

Developments in Business Simulation and Experiential Learning, Volume 29, 2002

To Teach “Vikings” to *Behave* among “Mandarins” Lessons from Teaching with a Simulation Model of Applied Business Ethics in International Management

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ABSTRACT

The objective of this paper is to report from interactive teaching situations that involve a number of cross-cultural puzzles and to report on the construct value of a model in progress on bribery in China. The paper reports from eight simulations. It is a cross-disciplinary case involving joint venture, expatriation training, culture in auditing, and business ethics. The nature of the paper is that of a work in progress and thus not intended for publication at its present stage of development.

INTRODUCTION

The difference between theory and practice is, as we all know, significant. In teaching international business management we face the challenge of bringing into the class room/teaching situation, research based information of such complex and actual nature that it prepare our students for the work life situation that they are likely to meet in international management. In particular challenging is the teaching that deals with moral issues related to bribery in business. During reviewing theory on such issues, one comes rather quickly and quite easily to hold rather simplistic views regarding bribes. The situation changes greatly, however, when one becomes directly involved in practical situations related to bribery.

The first author of this paper experienced this a number of times when teaching a graduate course on International Management. An American textbook was used as point of departure of the treatment of the subject in the classroom (Deresky, 1994, 1997). Furthermore, classroom discussions dealt with a number of mini cases that required the students to decide on situations where various sorts of bribery were involved. This author wondered why the views held by the students often changed from rather formalist (i.e., one universal rule) considerations to more utilitarian (i.e., cost -benefit)

considerations during class discussions.

In order to analyze this question in greater detail as well as providing the teaching means of an increased consciousness of the students, the idea emerged to construct a self-awareness model. Our demand to the model progressing from a rather innocent to a serious situation, came from a show “Yes Minister” called *The Moral Dimension*, (reference) where a small matter becomes an important political issue because it was not well understood at first. However, since no model of this nature was to be found in books by Elgood, (1984), and Gillispie, (1973), we decided to make our own model.

The model consists of a number of situations involving bribery, which would, in a structured way, increase the awareness of the problems related to corruption and the related ethical complexities. The self-awareness model was part of a term project that two students at Odense University made under supervision of their associate professor.

This paper will report the results from such simulations. First version was presented at the WACRA '97 conference on “Interactive Teaching and Learning”, Napier University, Edinburgh, Scotland, June 29 - July 2, 1997. Lessons from ethical simulations were discussed at a Professional Workshop on the usage of simulations in teaching International Management at the Academy of Management Meeting in Washington DC, august 2001.

Situation “When in China...”

A number of fictive situations were constructed which relate to Sino-Danish business relations. A fictive Danish company, BioDana, has formed a joint venture with a Chinese company, ChenTech, called BioTech China, a plastics producer for the food industry.

A fictive Dane has been expatriated on a three-year contract to manage the joint venture. Five situations from arrival to managing going operations were constructed.

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Furthermore, seven situations during the first year of managing going operations were constructed. All twelve situations involve ethical choices of an increasingly complex nature.

Following Philips (1994: 623) we define bribes as what happens when

“P accepts a bribe from R if and only if P agrees for payment to act in a manner dictated by R rather than doing what is required of him as a participant in his practice”

The twelve confrontational situations are as follows: First, a grease payment is demanded for a rental car upon arrival at the Chinese airport. Second, the expatriate is presented with a possibly antique gift. Third, in exchange for a job to a relative of a host-country official lacking permits are offered. Fourth, an official offers speedy customs for promise of tax-free purchases. Fifth, safety regulations are violated by home country national and host-country nationals are killed. Sixth, official offers speedy customs of shipments in exchange of shipping official's parcel. Seventh, high-ranking official demands unsolicited consultant's fees. Eighth, disposal solution of environmentally damaging waste produce is decided. Ninth, sudden arrival of company auditor is announced when accounts are incomplete. Tenth, new secretary finds irregularities. Eleventh, auditor suspects embezzlements. Twelfth, auditor is convinced of embezzlements and invites a bribe from expatriate.

