with managing the ethical goals of an organization rather than attempting to establish those goals for organizations. Once an organization knows where it wants to go in this regard, ethics management techniques can then be applied.

Having said that, ethics management would encourage, as an initial step, organizations to build at least some basic awareness of what their goals in this area might look like. This could be done in a variety of ways depending on context. Once that foundation is established, ethics management can become an effective and active process within the organization. In this regard,
the intended dependent (endogenous latent) variables of this study, internal reporting and whistleblowing, represent specific, sub-categories under the larger ethics management umbrella. While an organization’s ethics management effort will operate within the larger, social parameters and values determining that which is right or wrong behavior.

Even if universal or variform universal aspects of ethics can be agreed upon, the tools used to effectively manage the process cross-culturally and even intra-culturally can be expected to have variance (Weaver, 2001). It is well established that different cultures have a variety of views on the practice of management so there is good reason to question the universal applicability of specific management practices (Adler & Jelinek, 1986; Child, 1981). Why should the management of ethics, arguably a dimension influenced by culture and a variety of other contextual elements, be any different? Yet, a presumption of culture-free ethics management is sometimes still visible in research.

2.2 DISTINCTION BETWEEN WHISTLEBLOWING AND INTERNAL REPORTING

Rusbult et al. (1988) developed the dimension of voice as concept that is suggested as one useful tool for researchers wishing to develop discussion and analysis of both whistleblowing and internal reporting simultaneously and without distinction – as apposed to incorrectly referring to both internal reporting and whistleblowing as simply “whistleblowing”. Voice, in part, is communication of organizational problems internally and/or seeking help from outside agencies. However, as this section develops, there are important aspects differentiating the two instruments of internal reporting and whistle blowing which are relevant to ethics management practice and research.

Whistleblowing is a visible topic as it was one of the main instruments that brought to light a number of well-publicized, corporate failures with particular emphasis, but not exclusive
to, the U.S. The topic receives mixed responses from society ranging from being viewed as an admirable activity to being traitorous. Western society (specifically the U.S.) seems to have many examples that represent this paradox. As children we are taught not to be “tattle tales” yet are often encouraged to report unusual, dangerous or otherwise suspicious activities of friends, classmates and strangers – thus the paradox begins at an early age. In fact, King (2000) specifically suggests that, because of culture as a moderator for attitude, some people view such reporting as tattling while others view it as justified and part of role responsibility. Time Magazine named three females as “persons of the year” in 2002 for their whistleblowing efforts which lead to significant repercussions in the FBI, Enron and WorldCom (Time 160 (27), 30-60). Additionally, increased focus on business codes of ethics, particularly in the West, has heightened the need for companies to detect deviation from codes of conduct (Kaptein, 2002; Weaver et al., 1999), despite potential content differences (Wood, 2000), in order to make them meaningful. In other words, an organization’s code becomes less relevant when it is not somehow managed or enforced.

Empirical research has been conducted that examines societal perceptions of whistleblowers (Grant, 2002). The aforementioned Time article based on a poll of 1,066 U.S. adults which found that 59% view whistleblowers to be heroes while 18% categorized them as traitors. Brody, Coulter & Mihalek (1998) developed a study that examined the potential cultural impact on the acceptability of whistleblowing between the U.S. and Japan while Patel (2003) has specifically examined the phenomena within an Australian, Malaysian and Indian context. Others have studied the differences between types of professions in relation to the acceptability of whistleblowing. O’Clock & Okleshen (1993) compared engineering and business students on
the issue of whistleblowing and found some subtle differences in relation to consideration of context.

Whistleblowing and internal reporting are two different ethics management tools available to organizations (King, 2000). While some good research and commentary seems to not clearly delineate between the two (Hearn, 1999; Kaplan & Kleiner, 2000; Patel, 2003), others have made a more clear distinction. Tavakolian (1994) specifically distinguishes between whistleblowing and internal whistleblowing or internal reporting, while others have made special distinction to external whistleblowing (Kaptein, 2002; Rothschild & Miethe, 1999). King (2000) clearly distinguishes peer reporting from whistleblowing and defines it as, "a form of lateral control used by co-workers within an organization." We believe there are important, meaningful differences in separating the nuances of both. For example, effective internal reporting systems have been argued as a potential protective mechanism against whistleblowing (Barnett, 1992; Keenean & Krueger, 1992; Rothschild & Miethe, 1999; Singer, 1996). Also, compared to keeping matters inside, whistleblowing is often viewed as potentially more risky for the target organization in terms of legal cost, legal sentencing, decreased sales, negative publicity and goodwill fallout (Keenan & Krueger, 1992; Vinten, 1992). However, some have supported more longitudinally beneficial fallout, such as overall operational improvement, from whistleblowing to the organization (Brief & Motowidlo, 1986; Ferrell, O. LeClair & Ferrell, L. 1998; Hooks, Kapalan & Schultz 1994; Miceli, Near & Schwenk, 1991).

The specific topic of whistleblowing is an area of ethics management research that has received recent attention (Alford, 1999; Beattie, 2000; Brody, Coulter & Lin, 1999; Patel, 2003; Sims & Keenan, 1999; Tavakoli et al., 2003). Agent risks have been associated with the act of whistleblowing, including general retaliation (Rechtschaffer & Yardley, 1995) and retaliation
specifically from upper level management (Miceli & Near, 1992). Failure to whistle blow can create agent stress due to potential violation of personal ethical precepts (Loeb & Cory, 1989).

Definitions of whistleblowing have the following common elements (Jubb, 1999; Miceli & Near, 1992; Tavakoli, Keenan & Crnjak-Karanovic, 2003):

1. communication or information sharing that is unauthorized by the target organization;
2. normally voluntary (related to the message sender);
3. currently or formerly associated with the target organization;
4. focusing on potentially illegal, unethical or improper acts;
5. to an empowered entity;
6. external to the target organization;
7. with a potential or desired outcome or consequence.

Although the above seven parameters provide good detail, a straightforward definition has been proposed as “the unauthorized and voluntary reporting of illegal or improper acts within an organization to authorities outside the organizations” (Courtemanche, 1988). The phrase whistleblowing has often been related to sports and a referee sounding a loud whistle for a foul, calling all participants (players, spectators, coaches, fans) attention to the situation (Grant, 2002; Jubb, 1999). Although partially useful, it is an inaccurate analogy in the regard that not all participants ratify the actions of the whistleblower while, in most sporting events the referees, although sometimes demonized, almost always are expected to consistently make these calls as officials trained in doing so. In potentially sharp contrast to the referee, a whistleblower may or may not be an expert trained in the area they are reporting, can have ulterior motives (e.g., disgruntled employee) and may not be expected, by all parties, to make such reports.
Currently, in the United States, acts of whistleblowing are protected under the Sarbanes-Oxley Act of 2002 and retaliation against such acts are investigated by the Department of Labor’s office of Administrative Law Judges which currently processes about 125 to 150 retaliation cases each year. However, certain caveats are warranted. The act does not protect individual employees who engage in whistleblowing to the news media. This may be to protect organizations against disgruntled employees who might use whistleblowing as a retaliatory tactic. Also, research shows that both negative and positive social or professional fallout, regardless of the law, will continue to be associated with the act of whistleblowing (Kaplan & Kleiner, 2000; Qusqas & Kleiner, 2001).

Whistleblowing is different from internal reporting. In relation to the seven parameters of whistleblowing outlined above, internal reporting can be compared and contrasted. The main differences are that internal reporting is:

1. communication or information sharing *authorized* by the target organization;
2. to an empowered entity *internal* to the target organization.

Any of the other areas outlined in the seven parameters of whistleblowing can also be shared with internal reporting, which is likely why they are often confused or combined. Depending on the organizational artifacts, internal reporting may or may not be voluntary. For example, if airline pilots are seen drinking alcohol prior to a flight, their colleague(s) would be required to report such activity to the proper internal sources. Both internal and external ramifications would result. In this case the internal reporting is not voluntary. However, if one sees a colleague taking a box of paperclips home, even if the company has an internal reporting mechanism, the employee is not necessarily required to report their colleague. In other words, sometimes organizations have specific requirements that employees report specific violations
internally. Reviews have been conducted examining internal reporting as a separate phenomena from whistleblowing (Kaptein, 2002, 1998; Morf et al., 1999; Singer, 1996; Trevino et al., 1999; Weiss, 1994) but more empirical research is needed. (King, 2000).

Several non-cultural influences have been examined in specific relation to internal reporting and whistleblowing. Researchers have prescribed that interpersonal closeness (King, 1997), issue seriousness (Miceli & Near, 1992), role responsibility (Miceli et al., 1991), group norms (Greenberger et al., 1987) and organizational culture (Baucus et al., 1985) all have potential influence. So in this manner, individual, situational and organizational influences have all been linked to this study’s target topics. Relevant is this dissertation’s position that other factors influence these behaviors and a position of culture as a moderator will be developed in chapter three.

One common, western example of an internal reporting mechanism is the ethics hotline with over 51% of the largest one thousand U.S. organizations having such a mechanism (Weaver et al., 1999). An ethics hotline is generally a 24 hour service that organizational personnel can use anonymously/confidentially to ask questions about the company’s ethics policies or alert an organizational-affiliated hotline operator to an existing or potential problem (Calhoun & Wolitzer, 2001). Internal reporting mechanisms can potentially protect a company from damaging public relations incidents or legal action by providing a final warning that a crisis is brewing before whistleblowing occurs. They provide a middle point opportunity for organizational agents to report to someone using an ethics management tool that is normally controlled by the organization. The existence of hotlines can bring increased employee satisfaction even if they are not used because sometimes the ability to voice can create satisfaction. A hotline becomes something other than an internal reporting mechanism if the
process is beyond the organization's sphere of influence or control. For example, some professional associations, not affiliated with any one organization, have reporting hotlines (Williams, 2002). Depending on how such organizations use the reported information, this system can turn into an external system or only a quasi-internal system to the target organization.

On the negative side, hotlines can create distrust and are sometimes not viewed as legitimate devices in protecting anonymity. False accusations can easily be constructed. In the U.S. employees appear to not trust corporate ethics hotlines and are suspicious and skeptical of such devices in general (Badaracco & Webb, 1995). However, as common as hotlines have become in the west (Hearn, 1999) little research has been conducted that examines how compatible different cultures are with these internal reporting practices.

Other internal reporting, ethics management instruments can include, but are not limited to, internal ethics audits (Allen, 1995; Gray, 1996; Hill et al., 1992; Hoffman, 1995; Schaefer & Zaller, 1999), ethics help desks (Kaptein, 2002), line or departmental management responsibility (Kaptein & Wempe, 1998), outsourced, but internally-controlled, hotlines (Trevino et al., 1999), ethics officers and ethics commissions (Ethics Officer Association, 2001) and internal, ethics ombudsmen (McDonald & Zepp. 1989; Richardson, 1991).

2.3 CURRENT STATE OF CROSS-CULTURAL RESEARCH FOR WHISTLEBLOWING AND INTERNAL REPORTING

Some cross-cultural research does exist for these ethics management topics, but much more needs to be developed and the currently-existing research demonstrates serious limitation and requires a more rigorous approach. Additionally, there is much more cross-cultural research on whistleblowing than internal reporting, or as mentioned previously, research that simply does not clearly distinguish between the two (Patel, 2003). The following is a
sampling of the available research and the state of analysis for cross-cultural examination in
relation to internal reporting and whistleblowing.

