Corporate Sustainability in Emerging Markets: The Role of Managers’ Moral Foundations and Cultural Traditions

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As corporate sustainability gains increasing attention worldwide, understanding managers’ sustainability decision-making in the emerging markets becomes extremely important. To fill a gap in the literature, the present research examines the role of Chinese managers’ moral foundations, endorsement of cultural traditions, and CSR orientations in sustainability decision-making. Drawing on the theory of moral foundations and cultural influence, we propose that both managers’ moral foundations and Confucianism impact sustainability decisions and CSR orientations. Moreover, we propose Confucian ethics and Confucian dynamism moderate the effects of moral foundations on CSR orientations. The implications of this study are discussed along with further research direction.

INTRODUCTION

The concepts of sustainable development and corporate sustainability have attracted worldwide attention in recent years (Luchs, Nalor, Irwin and Raghunathan, 2010; Hahn, Pinkse, Preuss and Figge, 2015). Businesses today are expected to address economic, environmental and social concerns, i.e., contribute to the triple bottom lines simultaneously. However, all businesses are not equally proactive in corporate sustainability practice. More often than not, the same company may be more proactive in its home markets (usually developed economies) than in foreign markets (usually developing economies). Hashmi, Damanhour and Rana (2015) reported that international subsidiaries often differ from those domestic subsidiaries of the same American company in their efforts to promote sustainability. Moreover, emerging countries generally fall behind in implementing corporate sustainability and/or corporate social responsibility. Businesses’ engagement in sustainability behavior is relatively low and there is a lack of a systematic, focused and institutional approach in such markets (Jamili & Mirshak, 2007; Hashmi et al., 2015). Worst of all, many businesses in emerging markets such as China consider economic performance as the sole responsibility, and they tend to do whatever it takes to maximize profit with little attention paid to the consequences of their decision on environmental and social concerns. As a result, we have been witnessing serious environmental problems as well as unethical, sometimes illegal practices in China.
(Jp, 2009). Therefore, it is imperative to understand corporate sustainability behavior in emerging markets, especially the factors that may influence managers’ decision with regard to sustainable development.

Previous research has identified numerous factors that may influence sustainability behavior, including national culture, government regulation, stakeholders’ attitude, pressures from sustainability advocates, commitment of top management, and organizational values (c.f. Hashmi et al., 2015). At the individual level, the role of decision makers’ personal beliefs, sustainability attitude and personal values structure are also well documented (Marcus, Macdonald and Sulsky, 2015). Of particular interest is research on the role of moral sense and personal norm. Because sustainable development places emphasis on meeting the needs of the present generation without compromising the ability to meet the needs of future generation, many researchers view corporate sustainability as the natural extension of CSR or a matter of morality, especially relevant to social-ethical responsibility. In studying the relationship between personal values and pro-environmental behavior, Schultz and Zelezny (1998) argued, “pro-environmental behavior can be viewed as an altruistic action that is motivated by an internalized moral norm grounded in values concerned with the welfare of others” (p. 542). Thus, the activation of relevant moral norms is an important determinant of sustainability behavior. Similarly, in a study examining the interaction between personal commitment to corporate sustainability and situational variables, Corraliza and Berenguer (2000) found that felt moral obligation played a crucial role in pro-environmental actions, especially when situational condition facilitates sustainable behavior. However, research on the role of morality in corporate sustainability is by far very limited. To our knowledge, no study as of today has examined the potential role of psychological foundations of morality in managers’ sustainability decisions. The present research is an attempt to take on an overdue task examining the role that managers’ moral foundations play in sustainability behavior in the context of an emerging market, to be specific, China. With this research, we aim to provide answers to the question of whether moral foundations have a significant role in sustainability decisions and, if yes, how and when they may impact such decisions. Specifically, the present study contributes to our understanding of business managers’ sustainable decisions by 1) explicitly examining the role of business managers’ moral foundations in making sustainability decisions; 2) demonstrating the extent to which business managers’ CSR orientations intervene the impact of moral foundations; and 3) investigating how traditional cultures affect CSR orientations and how it may interact with managers’ moral foundations affecting business decisions in question.

The rest of the paper is structured as follow. We first review the moral foundation theory and develop propositions concerning the role of moral foundations in sustainability decisions. Then, we examine the intervening role of business managers’ corporate social responsibility orientation and the moderating effect of traditional cultures on the relationship between moral foundations and managers’ CSR orientations and consequently sustainability choice. Afterward, we discuss the theoretical contributions and practical implications. We then conclude the paper with some suggestions for future research direction.

