

**The effect of culture on consumers' willingness
to punish irresponsible corporate behaviour:**

**Applying Hofstede's typology to the punishment aspect of
Corporate Social Responsibility**

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Abstract

This paper explores the relationship between attitudes to corporate social responsibility (CSR) and the cultural dimensions of business activity identified by Hofstede and Hofstede (2005) using a sample of nearly 90,000 stakeholders drawn from 28 countries. We develop five general propositions relating attitudes to CSR to aspects of culture. We show that the propensity of consumers to punish firms for bad behaviour varies in ways that appear to relate closely to the cultural characteristics identified by Hofstede. Further this variation appears to be understandable in terms of the standard interpretation of the Hofstede dimensions suggesting that cultural variation in the attitudes of consumers may play an important role in helping us to understand variations in CSR across countries. This in turn has implications for how managers of multinational companies should implement CSR strategies in different cultural contexts.

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1. Introduction

Much of the literature on CSR looks at the subject either from the perspective of a set of alternative or complementary taxonomies or by attempting to relate CSR to aspects of business performance along a range of dimensions including, *inter alia*, profitability, shareholder value, market share, brand recognition and so on.

The wide diversity in attempts to conceptualise and understand CSR is mirrored in empirical evidence, which suggests that there is also a wide range of attitudes towards CSR held by managers working in different countries (Egri et al 2004). There also appears to be wide variation in how firms communicate CSR activities (Maignan and Ralston 2002) or in how different attitudes to CSR affect foreign direct investment decisions (Stanley 1990). Most of these studies focus on managers as survey subjects usually within one country or within one cultural group (Maignan and Ferrell, 2000, 2001; Maignan, Ferrell and Hult, 1999). As a result, there has been very little attempt to reconcile the various approaches to CSR with the institutional and cultural issues and practices facing managers of multinational companies operating in more than one country.

The work of Hofstede (see Hofstede and Hofstede (2005) for the most recent discussion) provides a well-known framework in which the behaviour of managers, the corporate culture in which they work and therefore the behaviour of firms in general can be understood within the context of a set of cultural dimensions characteristic of different societies. These cultural dimensions can in turn be generalised to the wider stakeholder set including consumers, shareholders and employees who can regulate the behaviour of managers and firms, at least in part, through their buying patterns, equity stakes and behaviour within the workforce.

In this paper we focus on this regulatory dimension by examining the propensity of consumers, including those who are also shareholders and employees in large companies, to punish firms for socially irresponsible behaviour.

We make two main contributions. First we develop a set of propositions that relate the propensity of consumers to punish poor CSR to the following Hofstede cultural dimensions; Power Distance, Individualism, Masculinity, Uncertainty Avoidance and Long-term Orientation. Second, we compare these propositions with empirical evidence drawn from the GlobeScan CSR Monitor, first published as the *Environics Millennium Poll* in 2000, which draws on nearly 90,000 respondents from 30 countries over four years 2000-2003.¹ This allows us to shed light on variations in the consumer environment in which CSR managers must operate and so in turn offers some insights as to how CSR practices might be adjusted from country to country in response to differing cultural attitudes.

We show that across the countries of the GlobeScan survey, the propensity of consumers to punish firms for bad behaviour varies in ways that appear to relate closely to the cultural dimensions of each country identified by Hofstede. Further this variation appears to be understandable in terms of the standard interpretation of the Hofstede dimensions suggesting that cultural variation in the attitudes of consumer stakeholders may play an important role in helping us to understand variations in CSR across countries. This in turn has implications for how managers of multinational companies should implement CSR strategies in different cultural contexts.

The paper is organised as follows. In the next section we discuss a broad overview of approaches to CSR taken in the extant literature, which sheds some light on the variety of perspectives and experiences of CSR in different contexts. We then discuss the Hofstede cultural dimensions and develop a series of propositions relating them to CSR which we believe follow from the general Hofstede framework and the current CSR literature. Our methodology and the empirical data we draw on are discussed in the next section followed by a summary of our findings. We end with a discussion and our conclusions, with some suggestions about future research avenues that may prove fruitful.

2. Approaches to CSR

Taking the huge volume of literature together it is possible to categorise CSR into four broad but distinct groups shown in Figure 1 (Garriga and Mele, 2004):

< **FIGURE 1 HERE** >

The instrumental and private wealth creating models deal with maximising shareholder value where managers are treated as, “agents-of-capital” (Friedman, 1970; Rodewald, R., 1987; Jensen, 2000; Henderson, 2002); achieving competitive advantage through social investments in a competitive context (Murray and Montanari, 1986; Porter and Kramer, 2002) or through a resource-based view of the firm (Hart, 1995; Litz, 1996) or through strategies for tackling the so-called ‘bottom’ of the socio-economic ‘pyramid’ (Prahalad & Hammond, 2002; Hart & Christensen, 2002; Prahalad, 2002); and finally through using cause-related marketing (Vadarajan & Menon, 1988). Indeed, instrumentalists could argue that US managers, at least, have no option but to incorporate some form of CSR as a result of the Federal Corporate Sentencing Guidelines passed in 1991, since these explicitly demand the existence of an ethical code of conduct that recognizes and prioritizes the firm’s legal, financial, social and environmental risks (Sison, 2000).