A noticeable amount of the research assumes that specific cultural dimensions
automatically influence whistleblowing or internal reporting without direct measurement of the
relation. One common approach is to select samples from nations that are traditionally on polar
extremes of Hofstede dimensions. A whistleblowing or internal reporting scale is then used to
examine differences and culture, which is not directly measured in these studies, is used as
explanation of any differences. For example, Tavakoli et al. (2003) developed hypothesis
examining U.S. and Croatian subjects in relation to all four original Hofstede dimensions (see
chapter three for a complete review of Hofstede cultural dimensions). Dated Hostede (1980)
rankings on all dimensions are used as surrogate for actual measurement of subject cultural
positions and then used for explanation of differences. Other, often cited, whistleblowing studies
have also progressed down this same path (Schultz, Johnson, Morris & Dyrnes, 1993; Sims &
Keenan 1999). Although this type of research is an important first step as relevant groundwork,
it fails to directly measure if identified cultural dimensions do actually have a meaningful
influence on the target ethics management tools. The assumption that dated Hofstede (1980)
national rankings can serve as a surrogate for actual measurement is a point ethics management
research should progress beyond.

Brody, Coulter & Mihalek (1998) carried out a study that examined the potential
cultural impact on the acceptability of whistleblowing between the U.S. and Japan. Again, the
study does not directly measure culture but assumes a kind of cultural indication from the
selection of response type presented in scenario format. Aside from the low number of samples,
the study provides some direction but not any definitive, quantitative evidence for relating
cultural dimensions to internal reporting or whistleblowing. The study assumes, because subjects are college students and because they would therefore not have been exposed to workplace or industry socialization, that differences between U.S. and Japanese samples can be explained by culture. Brody et al. (1999) also replicated the study for the U.S. and Taiwan and proposed similar hypotheses with similar results. Because of the nature of the studies, the results finding individualism/collectivism are significantly influential to whistleblowing, more empirically sound investigation is needed.

Patel (2003) developed a study examining attitudes and possible propensities for whistleblowing in a Australian, Indian and Chinese context. Although the study develops examination for important cultural influences and even goes so far as to actually measure these parameters using Hofstede’s Values Survey Questionnaire, it does not clearly demonstrate which cultural dimensions had an impact. Hypotheses were developed that explore how cultural differences might influence propensity for whistleblowing but direct measures and relations between specific, identified cultural dimensions as independent variables to whistleblowing were, unfortunately, not examined.

As mentioned previously in this section, relatively little cross-cultural research has been conducted specifically examining internal reporting as opposed to whistleblowing. Some research blends the two (Patel, 2003) creating potential confusion in the results. While whistleblowing has been related to the potential for organizational improvement (Brief & Motowidlo, 1986; Hooks et al., 1994) and protection of investors and other stakeholders (Miceli & Near, 1991), for reasons outlined in section 2.2, it should not be confused as an actual internal reporting device, or as Patel (2003) calls it an “internal control mechanism”.

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There has been some notable research examining internal reporting systems within a western and U.S. context, but relatively little has been examined in cross-cultural contexts. Additionally, there has been a call for more research in the area of internal reporting in general (King, 2000). Tavakolian (1994) examined the use of “internal whistleblowing” as an important option for prevention of whistleblowing while Keenan & Krueger (1992) examine the benefits of “early detection” an internal reporting system can offer. In fact, a number of researchers have specifically linked whistleblowing to the absence of a well managed, internal reporting apparatus (Barnett, 1992; Tavakolian, 1994). Kaptein (2002) specifically recommends internal reporting apparatus as part of an “ethics safety net” and, in part, defines the ethical content of an organization as including such avenues. Additionally, noticeable attention has been paid to the development of internal reporting mechanism within organizations (Ferrell et al., 1998; Kaptein, 1998; Trevino et al., 1999). Kaptein (2002) specifically outlines fourteen critical factors organizations should consider in implementation of a successful internal reporting structure; however, culture and fit to culture is not mentioned.

Conceptualization and individual perception of values, ethics and justice are influenced by an individual’s socialization and enculturation (Brislin, 1981; Hofstede, 2001). These areas, influenced by culture, have also been directly linked to aspects of peer reporting and whistleblowing (Barnett et al., 1996; Trevino & Victor, 1992; Victor et al., 1993). Perception of ethical standards create differing attitudes about reporting activity (King, 2000). Because socialization and enculturation have such a significant impact on areas like values and justice, the implicit link is that culture might be linked to peer reporting (King, 2000).

In customization of internal reporting systems, as is recommended in the literature (Kaptein, 2002), this dissertation proposes that appropriate cultural fit is potentially relevant for
internal reporting success. This dissertation will assert that one possible avenue of cultural influence on ethics management artifacts, including internal reporting and whistleblowing, is through mediation (Vygotsky, 1978; see chapter three for more detail). It is not sound practice for ethics research to assert that internal reporting mechanisms are culture-free when important cultural influences could influence successful adaptation. This research asserts that examination of cultural appropriateness should be part of the critical considerations. There exists a gap in the literature examining this perspective and a call for more specific research examining the potential influence of culture on internal reporting and whistleblowing (King, 2000).

While a clear gap in the literature exists, some research is available. King (2000) developed a case for the importance of culture to aspects of successfully implementing an organizational reporting system. His work, more theoretical than quantitative, suggests that culture acts as a moderator affecting peer reporting behavior through communication styles. Differences in attitude have also been linked to reporting wrongdoing in the workplace (King, 2000).

The work of Thomas and Au (2002) exemplifies the type of examination that this dissertation seeks, in some respects, to emulate. Although not entirely exact to our intended culture dimension-by-dimension approach, the study examined culture's influence as moderating "voice" (Rusbult et al., 1998, see section 2.2) and used direct measures for culture as an independent construct. It is suggested that culture acts as one possible path of influence by effecting behavioral scripts to voice. The research examined horizontal individualism and vertical collectivism (Triandis, 1995) as an interaction between what would be Hofstede power distance and collectivism dimensions (see chapter three for review of Hofstede dimensions). Verticalness is related to high power distance while horizontalness is related to low power
distance and one observed tendency is for individualistic societies to have lower power distance (i.e., horizontal individualism) and collectivistic societies to have high power distance (i.e., vertical collectivism). The research did find an influence of this dual dimension on voice with horizontal individualism having positive relation with the propensity to voice.

While some research begins to blaze the path to better understanding, the intention of this dissertation is to fortify the existing literature by providing a specific, quantitative analysis for a potential dimension-by-dimension, cultural relation to both propensity for internal reporting and whistleblowing.

In closing this section, it is appropriate to summarize some of the weaknesses in cross-cultural ethics management literature. By appropriately identifying these weaknesses, as well as identifying gaps in the literature, one can improve current and future efforts. Weaknesses identified by a review of the currently existing literature include:

- Over-simplified national comparisons that lack empirical support or assume national homogeneity within complex nations.
- Using nationality as an automatic surrogate for culture.
- Tendency to be pseudo-emic in nature (see section 3.3).
- Assumption for applicability of western (American) methods in ethics management cross-culturally. Western parochialism in assumption of applicability.
CHAPTER 3. THEORETICAL MODEL OF CULTURE AND ETHICS MANAGEMENT

The theoretical platform from which this dissertation asserts itself draws from two different but related works, that of Hofstede (1980; 2001) and of Vygotsky (1978). A basic approach to eventual hypotheses development will stem from the idea that culture will act as one possible path for influence through instrument or tool mediation. The structure and importance of culture will be developed via Hofstede cultural dimensions while the concept of instrument or tool mediation will be developed via Vygotsky. The link between culture, instrument and successful mediation will be developed as theory and supported by both Hofstede and Vygotsky.

Even with the rather, and comparatively, underdeveloped management literature available on cross-cultural research in whistleblowing and internal reporting, this dissertation effort is not the first to examine culture's moderating influence on areas within this examination. However, the avenue described as culture's influencing path is different from the approach that will be described in this chapter. Examining the dialectic influence of power distance and collectivism, Thomas and Au (2002) suggested that voice (Rusbult et al., 1988) would be dependent on culture through behavioral scripts. Voice has meaningful relations to whistleblowing and internal reporting in that it has been described as discussing problems internally or externally in seeking solutions to organizational challenges (Thomas & Au, 2002). Other work has developed a theoretical link between both whistleblowing and internal reporting to culture via the avenue of communication and personal attitudes (King, 2000). Examination of peer reporting activity in this manner is not an area of research that has been well developed and there is specific call for more work.

The theoretical approach of this dissertation is complementary yet different from the approaches mentioned above. This study does theoretically suggest that culture will act as
influential to both whistleblowing and internal reporting. So in this manner it is complimentary to the work cited above. However, the approach of this study is the avenue of culture’s potential influence will be developed via instrument mediation.

3.1 VYGOTSKY, ACTIVITY THEORY AND ARTIFACT MEDIATION

Aside from the previously mentioned body of research that develops both the link between, and advocates more research examining, culture and ethics management phenomena, a theoretical link is developed for this dissertation using Vygotsky’s activity theory (Leontiv, 1978; Ratner, 2001; Vygotsky, 1978) and Hofstede’s (1980) cultural dimensions (uncertainty avoidance, individualism/collectivism, power distance, femininity/ masculinity). See section 3.2 for full development of these cultural dimensions.

An initial important note to make about activity theory is that it is, among other things, a general framework that is both ontogenetic and phylogenetic. For these reasons it can be described as a socio-cultural, theoretical platform. Vygotsky theorized that human activity is driven by certain needs and people wishing to achieve a purpose. This activity is mediated (i.e., mediation) by instruments and tools, all of which are culturally bound and influential to the mental characteristics of both individuals and groups. Hofstede (1980) allows for a meaningful parameterization of “culturally bound” as a dynamic and dialectic relation to activity, artifacts and the individual. For example, a corporation’s officer uses ethics management tools with the goal of developing a soundly-running organization. However, the officer is not alone in context.

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1 A complete review of activity theory is beyond the scope of this dissertation, but for examination the of Wertsch (1985), Cole & Maltzman (1969), Engeström (1987) and Hydén (1981) are useful for more information.

2 Ontogenetic refers to the extent that culture reflects biological and psychological constraints and conditions (Keller et al., 2002).

3 Phylogenetic refers to species and cultural uniqueness of populations due to separation of groups and the subsequent divergent drifts (Sudhaus & Rehfeld, 1992). It may be viewed, in some manners, as the opposite of cross-vergence (Ralston et al., 1997).
and works with other managers and employees. The ways of managing, grounded in culture, could be called a specific management practice. It is therefore relevant to examine the appropriateness of certain tool(s), like internal reporting and whistleblowing, in relation to specified, cultural parameters (Bannon & Bødker, 1991). In this regard, we theorize that culture might influence subject propensities to internally report and whistleblow through mediation (Vygotsky, 1978).