Data to evaluate the Teaching Session

The data consist of the responses from two simulations conducted in November 1996 and February 1997 respectively at Odense University, Denmark. A total of 56 students participated. The gender proportions were almost equal with a slight overrepresentation of female students, i.e. 53%. The first simulation was conducted for a group of 32 students from the Combined Study Program of Modern Languages and Commerce (C.S.P.). The second simulation was conducted with a group of 24 graduate business students in the context of a course on International Management.

METHOD OF INTERACTIVE TEACHING AND DATA COLLECTION

CONDUCTING THE SIMULATION

The purpose of the simulation is to increase the participants' consciousness of the ethical complexity of dealing with the different cultural values that occur in cross-cultural business encounters. The participants are supposed to act as if they worked in a cross-cultural environment. The participants are not only part of, but need also to critically adapt to this complex reality.

Before and after the simulation the participants answer identical questionnaires. The purpose is to report any changes in the attitudes towards ethical dilemmas through the use of the self-awareness model. The

questions are posed so that they expose the participants' attitudes in either a formalistic or a utilitarian way. The questionnaire is an adaptation of a survey of ethical theoretical aptitudes adapted by Jackson (1993: 277 - 278).

The actual simulation is divided into two parts of which the first is given as homework. A case describing the fictitious situation is handed out together with five confrontational situations taking place between the time of being expatriated and actually managing going operations. The participants are invited to commit to writing both their solution to each presented situation and the expected consequences of that solution. Through this home-prepared part, the participants are given sufficient time to familiarize themselves with the details of the case.

The second part of the simulation consists of seven situations, which are to be solved in class. In groups of three, the participants work through the second part of the simulation, which forces all participants to take an active part in the discussion. The dynamics of teamwork is obtained and the participants come to take an active part in the learning process as they learn from each other. The participants systematically go through the seven situations within a limited period of time (at a maximum of 45 minutes for all seven). Thus stressing the participants, they are allowed to experience the pressure of having to decide quickly on an ethically acceptable response to a perceived ethical dilemma, i.e. the simulation is made more realistic.

Applying to all 12 situations, they advance in a historically linear form. In this way, the complete scenario becomes ever more complex and sophisticated. As the situations are interrelated, previous decisions should influence later situations and the range of applicable choices of actions available. Hereby, the participants' consciousness of the fact that reality is changeable is enhanced. Previously made decisions later prove to hold incalculable consequences in a dynamic environment where relied-upon preconditions change without warning. Also applying to all 12 situations is that the participants are invited to either choose one of the proposed solutions or think of - and make a record of - their own solution to each situation.

DATA COLLECTION

The self-awareness model has been tested twice, i.e. with two different groups of students. The first time, the participants were not beforehand familiarized with the situations of the second part of the simulation. The second time, the participants were given the situations of the second part with the case and the five first situations, which were to be prepared as homework. This meant that the second time the participants were aware of the complexity of the entire simulation.

Both groups were invited to discuss the presented situations in groups. The participants of the first test-group were then invited to submit their personal solution to the each dilemma, whereas the second group was to submit a joint solution.

Prior to filling out the final questionnaire at the

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end of the simulation, plenary sessions of 45 minutes were used to openly discuss both the model and the self-confrontational technique applied here. The questionnaire also covered reactions to the learning process.

QUANTITATIVE FINDINGS

The effects of the model, as measured by comparing attitudes to a number of ethical issues before and after the game, are shown in Table One.

The purpose of the model was to make the participants more aware of how bribe situations involve one's conscience. It is thus remarkable that attitudes changed most substantially on the second issue: "When making ethical decisions one should pay attention to..." The ratio of participants answering "one's conscience" increased from 64% to 89% during the game.