The political and social models address corporate constitutionalism arguing that the responsibilities of business arise from the power they have (Davis, 1960, 1967), or else view the relationship as an integrative social contract between business and society as a whole (Donaldson & Dunfee, 1994, 1999; Hemphill, 2004), or make the case that managers act as ‘agents-for-society’ (Rodewald, R., 1987) and that companies are “social enterprises” that cannot sit outside society (Birch and Littlewood, 2004), or treat CSR as acts of corporate citizenship where the firm acts like a citizen as a result of its involvement in the community (Andriof & McIntosh, 2001; Wood & Logsdon, 2002; Matten & Crane, 2005). Some have argued that the interactivity implied by this integrative approach extends the concept of CSR to one of corporate citizenship (Birch, 2001). Others have qualified the idea of citizenship by arguing that firms do not have individual rights in the way citizens do, but that

they have a responsibility to protect individual rights because of their power (Wood & Logsdon, 2001).

The integrating social demands models deal with issues management (Ackerman, 1973; Sethi, 1975; Jones, 1980; Vogel, 1986), with public responsibility where law and existing public policy form the framework for social performance (Preston & Post, 1975, 1981; Ostas, 2001), balancing stakeholder interests through stakeholder engagement (Mitchell et al., 1997; Rowley, 1997; Agle & Mitchell, 1999), and social legitimisation through corporate social performance where companies seek social legitimacy through processes that provide appropriate responses to issues (Carroll, 1979; Wartick & Cochran, 1985; Wood 1991b; Swanson 1995; Carroll, 1998, 1999; Kang and Wood, 1995). An extension of this approach looks at the outcomes and meeting responsibilities, as opposed to the responsibilities themselves (Maignan, Ferrell and Hult, 1999; Maignan & Ferrell, 2000, 2001; Davenport, 2000). As a result the scope of CSR is wider, including ideas like sustainability (Marsden, 2000), business as stewards (Reilly & Kyj, 1994), drawing closer to the stakeholder approach (Blair, 1996; Andriof & McIntosh, 2001b).

The ethical models divide into normative stakeholder theories dealing with fiduciary duties of the firm, using moral theories – Kantian, Utilitarian, Social Contract or Justice – as the basis of action (Freeman, 1984, 1994; Evan & Freeman 1988; Donaldson & Preston, 1995; MacLagan, P., 1999; Freeman & Phillips 2002; Phillips et al., 2003), focusing on human rights, labour rights and environmental protection (Global Sullivan Principles, 1999²; UN Global Compact, 2000³), distributive justice and its concern that companies do not abuse their market power to sell to the weak and uninformed what they do not need (Karpatkin, 1999; Laczniak, 1999), sustainable development with its focus on inter-generational equity (Brundtland Report, 1987⁴; Gladwin & Kennelly, 1995; Zinkin, 2000b, 2001a, 2001b), attaining the common good (Kaku, 1997; Alford & Naughton, 2002; Mele, 2002), or arguing that managers do in fact integrate their personal ethical beliefs in the way they make their business decisions (Pava, 1998). In these circumstances some argue that firms are

entering into a new social contract under the banner of corporate citizenship (Birch and Littlewood, 2004).

This wide variety of approaches may be due to genuine differences in CSR experiences between countries and between the samples used in many empirical studies which in turn may reflect differences in culture as well as institutional differences which may be artefacts of different cultures (see Katz et al. 2001). We test this general premise empirically in this study.

3. Propositions

In this section, we develop five groups of propositions based on the Hofstede dimensions of (1) Power Distance; (2) Masculinity and Femininity; (3) Individualism and Collectivism, (4) Uncertainty Avoidance and (5) Long Term Orientation i.e. the length of time horizons of a culture. We believe that each of these dimensions will affect the propensity to punish firms that have been deemed to behave irresponsibly and the propositions we have developed are as follows:

3.1 Power Distance (PDI)

Societies with high power distance expect to receive and take orders from authorities. They are hierarchically organised with many layers between the person at the top and the people at the bottom and therefore demonstrate a sense of subordination and dependency. Consequently social interaction tends to exhibit deference and reverence for those at the top, with a great deal of emphasis placed on protocol and formalities, particularly since in high power distance societies “superiors are expected to act autocratically without consulting subordinates. This would tend to indicate that a greater importance is given to both the cues of superiors and more formal norms in countries with a large power distance (Vitell et al, 1993). In terms of our earlier taxonomy, power distance may be a useful concept in the development of political and social models of CSR which argue that the responsibilities of companies arise due to the power they have. This power may be related and regulated to the power distance in the societies in which these companies operate.

People living in societies exhibiting high power distance are more likely to be willing to accept that with authority comes inequality and the accretion of skills and wealth, whereas in countries with low power distance, authority does not necessarily confer the accumulation of wealth. Consequently societies with high power distance are more willing to put up with injustice and inequality, whereas in ones with low power distance, the reverse is true (Hofstede and Hofstede, 2005).

In such conditions, we would argue that it is less likely that stakeholders in high power distance cultures, acting as individuals, would demonstrate the will to take on authority figures and punish them for perceived bad behaviour. Indeed the Hofstede framework suggests that in high power distance cultures scandals may well be covered up rather than being brought out into the open to terminate the careers of those who are involved (Hofstede and Hofstede, 2005). We would expect such accommodating behaviour to carry over into the way stakeholders react to irresponsible behaviour by companies and therefore we would expect societies with high power distance to have a lower willingness to punish businesses that behave irresponsibly than societies with low power distance, where bad behaviour is brought out into the open and punished as a matter of course.