Managers mediate their activity with artifacts and tools, and in activity theory, these can specifically include mechanisms for the enforcement of norms (Bannon & Bødker, 1991). The actual design and appropriateness of the tool is crucial in activity theory. Poorly designed ethics management tools, including those which are culturally inappropriate, will not operate as effectively and will require that the user to focus too much attention on unproductive considerations, concerns or dissonance. The tool must fit the individual who is influenced by, among other things, culture and the instrument must also be effective for the accomplishment of desired goals and activity. For example, the most detailed and well-developed internal reporting system would clearly not be effective if employees were uncomfortable in using the system. The result could include non-reporting (King, 2000) in the potential form of exit or hopeful silence (Thomas & Au, 2000). In any case, if employees are not using the system it is not assisting in accomplishing organizational goals and there is sub-optimal mediation. Tools are created and developed during the actual activity and the tools, given a natural development, would carry with them a particular culture. However, in our global business environment, and particularly in multi-national organizations, effective tools from one cultural setting are sometimes transplanted into another setting with the hope of successful mediation.
Human beings mediate their activity with artifacts or tools (Bannon & Bødker, 1991). Examination of the appropriateness of tool design for goal achievement in the individual’s cultural context (i.e., Vygotsky mediation) is one of the first, basic considerations that should be part of the pre-implementation process as the use of these artifacts is part of social activity and because culture is woven into the individual fabric. In fact, it is a requirement of successful mediation that artifacts are allowed to adapt and change with the activity and culture. Culturally alien practices may exhibit a serious lack of legitimacy, potentially generating serious negative effects (Weaver, 2001). If artifacts are forced to exist, without change or modification in foreign contexts, they could, predictably via activity theory, fail as instruments. Simply stated, an artifact works well for the intended activity if it: a) achieves desired goals; b) allows employees to focus attention on the real object. It is therefore also advised that a culture-structure contingency approach (Enz, 1986) be used in analyzing ethics management and in examining the potential effectiveness of artifact design for intended goal and context. Contextual elements are robust and range from cultural to praxis. A praxis represents the actual community of users which may be more detailed than the general cultural setting. For example, in this dissertation, business professionals who are managers or preparing for management careers could be thought of as a certain praxis. A praxis could represent the extra-cultural contexts, several of which were reviewed relating to their relevance to ethics management study earlier in this dissertation.

A theoretical platform for relating and justifying the examination of culture’s potential moderating influence on ethics management tools has been established. The next section will develop one useful structure of culture which will be employed to examine this potential relationship. In closing, it has been suggested that, for organizational contexts, the identification of contradictions within an activity framework can be useful. The idea of contradiction
identification in activity theory will be relevant to the discussion section of this dissertation as justification for potential artifact (ethics management tool) adjustment in foreign contexts. Engeström (1987) along with Bannon & Bødker (1991) suggest, for potential artifact improvement in organizational settings, examination of at least three areas of potential contradiction in direct relation to activity theory:

1. Contradiction between tool and object created (or desired goal/outcome). The artifact or tool is poorly designed for facilitating the desired outcome or intended purpose. An example would be an employee suggestion box that promises anonymity but has no locking mechanism so anyone can rummage through the suggestions at will.

2. Contradiction between praxis norms and division of work. The professional norms of the work environment are in conflict with how the activity is orchestrated with organization members. An example might be a new, college intern tasked with negotiating a solution between two feuding managers in a prestigious law firm where position, rank and title are highly valued.

3. Contradiction between the actual activity and desired activity. There is disagreement between desired work and outcomes and actual work and outcomes. An example is the employee who wishes to develop a high-tech, multi-media presentation with modern equipment and computers but is required to use rubber cement and scissors to put together a poster board presentation in a closet area of a back office.

As supported by this dissertation, it is suggested that at least one other area of contradiction is important in examination of ethics management in cross-cultural contexts:

4. Contradiction between tool and individual socialization into a culture. The instrument is not agreeable to the subject culture values, norms and scripts. Although culture will be examined in
the following section, an example would potentially be organizational policy requiring
termination as a punitive measure to petty office supply theft in a culture that does not support
individual punishments.

For this research effort, the artifacts for dependent examination will be internal reporting
and whistleblowing. Although some may tend to view the word artifact, or tool, as
representative of only tangible objects, Vygotsky theorists clearly provide for more abstract tools
including language and the instruments people use to enforce or monitor rules and norms
(Bannon & Bodker, 1991). In relation to this position and the above possible contradictions,
Bannon & Bodker (1991) also recommend managers ask three questions in identification of
potential contradictions and this research recommends a fourth:

1. What is the objective goal that the artifact will be used to produce? In the case of internal
reporting and whistleblowing, the “goal(s)” that these types of artifacts would be implemented
to produce could be numerous. However, often, the main, espoused objective outcome of the
instruments is to produce information about potential breaches in norms or laws.

2. What is the outcome produced to be used for? Mainly, in our research context, the
instruments are used for regulating the moral climate and activities of an organization.

3. To what extent is the artifact primarily dividing work, an instrument or tool of the actual
production or an enforcement of norms that guide our behavior? Clearly our ethics management
tools are used for enforcement of the norms that we accept.

4. To what extent has the artifact been adapted to the host culture of intended use? How
appropriate is the artifact to the target culture and is there a good match? Was the artifact
developed externally and imported? Did the target group ask for the artifact or were they required or somehow manipulated to use it?

Identification of artifact contradiction is important because it represents areas of considerable and potential incremental improvement in the management process and artifact design. The existence of a contradiction suggests that something in the mediation process needs to be adjusted or changed. Since values and deeper areas of an individual’s psychological and acculturative make up are not easily adjusted (Brislin, 1981; Hofstede, 2001; Vygotsky, 1978) it would be more realistic for management to normally focus on adjustment to the artifact or re-evaluation of goals.

3.2 HOFSTEDE AND CULTURE

The importance of culture as part of the successful mediation process with ethics management tools has been theoretically supported in the previous section using Vygotsky’s Activity Theory (Vygotsky, 1978). In this section culture is defined and one model for the parameterization of culture is established.

A cultural system can be defined as people sharing similar beliefs, customs, norms and “mental programming” (Hofstede, 1997). Most definitions about culture share the following elements: 1) human made elements that are shared through communication; 2) which increase the probability for survival; 3) and result in greater satisfaction for those in the community. Culture is to a society or group what personality is to an individual and includes symbols, heroes, rituals, values and practices (Brislin, 2000a; Hofstede, 2001). Socialization and cultural influences on our values/beliefs have been well established (Brislin, 1981). Trevino (1992) advocates that the intention of business ethics research is not to determine what is ethical or unethical but to assess how variables like culture might influence those perceptions and tools.
used to manage ethics – a position that is directly in alignment with Vygotsky theorists. While a societal context also includes socio-economic, political and other systems, our current study focuses on the influence of culture as a moderator of artifact mediation through individuals. Research both advocates and examines the theoretical meaningfulness of national-level, Hofstede cultural dimensions on aspects of ethics management (Brody et al., 1999; Hood & Logsdon, 2002; Tavakoli et al., 2003). Also, if organizational culture is critical to the success of ethics management (Trevino & Youngblood, 1990) then certainly culture is even more basic and should be examined (Weaver, 2001). However, research presumptions of culture-free ethics management are sometimes visible.

Hofstede (1980; 2001) developed a set of cultural dimensions that our study will utilize as our independent or exogenous variables; these include the following with a brief description:

1. Uncertainty Avoidance: The degree to which adherence to rules are perceived as important. High uncertainty avoiding cultures are less comfortable with vagueness in both the establishment and enforcement of norms. Clarity becomes important in explicit codes, etc. Germany is often viewed as an example of a high uncertainty avoiding culture.

2. Power Distance: The degree to which inequality in power is acceptable. High power distance cultures would show greater, overt respect and deference toward authority figures and would be less comfortable questioning authority. Japan is often viewed as an example of a high power distance culture.

3. Collectivism/Individualism: Refers to the importance and strength of in-group relations. In collectivist cultures people would tend to give greater consideration to maintenance of group harmony and positive group dynamics. Decisions are often made by multiple
persons and not by any one individual. People in individualist cultures tend to make stand alone decisions and hold less importance to in-group relations. Many Asian cultures are often viewed as collectivist while many western-Anglo cultures are viewed as individualist.

4. Femininity/Masculinity: Represents arguably the most multi-dimensional of all the Hofstede (1980) cultural dimensions. Although the dimension does address aspects of traditional gender role strength in different societies, it also addresses aspects not related to gender roles at all. In feminine cultures, traditional male/female roles are not strictly enforced by norms while they are in masculine cultures. Feminine cultures do not embrace conflict for resolution as much as masculine societies. Feminine cultures have greater empathy for the weak while masculine societies admire strength. Finally, feminine cultures embrace quality of life perspectives, like time with family, while masculine societies are more attracted to quantity of life perspectives like wealth generation and success. Scandinavian cultures are often considered to be high femininity.

Later, Bond (1987) added a fifth dimension called Confucian dynamism that is often related to Asian cultures. It is multi-dimensional and embraces concepts like long-term orientation and frugality. Many aspects of this complex dimension have been related to the philosophy of Confucius and thus the name. The Hofstede dimensions are used in this review as an example of culture’s potential modifying influence on ethics management with the realization that there are other frameworks with highly valuable components that could also be used with this type of review (Fiske, 1992; Schwartz, 1990; Triandis, 1982-1983; Triandis et al., 1995; Trompenaars,
Although meaningful in their expansion of Hofstede constructs, this study uses the Hofstede dimensions for the following reasons:

1. Recognizable: The dimensions are recognizable in management research literature and can therefore be used as a point of comparison with other studies. Additionally, many alternative approaches to cultural parameterization have also used at least some of the actual Hofstede (1980) dimensions (Schwartz, 1990; Triandis et al., 1995; Trompenaars et al., 1998).

2. Comparative appropriateness: One of the more respected alternative approaches to parameterization of culture is with Schwartz and the Schwartz Values Survey (1990). However, the Schwartz dimensions were constructed in a study mainly using high school teachers as subjects and, therefore, have been suggested as not being the most appropriate structure for development of management studies (Sagiv & Schwartz, 2000). This position is also supported by Nakata and Sivakumar (1996), who refer to the Hofstede dimensions as the most extensive examination of cross-national values in a managerial context.

This dissertation examines subjects within a specific setting of society and the results are specifically geared toward that segment – management. This study does not automatically profess that findings are applicable to all segments of subject societies. Although the findings may be more widely applicable, we leave this conclusion to the reader and to future work in expansion of this present effort.

This study actually measures cultural constructs as suggested by Schaffer & Riordan (2003) as apposed to automatically relying on the 1980 rankings from the original Hofstede study. Hofstede (2001, p. 12) himself emphasizes that external influences to culture, such as economic
and trade, can eventually shift cultural perspectives. Between the subject nations of our study, it could certainly be argued that important socio-economic shifts (e.g., NAFTA) have taken place since the original Hofstede study, justifying current measures for these independent, latent constructs.

Finally, one should not assume that cultural identity always trumps an individual's identity. Although both are interwoven, important research has been conducted which demonstrates that individuals, or even groups of individuals, living in cultures that have been identified with specific properties can deviate because of individual or other nuances – referred to as *idiocentrism* (Triandis et al., 1995). An idiocentric example would be the tattoo branded, motorcycle driving Japanese national who simply does not avoid or mind standing out in a crowd – an *individualist* living and socialized within a *collectivist* society. So, although this research examines generalizations relating culture to certain management tools, it should also be assumed that some individuals, and possibly even cult-groups, will naturally deviate from general patterns.

3.3 ETIC, EMIC & PSEUDO-EMIC

Cross-cultural researchers have laid out important groundwork in demonstrating both potential pitfalls and in proposing guidance for developing research across borders (McDonald, 2000). For our purposes, the idea of emic and etic (Triandis & Marin, 1983) holds particularly important value. *Emic* approaches to research are studies conducted within a cultural system based on data representative of only that cultural landscape. It holds that such research would generally be of greatest value when making conclusions about the culture of focus. The emic approach targets examination of a phenomena or construct within a specific culture and understanding this from the perspective of that identified culture (Gudykunst, 1997). An
example of an emic study would be research of Danish parenting habits in relation to single working adults in that country. The research is, arguably, culturally focused and is not attempting to make any real cross-cultural comparisons. The study subjects are Danes and the conclusions are about Danish parenting habits.