ETHICAL DECISION MAKING: RULES OR RESULTS

Table One	All Participants' Responses		1. Simulation		2. Simulation	
	Pregame n %	Postgame n %	Pregame n %	Postgame n %	Pregame n %	Postgame n %
<u>A person's actions in business can basically be described as being</u>						
good or bad	32 57%	24 46%	20 61%	13 45%	12 52%	11 48%
right or wrong	24 43%	28 54%	13 39%	16 55%	11 48%	12 52%
<u>When making ethical decisions one should pay attention to</u>						
one's conscience	36 64%	46 89%	20 61%	26 90%	16 70%	20 87%
other people's needs, wants, and desires	20 36%	6 11%	13 39%	3 10%	7 30%	3 13%
<u>Solutions to ethical problems are usually</u>						
not easily definable	51 91%	46 89%	31 94%	16 57%	20 87%	20 87%
easily definable	5 9%	6 11%	2 6%	12 43%	3 13%	3 13%
<u>I prefer to solve ethical problems by</u>						
developing workable alternatives	32 57%	29 58%	18 55%	14 52%	14 61%	13 59%
making distinctions and clarifications	24 43%	21 42%	15 45%	15 48%	9 39%	9 41%
<u>I would try to obtain agreement on ethical matters by</u>						
working out points of agreement	22 39%	22 42%	12 36%	7 25%	10 44%	7 30%
trying to obtain a workable compromise	34 61%	30 58%	21 64%	21 75%	13 56%	16 70%
<u>I would prefer to be known as a person who</u>						
has achieved a great deal	18 32%	13 25%	11 33%	25 86%	7 30%	6 26%
is principled and has integrity	38 68%	38 75%	22 67%	4 14%	16 70%	17 74%
<u>Lying is a matter of</u>						
degrees; everybody lies to a certain extent	44 79%	44 79%	25 76%	25 86%	19 83%	16 70%
personality; i.e., you are either a liar or you are not	12 21%	11 21%	8 24%	4 14%	4 17%	7 30%
<u>Unethical behaviour can be describes as</u>						
violating a principle of law	19 34%	18 35%	11 33%	11 38%	8 35%	7 30%
causing a degree of harm	37 66%	34 65%	22 67%	18 62%	15 65%	10 70%

According to Terence Jackson (1993: 227), this questionnaire was originally made by F.N. Brady and presented in his book *Ethical Management: Rules and Results*, Macmillan, 1990..

The choices given were either indicators of formalist reasons, e.g., principles of law or utilitarian arguments, e.g., degrees of harm. The number of formalistic answers was 254 before the game and 239 after the game. Likewise the number of utilitarian answers was 194 before the game and 174 after the game. No statistically significant difference was to be found. The total number of formalistic and utilitarian choices made decreases, because of the slight decrease in the number of participants.

Overall, the students made both formalistic and

utilitarian choices pre and post game. Some participants indicated however a preference for formalistic choices or a preference for utilitarian choices. Strong to moderate preference for formalistic answers can be said to be valid for participants with a bias, i.e., from five to eight formalistic choices made. Strong to moderate preference for utilitarian answers can, on the other hand be said to count for participants with five to eight utilitarian choices. Participants with 4 choices can be categorised as having no preference.

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Table Two

Preference	Pre n	Game %	Post n	Game %
strong to moderate formalistic	29	52	29	56
no preference	16	29	12	23
strong to moderate utilitarian	11	19	11	21
	56	100	52	100

As indicated in table two, we found no real differences in the preferences for formalistic or utilitarian answers before and after the game. The game seems to have no effect on the fundamental ethical choices. When asked in the second questionnaire, the a large group of the participants, 1/3, did not find that the simulation had brought anything new; but 2/3 students felt... little or more.

In table two we notice that the group of students with no preference for formalistic or for utilitarian choices is decreasing compared before and after the game has taken place. It suggests that the experience of the simulation has opinionated the participants; a finding which is in line with the above-mentioned difference in question regarding the awareness of conscience in such choice-making.