Conversely in countries with low power distance, it may be that the opinions of peers matter rather more than those of superiors, although it does not follow that superiors have no influence at all (Zey-Ferrell et al, 1979; Zey-Ferrell and Ferrell, 1982). As a result we would expect stakeholders as individuals to be more likely to take punitive action against corporations without waiting for “permission”. Consequently we present the following propositions regarding the impact of power distance:

PROPOSITION 1a: In countries with high power distance cultures there will be a lower propensity to punish irresponsible behaviour by companies than in countries with low power distance cultures.

PROPOSITION 1b: In countries with low power distance cultures there will be a higher propensity to punish irresponsible behaviour by companies than in countries with high power distance cultures.

3.2 Individualism and Collectivism (IDV)

In addition to Hofstede's work, Charles Hampden-Turner and Fons Trompenaars have researched the Individualism-Collectivism or Individualism-Communitarianism continua and have come up with very similar findings (Hampden-Turner and Trompenaars, 1997). Within the context of our earlier taxonomy of CSR, this dimension may help to explain or enhance models based on integration of social demands into management of CSR issues.

The Hofstede conceptualisation suggests that managers and stakeholders from countries that are low on individualism are more likely to be susceptible to group pressure than those from countries that are high on individuality. Caution is needed in coming to this conclusion, however, when we remember that America ranks high on individualism but at the same time has always been an ardent exponent of voluntary associations, noted as long ago as 1835 by De Tocqueville in his "Democracy in America," and this will weaken the tendency for individualists to be solely concerned with their own self-interest. Nevertheless, Hampden-Turner and Trompenaars (1997) support the contention that the focus will be different because in countries with an individualistic culture people will tend to put shareholders ahead of other stakeholders and may be more likely to believe in the virtues of all-out competition and task-orientation (Hampden-Turner and Trompenaars, 1997). On the other hand, in communitarian cultures it is more likely that the interests of all stakeholders will be taken care of and rather than looking to voluntary associations people will look to family for help, which may be particularly true of Chinese communitarians, though not so true of the Japanese (Fukuyama, 1995).

More important still is the contention that in individualistic cultures, people are inner-directed, believing in self-reliance and seeking to satisfy self-interest, whereas in communitarian cultures, people are outer-directed and so more concerned with what society or their in-group has to say about their actions. Perhaps the most important distinction is that in individualistic cultures the underlying assumption is the belief that the individual is self-made, whereas in communitarian cultures the belief is that the social system creates personal success (Hampden-Turner and Trompenaars, 2000).

As a result it has been argued that many of the codes of ethics developed by organizations in the United States do not seem to have an effect on behaviour (Robin and Reidenbach, 1987). Additionally, it has been argued that codes of ethics are often developed but then not introduced into the corporate culture (Chonko and Hunt, 1985). Consequently, their mere existence, without enforcement, may be insufficient to affect ethical behaviour (Sison, 2000), as has been demonstrated convincingly by the spectacular failures of governance in the US in the early years of the new millennium. The collapses of Enron, Adelphia and WorldCom, to name but a few, suggest that not much appears to have changed in the twenty years since Chonko and Hunt first undertook their research. Indeed it was to address precisely this problem that the Sarbanes-Oxley Act regarding transparency and disclosure was passed in 2002⁵.

As a result of these two arguments we posit that stakeholders in individualistic cultures are more likely to take matters into their own hands and decide to punish irresponsible behaviour without having to wait for peer group approval. However, they may well act in concert through voluntary associations or with NGOs. In collective cultures on the other hand, consumers are more likely to look to the government or other social institutions to act through and are therefore less likely to act on their own. This combined with the fact that individualistic cultures do not appear to internalise codes of practice or ethics into the way they actually do business, whereas communitarian cultures like Japan appear more likely to do so (Ouchi, 1981), would suggest that there may be more occasions when companies behave irresponsibly with respect to stakeholders in individualistic cultures and so we propose the following:

PROPOSITION 2a: In countries that are high on the individualistic end of the scale, stakeholders are more likely to exhibit high incidences of punishment of irresponsible behaviour by firms than in countries which are low on the individualistic end of the scale;

PROPOSITION 2b: In countries that are high on the communitarian end of the scale, stakeholders are less likely to exhibit high incidences of punishment of irresponsible behaviour by firms than in countries which are low on the communitarian end of the scale;

3.3 Masculinity and Femininity (MAS)

The standard characterisation of this dimension suggests that masculine societies are more likely to behave in an autonomous and assertive way, whereas feminine cultures are more likely to behave in a consensual and nurturing way. Work is humanized and enriched through job content enrichment in masculine societies, whereas it is dignified and enriched through the social contact that it creates in feminine cultures. Masculine societies tend to be competitive, regarding excellent management as aggressive and decisive, whereas feminine cultures tend towards consensus and negotiated compromises. Finally, in masculine societies rewards tend to be based on perceived merit, whereas in feminine societies rewards tend to be based on equality (Hofstede and Hofstede, 2005).