On the other hand, etic approaches to research are studies conducted cross-culturally in order to extract, for example, common elements. Hofstede’s (1980) study is a prime example of an etic approach to cross-cultural research. Etic research has the potential for making much broader, and culturally sweeping, conclusions that are often beyond the scope of only one cultural landscape. The etic approach encompasses a broader, comparative type of examination involving two or more cultures (Schaffer & Riordan, 2003).

One nuance that sometimes becomes lost is that the etic/emic distinction not only refers to a) the instrument and construct(s) being used but also b) the target subject(s) and c) the type of conclusions drawn. It seems that there can be a focus on the former without enough emphasis on the latter two elements. This distinction will become important in explaining the pseudo-emic position – something that much of the cross-cultural ethics research has become. Pseudo-etic research occurs, for example, when taking an emic tool and using it as if it were etic. The assumption that key constructs exist equally across subject cultures is considered pseudo-etic (Berry, 1990; Schaffer & Riorden, 2003).

Pseudo-emic research seems to occur most often when an etic or quasi-etic tool is applied to a non-representative sample of an “emic” group and emic group conclusions are drawn or assumed from the observation. The approach assumes cultural specificity without supporting evidence. This is particularly problematic in studies involving regionally and culturally complex nations whereby diversity can be significant (McDonald, 2000). This fallacy is often replicated
in the same research and extended to several nations (assumed homogeneous) and cross-cultural ethics conclusions are questionably drawn. In fact, much of the cross-cultural ethics research engages in this error. Examples of this position are easy to come by and the following review is only representative and not exhaustive.

3.3.1 ASSUMPTION OF HOMOGENEITY LEADING TO PSEUDO-EMIC CONCLUSIONS

Maignan (2001) investigated a cross-cultural comparison of perceptions of social responsibility. In doing so he drew only east-coast samples from the U.S. (and of that from only a total of 54 subjects in a total of two, unidentified cities and regions) and draws “emic” U.S. conclusions. Clearly this limited sampling is not actually representative of the U.S. and is thus pseudo-emic due to the process, type of sample and conclusions drawn. This method is repeated in France and Germany to compound the error for this particular research.

Some research goes as far as to not state where the sample(s) were drawn within a culturally diverse nation (French, Zeiss & Georg, 2001; Schwartz, 2001). A notable body of cross-cultural ethics research samples a nation and the reader is left to guess about sample location(s). French et al., (2001) examine the relevance of cross-cultural conflict and conflict resolution to business ethics. This study drew samples from the U.S. but did not bother to mention where the samples were taken from. Schwartz (2001) sampled four Canadian companies without any mention of regional location – there is solid evidence and intuitive understanding of significant regional cultural identification in Canada from, for example, people living in Vancouver to those in Montréal or Québec City (Bowman, 2000).

Griffith, Hu & Ryans (2000) developed a pseudo-emic position in their study of countries in the NAFTA membership region. The study attempted to examine nuances whereby “cultural type” influence aspects of relationship development. The flaws occurred when the
authors not only fail to specify where the national level samples were drawn (assumption of homogeneity) but also fail to account for cultural differences. The study digresses into a parochial endeavor when the authors assume cultural homogeneity not only within nation but also between the U.S. and Canada, apparently allowing data collected in the U.S. to simultaneously serve as a proxy sample for Canada. "Manufacturers from the United States were used as the target in this study," (Griffith et al., 2000, page 3) for "cult type one" which was supposed to typify both Canada and the U.S. Finally, the study ignores important aspects of cultural identity (e.g., feminism/masculinity) which could have important influence on the identified dependent variables (i.e., commitment related to trust, conflict and satisfaction).

Fortunately, there are some relatively straight-forward ways around the typical pseudo-emic error. One is to draw samples with some reasonable level of regional diversification in nations with cultural heterogeneity (e.g., for "U.S." studies, at a minimum draw samples from at least more than one main geographic location). Another, more effective method, is to call the research what it really is and advocate the reasonable value of regionally-focused studies. Don't call a study of the East Coast U.S. a "U.S." study – it is actually a very valuable sub-regional study of a diverse nation. Perhaps the most effective and simple way of avoiding the pseudo-emic research trap is to clearly identify specific regions that samples were drawn from and allow the reader the ability to decide how representative of the target group, for example nation, the study is – an approach this dissertation takes.

This dissertation is a hybrid of both the etic and emic approaches. We use etic constructs (e.g., Hofstede dimensions) to examine potential relations between culture and ethics management with NAFTA member subjects. The conclusions of this study will focus on cultural dimension influence on whistleblowing and internal reporting and not national comparisons.
Although some national comparative findings are perhaps implicit to our finding, the findings tend to not be emically focused. Also, because we are conducting our examination in multiple cultures it is, by definition, etic in nature (Schaffer & Riorden, 2003). Later, related to this dissertation, national and even regional comparisons will be evaluated, in future research, to draw more emically focused results. The careful measurement of constructs and inclusion of native collaborators in the development of the instrument (see section 4.3) and during the back-translation process (Brislin, 1986 & 2000) moved the research away from the potential of imposed or pseudo-etics. In relation, by clearly identifying the regions sampled for this study, and identifying the limitations of said samples, some of the more profound pseudo-emic problems are avoided (which will become even more relevant in future work that will attempt to create more emic results).

3.4 HYPOTHESES DEVELOPMENT

This section takes the theoretical platforms of Vygotsky and Hofstede presented in previous sections and specifically develops a set of hypotheses for culture’s potential influence on both internal reporting and whistleblowing. In previous sections, it has been established that, theoretically, our avenue for culture’s potential influence is via instrument mediation as developed by Vygotsky theorists. Each cultural dimension that this study is examining, which were briefly introduced in section 3.2, will be more carefully defined and theoretically related to testable positions in relation to the two subject ethics management tools. It must be established in this section that two cultural dimensions were not included in the hypotheses development of this dissertation. While the details of this decision are more clearly spelled out in section four, methodology, femininity and Confucian dynamism are not included in the following
development. Femininity as a cultural dimension was previously explained and does hold particular interest, specifically in relation to the U.S. and Canada, and will be further addressed in the future research section, section seven, of this dissertation.

3.4.1 UNCERTAINTY AVOIDANCE

Uncertainty avoidance refers to the degree that a culture has acclimated to the acceptance of risk. For instance, some societies prefer to operate with formalized rules, regulations and prefer that business, for example, be clearly regulated with little left to interpretation. More precisely, this dimension indicates how threatened a society will be by ambiguous contexts and the degree to which it will attempt to avoid these situations, not tolerating deviant ideas or behaviors, holding beliefs in more absolute truths and lack of comfort with vague rules or procedures. These elements may create greater overall anxiety and a heightened work ethic (Hofstede, 1980).

Researchers have proposed a higher propensity for specific types of ethics reporting with increasing levels of uncertainty avoidance and that the two are positively correlated (Tavakoli et al., 2003). Indeed, Hofstede supports that people in such cultures seek structure in their organizations, making events clearly interpretable and predictable (Hofstede, 1997, p. 116). It is arguable that people in such cultures will want to maintain established reporting structures and abide by them. Not adhering to organizational policy or societal law in a high uncertainty avoiding context would cause agent stress. An organization that is engaging in activity that is not approved of by the society it operates within could create heightened levels of cognitive dissonance and discomfort for employees acculturated in a high uncertainty avoiding, rule-oriented context. Although whistleblowing is not within the established reporting system, we
expect the pressure to report the activity to appropriate outside parties will be stronger in a high uncertainty avoiding culture. The uncertainty avoidance dimension suggests that such cultures will be more likely to perceive an unethical violation as severe (Tavakoli et al., 2003) and therefore are expected to have higher propensities to both internally report and to whistleblow (Sims & Keenan, 1999). Formal reporting structures and avenues (either internal or external to the organization) will placate high uncertainty avoidance societies (Weaver, 2001). In this manner we propose:

H1a: Uncertainty avoidance will be positively related to propensity for internal reporting.

H1b: Uncertainty avoidance will be positively related to propensity for whistleblowing.

3.4.2 POWER DISTANCE

Power Distance refers to the degree that a culture recognizes the importance of position and other inherent dimensions that might separate one socially from another member of society. Power distance addresses how acceptable unequal levels of power are. In a low power distance society, for example, it is often acceptable to address a high ranking manager by their first name. In a high power distance society it would be more unusual to address elders or senior level managers in a casual manner (Cushner & Brislin, 1996; Hofstede, 1980).

High power distance has been related to lower propensities for both internal reporting and whistleblowing due to expectation or fear of retaliation (Tavakoli et al., 2003). Additionally, Miceli & Near (1994) examined higher rates of whistleblowing in cultures that favor less authoritarian and more participative leadership styles. Decentralization of authority, by its nature, counters authoritarian structures that are more naturally related to high power distance contexts. Vandekerckhove & Commers (2004) suggest that as decentralization of
authority occurs there will be an increased propensity for internal reporting. Ethics management initiatives that allow lower-level employees to report, or even bypass the chain of command, will violate the norms of higher power distance societies and are contrary to the hierarchical relationships (Weaver, 2001).

The ideas of vertical self and horizontal self (Markus & Kitayama, 1991) have been correlated to the Hosftede dimension of high and low power distance (Thomas & Au, 2002). Although verticality and horizontality are often examined in relation to collectivism and individualism (Triandis, 1995), the concept, because of its correlation, was also theoretically helpful in the development of our specific hypotheses for power distance. Because both internal reporting and whistleblowing are sometimes viewed as disruptive to the organization or in-group harmony (King, 1997; Vandekerckhove & Commers, 2004), these acts can be discouraged, to the point of retaliation, by the organization’s authority figures (Keenan, 1988; Miceli &Near, 1994). People acculturated in vertical (high power distance) contexts are more sensitive to cues coming from authority. One can also theorize that high vertical contexts will be relatively more authoritarian and discouraging of the type of participation that comes with effective internal reporting and certainly with whistleblowing, which bypasses the established power structure altogether. “Moreover, elites are likely to reject and undermine any programs aimed at encouraging subordinates to engage in that type of questioning” (Weaver, 2001, pg. 7).Suspicion of hierarchy, typical of low power distance, reflects a relative egalitarianism (horizontalness) required for both of the ethics management tools in this examination. We therefore propose:

H2a: Power distance will be negatively related to propensity for internal reporting.

H2b: Power distance will be negatively related to propensity for whistleblowing.
3.4.3 INDIVIDUALISM AND COLLECTIVISM

Individualism is typical of loose-knit, social frameworks in which people are expected to watch out for themselves and where in-group/out-group distinctions are less of a focus. Collective societies are organized by tight social frameworks with high degrees of loyalty and in-group/out-group distinction. Some authors suggest more sweeping cultural differences toward ethical perspectives born of this cultural dimension and that individualistic cultures may place a higher level of overall importance on the issue of ethical problems (Armstrong, 1996), while others view this perspective as typical western ethical elitism (Khera, 2001).