One general finding from using the anonymous questionnaire before and after the game demonstrate that the belief systems regarding ethical choices consist of two layers that seem equally relevant before and after the game.

QUALITATIVE FINDINGS

The responses to the solutions suggested to each situation does show, however, that this self-awareness model influenced the participants' ethical convictions. The moral stands changed from the home environment to the classroom environment; this observation was made possible from the way the second simulation was conducted.

There are points to be made regarding the changes in attitudes. First, the solutions reached in the classroom setting tend to be of a more formalistic nature; however, as it is indicated in the table in Appendix one, the move towards generally more formalistic considerations is not clear. However, reaching a consensus of not wanting to deal openly with the bribery-related problems was quite common; avoiding the problem was formulated and applied in many different ways in the situations as can be seen in Appendix one.

Second, the change of solutions preferred also suggests that group dynamics had some effects. The fact that participants had to admit their initial preferences to the group made the solutions agreed upon more formalistic, since this makes it easier to the participants

reach consensus as to what is ethically correct. Oral comments made during the debrief support this interpretation.

One main point is that when potential consequences were considered insignificant or very unlikely, the majority applied mainly utilitarian methods of evaluating and choosing from the solutions offered. However, as the situations became more complex and the potential consequences of being revealed were perceived to be more significant, more formalistic approaches were applied. This was most clearly seen during the debriefs, when it was disclosed that the demanded formula fee for the reserved rental car was in fact a bribe. Most participants had paid that fee, claiming that such payments could not be classified as bribes. In later situations, when bribes were more openly invited, the participants became more reluctant to offer the bribe, mainly on grounds of wishing to keep clear of such relationships.

OBSERVATIONS MADE DURING THE DEBRIEF

Following each simulation, oral debriefs took place. One purpose was to expose the primary problems presented to and realised by the participants during the simulation. Another purpose was to probe the rationale given by the participants to each situation. The debriefs took different approaches, but the results were similar nevertheless.

DEBRIEF 1

WITH 2.1. - 2.7 AS FIRST TIMERS

The debrief of the second simulation presented a number of general observations. The participants were aware of the general cultural differences between the PRC and Denmark. Likewise, they were aware that the actions of the expatriate manager have consequences to the reputation of both the company and the manager him/herself. One concern was to have protective formalities as well as to establish the extent of a manager's personal responsibilities. Furthermore, they tried to reduce the ambiguity of operating in a foreign culture by acting on and responding to the presented confrontational situations as if they were operating in their home country.

Another observation made during the debrief of the first simulation was the participants' experience of feeling trapped by earlier decisions. The situations presented held a number of possible outcomes that haunted the participants in later situations, creating a special dilemma to each participant. Finding themselves in unknown and unstable environment, the participants realised that the situations they were confronted with had consequences beyond their imaginations, and that it was impossible to foresee all possible outcomes. The results were increased caution and at times even suspicion of host-country nationals.

WITH 2.1. - 2.7 AS HOMEWORK

The debrief of the second simulation presented similar results. It showed that the participants were quite conscious of the importance of having good interpersonal relations with host-country nationals. However, the participants were also aware of the need to keep matters from becoming complicated, lest control of the situation should slip from their hands. Thus, a number of basic concerns once again materialised from the discussions.

First, the participants were keen on establishing a basic balance between saving faces for and keeping good interpersonal relations with everyone involved, though this concern was primarily for the host-country nationals involved. Such concerns were less pronounced when dealing with home-country nationals, mainly because intercultural ambiguity was perceived to be less important in such situations. However, such concerns were seen to oppose the need for protecting one self from the uncertainties of dealing with an unfamiliar culture. The main method of protecting one self was thus to insist on formal requirements being met in spite of the consequences this might have on interpersonal relations.