As a result, masculine societies are more likely to focus on material advancement and being competitive to achieve and maintain success. They are more likely to be instrumentalist in their adoption of CSR policies, consistent with our first class of CSR models in Section 2. In these circumstances it is possible to argue that masculine societies are more likely to be unethical in business than feminine ones, and indeed this has been proposed:

“Business practitioners (both males and females) in countries high in "masculinity" (i.e., the U.S. or Japan) will be less likely to perceive ethical problems than business practitioners (both males and females) in countries characterized as high in femininity" (i.e., Sweden)” (Vitell et al, 1993).

This fits into the ethical models of CSR discussed in Section 2 and viewed from a practitioner’s perspective this suggests two possibilities: the first that managers in masculine societies are more likely to behave in irresponsible ways and second this might suggest that businesses are more likely to be punished by stakeholders in masculine societies than in feminine ones on the following grounds: -

- There will be more incidents of irresponsible behaviour in masculine societies than in feminine societies leading to more potential conflict,
- When such incidents occur, feminine societies are more likely to try and resolve issues through compromise and negotiation or failing that, are more likely to turn to government to regulate behaviour,
- However, in masculine societies, stakeholders are more likely to act on their own in the pursuit of justice (equity) than in feminine societies and they are also more likely to be aggressive and decisive in their approach – leading to a higher willingness to punish such cases in masculine societies,
- As a result masculine societies are more likely than feminine ones to have incidents of irresponsible behaviour and are in turn more likely to exhibit a high tendency for stakeholders to punish such incidents.

Consequently we present the following propositions regarding the impact of masculinity and femininity:

PROPOSITION 3a: In countries with feminine cultures there will be a lower incidence of punishment by stakeholders of irresponsible behaviour by companies than in countries with masculine cultures.

PROPOSITION 3b: In countries with masculine cultures there will be a higher incidence of punishment by stakeholders of irresponsible behaviour by companies than in countries with feminine cultures.

3.4 Uncertainty Avoidance (UAI)

Adopting Hofstede's conceptualisation of uncertainty avoidance would lead us to believe that managers in societies with high uncertainty avoidance will be more likely to avoid deviating from group and organizational norms than would managers in cultures with low uncertainty avoidance, and

indeed this may be one of the contributory reasons to why codes of conduct are more effectively internalised in countries like Japan than the US, as discussed earlier. The desire for predictability in cultures with high uncertainty avoidance leads in some cases to a strong need to conform. This is then expressed in business by the fact that managers demonstrate a high degree of internal consistency in the way in which they behave, leading to trust, as a result of the variety of bonds that tie people together intimately whether it is through “*guanxi*” mechanisms, as with the Chinese, or through “*kankei*” in the case of the Japanese (Pye, 2000). In low uncertainty avoidance cultures there is likely to be a low level of trust, arising from high levels of ambiguity (Ferrell and Skinner, 1988). As a result senior managers cannot be assumed to have the best interests of all stakeholders in mind, unlike in Japan (Ouchi, 1985).

Societies with high uncertainty avoidance characteristics expect a high level of predictability in the behaviour of their members – be it the family, the social group, the company or the nation. If individuals are to continue to remain members of their group, the consequences of the actions they take must be perceived to be good for the group as a whole. This may explain why Japanese CEO’s will “fall on their swords” when their companies have erred in some way, violating the group norms, whereas American CEO’s have to be pushed out when they are found wanting (Vitell et al, 1993).

Taking all these points into consideration leads us to suggest that in cultures with low uncertainty avoidance there are more likely to be deviant forms of behaviour with senior managers less likely to admit their defects of their own volition. Consequently they are more likely to have to be forced into so doing. This may in turn mean that the likelihood of punishment by consumers is greater than in cultures where there is high uncertainty avoidance. Where there is less likely to be deviant behaviour requiring punishment and where if it occurs, senior managers accept the blame by themselves, the need for punitive action by consumers is reduced. Consequently we propose the following:

PROPOSITION 4a: In countries with a culture of low uncertainty avoidance, stakeholders are more likely to punish companies for irresponsible behaviour than in countries with a culture of high uncertainty avoidance;

PROPOSITION 4b: In countries with a culture of high uncertainty avoidance, stakeholders are less likely to punish companies for irresponsible behaviour than in countries with a culture of low uncertainty avoidance.

An alternative explanation which is also consistent with the Hofstede interpretation is that stakeholders in high uncertainty avoidance countries will punish poor CSR more, rather than less, since poor CSR may add to general societal uncertainty levels. Regulation of company behaviour through purchases may provide a social control mechanism that reduces the general level of uncertainty.⁶ These ideas place UAI into the social demands models of CSR described in Section 2.

3.5 Long-Term Orientation (LTO)

Finally we look at the effect differences in time horizons have on the likelihood of consumers punishing irresponsible behaviour. Long-term orientation refers to the degree to which a society focuses on the long-term consequences of actions taken today or considers only their short-term consequences.

Societies with a high long-term orientation tend to value long-term commitments and respect for tradition. This often supports a strong work ethic in which rewards, both financial and non-financial, are expected in the long-term as a consequence of effort applied in the short-term. Such societies may be characterised by patience and tolerance of problems in the short-term since their focus will be more on the future consequences of their actions today. It may be thought that confronting problems immediately may solve them more quickly but may lead to recriminations or bad feeling, which will affect future relationships adversely. As a result change tends to happen more slowly in these societies and business relations may take longer to develop especially for outsiders.