CONCEPTUAL DEVELOPMENT AND PROPOSITIONS

Moral foundations are psychological systems upon which cultures build entire moral systems, including moral values, practices, and institutions (Haidt, 2008). These foundations are evolved innate structure consisting of ontological assumption of human beings, specification of locus of moral values, and fundamental concepts of moral regulations. In view of five aspects of moral foundations, Haidt and Graham (2007) refer to moral foundations as “psychological preparedness” for detecting and reacting emotionally to issues related to harm/care, fairness/reciprocity, ingroup/loyalty, authority/respect, and purity/sanctity” (p. 106). According to Haidt and his colleagues, moral foundations are sources of moral feelings and intuitions, and “the psychological mechanism underlying moral judgment and moral discourse” (ibid p.107). As such, moral foundations enable us to perceive actions and agents as praiseworthy or blameworthy.
According to moral foundation theory (MFT), moralities in different cultures vary with the composition of moral foundations and the relative role different foundations play in the moral systems. Based on the way the moral systems were built, Graham, Haidt and Nosek (2009) identified two common approaches to morality: individualizing approach and binding approach. An individualizing approach exists if a moral system is built on first two moral foundations: care/harm and fairness/reciprocity. Such moral systems correspond to Shweder’s ethics of autonomy (1993). Binding approach refers to other three foundations that correspond to Shweder’s ethics of community/divinity.

Conceptualizing moral foundations as the taste receptor of moral sense or modules for social-cognitive and social-emotional abilities, MFT holds that moral foundations give us moral feelings and intuitions. Along with cultural meanings associated with moral issues and social contexts, moral foundations determine moral cognition, moral reasoning (Joseph, Graham and Haidt, 2009), and moral judgment in social situations, which in turn influence our attitudes and behavior in such situations (Haidt and Graham, 2007). Previous research has found that moral foundations predict attitudes toward social issues over ideology, gender role, religious attendance, and help explain different political position taken by liberals and conservatives concerning a set of social issues (Graham et al., 2009). Thus, it is reasonable to expect that moral foundations will influence people’s attitude toward environment concerns and the tendency to make sustainability decisions.

Individualizing approach to morality regards the moral domain as “prescriptive judgments of justice, rights, and welfare pertaining to how people ought to relate to each other.” (Turiel 1983, p. 3). To individualizing approach, the self is conceptualized as an individual preference structure with each person having the right to choose his or her own goals and values based on how he or she feels. Consequently, individuals are the locus of moral values. The purpose of moral regulation is to protect free choice of individuals and promote the exercise of individual will in pursuing personal preferences (Shweder, 1997). To individualizing approach, morality is about protecting individuals’ autonomy and respecting the rights of other individuals. To the individualizing moral foundations, the critical regulatory concepts are rights, justice, fairness and freedom. Because sustainability is largely about the balance between meeting current needs and the needs of future generations, sustainability problems in a sense are moral issues involving others’ rights, fairness, justice and freedom of choice. Therefore, we propose that endorsement of individualizing moral foundations (i.e., foundations of harm/care and reciprocity/justice) would positively relate to pro-sustainability decisions.

Proposition 1a. Individualizing moral foundations are positively related to sustainability decisions.

Binding approach to morality regards the world as a collection of institutions (i.e., family, tribes or other groups), and individuals are holders of social roles or social positions of large interdependent social structure or collective enterprises. The binding foundations (i.e., ingroup/loyalty, authority/respect and purity/sanctity) regard groups as the locus of moral value and consequently, the purpose of moral regulation is to protect the moral integrity of the various status or role that constitute a society or community (Graham et al., 2009). According to MFT, the fundamental regulatory concepts of binding moral foundations are duty, respect, obedience, cohesiveness, and sanctity. Because binding foundations emphasize the value of groups, cohesiveness of society and abstinence, and because these foundations are morally opposed to the extreme individual freedom (Haidt and Graham, 2007), we believe people who strongly endorse binding moral foundations would discourage overuse of natural resources without considering its consequence to future generation. Therefore, when facing the choice between sustainability development and maximizing immediate gains, people who strongly endorse binding moral foundations would favor a pro-sustainability decision. Therefore,

Proposition 1b. Binding moral foundations are positively related to sustainability decisions.