In relation to both whistleblowing and internal reporting, it has been suggested that collectivism is potentially related to lower propensities for engaging in these activities (Patel, 2003; Sims & Keenan, 1999). Reporting questionable peer or supervisor activity to an out-group reflects a highly individual outlook typical of American culture (Triandis et al., 1988). In fact, collectivistic cultures would be prone to cover up the flaws of others in order to save face and protect group harmony (Cohen et al., 1992). An organization operating within a collective context, employees tend to look out for their in-group interests. It has been argued that because collectivists embrace social behaviors that are highly influenced by norms, duties or obligations (Bontempo & Rivero, 1992) they are less likely to exhibit non-conforming or disruptive behavior (Thomas & Au, 2002). As mentioned previously, Rusbult et al. (1988) develop the concept of voice, in part, as communication of organizational problems internally and/or seeking help from outside agencies. This concept has clear links with our ethics management tools of internal reporting and whistleblowing. It is suggested, that by definition, voice, and therefore internal reporting and whistleblowing, is assertive and non-conformist in that it is change-oriented

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4 In-group is typified by relatives, affiliations, clans and organizational membership where out-groups are those not represented in closer, social spheres.
(LePine & Van Dyne, 1998; Thomas & Au, 2002), activities that collective subjects might be more prone to avoid. Finally, collectivism has been linked to stronger propensity for organizational loyalty (Kim et al., 1994). Although loyalty is often viewed as conditional (Corvino, 2002), some have suggested that both internal reporting and whistleblowing directly violate the obligations of loyalty to individuals, in-groups and organization (Duska, 1997). In this manner we investigate:

H3a: Collectivism will be negatively related to propensity for internal reporting.

H3b: Collectivism will be negatively related to propensity for whistleblowing.

Instrument mediation is critical in the successful implementation and development of management tools. Many factors (e.g., functionality, task, goal, praxis\(^5\)) are involved in artifact mediation, with one of the more basic and critical factors identified by Vygotsky theorists as enculturation of the individual (Bannon & Bødker, 1990). This dissertation focuses on the potential influences of enculturation via mediation for the tools of whistleblowing and internal reporting in ethics management. Also, our research and hypotheses development are geared to examine the likelihood to internally report and whistleblow as potentially predictive of those types of activities (Keenan, 1995). The next section will examine the methodological issues for the dissertation research.

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\(^5\) Praxis are the practices of a specific group or profession and can, for example, be conceptually related to workplace socialization or industry socialization (Bannon & Bødker, 1990).
CHAPTER 4. METHODOLOGY

This dissertation effort gathered samples from Canada, the U.S. and Mexico during 2003. Data were collected in multiple regions of each subject nation in an attempt to recognize the potential for regional diversity. One initial and diligent goal of our research effort was to achieve both the development of a cultural measurement instrument that captured some of the multi-dimensionality of the Hofstede constructs and one that could also measure propensity to internal reporting and whistleblowing. In this aspect of the dissertation effort, we were only partially successful. While we were able to develop acceptable measurement scales for important cultural constructs, our effort of gaining a multi-dimensional approach was not achieved. This was particularly evident with the feminism/masculinity scale which proved most problematic in our second phase of validity testing and was therefore not included in this research effort. Useful scales for exogenous items, uncertainty avoidance, power distance and collectivism, did emerge. Additionally, scales for endogenous items, internal reporting and whistleblowing, also proved acceptable and useful.

Finally, it is recognized that additional individual characteristics (e.g., age, gender, work experience, education) might have a potentially important impact on whistleblowing and internal reporting (Keenan, 2002; Miceli & Near, 1992; Sims and Keenan, 1999). Our instrument does not ignore such parameters but, in order to maintain appropriate scope, we have focused on the cultural-level analysis for this study and plan to examine more idiocentric and sub-regional elements in future work.

4.1 SUBJECTS

A total of 1,187 participants, adults engaged in various executive development programs, were sampled for this study. Samples were collected in Canada (n=476), the U.S,
(n=463) and Mexico (n=248). The sample size is favorable for the overall study providing a 79:1 sample size to free parameter ratio. It is also favorable on a national level with the lowest sample size to free parameter ratio being 16:1 for Mexico. A ratio over 5:1 is considered acceptable (Bentler & Chou, 1987).

The average age of our sample is 30.6 years and the total average level of work experience is 8.8 years with 41% of the participants being female. Age and gender were measured to control for potential extraneous influence (see section five, pg. 53). For all respondents, the survey was administered by a university research collaborator who instructed participants that the instrument was examining aspects of cross-cultural management. Participants were asked to complete a questionnaire that also included demographic information and a research participant agreement form. All of the quantitative questions were measured using a seven-point, Likert-scale format that also included descriptive anchors (see appendix A for a listing of questions). As will be further discussed, all aspects of the survey, including the descriptive anchors for the Likert-scale, were carefully back-translated for non-English regions as suggested by Brislin (1986). Participants were volunteers and provided fifteen to twenty minutes to complete the instrument.

Because a nation's cultural diversity can be profound (McDonald, 2000; Schaffer & Riordan, 2003) our research has endeavored to take care in gathering current samples from multiple regions of each subject nation as follows:

1. For Canada, samples were collected in Vancouver, British Columbia; Hamilton, Ontario; Quebec City, Quebec; Montreal, Quebec and Halifax, Nova Scotia.

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6 See appendix G for national breakdown of subject demographics.
2. For the U.S., samples were collected in Honolulu, Hawaii; Los Angeles, California, Columbia, South Carolina and Winter Park, Florida.

3. For Mexico, samples were collected in Tijuana, Baja California Norte and Mexico City, D.F.

It is understood that the sample regions for each nation are not exhaustive of the total, potentially meaningful regions of cultural influence (e.g., for neither the U.S. nor Canada did the research sample from plains areas). However, there has been enough care in regional recognition to provide a national indication, and having explicitly identified the sample regions, the reader can actually self-determine the level of applicability within the NAFTA member context of this study (see section 3.3 for a discussion of avoiding pseudo-emic research).

4.2 INSTRUMENT DEVELOPMENT

Our instrument was initially developed using a two-phase validity process. In phase one, university students (n=97) were sampled and the instrument evaluated using factor analysis. Based on these initial results, adjustments were made to the instrument and a phase-two validity test took place using a separate holdout sample (n=141) of participants from California that was not used in later analysis. Phase-one analysis for culture included all four Hofstede cultural constructs (feminism/masculinity, power distance, uncertainty avoidance, collectivism/individualism) plus the additional construct of Confucian dynamism but did not include aspects of ethics management for internal reporting or whistleblowing. In phase-one validity testing, our instrument indicated confounding relations between Confucian dynamism and the
collectivism/individualism construct. For parsimony the emergent instrument was constructed around the four original Hofstede indicators in preparation for additional scrutiny.

Phase-two validation, in addition to further examination of cultural dimensions, also examined the development of internal reporting and whistleblowing scales. The final latent constructs, for both cultural, exogenous variables and ethics management, endogenous variables, created three manifest measurements for each construct. The BIC specification search in AMOS was used to generate the specific scale items with the following results. All of the scales resulted in an excellent collection of fit statistics, Collectivism ($\chi^2 = 2.23, p=.14, GFI = .99, CFI = .96$), Power Distance ($\chi^2 = 0.45, p=.50, GFI = .99, CFI = .99$), Uncertainty Avoidance ($\chi^2 = 5.0, p=.02, GFI = .97, CFI = .92$), Internal Reporting ($\chi^2 = 1.17, p=.28, GFI = .99, CFI = .99$), and Whistle-Blowing ($\chi^2 = 0.02, p=.89, GFI = .99, CFI = .99$). Reliabilities of the scales were Collectivism (alpha = .56), Power Distance (alpha = .51), Uncertainty Avoidance (alpha = .64), Internal Reporting (alpha = .80), and Whistle-Blowing (alpha = .69). These Cronbach alpha coefficients compare favorably with other research examining culture and certain management phenomena (Thomas & Au, 2002).

There is little consensus on what specific goodness of fit indicators are the best; so as suggested by La Du & Tanaka (1989) and McDonald & Ho (2002) a number of such indicators are reported in this research. Chi-square indicators ranging from 2.0 to 5.0 are acceptable (Marsh & Hocever, 1985) with those approaching 1.0 considered exceptional. Additionally GFI and CFI fit indicators at 0.90 are acceptable and those above 0.95 excellent (McDonald & Ho, 1985).

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1 Phase II validity testing used a holdout sample (n=141) that was not used in the main analysis. This phase established all final manifest measures for latent constructs and was conducted prior to the main analysis.
2 Bayes Information Criterion (BIC) addresses the issue of parsimony in the assessment of model fit (Raftery, 1993). In comparison to other criterion, BIC has greater tendency to target parsimonious models and can therefore be a preferred indicator (Arbuckle & Wothke, 1999).
3 AMOS stands for Analysis of Moment Structure and is computer programming designed by Arbuckle & Wothke (1999).
The following chart provides a quick reference for each proposed latent construct in relation to each reported fit measure:

**TABLE 1. Summary of Phase II Validity Testing for Latent Constructs – final form**

<table>
<thead>
<tr>
<th>Number of Manifest Variables</th>
<th>Uncertainty</th>
<th>Power Dist.</th>
<th>Collectivism</th>
<th>InternalR.</th>
<th>WhistleB.</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>( \chi^2 )</td>
<td>5.0, just acceptable</td>
<td>0.45, excellent</td>
<td>2.23, acceptable</td>
<td>1.17, excellent</td>
<td>0.02, excellent</td>
</tr>
<tr>
<td>GFI</td>
<td>0.97, excellent</td>
<td>0.99, excellent</td>
<td>0.99, excellent</td>
<td>0.99, excellent</td>
<td>0.99, excellent</td>
</tr>
<tr>
<td>CFI</td>
<td>0.92, acceptable</td>
<td>0.99, excellent</td>
<td>0.99, excellent</td>
<td>0.99, excellent</td>
<td>0.99, excellent</td>
</tr>
<tr>
<td>Cronbach’s Alpha</td>
<td>0.64</td>
<td>0.51</td>
<td>0.56</td>
<td>0.80</td>
<td>0.69</td>
</tr>
</tbody>
</table>

The data used in phase two (n=141) was used solely for the purpose of developing these scales and was not used in any other analysis.

4.3 BACK-TRANSLATION

The research context for this dissertation involved not only regional diversity but also language diversity involving both French-Canadian and Mexican-Spanish. Semantic and conceptual equivalence is an important aspect for establishing cross-cultural research and particularly where different language bases are present. As recommended by Brislin (2000b; 1986) and supported as best practice by Shaffer & Riordan (2003), the dissertation’s psychometric instrument underwent a careful process of translation and back-translation as follows:

1. The original English version of the instrument was presented to native speakers (collaborators) of French-Canadian and Mexican-Spanish.
2. Native translators were fluent in English and familiar with cross-cultural research and methods.

3. The instrument was reviewed with translators and they were allowed to ask questions for clarification on any part.

4. The instrument was then translated from English into French-Canadian and Mexican-Spanish.

5. A second set of native translators, also familiar with cross-cultural research and fluent in English, took the foreign versions and translated these back into English.

6. Research collaborators examined the original English version with the backtranslated English version.

7. Differences in the two versions were identified and collaborators discussed these with all sets of native translators.

8. Adjustments to the instrument were negotiated among the collaborators and translators and implemented into the foreign instruments.

Based on this process, a finalized version of the French-Canadian and Mexican-Spanish versions were developed and used for this dissertation.