By contrast, societies with low long-term orientation tend not to reinforce long-term commitments and traditional values but focus much more on short-term relationships with more immediate outcomes. This leads to a greater emphasis on the quality and use value of time and the understanding of time as a scarce resource that has to be allocated efficiently. There is likely to be less patience and tolerance of problems in the short-run and a greater tendency to confront problems more immediately. As a result change tends to happen more rapidly in these societies since the focus is on the best use of time and the return to time invested in projects rather than on long-term commitments and traditions.

Low long-term orientation, or short-termism, is often considered characteristic of “Western” societies in which time is considered to be linear (i.e. that the past can be left behind) and limited. People in such societies often talk of, “spending time,” or, “wasting time” or of “putting one’s time to good use.” High long-term orientation is often considered to be characteristic of “Eastern” societies and their counterparts in Africa and the Middle East (Grondono 2000, Zinkin 2003), where time is often viewed as the space in which relationships with others are built and conducted. From this perspective the amount of time taken is less important than the way in which it is shared with other people.

It might therefore be argued that countries with a high long-term orientation tend to have a non-linear and synchronous approach to time, where time is not regarded as a scarce resource but rather as space for sharing with others. Societies with a low long-term orientation tend to view time as linear and sequential and regard it as a scarce resource. As a consequence we propose the following: -

PROPOSITION 5a: In countries with a high long-term orientation stakeholders are less likely to punish irresponsible behaviour, because there is plenty of time to sort things out

PROPOSITION 5b: In countries with a low long-term orientation stakeholders are more likely to punish irresponsible behaviour, because corrective action must be taken as soon as possible to avoid the resource being wasted.

4. Methods and Empirical Approach

In order to evaluate our propositions we used data from an extensive survey of stakeholder attitudes to CSR, which is conducted annually by GlobeScan Ltd and was first published as the *Enviro-nics Millennium Poll* in 2000. The stakeholder groups include consumers, shareholders and employees of large companies and their families. We used the average responses across the 2000-2003 cohorts, which smoothed out variations due to country and time specific episodes. In each year the survey covered a representative sample of around 1000 respondents in a wide selection of countries around the world, twenty-eight of which correspond to the country coverage of the Hofstede survey. The responses are obtained from face-to-face or telephone interviews and at the country level, results are accurate to within +/- 3.1 percent. In total we had 88,074 responses available, from which we took the mean responses for each of the 28 countries in our sample.

We focussed on the willingness of stakeholders to punish companies for socially irresponsible behaviour, which is measured using answers to the following question: -

“In the past year, have you considered punishing a company you see as not socially responsible by either refusing to buy their products or speaking critically about the company to others? Would you say you have...?”

1. *Not considered doing this*
2. *Considered this but did not actually do it, or*
3. *You have actually done this in the past year”*

For each country we took the proportion of responses in each category averaged over the four years of our dataset. The results by country are shown in Table 1, which reveals considerable variation across the sample.

< TABLE 1 HERE >

At first glance, the variation does not appear to be related to obvious factors such as income or regional similarity since, for example, the proportion of respondents who have actually punished firms is high in Australia, Canada and the USA but low in other high-income countries such as Japan and South Korea. In terms of regions, within Europe actual punishment is high in Great Britain and Germany but relatively low in France and Spain. In Latin America punishment is relatively high in Argentina and Mexico but low in Brazil and Uruguay. We take this as prima facie evidence that the variation may be related to culture rather than other factors, although we discuss this premise further in the final section.

In order to try to identify potential cultural influences we compare the responses to the punishment question to the five cultural dimensions identified by Hofstede. To quantify these we use the cultural indices provided in Hofstede and Hofstede (2005) and on the Hofstede website. These provide numerical measures for the Power Distance Index (PDI), the Individualism Index (IDV), the Masculinity index (MAS), the Uncertainty Avoidance index (UAI) and finally the Long-term Orientation Index (LTO)

For each country we took the index value and the average propensity to punish. We then ranked the sample by the index value and calculated the quartile averages. Using averages across time and between countries helps to mitigate country or time specific outliers. To investigate whether there is any relationship between punishment responses and cultural context, we use standard $\chi^2(df)$ tests of association between the responses of members of each group, their demographic characteristics and the cultural and socio-political environment in which they live and work, where df are the degrees of freedom, (see Newbold (1995) pp.415-19).

5. Findings

Table 2 presents the correlation coefficients between the percentage responses in each category and the cultural dimensions and Table 3 presents the distribution of responses across the five dimensions on which we focus. In this case we look at the average response in quartiles that is, in four groups of

seven countries ranked in each case by their index score for the dimension concerned. The fifth column identifies which countries are in the top and bottom quartiles.

< TABLE 2 and TABLE 3 HERE >

The results in both tables show support for our first proposition. Respondents in those countries with the lowest PDI have a much higher propensity to punish irresponsible behaviour by companies than those with high PDIs since the correlation coefficient is -0.63. About 42% of respondents in the lowest PDI countries have actively punished companies whereas this is only around 17% in high PDI countries. The χ^2 test significantly rejects the hypothesis that there is no association between punishment choice and the PDI. There is a higher tendency for respondents in high PDI countries to consider punishing companies but still around 50% of respondents in this group have never considered it.