Corporate social responsibility (CSR) is a normative concept that reflects the changing expectation of society. The core concept of CSR is that besides meeting the obligation of economic performance (providing goods and services and making efficient use of resources of society), corporations also need to take social-ethical responsibility and be responsive to wellbeing of society as a whole. Corporations must
conform to the prevailing social norms, ethical values, principles and expectations of a society (Carroll, 1999), and moreover, be responsive to social needs, namely, be socially involved in helping solve social problems, or helping society achieve its social goals. In a sense, morality is at the core of corporate social responsibility. Both the ethical dimension and the legal dimension, which is the responsibility to abide by law and government regulation or the “codified ethics” (Acar, Aupperle and Lowy, 2001), concern how people ought to deal with each other, especially when they are in exchange relationships. Moreover, the economic responsibility and social involvement responsibility concern the relationship between managers and stakeholders as well as society as a whole. Taken together, we have a good reason to believe that morality plays an important role in one’s social orientations or attitude toward social responsibility. In fact, previous research has confirmed the close link between morality and CSR orientations. A study by Mudrack (2007) showed that people upholding moral principle of individual rights, dignity and justice are characterized by social sensitivity and concern for others, and tend to view societal welfare as an important consideration while making decisions. In addition, advanced moral reasoning is linked with beliefs that business firms have both societal and ethical responsibilities. Because moral foundations serve as modules for moral intuitions and moral judgment, and the regulatory concepts of moral foundations are indeed the fundamental moral values that have been found to be important determinants of CSR orientation, (Fukukawa, Shafer and Lee, 2007; Smith, Signal and Lamb 2007). We propose that managers’ endorsement of moral foundations will have a significant impact on managers’ CSR orientations.

Using Carroll’s hierarchical conceptualization of CSR, Aupperle and Carroll (1985) and Acar et al. (2001) empirically tested the concept of social responsibility, and found that total social responsibility could be divided into two categories according to whether they are of economic concern. This dichotomization has been adopted by subsequent studies (e.g., Smith et al., 2007). Taking this approach, we use the terms “economic performance orientation” (EC) in this study to indicate social responsibility of economic concern and the term of “noneconomic social orientation” (NONEC) to denote social responsibility of noneconomic concern (i.e., social-ethical responsibility and social involvement). Given the distinction between economic and noneconomic responsibility orientation, we propose,

Proposition 2a. Individualizing moral foundations are positively related to economic and noneconomic social orientations.

Proposition 2b. Binding moral foundations are positively related to economic and noneconomic social orientations.

Reflecting society’s expectation about how businesses perform their economic function, corporate social responsibility requires that business abide by established social norms defining appropriate behavior and meet the expectation of social responsiveness to society needs. On the other hand, corporate sustainability requires corporations to pursue societal goals, especially those relating to sustainable development – environmental protection, social justice and equity, and economic development. Being an important societal objective, sustainability development has long been considered as a major social responsibility concern (Hahn et al., 2015). For instance, when commenting on CED’s three concentric circle conceptualization of social responsibility, Carroll (1999) argued that corporations should exercise their economic function with a sensitive awareness of changing social values and priorities such as issues concerning environmental conservation. Previous research seems to suggest that corporate sustainability can be viewed as an integral part of corporate social responsibility. Given the close relationship between CSR and corporate sustainability, we argue that managers’ CSR orientations would be highly relevant to sustainability decisions. CSR orientations reflect managers’ propensity to make business decisions in a socially responsible manner and their belief concerning the role of business organizations and their obligation for society. Managers who have strong beliefs of social responsibility or highly socially responsive would be more likely to make business decisions in accordance with the idea of sustainable development than those who are low in CSR orientations. That is, managers’ CSR orientations should affect the sustainability decisions. We propose
Proposition 3a: Managers’ economic performance orientation is positively related to sustainability decisions.

Proposition 3b: Managers’ noneconomic social orientation is positively related to sustainability.

Proposition 1, 2 and 3 together suggest a mediational role of CSR between moral foundations and sustainability decisions. Consequently, we propose,

Proposition 4a. Managers’ CSR (EC & NONEC) orientations mediate the relationship between individualizing moral foundations and sustainability decisions.

Proposition 4b. Managers’ CSR (EC & NONEC) orientations mediate the relationship between binding moral foundations and sustainability decisions.