4.4 INSTRUMENT ITEMS AND STRUCTURAL MODEL

The instrument development process provided a tool that is not only applicable to this current study but also to a potentially robust amount of future investigation. A seven-point (1=strongly agree, 7=strongly disagree), Likert-scale format was used for quantitative questions with an additional two qualitative, free-association questions related to culture and perception of ethical business practice. Not all of the instrument’s information is being used for this current
research effort. A number of additional, dependent topics and questions were included in the instrument that will be utilized for future studies. The core questions directly related to this examination totaled 15 items (see appendix A).

Based on the grounding theory and hypotheses development, cultural constructs, uncertainty avoidance, power distance and collectivism, are used as exogenous\textsuperscript{10} items. As previously mentioned, three cultural dimensions were used for this purpose in this dissertation. Each exogenous item was represented by three total manifest variables. Endogenous\textsuperscript{11} items for our structural model include the constructs for whistleblowing and internal reporting. Whistleblowing was represented by a total of three manifest variables while internal reporting was represented also by three. For a listing of all final, manifest items used in this study, by category, and a representation of the exogenous/endogenous relations in the structural equation see appendix A and B\textsuperscript{12}.

\textsuperscript{10} An exogenous item, in structural equation modeling, identifies a latent construct that, in the structural model, will have a theorized, potential influence on another latent construct(s). Exogenous items are latent variables that are akin to an independent variable in a multiple-regression analysis and as such are not influenced by other latent variables.

\textsuperscript{11} An endogenous item, in structural equation modeling, identifies a latent construct that, in the structural model, is theoretically influenced by at least one other latent construct.

\textsuperscript{12} The structural model for this study holds exogenous, cultural items as correlated. There is precedence for allowing cultural constructs to correlate in CFA models (Rhee, Uleman & Lee, 1996). A comparative model was run eliminating these correlations and no significant change in the findings resulted.
CHAPTER 5. RESULTS

Hypotheses concerning relationships between the cultural dimensions and propensity to internally report or whistleblow are addressed in Tables 2 (see appendix C) and 3 (see appendix D). Other hierarchical developments include: a) Form Invariance - Table 2 shows the results of fitting a series of hierarchical models that reveal good fit measures (RMSEA<.025, GFI>.95, AGFI>.9, CFI>.9 for all models). b) Factorial Invariance - In Table 2, Model 2.0 compared to Model 1.0 reveals that we cannot assume that factor loadings are fully invariant across all. However, Model 2.2 does establish factorial invariance with respect to the two dimensions of internal reporting and whistleblowing. c) Partial Factorial Invariance - Model 2.2 establishes partial factorial invariance (see section 5.1 for more detail) by allowing one factor loading (manifest variable) for each cultural construct to vary for Mexico only. Factor loadings are completely identical for all constructs in the US and Canada. Model 2.2, compared to model 3.3, becomes the basis for whether the regression slopes are invariant for all three countries, while model 3.3, alone, is used for testing hypotheses 1(a) through 3(b).

Model 3.0 tests the hypothesis that the regression weights between the cultural variables and the two ethical reporting constructs remain constant for all three countries. The chi-square value of 26.48 with 12 degrees-of-freedom yields a P-value of .009, indicating that differences of some kind exist between countries. Model 3.1 tests whether uncertainty avoidance has the same regression weight for each of the three countries and this hypothesis is accepted with a chi-square value of 2.56 with 4 df which yields a non-significant P-value. Models 3.2a and 3.2b test in turn, whether one of the constructs of power distance or collectivism could be added to the uncertainty avoidance construct and have the hypothesis of equal regression weights be acceptable. In neither case, was this true since both models show significant lack of fit with P-
values of .001 and .007 respectively. The last model that was tested allowed the coefficients for power distance and collectivism to vary for Mexico only. Model 3.3 yields a chi-square of 3.83 with 8 df, yielding a non-significant disagreement with those relationships specified. Model 3.3 is a very acceptable model (chi-square = 3.83, 8df) that shows no significant difference when compared to the acceptable model of 2.2 and assumes that all three countries have identical slopes (regression weights) between uncertainty avoidance and both ethical reporting constructs and that the US and Canada also have identical slopes for both power distance and collectivism in relation to the two ethical reporting constructs. The slopes for Mexico are different for those latter two cultural constructs (power distance and collectivism).

The above tests establish: a) partial factorial invariance (section 5.1 reviews the process for establishing partial factorial invariance in this dissertation); b) that the United States and Canada have equal regression weights for all relationships; c) for uncertainty avoidance the regression weights on both ethical reporting constructs are equal for all three subject nations. None of the above tests however address whether the relationships between the cultural dimensions to internal reporting and whistleblowing are significant but this is examined in section 5.2 (table 3 and 4 (Appendix D and E) show the factor loadings and slopes for Model 3.3).

5.1 FORM INVARIANCE, FACTORIAL INVARIANCE & PARTIAL FACTORIAL INVARIANCE

Managerial phenomena and cultural dispositions are often measured using multi-item scales (the items creating manifest variables which identify, as a group, a latent construct). Researchers have proposed that evaluating latent variables across, or between, groups cannot be meaningful unless factorial invariance is established (Drasgow & Kanfer, 1985; Little, 2000). Factorial invariance basically demonstrates that a construct is equivalent across groups; thus
allowing cross-group comparability on said construct. The factor loadings of all latent constructs should be the same across groups or have equal slopes (Cheung & Chow, 1999). Multi-group factor analysis and SEM research, as is employed in this dissertation, require consideration of factorial invariance. As a precursor to factorial invariance, where factor loadings are required to be equal across groups, it should also be mentioned that form invariance must first be established.

Given the complexities of measuring culture and management phenomena, it is not uncommon for tests of full, factorial invariance to not meet measurement requirements. In fact, sound cross-cultural management research exists that has not established full factorial invariance with their models. In these cases it is suggested that, within limits of reasonableness, partial factorial invariance can be established, allowing for the research to continue and provide good use of the collected data (Cheung & Chow, 1999).

As mentioned in the previous section, this research was not able to establish full factorial invariance across all groups for the cultural latent constructs, but was able to establish this for the endogenous constructs of internal reporting and whistleblowing. Factorial invariance is basically established when there is no significant increase in chi-square to degrees of freedom between the unconstrained (form invariant model) and the more constrained factorial invariant option. This comparison of chi-square and degrees of freedom between the unconstrained and the factorial invariant option is reflected in the p-value. P-values greater than or equal to .05 are considered acceptable for this measurement criterion. The initial examination of factorial invariance produced a p-value of .009 which was not acceptable.

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13 Form invariance, required in hierarchical, multi-group, hypotheses testing, is the first, tested step in establishing factorial invariance. It states that the same factor (latent construct) form exists for all groups but does not necessarily establish or require factor loadings to be equivalent (Jöreskog & Sörbom, 1993).
Under these circumstances, researchers suggest that each manifest variable be examined for identification of items that are responsible for nonequivalence between groups (Cheung & Chow, 1999). For this dissertation, standardized factor loadings for each manifest item, and for each subject country, were carefully examined for significant nonequivalence. Once areas of nonequivalence are identified, the researcher must consider whether adjusting the item(s) will create a significant deviation from the theoretical standing of the analysis. For this research, because all endogenous items could remain intact, and only one manifest item for each exogenous cultural construct, and only for Mexico, would require adjustment, there was no insurmountable deviation from the original theoretical stand.

Once the question of theoretical impact to the study is addressed, the process of establishing partial factorial invariance requires that identified, nonequivalent items be allowed to vary. For this dissertation, this step required that manifest items pd3, ic3 and ua3 (see appendix A and B) were allowed to vary only for Mexico. Once this adjustment was made to the model, an acceptable p-value was established (P=0.25) in examining the unconstrained model to the partial factorial invariant model and thus establishing partial factorial invariance, allowing for examination of our specific hypotheses testing.

5.2 HYPOTHESES TESTING

Having established partial factorial invariance between groups and with the model, it is appropriate to examine the outcome for hypotheses 1a through 3b. As a summary, we find the most consistent relation for internal reporting and whistleblowing with uncertainty avoidance. Additionally, there is some support for establishing a relation with power distance and our endogenous constructs, but not all findings are supportive of our hypotheses in that area. Finally,
counter to much existing research, we find no empirical evidence for the relation of collectivism with either internal reporting or whistleblowing.

5.2.1 UNCERTAINTY AVOIDANCE

A definite positive relationship is established between uncertainty avoidance and both internal reporting and whistleblowing that is invariant across all three countries in our study, thereby fully supporting hypotheses H1a and H1b. The regression weights\(^ {14}\) (unstandardized) are equal to .23 (standard error = .06) and .21 (standard error = .07) for internal reporting and whistleblowing, respectively. Both are statistically significant at a level less than .001.

5.2.2 POWER DISTANCE

The hypothesized negative relationship H2a, between power distance and internal reporting is supported for the US and Canada but does not hold in Mexico. The regression weight of power distance on internal reporting for the US and Canada is equal to -0.225 (SE\(^ {15} = .067\)) which is significant at less than the .001 level. The coefficient for Mexico was positive but not significant. The hypothesis H2b, between power distance and whistleblowing is not supported since all three countries have a positive relationship. The regression weight of power distance on whistleblowing, in the U.S. and Canada, is equal to .156\(^ {16}\) (SE= .074) which is in strong oppositional direction to our original stated H2b hypothesis and much of the established theory. The rejection of H2b is consistent across groups and has meaningful implications that will be further reviewed in the discussion section.

\(^ {14} \) For a complete listing of all standardized regression weights for hypothesized paths see appendix E and F.
\(^ {15} \) SE=Standard Error.
\(^ {16} \) This finding would have been significant for Canada and the U.S. at the p=.05 level. For Mexico the findings were in the same direction with a regression weight of 1.94 and a p-value of 0.054.
5.2.3 INDIVIDUALISM / COLLECTIVISM

Hypotheses H3 (a, b) relating collectivism to the two endogenous constructs are not supported by the analysis. None of the regression coefficients were significant at the .05 level of significance.

Similar models were run to include the two demographic variables of gender and age that yielded much the same results. Neither variable was significantly related to either endogenous construct in any of the three countries under study except for the relationship between age and whistleblowing in Canada which had a coefficient of -.02 (SE = .008) which was significant at the .012 level. The models in Table 2 (see appendix C) were almost the same when age and gender were controlled for, as were the results of the testing for significant regression weights in Table 3 (see appendix D).
This dissertation examined the propensity for individuals, from specific NAFTA countries, to internally report and whistleblow in relation to specific cultural dimensions through mediation. The potential appropriateness of these ethics management tools in different contextual settings is also implicitly developed. Explicit to our study was that internal reporting and whistleblowing are two separate phenomena and the difference between the two was clearly established in section 2.2 (also see section 6.2.1). An instrument was formulated and tested to measure cultural constructs and another was developed to gauge propensity for internal reporting and whistleblowing. These latent constructs proved to have acceptable equivalence within our NAFTA country examination which was a necessary prerequisite for our comparative study approach (Mullen, 1995). The NAFTA country scope of our study provides support for the potential generalizability of findings beyond a one nation approach and is a level of research scope recommended by others in cross-cultural, ethics management efforts (Hood & Logsdon, 2002).