The results are similar for the individualism measure IDV. In countries with high IDV ratings respondents are more likely to punish bad corporate behaviour, around 41% compared to only around 15% in low IDV countries and the correlation between punishment and IDV is high at 0.70. Again the χ^2 test significantly rejects the hypothesis that there is no association between punishment choice and the IDV. There is a higher tendency to consider punishing amongst respondents in low IDV countries but still, more have never considered than have considered or have actually taken action. These results are supportive of our second proposition.

The statistical evidence broadly supports our third proposition on measures of masculinity, MAS, although the results are less clear-cut. More masculine societies appear to have a higher tendency to punish bad firms and a lower tendency to not consider punishing but the differences between the top and bottom quartile groups is relatively small and the correlation coefficients are also relatively low, although they have the correct sign. Nonetheless the χ^2 test significantly rejects the hypothesis that there is no association between punishment choice and the MAS.

In countries with low UAI there is a slightly higher tendency to punish firms than in countries where risk-taking is less common. Taking together actual punishment and those who have considered punishing, the difference is more pronounced and the proportion who have never considered punishing bad firms is lower in low UAI countries than in high UAI countries. The correlation coefficients in Table 2 are correctly signed although relatively low. Taken together these results are consistent with our fourth proposition but the χ^2 test marginally rejects a general association between UAI and punishment choice and so overall this proposition is rejected. Nonetheless the alternative, that high UAI countries will punish more to reduce general societal uncertainty is not supported by the data here. Perhaps this is because spending patterns are driven by habit rather than ethics and because the act of punishment is itself potentially risky, since alternatives may not be available or may be equally unsatisfactory.

In terms of our final proposition relating to time orientation, the tables show more clear-cut results. In countries where time is considered in a linear fashion, as a scarce resource, respondents appear to be less patient with bad behaviour and are more likely to punish firms for it. The correlation coefficient between actual punishment and LTO is -0.46 and the χ^2 test does not reject a general association between LTO and punishment choice taken together. It is also interesting that there appears to be an Eastern-Western split, since three of the least time focussed countries are China, Japan and South Korea and they also have a low propensity to punish relative to other countries.

6. Discussion and Conclusions

This paper has explored the relationship between the five cultural dimensions of business behaviour identified by Hofstede and the propensity of consumers to punish bad behaviour on the part of companies. We developed a set of general propositions, which we believe follow from the general Hofstede framework and compared them to empirical evidence drawn from the general characteristics of responses to a survey of around 90,000 people across 28 countries conducted by GlobeScan Ltd 2000-2003.

The evidence suggests that differences in consumer behaviour across countries do indeed appear to be consistent with differences in the cultures of these countries and further, that these differences can be understood within the standard interpretation of the Hofstede framework. For example, consumers in countries where individualism is strong tend to punish firms more often for bad behaviour than those in countries in which collective attitudes are more prevalent. Consumers in countries where time is considered as a scarce resource appear to be less patient with bad behaviour and punish firms more often than those in countries where a longer-term view of the implications of short-term conflict is taken.

It is possible for us to draw out some implications of these results for CSR strategies of managers and firms operating in cross-cultural environments. For example, companies from countries with high Power Distance, such as Malaysia or China may find that stakeholders in low power distance countries such as many in the European Union, are much more likely to punish them for bad CSR than stakeholders in their own country, which will have implications for how they transpose their management strategies into overseas operations. By contrast companies from low power distance countries may find that they can escape punishment more often in their operations in high power distance hosts. Similar observations hold for countries with high and low individualism characteristics.

Firms from countries with high long-term orientation may find that stakeholders in low long-term orientation markets are much less tolerant of poor CSR and much quicker to punish it by shifting spending patterns than consumers in their home countries. This means that their CSR strategies may have to accommodate better CSR for overseas markets or hosts than they have in their home markets. From the other perspective, companies entering high long-term orientation societies either simply through sales or through internationalisation of operations, may find consumers in host countries to be more tolerant of bad CSR in the short-term if they can see the long-term reward. This again has implications for how market entry or overseas start-ups could be managed.

We believe that the general results provided in this study suggest that further research may prove fruitful. First, there is the question of the inter-relationship of the cultural dimensions, whether for example consumers in feminine cultures that are also highly individualistic and have low power distance behave in a similar way to those in masculine cultures. Second, whether the general results here apply in similar ways when focussing on specific aspects of CSR, for example in the ethics of consumer products, the treatment of environmental issues, the rights and conditions of employees, the role of government in society and the role of businesses in the community. Third, there is the issue of causality and the connection of consumer attitudes to company performance in CSR. For example, are low levels of punishment in communitarian societies due to the reluctance of consumers to act alone or are they due to collectivist management regimes, which lead to fewer instances where punishment is necessary? Fourth, it is necessary to isolate cultural issues from other socio-political and institutional factors that may potentially explain these patterns, although again there is an identification problem since such factors are also intricately linked to culture. Finally our observations on the implications of our results for business strategy suggest scope for a range of case studies that might identify how appropriate CSR strategies may be devised in order to accommodate the differences in cultural responses that appear to influence their success. These are issues for further research.

