The Influence of Culture on Perceived Ethical Problems and Ethical Judgments

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ABSTRACT

The objective of this study is to examine the influence of culture on perceiving ethical problems which in turn influence ethical judgments. A total of 880 questionnaires were distributed to business students in public institutions of higher learning in Malaysia and approximately 550 questionnaires were returned. However, only 524 were usable. Data were analyzed using SPSS 16.0. From the results, it can be concluded that culture is strongly associated to perceived ethical problems and ethical judgments. Perceived ethical problems are also strongly related to ethical judgments. In addition, the hierarchical multiple regression results indicate that perceived ethical problems mediate the relationship between culture and ethical judgments. Hence, understanding the culture values provide better insight in enhancing ethical judgments.

Keywords: culture, perceived ethical problems, ethical judgments, business students

Introduction

The phenomenal growth in the globalization has led to business impropriety, complexity of business transactions, regulatory failure, corporate collapse and strong pressure among businesses. In order to remain competitive some of the multinational and local firms have gone beyond ethical practices. Evidences had shown that in the United States, a giant food producer, Nestle faced controversies in their infant food formula, while

the largest fast food company, McDonalds was blamed for exploitation of workers and human health (Maria, 2008). In China, a food producer namely Sanlu Group Company was found selling substandard products for which its infant formula was tainted with chemical melamine. As a result, at least six babies died and nearly 300,000 fell ill (The Star, 23 January 2009). Melamine is a toxic chemical that makes the food formula durable but it could damage kidneys. The manufacturers had been using melamine as a low-cost way of enriching their product in both taste and protein count (Brooks & Dunn, 2008). Meanwhile, in Malaysia, a health food producer namely Etumax Corporation was found by Ministry of Health to include "sibultramine" and "sidenafil" substances in its "Tongkat Ali Power Plus" and "Tongkat AH Power" (Utusan, 13 April, 2009). These substances cause serious side effects on the cardiovascular system besides increasing blood pressure. Such incidences indicated the extent and prevalence of unethical practices in Malaysia and worldwide. For the sake of profit, the business operators are willing to compromise their integrity even at the risk of human life. As such, the unethical practices have eroded the public trust and spurs researchers and scholars to investigate the underlying factors of ethical judgments.

The general theory of marketing ethics (Hunt &Vitell, 1993; 1986) posits that ethical judgments are influenced by many factors and one of them is culture. The cultural values and norms would mould individuals' way of thinking and act as guidance in analyzing ethical problems (Ferrel and Gresham, 1985). The theory also postulates that individuals have to perceive ethical problems before they form ethical judgments. The theory has been supported by many ethics studies (Rashid & Ibrahim, 2008; Palau, 2006; Shu, 2006; El-Astaf, 2005; Soon, 2003).

Ethical Judgments

Hunt and Vitell (1986) defined ethical judgments as judgments by which one identifies ethical problems and considers alternatives that best solve the problem to attain the most beneficial outcome. The judgments are formed after taking all the considerations of what are morally right and wrong in the context of acceptable standards (Marta et al., 2004). A decision is considered ethical if it conforms to certain standards. However, there is no universal standard to judge of what is considered ethical and unethical; it depends on various factors such as norms, values and culture

(Fang, 2006). With regard to this, the general theory of marketing ethics (Hunt and Vitell, 1993, 1986) predicts that culture, organization and personality influence perceived ethical problems which leads to the formation of ethical judgments.

Culture

Culture is defined as a set of norms, values and beliefs of a particular group of community and shared by its members (Hostede, 1980). Maria (2008) asserted that culture is being shaped and influenced by social factors, which include religion, language and race. Ong (1998) supported that culture is how a particular group of people conceptualize and represent themselves to the world, which differentiate them from others. This in turn, affects their way of thinking and act as guidance in analyzing problems. These cultural values are then passed from parents to their children and are practiced for generations.

Malaysia is a multi-cultural country and its emerging culture is a mixture of three major ethnic groups, namely the Malays, Chinese and Indians (Ahmad & Pederson, 2003). These ethnic groups interact, adapt, maintain relationship, respect and understand each other but still retain their unique and distinct cultural values. The Chinese and Indians originated from their origin countries, of which the Chinese from China and the Indian from India. Meanwhile, the Malays and other indigenous groups had resided in the Malay states prior to the British colonial period in 1875. The massive immigration of Chinese and Indians from their origin countries was to assist the British in the exploitation of economic resources of tin mining and rubber industry in the Malay States (Rashid & Ho, 2003). After achieving independence from the British in 1957, the Chinese and Indians were well accepted by the Malays and assimilated into the Malaysian community.

Until now, these three Malaysian racial groups have retained their cultural values in their cluster groups which have been shaped by their ancestors. To maintain unity and harmonization relationship, the differences within the groups are tolerated which results in cross culture environment that further leads to the colorful sights of Malaysia.

According to Ahmad and Pederson (2003) the basic elements of cross culture environment are ethnic, religion and social systems that include values, beliefs and norms. As such, to examine the culture in the society for a country like Malaysia, one has to understand the values,

beliefs and norms of the three ethnic groups namely the Malays, Chinese and Indians.

Values of the Malay Culture

The Malays are the majority group, which consists of 51 % of the Malaysian population (Statistics Department, 2008). The Malays believe strongly in the concept of Supreme Being - Allah the Almighty. Being a Malay is automatically considered as being a Muslim. Islam influences almost every aspect of life and it is the foundation of the Malay culture. Most of their daily practices, ways of thinking and life styles are in accordance with the Islamic teachings (Ahmad, 1992). Some of the Islamic ethical teachings include personal attribute of sincerity, patience, acceptance of God's will, concern for the welfare of others, trustworthy and honesty. Aside from these, integrity, humility, control of passion and desires, cleanliness of souls, awareness of souls, faith in God and constructive feelings are also part of Islamic ethical teaching (Sendut, 1991; Ahmad, 1992).