In examination of the potential for culture's influence on the propensity for individual use of internal reporting and whistleblowing, we find that not all cultural dimensions are significant while others are. This finding suggests modification to approaches which assume that all Hofstede cultural dimensions influence ethics management tools. One common approach, that this dissertation seems to disconfirm, is the automatic assumption of cultural dimension relevance to ethics management and examination of country level comparisons based on dated, Hofstede (1980) findings. However, we do find evidence that some dimensions demonstrate meaningful influence and managers wishing to transplant ethics management tools to other cultural contexts should do so with some caution.
6.1 MAIN HYPOTHESES

6.1.1 UNCERTAINTY AVOIDANCE

In support of research hypotheses H1a and H1b, we find evidence positively relating uncertainty avoidance to both internal reporting and whistleblowing. For internal reporting, this would seem to indicate that individuals operating with a high uncertainty avoidance perspective are more comfortable using established organizational mechanisms for reporting potential lapses in peer or organizational conduct. However, these same individuals will also show a propensity to go outside the organization to engage in whistleblowing. As predicted in our hypotheses development, adherence to rules is important to these individuals and they will seek organizational and other avenues for rectifying a possible breach. As supported in the literature, we expect that a meaningful, well-managed internal reporting organizational mechanism could act as a moderator for whistleblowing activity (Barnett, 1992; Keenean & Krueger, 1992; Rothschild & Miethe, 1999; Singer, 1996) for individuals with high uncertainty avoidance profiles, but we also recommend further research on this position.

Support of our position on hypotheses H1a and H1b naturally has implications for implementation of internal reporting mechanisms in contexts where individuals will have low uncertainty avoidance. Organizations operating within such contexts might need to engage in context-appropriate activities to promote or encourage the use of the internal reporting system with the understanding that there will potentially be resistance. Some researchers have suggested that implementation of such mechanisms under this type of circumstance might be best established if it is communicated as a requirement of an external office. Alternatives for successful mechanisms in such contexts require more research. However, we recommend examination of tools, like ombudsmen or internal ethics auditors, which are more
organizationally-driven, with specialists, as opposed to general and employee-driven. Because internal reporting does not appear to be a tool with good mediation fit to a low uncertainty avoiding individual, we predict, all else being equal, less effective results and higher consumption of organizational resources to implement and promote in these conditions.

6.1.2 POWER DISTANCE

Power distance demonstrated mixed results for hypotheses H2a and H2b. The mixed results are not only important in the direct message it sends regarding power distance and our endogenous constructs, but also is important in establishing an empirical support for the theoretical difference between internal reporting and whistleblowing that was established in section 2.2.

In relation to internal reporting and H2a, our research demonstrates only partial support for the theorized, negative relation between high power distance and internal reporting. Research supports the theory that high power distance and authoritarian environments will actually discourage the use of an internal reporting system. While this position was supported in our U.S. and Canadian samples, it was not supported in the Mexican samples. The mixed results for power distance and internal reporting could be influenced by an interaction between collectivism, known as horizontal individualism and vertical collectivism (Thomas & Au, 2003). While our research demonstrates potential mismatch of the internal reporting tool for individuals of high power distance perspectives, further study will be necessary to verify this relation and to examine the potential interaction with collectivism. However, practitioners wishing to establish an effective internal reporting system may need to carefully consider aspects of power distance in the organization (like degree of authoritarian control) and context. At least for Canada and the U.S., organizations fostering a high power distance culture, often associated with authoritarian
styles, may find successful implementation of internal reporting structures challenging and appropriate adjustments may need to be made.

In relation to hypothesis H2b, we reject the position that high power distance will be negatively related to an individual’s propensity to whistleblow. Although some research seems to advocate this position (Keenan, 1988; Miceli & Near, 1994), our findings provide some evidence which supports the opposite. Individuals operating with a high power distance perspective demonstrated a positive propensity to whistleblow. We theorize that the authoritarian nature of a high power distance context might actually encourage individuals to use outside avenues in reporting potential lapses in organizational or employee conduct. For reasons cited earlier in this work, many organizations seek to avoid whistleblowing activity in favor of handling the potential problem internally. While more research needs to be conducted on this dynamic, our current findings would seem to indicate that organizations wishing to encourage non-whistleblowing avenues should be aware that high power distance settings might potentially encourage this behavior.

The findings of H2a and H2b, together, seem to provide some evidence that high power distance contexts (all else being equal), possibly in the organizational culture level, could discourage individuals to internally report and actually encourage whistleblowing, a combination that many organizations seek to avoid (Barnett, 1992; Keenean & Krueger, 1992; Rothschild & Miethe, 1999; Singer, 1996). Although these findings require more empirical follow up, they provide the platform from which to introduce an interesting battery of questions both empirically and practically. For example, it would be an interesting exercise to research whether some of the now infamous whistleblowing cases (e.g., Enron, WorldCom, Abu Ghraib prison) mirrored a contextual environment whereby the individuals engaging in such activity felt the organizational
culture was one of an authoritarian nature (often associated with high power distance). Finally, it is important to understand why Mexico did not demonstrate a negative relation with power distance and internal reporting as demonstrated in Canada and the U.S. Non-cultural influences could be established and further examined beyond the age and gender investigation of this dissertation.

Also, the split findings with power distance and internal reporting between the U.S. and Canada in one common group and Mexico in an alternative position could provide some potential evidence for the existence of national-level differences in the mediation of the internal reporting artifact.

6.1.3 INDIVIDUALISM / COLLECTIVISM

Collectivism is often assumed to be a cultural dimension that is significant to both internal reporting and whistleblowing and this is reflected in our hypotheses H3a and H3b. However, our research finds no support for this position. Tavakoli et al. (2003) states, “We suggest that individuals within a culture scoring low in the individual dimension and thus higher on collectivism will tend to display greater degrees of responsibility and obligation to the needs of the group. They might thus be expected to speak out with respect to observations of wrongdoing that negatively affect the welfare of the collective whole.” While this line of reasoning is certainly one reasonable possibility, we found no such empirical evidence in our study; in fact, we found no evidence that collectivism alone was significant in any direction.

The, across-the-board, rejection of H3 (a and b) also provide strong support for the position of directly measuring culture and examining the actual quantitative links between each cultural dimension and any specific management phenomena. It is not empirically sound to
assume that all cultural dimensions influence ethics management phenomena and specifically in regard to internal reporting and whistleblowing.

6.2 SUPPLEMENTAL FINDINGS AND CONSIDERATIONS

6.2.1 WHISTLEBLOWING AND INTERNAL REPORTING

Development of theoretical differences between whistleblowing and internal reporting were established in section 2.2. Although direct research hypotheses were not established, the separation of whistleblowing and internal reporting in each of our hypotheses does create implicit, empirical tests. Support for our theoretical development of the differences between these two ethics management tools is evident in our hypotheses H2a and H2b, relating power distance to both endogenous constructs. Power distance having a quasi-opposite impact on whistleblowing compared with internal reporting provides some meaningful, empirical evidence of our theoretical position separating these two constructs as different. Additionally, the correlation between the whistleblowing and internal reporting latent constructs is low in all three subject nations (IR > WB, US = .094; IR > WB, Canada = .235; IR > WB, Mexico = .408) lending additional support to the separation and demonstrating no substantive relation between the two constructs.

6.3 CONTRADICTION IDENTIFICATION AND ARTIFACT MEDIATION

As part of Activity Theory (Vygotsky, 1978) developed in section 3.1, instrument mediation and contradiction identification were established as important elements in a successful ethics management process (Engeström, 1987; Bannon & Bødker, 1991). This dissertation specifically relates that focus on the instruments of whistleblowing and internal reporting. As an extension to the three main considerations for instrument contradiction identification, this

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17 IR=Internal Reporting and WB=Whistleblowing
dissertation suggested a fourth in section 3.1 – the contradiction between instrument and individual enculturation. The empirical findings of this dissertation suggest that the fourth consideration developed in this work is a valid management consideration, particularly in relation to uncertainty avoidance and power distance. There is evidence that contradiction, and therefore potentially sub-optimal mediation, or fit, will exist with implementation of whistleblowing or internal reporting in low uncertainty avoidance contexts. Additionally, there is some evidence, particularly in the U.S. and Canada, for potential contradiction with internal reporting and high power distance. There is some evidence, in all three subject nations, for positive mediation, lack of contradiction, between high power distance and whistleblowing.\textsuperscript{18} Organizations embracing high power distance norms might actually encourage whistleblowing (positive mediation, lack of contradiction with that instrument) while discouraging internal reporting (negative mediation, or contradiction with that instrument). Again, this is a combination many organizations seek to avoid. Finally, in this dissertation, there is no evidence that collectivism plays a significant role in contradiction identification for the subject areas – although future research is strongly recommended to verify this position.

\textsuperscript{18} While no specific hypothesis was developed to test the positive relation of power distance and whistleblowing, if one had been developed a significance level of the $p=.05$ would have been established for Canada and the U.S. (regression weight of .156). The slope would be positive for Mexico with a $p$-value of .054 and a regression weight of 1.94. This relation requires future testing for more sound evidence and direct testing.
CHAPTER 7. FUTURE STUDY AND LIMITATIONS

Future work and follow up to this study should focus on verification of the main conclusions through replication and examination using previously established cultural and ethics management instruments for cross-validation.

Culture is a multi-dimensional construct and individuals operating within a culture are characterized by a combination of dimensions. Effective ethics management research will require examination of phenomena on both a dimension-by-dimension and combined dimension approaches. For example, the interaction between collectivism and power distance has been advocated as meaningful in vertical collectivism and horizontal individualism (Thomas & Au, 2002). Also, other combinations have been suggested for specific cultural contexts (Weaver, 2001). Finally, sub-dimensional nuances, like kin collectivism and nonkin collectivism (Rhee et al., 1996) could be examined in relation to the findings with collectivism. We recommend that these potential interaction and sub-categorical influences be examined for both internal reporting and whistleblowing.

Acceptable cultural scales were developed for all target dimensions of our study with the exception of femininity. Because of this dimension's potential significance in relation to internal reporting and whistleblowing (Tavakoli et al., 2003), we recommend that future work quantitatively examine potential relations with a pre-established scale. Additionally, more research specifically examining the relation of power distance to internal reporting is required for gaining conclusive results.

More attention to quasi-cultural influences could also be examined as important to internal reporting and whistleblowing. Specific institutional, industry, political and other systems influences could be potentially important. Only focusing on cross-cultural
psychological explanations could miss meaningful insights. Additionally, macro-sociological phenomena, such as increased standard of living and education levels, could influence a person’s propensity for certain action and might be considered in future research.

Examining the likelihood to internally report and whistleblow as predictive of those types of activities is a valid approach (Keenan, 1995), however, our study does not invoke the type of “real world” pressure faced by someone in an actual situation. Survey results can miss such nuances while also potentially risking social desirability of responses. While some people would not actually engage in reporting activity, if such reporting is viewed as the right thing to do such a bias could exist. It would be a meaningful endeavor to conduct case-study research to validate some of the findings of this empirical examination.

Our subjects, for all regions of the NAFTA countries, were drawn from executive development programs. Inasmuch, our participants were not randomly selected and could represent characteristics of this specific group (e.g., high self-efficacy, seeking personal growth or career advancement). Although quite valid for management focus study, the findings of this dissertation may not be representative of a more generalized, random sample.

Finally, the results do not examine regional nuances that could be explored with the data set of this work. While this dissertation has benefited from our sampling efforts, by allowing greater generalizability of our results, and particularly within NAFTA member countries, our current research scope did not allow for intra-cultural and regionalized, North American examination which is planned as future research.
APPENDIX A:
LISTING OF MANIFEST ITEMS BY EXOGENOUS CATEGORY

Uncertainty Avoidance
UA1: Employees should have outlines of proper worker conduct, clear and in writing, or else there will be too much ambiguity/confusion.
UA2: I tend to believe truths based on facts rather than arguments based on emotion.
UA3: When I am working on a project I like to have everything spelled out and clear with few unknowns.