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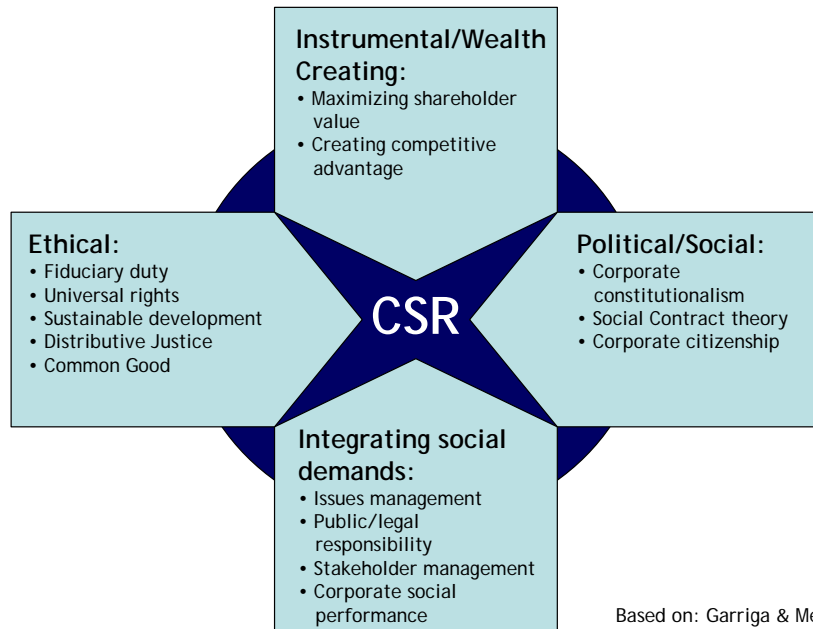
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Figure 1: Four Taxonomies of Corporate Social Responsibility



**Table 1:
Distribution of responses by country
Average % response 2000-2003**

Countries	Year Coverage	Respondents	Have Actually Punished	Considered but did not Punish	Have Not Considered Punishing
Argentina (ARG)	2000-02	2801	35.22	45.44	16.30
Australia (AUS)	2002-03	2013	61.25	22.92	15.19
Brazil (BRZ)	2001-02	2004	13.42	70.61	14.47
Canada (CAN)	2000-03	4530	46.16	34.09	19.06
Chile (CHI)	2001-03	3400	13.99	55.84	26.05
China (CHA)	2000-03	7356	19.25	43.76	31.77
France (FRA)	2001-2003	3019	20.09	57.15	14.52
Germany (GER)	2000-03	4000	40.03	37.23	20.15
Great Britain (GBR)	2000-03	3926	38.03	42.17	16.73
India (IND)	2000-03	4006	10.56	69.62	16.98
Indonesia (INDO)	2000-03	4034	4.59	51.53	29.49
Italy (ITY)	2000-03	4054	39.27	50.35	14.73
Japan (JAP)	2000-03	3463	12.94	55.52	24.09
Malaysia (MAL)	2000	1036	20.56	39.67	34.07
Mexico (MEX)	2000-03	4307	25.90	47.89	19.72
Netherlands (NTH)	2002-03	2613	32.80	46.50	16.23
Nigeria (NIG)	2000-03	4300	19.81	48.97	21.21
Poland (POL)	2000	994	21.13	59.15	9.05
Qatar (QTR)	2001-03	3237	6.89	65.89	16.59
Russia (RUS)	2002-03	1033	26.90	42.77	14.74
South Africa (SA)	2000, 2002-03	5000	14.43	59.78	18.37
South Korea (RSK)	2001-03	1712	14.94	40.38	43.11
Spain (ESP)	2000-03	3756	18.99	52.38	19.48
Sweden (SWE)	2001	977	29.89	53.94	14.53
Turkey (TUK)	2000-03	4800	12.56	51.58	21.53
United States (USA)	2000-3	4003	47.41	31.78	19.81
Uruguay (URG)	2000	900	7.44	75.22	12.67
Venezuela (VEN)	2002	800	14.50	56.38	23.50
All Countries		88074	23.89	50.30	20.15
Maximum		7356	61.25	75.22	43.11
Minimum		800	4.59	22.92	9.05
Standard Deviation			14.03	12.06	7.29

**Table 2:
Correlation of answers along the Hofstede cultural dimensions
(% Responses in each group 2000-2003)**

	Have or Have Considered	Have Actually Punished	Considered but did not Punish	Have Not Considered Punishing
Power Distance	-0.50	-0.63	0.21	0.38
Individualism	0.42	0.70	-0.46	-0.32
Masculinity	0.13	0.15	-0.03	-0.08
Uncertainty Avoidance	-0.25	-0.24	-0.04	0.21
Long-Term Orientation ^a	-0.18	-0.46	0.47	0.20