THE DEBRIEFS COMPARED

Generally, the difference between the two simulations was that knowing the complexity of the future, the participants of the second simulation were led to discuss the confrontational situations more carefully. While in the first simulation the participants only realized the complexities of the situations as they went along, the participants of the second simulation were more aware of the complexities of the future. This - and the need for group consensus - led the participants of the first simulation to view their decisions as more important, which made them consider more aspects of the situation presented to them

The main theme of both debriefs was the problem of distinguishing bribery from other accepted business customs. Both debriefs tried to establish working definitions of the differences between gift giving, lobbying and bribery. Mainly, basic distinctions were made along the lines of the extent of the activities (e.g. the relative economic value of a gift) and the intentions of the parties involved. Generally, the definitions of bribery reached by the participants were very similar to our definition as quoted from Philips (1994: 623) earlier in this paper. Thus, the participants acquired a working understanding of the complexities of bribery through this self-awareness model.

Our findings from two interactive learning situations are interesting in terms of both the very content of management dilemma and how moral standards of behaviors interact with the perceived content of such situations. Furthermore our findings tell us something about the very construction of such learning situations.

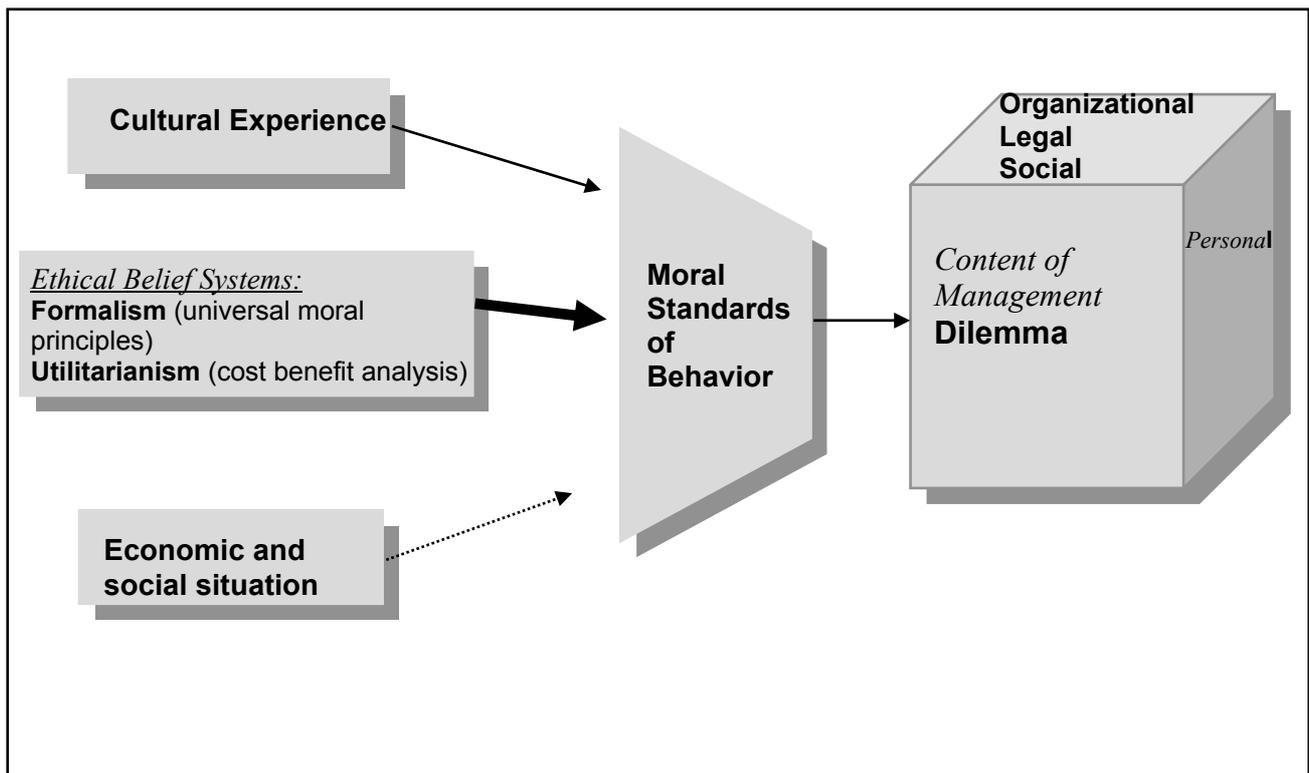
Here the simulation involves a Dane expatriated to China, but the simulation could be used in the preparation of Western expatriates of companies attempting to do business in China.