Despite the differences in defining culture, the extant literature generally acknowledge culture as a powerful influence in business decision making. As a belief and value system shared by a nation or other social groups, culture is considered as a collective programming of the mind, thus affecting how people think and how they act (Hofstede, 1980). On the other hand, CSR orientations reflect one’s belief on the appropriate role of corporations and the desirable way of pursuing business policy, making business decision and conducting business (Bowen, 1953), thus, it is a value-laden concept. Schwartz’s cultural-level values theory (Schwartz and Bilsky, 1987) holds that the individuals’ value and expectations are directly related to their cultural background. Culture is generally believed to be a powerful influence on CSR orientations. Recently research has shown that cultural differences in various markets are responsible for different CSR orientations and practices (Maignan and Ferroll, 2003; Smith et al., 2007). Given above, we argue that cultural tradition or local culture should have significant impact on managers’ CSR orientations and consequently moderate the effect of moral foundations on CSR orientations.

China has been selected as the emerging market to study in this research. This is because China as the largest emerging market in the world is gaining increasing prominence in the global economy. In addition, a widespread profit-mindset in China (Ip, 2009) has led to serious problems with regard to corporate responsibility. Unethical business practices, corruption, and serious environmental pollutions among others are widespread in China. Finally, China’s traditional culture characterized by Confucianism is in sharp contrast to Western culture, which provides the best context for examining the role of local culture in CSR orientations.

Confucianism refers to a cultural tradition rooted in Confucius’s philosophical thinking that remains a powerful source of values, social codes and behavioral guidance in today’s China. Given the purpose of this study, we place our focus on its two key components: Confucian dynamism and Confucian ethics. Confucian dynamism is a concept proposed by culture researchers during 1980s (The Chinese Connection 1987). It is defined as a work ethic that manifests a strong long-term orientation and that values thrift, persistence, ordering relationships, and a sense of shame. It has been argued that Confucian dynamism serves as an alternative model of economic development (Jingjit and Potaki, 2010; Minkov and Hosfstedt, 2012) and plays a significant role in Asian economic growth. Empirical studies have shown that Confucian dynamism is associated with national educational achievement and economic growth, thus provided evidence for its predictive power (Minkov and Hosfstedt, 2012). Given the findings of previous research, it is reasonable to assume that Confucian dynamism closely relates to managers’ orientation toward economic performance. We argue that the impact of moral foundations on CSR may depend on the degree to which managers endorse Confucian dynamism. Specifically, due to the facilitating role of Confucian dynamism in economic growth, managers who strongly endorse Confucian dynamism might place more emphasis on economic performance, and consequently the impact of moral foundations on EC orientation might be stronger with those managers relative to those who do not endorse Confucian dynamism equally strongly. Thus, we propose that Confucian dynamism will impact the
relationship between moral foundations and CSR orientation primarily through its potential effect on economic performance responsibility. Therefore, we propose,

Proposition 5a. Confucian dynamism is positively correlated with economic performance orientation.

Proposition 5b. The impact of (1) individualizing moral foundation and (2) binding moral orientation on economic performance orientation will be stronger when managers’ endorsement of Confucian dynamism is high that it is low.

Confucian ethics relates to ways of life or desirable way of living. Yu (2007) holds that the central question of Confucian ethics, like Aristotle’s , is about what a good life is or what kind of person one should be. For Confucius, the task of ethics is to find human Dao (道), the right way which a human life should take. A person who lives according to Dao is a gentleman or a man of virtue. Confucian ethics is called virtue ethics because it focuses on cultivating Te (德) or virtuous attributes of a man of virtue. The major Confucian virtues include benevolence, righteousness, ritual propriety, wisdom, trustworthiness, filial piety, loyalty and reciprocity (Woods and Lamond, 2011; Ip, 2009; Yu, 2007). Hofstede and Bond (1988) summarize Confucian teaching into four key principles: 1) the stability of society is based on unequal relationships between people, 2) the family is the prototype of all social organizations; 3) virtuous behavior toward others lies in reciprocity; 4) virtuous behavior includes self-improvement through education, diligence, perseverance, and moderation in all things. This summary gives a clear description of the core of Confucian ethics.