Notes: a: Only seventeen countries match in the Hofstede and GlobeScan samples

**Table 3:
Distribution of answers along the Hofstede cultural dimensions
(Average % Responses 2000-2003)**

Have or Have Considered	Have Actually Punished	Considered but did not Punish	Have Not Considered Punishing	
<u>1. Power Distance</u>				
59.61	42.22	17.39	38.38	Top Quarter (Lowest PD: SWE, GER, GBR, AUS, NTH, CAN, USA)
41.73	20.46	21.26	54.15	
33.62	15.94	17.69	58.99	
41.72	16.94	24.78	49.70	Bottom Quarter (Highest PD: MAL, RUS, VEN, MEX, QTR ^c , CHA, INDO)
X²(6)	24.65	[0.000]		
<u>2. Individualism</u>				
57.38	40.71	16.67	40.71	Top Quarter (Most Individualist: USA, AUS, GBR, CAN, NTH, ITY, FRA)
40.74	24.32	16.42	53.93	
33.25	15.15	18.10	58.50	
45.30	15.38	29.92	48.08	Bottom Quarter (Least Individualist: VEN, INDO, RSK, CHA, CHI, MAL, NIG ^b)
X²(6)	40.41	[0.000]		
<u>3. Masculinity</u>				
48.66	27.13	21.52	47.61	Top Quarter (Most Masculine: JAP, VEN, ITY, MEX, CHA, GER, GBR)
50.13	33.74	16.39	46.11	
35.69	13.99	21.70	55.06	
41.68	20.71	20.97	52.43	Bottom Quarter (Least Masculine: SWE, NTH, CHI, RUS, URG, RSK, NIG ^b)
X²(6)	14.22	[0.027]		
<u>4. Uncertainty Avoidance</u>				
36.45	19.67	16.77	55.87	Top Quarter (High UAI: URG, RUS, POL, JAP, ARG, FRA, ESP)
42.30	19.94	22.36	52.80	
49.74	31.62	18.11	45.05	
47.67	24.33	23.34	47.50	Bottom Quarter (Low UAI: SWE, GBR, MAL, IND, CHA, USA, INDO)
X²(6)	10.30	[0.112]		
<u>5. Long-Term Orientation^a</u>				
43.50	15.14	28.36	52.57	Top Quarter (Long-term, non-linear view of time: CHA, JAP, RSK, BRZ)
41.29	25.68	15.61	55.90	
52.80	38.07	14.73	43.31	
53.34	34.08	19.26	41.88	Bottom Quarter (Short-term, linear view of time: NIG ^b , ESP, CAN, GBR)
X²(6)	24.95	[0.000]		

Notes: a: Only seventeen countries match in the Hofstede and GlobeScan samples, b: Hofstede figures are for West Africa, c: Hofstede figures are for Arab Countries

Endnotes

¹ See the GlobeScan website for more details, www.globescan.com/sp-csr.asp

² The Global Sullivan Principles (1999) state, “As a company which endorses the Global Sullivan Principles we will respect the law, and as a responsible member of society we will apply these Principles with integrity consistent with the legitimate role of business. We will develop and implement company policies, procedures, training and internal reporting structures to ensure commitment to these Principles throughout our organization. We believe the application of these Principles will achieve greater tolerance and better understanding among peoples, and advance the culture of peace.

Accordingly, we will:

- Express our support for universal human rights and, particularly, those of our employees, the communities within which we operate, and parties with whom we do business.
- Promote equal opportunity for our employees at all levels of the company with respect to issues such as color, race, gender, age, ethnicity or religious beliefs, and operate without unacceptable worker treatment such as the exploitation of children, physical punishment, female abuse, involuntary servitude, or other forms of abuse.
- Respect our employees' voluntary freedom of association.
- Compensate our employees to enable them to meet at least their basic needs and provide the opportunity to improve their skill and capability in order to raise their social and economic opportunities.
- Provide a safe and healthy workplace; protect human health and the environment; and promote sustainable development.
- Promote fair competition including respect for intellectual and other property rights, and not offer, pay or accept bribes.
- Work with governments and communities in which we do business to improve the quality of life in those communities-- their educational, cultural, economic and social well being--and seek to provide training and opportunities for workers from disadvantaged backgrounds.
- Promote the application of these Principles by those with whom we do business.

We will be transparent in our implementation of these Principles and provide information which demonstrates publicly our commitment to them”. <http://globalsullivanprinciples.org> (January 3rd 2005)

³“The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption:

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour Standards

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies

Anti-Corruption

- Principle 10: Businesses should work against all forms of corruption, including extortion and bribery”.

January 3rd 2005, <http://www.unglobalcompact.org>

⁴ Brundtland Report (1987): The World Commission for Environment and Development chaired by Gro Harlem Brundtland concluded that, “It is in the hands of humanity to make development sustainable, that is to say, seek to meet the needs and aspirations of the present without compromising the ability of future generations to meet their own. The concept of sustainable development implies limits -not absolute limits, but limitations that the present state of technology or social organisation and the capacity of the biosphere to absorb the effects of human activities impose on the resources of the environment-, but both technology and social organisation can be organised and improved so that they will open the way to a new era of economic growth. The Commission believes that poverty is no longer inevitable. Poverty is not only a malaise in itself. Sustainable development demands that the basic needs of all are satisfied and that the opportunity of fulfilling their expectations of a better life is extended to all. A world where poverty is endemic will always be susceptible to suffering an ecological or any other kind of catastrophe”. *Our Common Future*, The World Commission for the Environment and Development (Alianza Publications 1988. Madrid) p29

⁵ For details of the Sarbanes-Oxley Act, refer to www.sarbanes-oxley.com

⁶ We are grateful to Gary Weaver, University of Delaware, for this point