Although bribery is the main issue in all situations, the solutions suggested by each situation involves many other considerations than just ethical ones. Such issues as lying, saving face, long-term personal relations and cross-cultural differences in organizational behavior made choosing acceptable responses to the confrontational situations more difficult. Therefore the solutions suggested by the participants indicate both cultural awareness as well as moral awareness.

We found that from both the objective as well as the subjective measure of change in attitudes regarding ethical issues that the respondents tended to have more formalistic considerations and fewer utilitarian reasons.

This finding confirms the former impressions of the first authors as to the students' reactions to ethical choice making. One possible explanation is that the contextual framework this model builds inhibits the more utilitarian approach. When faced with a confrontational situation embedded in a gradually increasingly complex context, the participants experience the shortfalls of utilitarian ethics. In this model, the result is a strengthening of formalistic ethics.

It seems to work as a model we readapted from Hosmer (1987) according to Jackson, (1993: 279) As indicated by the model, we look predominantly at the link between management dilemma, moral standards of behavior and ethical beliefs systems as well as cultural experience. The influence of the economic and social situation plays a minor role in our simulations.



THE METHOD APPLIED

According to participants' comments to the model itself, it was believed to be exciting and more conducive to the learning process of ethical choice making.

The model can be strengthened further by introducing "costs" in the solutions offered in the simulation. However, participants in their written comments emphasized their increased awareness of the complexities of intercultural business ethics. Generally the feeling was that once started, bribery is a slide where, once one lets go, it is impossible to stop. As we noticed from the comments during the discussions, participants were aware that resigning from the position as managing director of BioTech China Ltd. could become the ultimate result of not being able to handle the situations presented.

It is our hope that the participants were given enough experience to appreciate the advice of Hoffman and Moore regarding bribery:

"When in Rome do as the better Romans do. But do not underestimate the time, effort and expense it may take to find the better Romans and establish a relationship with them." (1990: 566)

However, the "when in Rome" approach to cultural adaptation has recently been contested, in particular when business ethics are involved. (Schneider and Barseux, 1997: 253) The dangers of doing business by local rules of the game instead of imposing parent company or home-country rules in host countries may be especially relevant at the firm level. As both companies and business people

are not expected to challenge the laws of host societies, the standards of the individual acting on behalf of companies become an issue.

This simulation has made participants aware of and the importance of having personal standards as the exercise challenges such moral standards. Such awareness help students start to comprehend the ethical consequences of Levitt's statement "The earth is round, but for most purposes it's sensible to treat it as flat"(1983) from this simulation with a focus of ethical considerations in a global business setting where the world is round and we act as if the world was flat.

CONCLUSION

This preliminary version of the paper reports from two early simulations. In the final paper additional 6 simulations will provide the basis for the analysis. These simulations took place mostly at the University of Southern Denmark from 1997 to 2001 with over 400 participants.

In February 2001 a simulation at the Fletcher School of Law and Diplomacy revealed that the process of simulation and the following discussion contained instructive value for an audience, which consisted of highly experienced practitioners from dealing with such situations in during the previous extensive professional and social life in Asia and elsewhere.

The simulation was a success in at least two ways.

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The participants obtained an increased consciousness of what it means to be in a culturally complex environment that involves bribery. Moreover, we have showed that it is indeed possible to create a structured self-awareness model that is capable of presenting the difficulties of ethical choice making in an ever-changing, cross-cultural business environment. This pilot study suggests that such a learning model is possible and that it has some effect on the participants above and beyond the entertainment value of interactive learning situations.