Previous research has revealed an apparent parallel between Western ethical values and Confucian virtues. In studying Confucian ethics and self-regulation in management, Wood and Lamond (2011) found that with the exception of ritual propriety and filial piety, Confucian virtues are common to Western concepts of business ethics such as benevolence, righteousness, wisdom, and trustworthiness. Added to the list of shared values by Lam (2003) are integrity, respect for others, duties and justice in the sense of treating each and every person in an equal way. In comparing Kantian ethics and Confucian ethics, Chan (2008) argued that Confucian’s virtue of Shu (恕) or the negative version of Golden rule (do not impose on others what you don’t want them to do to you) is consistent with the spirit of Kant’ categorical imperative. All these values or virtues encapsulate the concept of justice and interpersonal care involving real and concrete individuals, and overlap with the regulation concepts of both individualizing and binding ethical foundations. Given above discussion, we believe that like moral foundations, Confucian ethics would have a positive effect on both economic and noneconomic social orientations. In addition, we argue that with the managers who strongly subscribe to Confucian ethics, the effect of moral foundations on CSR would be enhanced. Therefore,

Proposition 6a. Confucian ethics is positively related with (1) economic and (2) noneconomic social orientations.

Proposition 6b. The impact on CSR orientations of (1) individualizing moral foundations and (2) binding moral foundations will be stronger when managers’ endorsement of Confucian ethics is high than it is low.

A graphical presentation of our conceptual model is shown in the figure below. All propositions except H4 were indicated in the figure.
FIGURE 1
THE IMPACT ON SUSTAINABILITY DECISION OF MORAL FOUNDATION


DISCUSSION

Attempting to understand corporate sustainability behavior of business managers in emerging markets, we have examined business managers’ moral foundations, CSR orientations and their role in sustainability decision making in the context of Confucianism, a cultural tradition in the largest emerging market in the world. We proposed that business managers’ moral foundations play an important role in their sustainability decisions. In addition, both individualizing and binding foundations are proposed to significantly impact managers’ social responsibility orientations, which, in turn, influence sustainability decisions. Furthermore, we proposed that Confucianism, as the cultural tradition in the local market, would affect managers’ CSR orientations as well as moderating the effect of moral foundations on CSR orientations in the emerging market.

The intended contributions of the present study to the business literature are threefold. First, this study takes an initial step looking into the impact of managers’ moral foundations in sustainability decisions; thus, it extends previous research on the effect of moral sense and ethical norms (Schultz and Zelezny,
1998; Corraliza and Bernguer, 2000) and contributes to our understanding of the role of morality in corporate sustainability.

Secondly, looking into the effect of local cultural tradition, i.e., Confucianism in the context of China should allow us to examine how traditional cultures and moral foundations interplay on determining managers CSR orientation and sustainability decision. By examining the role of Confucianism (a cultural tradition) and psychological foundations of modern morality, this study should shed light on how cultural traditions and changing beliefs and values resulting from modernization/globalization interact in influencing business decision making.

Finally, the findings of this study should have significant implication for international business research and practice. First and foremost, it may shed light on the long controversy over convergence vs. divergence in global management as well as the marketing field. The present study suggests a dynamic view of the role of culture. Specifically, globalization, like modernization, brings unique beliefs and values into a society or a market, thus initiating cultural changes or transformation. During the transformation process, both newly introduced belief, values, or practice and the local cultural tradition would influence business decision making and management behavior. We argue that the dual-determinant process would continue until the cultural change reaches a full integration and consequently a new belief and value system establishes. This view of cultural changes is consistent with the cross-version view on cultural influence in the emerging markets (Andrews and Chompusri, 2005). Because cultural traditions remain a powerful influence, either promoting or hindering the corporate sustainability and businesses’ CSR efforts, it is naïve to believe cultural values and consequently management practices will converge across nations. In contrast, this study suggests that knowing how to work with managers who endorse traditional cultures is critical to cross-national/cultural management.

In conclusion, it is highly challenging for a business to address economic, environmental and social concerns simultaneously and to promote corporate sustainability in business decision making and management practice. It is even more difficult to do so in the global markets. Treating the corporate sustainability as essentially an issue of morality, we have examined the role of moral foundations in managers’ sustainability decision while considering their CSR orientation and endorsement of cultural traditions in the local market. We expect that the findings of this study would help international businesses in their effort of promoting sustainability decisions. We also hope that this study would stimulate more interest in cross-national/cultural sustainability research that will generate more research ideas and managerial insights.

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