

Impact of Cross National Diversity of Cooperate
Governance on Manager's Ethical Decision
Tendency - And Moderating Effects of
Organization's Ethical Practice

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ABSTRACT

The strategy of corporate governance has emerged as the mainstream policy for the control of ethical risks of managers ever since the Enron scandal. Past studies showed that the traditional agency theory is constrained by the owner-professional manager's two-dimensional mindset and tended to overlook the different investment objectives of the shareholders, the legal and operation environment further to professional managers, and the factors of the stakeholders. Therefore, this theory cannot explain the diversity of cross-national corporate governance. In recent years, giant organizations of the world have significantly impacted the world economy due to the ethical factors of their managers. As such, the study of corporate governance shifted its gravity to the control of ethical risks of the managers. Accordingly, this study focuses on the factors of cross-national diversity of corporate governance and is an attempt to review the relation between multinational corporations and the ethical decision tendencies of their managers under corporate governance.

A total of 290 questionnaires were released to managers in the USA, Japan, and Taiwan, with 260 valid respondents. Result indicated that with the protection of dominant shareholders by law, credibility as the primary system of financing, professional leadership/two-way decision ideology of the managers and a closed labor market of managers, ethical decision tendency of the managers is superior to the protection of dominant shareholders by law, equity as the primary system of financing, general management/leadership by hierarchy, and open labor market of

managers. Academically, the findings of this study supplement the inadequacy of the agency theory and construct a framework of cross-national diversity of corporate governance and as reference for subsequent studies. In managerial practice, this study purposed that with different investment purposes of owners, and different ideology of managers, psychological contracts and ethical bindings of managers would be different, thus, create different ethical decision tendency for managers.

Keywords: cross-national diversity of corporate governance, ethical decision tendency of managers, agency theory