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APPENDIX ONE

Pre-Simulation				Simulation					
		Students gr 1 & 2		Students gr. 1 2 3					
		Choicesmade at home class		Choices made at home in class					
Car Rental	Pay formula fee	16	23	Parcel with containers	Divert by offering a gift	0	0	5	
	Look blank	0	0		Contents seen before commitment	3	0	8	
	Pretend to be out of cash	0	0		Accept sending the parcel	0	0	2	
	Appeal of sympathy	1	0		Refuse sending the parcel	2	0	0	
Own suggestion	5	2	Refer to headquarters not helping		2	12	1		
Gift-giving	Samovar belongs to joint venture	10	12		Refer to containers being full	8	5	12	
	Look blank	0	3		Own suggestion	6	6	2	
	Accept documentation	6	3		Unknown consultant fee	Pay the amount due in US\$	0	0	0
	Referral to local board of directors	4	2		Pay in local currency	0	0	0	
Own suggestion	2	5	Look blank		2	3	3		
Exchange of Favors	Offer nephew a job	0	3	Only bound by contract	6	9	11		
	Diverting other	1	0	Fee only against invoice	5	8	14		
	Decision deferred	6	6	Refer to illegality of bribes	3	0	0		
	Favor accepted, but not returned	0	1	Own suggestion	5	3	2		
	Look blank	9	7	Destruction of toxic by-products	Cheap solution in nearby river	1	2	3	
	Illegality indicated	1	1		Destruction in Mexico	18	21	24	
Own Suggestion	5	7	Dumping in the Pacific Ocean		0	0	0		
Own suggestion	2	0	3						
Speedy customs offered for tax-free purchases	Favor accepted but not returned	1	3	Auditing incomplete accounts	Work overtime	10	11	5	
	Favors are traded	7	3		Create visa problems for auditor	0	0	0	
	Look blank	7	7		An exclusive hotel with services	0	0	0	
	Offer a gift	2	4		Admit accounts being incomplete	4	3	14	
Own suggestion	5	8	Have HQ prolong auditor's stay		4	5	3		
Violation of safety regulations	Written report	10	13		Propose that auditor postpone arrival	0	0	0	
	Repatriate home-country national	0	2		Own Suggestion	3	4	8	
	Accept plans must change	0	0		Secretary finds irregularities	Dismiss irregularities as unimportant	1	0	0
	Dismissal of home-country national	4	4	Suggest connection to former secretary		1	5	2	
	Investigate home-country national	3	0	Reprimand the secretary		0	0	1	
	Increase safety	1	1	Claim that "When in Rome..."		5	0	3	
Own suggestion	4	6	Admit the irregularities	2		3	7		
				Own Suggestion		11	15	17	
				Missing		1			
				Possible embezzlement		Go through the accounts	4	9	4
						Inform those responsible	1	0	0
						Investigate the matter	7	1	5
					Call a board meeting	1	0	3	
					Call Chinese authorities involved	0	0	0	
					Call for expert assistance	2	9	4	
					Deny embezzlement, end auditor's visit	0	0	0	
					Claim innocence	0	3	0	
					Own Suggestion	5	1	14	
					Missing	1			
				Auditor invites a bribe	Call for further expert assistance	5	0	7	
					Accept paying bribe	0	0	0	
					Deny everything, end auditor's visit	0	0	0	
					Look blank	0	0	0	
					Compliment on attempt to trap	3	3	3	
					Report invitation to BioDana Inc.	8	18	14	
					Continue the meeting	1	2	3	
					End meeting, end auditor's visit	3	0	2	
				missing	1		1		

Note: Own suggestions are often a combination of elements of suggestions offered by the simulation
 Negot: students from the Combined Study of Modern Languages and Business