Power Distance
PD1: Authority figures are normal people - they can be approached just like anyone else.*
PD2: It is normal for people I know to call their boss by his/her first name.*
PD3: I do not hesitate to speak my mind in front of my boss.

Collectivism
IC1: I prefer rewards that recognize a group’s effort rather than an individual’s contribution.
IC2: It is more important for me to have harmonious social relations than to gain independent success.
IC3: I prefer being a part of a team that makes decisions together rather than working on my own.

LISTING OF MANIFEST ITEMS BY ENDOGENOUS CATEGORY

Internal Reporting
IR1: Things always go Chris’ way - a new promotion, big raise in salary and a great career track. If you saw Chris violate an important company code of conduct you would report the activity.
IR2: Recent events have been tough for Pat (a work colleague whose spouse is seriously ill with high medical costs beyond what insurance will cover). Knowing your colleague’s situation, it remains important to report a serious code of conduct violation you observed Pat breaking.
IR3: Someone who anonymously reports that their boss has violated a company policy will probably risk some kind of retaliation. *

Whistle Blowing
WB1: There is no established system to report violations of law or company policy in the organization you work for. It would probably be best to anonymously report such violations to an outside group.
WB2: I generally admire someone who reports the inappropriate activity of their employer to an outside party.
WB3: Assume you work for a company that encourages reporting violations of policy and generally this organization follows up with meaningful, timely and appropriate corrective action. An employee recently discovered that the company (not a person) is violating the law in some manner. You would advise this employee to bypass the internal process and report the incident directly to outside authorities or other groups instead of using the company’s established channels.

*= Reverse coded.
APPENDIX B, FIGURE 1, STRUCTURAL MODEL
## APPENDIX C

### Table 2. Summary of Models and Goodness-of-Fit Tests for Testing Equality of Regression Weights

<table>
<thead>
<tr>
<th>No.</th>
<th>Model Description</th>
<th>$\chi^2$</th>
<th>df</th>
<th>$\Delta \chi^2$</th>
<th>$\Delta df$</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0</td>
<td>Full Model (Form Invariance; Unconstrained)</td>
<td>420.92</td>
<td>243</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.0</td>
<td>Factor Loadings Invariant: All</td>
<td>460.12</td>
<td>263</td>
<td>39.20</td>
<td>20</td>
<td>&lt;.001</td>
</tr>
<tr>
<td>2.1</td>
<td>Invariant: IR and WB</td>
<td>432.10</td>
<td>251</td>
<td>11.18</td>
<td>8</td>
<td>ns</td>
</tr>
<tr>
<td>2.2</td>
<td>Partially Invariant Factor Loadings: Note 2</td>
<td>441.42</td>
<td>260</td>
<td>20.50</td>
<td>17</td>
<td>ns</td>
</tr>
<tr>
<td>3.0</td>
<td>Equal Regression Weights: All</td>
<td>467.90</td>
<td>272</td>
<td>26.48</td>
<td>12</td>
<td>.009</td>
</tr>
<tr>
<td>3.1</td>
<td>Equal Regression Weights: UA</td>
<td>443.98</td>
<td>264</td>
<td>2.56</td>
<td>4</td>
<td>ns</td>
</tr>
<tr>
<td>3.2a</td>
<td>Equal Regression Weights: UA, PD</td>
<td>467.18</td>
<td>268</td>
<td>25.76</td>
<td>8</td>
<td>.001</td>
</tr>
<tr>
<td>3.2b</td>
<td>Equal Regression Weights: UA, CO</td>
<td>462.67</td>
<td>268</td>
<td>21.25</td>
<td>8</td>
<td>.007</td>
</tr>
<tr>
<td>3.3</td>
<td>Partially Equal Regression Weights: Note 3</td>
<td>445.26</td>
<td>268</td>
<td>3.83</td>
<td>8</td>
<td>ns</td>
</tr>
</tbody>
</table>

**Goodness-of-Fit Measures**

<table>
<thead>
<tr>
<th>No.</th>
<th>Model Description</th>
<th>RMSEA</th>
<th>GFI</th>
<th>AGFI</th>
<th>CFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0</td>
<td>Full Model (Form Invariance)</td>
<td>.025</td>
<td>.956</td>
<td>.935</td>
<td>.910</td>
</tr>
<tr>
<td>2.2</td>
<td>Partially Invariant: Note 2</td>
<td>.024</td>
<td>.954</td>
<td>.937</td>
<td>.909</td>
</tr>
<tr>
<td>3.0</td>
<td>Equal Regression Weights: All</td>
<td>.025</td>
<td>.951</td>
<td>.935</td>
<td>.901</td>
</tr>
<tr>
<td>3.1</td>
<td>Equal Regression Weights: UA</td>
<td>.024</td>
<td>.954</td>
<td>.938</td>
<td>.909</td>
</tr>
<tr>
<td>3.3</td>
<td>Partially Equal Regression Weights: Note 3</td>
<td>.024</td>
<td>.954</td>
<td>.938</td>
<td>.911</td>
</tr>
</tbody>
</table>

CO – Collectivism; UA – Uncertainty Avoidance; PD – Power Distance, IR – Internal Ethical reporting, WB – Whistle Blowing

Note: Models 2.x are compared against Model 1.0 and Models 3.x are compared against Model 2.2

Note 2: One item from each of the 3 cultural scales was allowed to vary only for Mexico (partial factorial invariance – manifest to latent relation)

Note 3: Regression weights for PD and CO were allowed to vary for Mexico only (partial regression weight invariance – structural model slopes)
## APPENDIX D

### Table 3. Parameter Estimates and Standard Errors for the Factor Loadings and Regression Slopes in Model 3.3

<table>
<thead>
<tr>
<th>Measure</th>
<th>Factor loadings</th>
<th>U.S. Canada</th>
<th>Mexico</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All 3 Countries</td>
<td>Estimate</td>
<td>SE</td>
</tr>
<tr>
<td>IR1</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IR2</td>
<td>1.16***</td>
<td>.08</td>
<td></td>
</tr>
<tr>
<td>IR3</td>
<td>1.14***</td>
<td>.08</td>
<td></td>
</tr>
<tr>
<td>WB1</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WB2</td>
<td>.95***</td>
<td>.09</td>
<td></td>
</tr>
<tr>
<td>WB3</td>
<td>.97***</td>
<td>.09</td>
<td></td>
</tr>
<tr>
<td>CO1</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CO2</td>
<td>.99***</td>
<td>.10</td>
<td></td>
</tr>
<tr>
<td>CO3</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PD1</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PD2</td>
<td>.57***</td>
<td>.10</td>
<td></td>
</tr>
<tr>
<td>PD3</td>
<td>1.11***</td>
<td>.21</td>
<td>.32*</td>
</tr>
<tr>
<td>UA1</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UA2</td>
<td>.57***</td>
<td>.09</td>
<td></td>
</tr>
<tr>
<td>UA3</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relation</td>
<td>Slope</td>
<td>SE</td>
<td></td>
</tr>
<tr>
<td>UA-IR</td>
<td>.23***</td>
<td>.06</td>
<td></td>
</tr>
<tr>
<td>UA-WB</td>
<td>.21***</td>
<td>.07</td>
<td></td>
</tr>
<tr>
<td>PD-IR</td>
<td>-.225***</td>
<td>.067</td>
<td>1.545</td>
</tr>
<tr>
<td>PD-WB</td>
<td>.156****</td>
<td>.074</td>
<td>1.935</td>
</tr>
<tr>
<td>CO-IR</td>
<td>.018</td>
<td>.046</td>
<td>1.522</td>
</tr>
<tr>
<td>CO-WB</td>
<td>.049</td>
<td>.053</td>
<td>1.562</td>
</tr>
</tbody>
</table>

* Significant at .05 level

** Significant at .01 level

*** Significant at .001 level

**** Would have been significant at the .05 level had a hypothesis in this direction been established.
APPENDIX E
Table 4. Listing of Standardized Regression Weights per Country (Structural Weights).

Exogenous to Endogenous Weights

<table>
<thead>
<tr>
<th>Exogenous to Endogenous Relation</th>
<th>U.S</th>
<th>Canada</th>
<th>Mexico</th>
</tr>
</thead>
<tbody>
<tr>
<td>IR←UA</td>
<td>.197*</td>
<td>.218*</td>
<td>.147*</td>
</tr>
<tr>
<td>IR←PD</td>
<td>-.203*</td>
<td>-.180*</td>
<td>1.265</td>
</tr>
<tr>
<td>IR←C</td>
<td>.021</td>
<td>.019</td>
<td>1.285</td>
</tr>
<tr>
<td>WB←UA</td>
<td>.167*</td>
<td>.197*</td>
<td>.124*</td>
</tr>
<tr>
<td>WB←PD</td>
<td>.128**</td>
<td>.120**</td>
<td>1.425</td>
</tr>
<tr>
<td>WB←C</td>
<td>.052</td>
<td>.050</td>
<td>1.186</td>
</tr>
</tbody>
</table>

* = Found to have a significant P-value in main hypotheses testing.
** = Would have had a significant P-value had a main hypothesis in the indicated direction been developed.

Endogenous Latent Items (Dependent)
- IR=Internal Reporting
- WB=Whistle Blowing

Exogenous Latent Items (Independent)
- UA=Uncertainty Avoidance
- PD=Power Distance
- C=Collectivism
APPENDIX F, FIGURE 2

Standardized Regression Weights for U.S., Canada and Mexico

*All relations were found to be significant.
**All relations were found to be significant in the U.S. and Canada.
***Findings would have been significant in the U.S. and Canada had a positive path been hypothesized.
****No significant relations were found.
### Table 5. Subject Demographic Breakdown by Nation

<table>
<thead>
<tr>
<th>Subject Category</th>
<th>U.S.</th>
<th>Canada</th>
<th>Mexico</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>57%</td>
<td>60%</td>
<td>60%</td>
<td>59%</td>
</tr>
<tr>
<td>Female</td>
<td>43%</td>
<td>40%</td>
<td>40%</td>
<td>41%</td>
</tr>
<tr>
<td>With Mgmt. Exp.</td>
<td>60%</td>
<td>60%</td>
<td>47%</td>
<td>57%</td>
</tr>
<tr>
<td>Without Mgmt. Exp.</td>
<td>40%</td>
<td>40%</td>
<td>53%</td>
<td>43%</td>
</tr>
<tr>
<td>Avg. Work Exp.</td>
<td>9.78 years</td>
<td>8.10 years</td>
<td>8.4 years</td>
<td>8.83 years</td>
</tr>
<tr>
<td>Avg. Age</td>
<td>31.4 years</td>
<td>30.2 years</td>
<td>29.8 years</td>
<td>30.58 years</td>
</tr>
</tbody>
</table>
### Table 6. Correlations for Manifest Items.

**Table of correlations**

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>SD</th>
<th>ic1</th>
<th>ic2</th>
<th>ic3</th>
<th>pd1</th>
<th>pd2</th>
<th>pd3</th>
<th>ua1</th>
<th>ua2</th>
<th>ua3</th>
<th>ir1</th>
<th>ir2</th>
<th>ir3</th>
<th>wb1</th>
<th>wb2</th>
</tr>
</thead>
<tbody>
<tr>
<td>ic1</td>
<td>4.29</td>
<td>1.54</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ic2</td>
<td>4.36</td>
<td>1.60</td>
<td>0.28</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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BIBLIOGRAPHY


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