   Apart from practicing and holding the Islamic ethical teachings, the Malays inherited and are associated with many ethical values passed on by their ancestors. Some of those values are respecting elders and maintaining harmonious relationships by not hurting or being sensitive towards the feelings of others. In addition, there are also values of humility, generosity, caring, patience, politeness, considerate, well mannered, friendliness, indirectness, politeness, emphasis on relationship, honesty, loyalty, trustworthiness, discipline, non-aggressive, apologetic, sincere, harmony, courtesy, non-confrontational and tolerance and sensitivity (Ahmad, 1992). Hence, the Malay values as well as values in the Islamic teachings are the elements that form the important base of the Malay culture.

Values of the Chinese Culture

The Chinese represent 23% of all Malaysians (Statistics Department, 2007). They were derived largely from South China and include Hakka, Teochow, Fuchow and Hainese (Ahmad, 1996). As a result from colonial rule, they were mainly found in the urban centers, dominating the economic power of Malaysia, controlled the tin mining and rubber industries, which were the main economic sectors (Rashid & Ho, 2003). The Chinese brought with them their distinctive culture with its amalgam of Confucian,

Taoist and Buddhist elements and various dialects with Mandarin as the language of the educated group (Ahmad, 1996). According to Ong (1998), Confucianism and its ethical values are important in understanding the Chinese culture. The teachings are a set of pragmatic rules for daily life, derived from what Confucius saw as the lessons of Chinese history. Taoism, on the other hand, emphasizes seeking nature and quietism, rather than forcing to fulfill expectations. It focuses on teaching the proper way to live in accordance with nature, the importance of inner peace and being true to nature.

Like the Malays, the Chinese are also associated with a set of ethnic values. Some of the values are hardworking, being successful, diligent, wealth, educated, family oriented, happiness, harmony, money, perseverance, prosperity, generosity, integrity, modesty, gambling, risk taking, honesty, entrepreneurship, pragmatic and practical (Ahmad, 1992). Being pragmatic and practical, they believe in moderation and flexibility in every aspect including religion. They take the religious teaching that is practical and pragmatic to them by assimilating Buddhist practices with Confucius and Taoist teachings, rather than strictly adhering to a particular religious conviction (Ahmad & Pederson, 2003). The Chinese are wealth oriented, hardworking and risk taker (Sendut, 1991). They like to gamble, whereby risk is associated with challenge and gains. To them, work and profits are virtues of the highest order while the accumulation of capital represents an important mean of fulfilling their obligations to ancestors as well as achieving family prestige and name (Ahmad & Pederson, 2003).

Values of the Indian Culture

The Indians approximately consist of 7% of the Malaysian population (Statistics Department, 2008). They consist of Tamilians, Pakistanis, Malayalis, Bangladeshis, Sri Lankas, Punjabis, Bengalis and Gujeratis in descent. Most Indians typically occupied estates, public works and tended to dominate the labor unions. They use their own language, preserve their religious teachings and traditions besides joining ethnic organizations to promote their own social and cultural interests (Ahmad & Pederson, 2003).

The majority of the Indians are practicing Hinduism. According to Patel et al. (2002), it is important to understand Hinduism in order to understand the Indian culture. As a religion, Hinduism covers every aspect

of life and exerts a very strong influence on the day to day activities of its followers.

Indians are also associated with their ethnic values. Some of the values are sense of belonging, brotherhood, family, modesty, participation, hard work, security, face, loyalty, champion of causes and harmony (Ahmad, 1992). She added that the Indians at work place are hardworking, modest, participative, maintaining harmonious relationship and very obedient towards their supervisors. Most of the time they will oblige and follow whatever is ordered by the superior. They maintained close ties among them in which the family unit is greatly emphasized in the life of an Indian. Furthermore, the Indians also like to be a champion of causes by being a leader to fight for the sake of others. As such, most of the union leaders are those from this ethnic group.

Culture and Ethical Judgments

Many studies had documented that culture influences ethical judgments (Palau, 2006; Shu, 2006; El-Astal, 2005; Wimalasiri (2004); Soon, 2003; Patel et al., 2002). Palau (2006) examined cultural effects on ethical judgments of Latin American accountants. The results revealed a strong relationship between culture and ethical judgments. Shu (2006) investigated the influence of culture on ethical judgments of accounting students from Taiwan and the United States. The findings also indicated that culture had a significant influence on ethical judgments. El-Astaf (2005) did a study on culture influence on educational public relation officers' ethical judgments of higher education institutions in eight countries, namely; United States, India, China, Malaysia, Thailand, Israel, Palestine and United Arab Emirates. In the study, the officers were required to express their opinion on the ethicalness of the practices in the scenarios used in the study. The results indicated that there were significant effects of culture on individual's ethical judgments. Meanwhile, Soon (2003) investigated the effects of three socio-cultural settings on ethical judgments of which he had samples comprising of Chinese residing in China and Chinese residing in Singapore. The findings indicated that there were significant effects of culture on individual's ethical judgments. The results also indicated that the Chinese residing in China are more likely to form ethical judgments as opposed to the Chinese residing in Singapore. Patel et al. (2002) found that culture had significant influence on ethical judgments of Australian, Indians and Chinese professional accountants

in Australia. Their study revealed that Australians are more likely to form ethical judgments followed by Chinese and Indians due to the differences in each group's cultural values.

Perceived Ethical Problems and Culture

Marta et al. (2004) conceptualized perceived ethical problems as the ability of an individual to discern and recognize the existence of ethical problems in an ethical dilemma. Based on this perspective, Karcher (1992) posits that different people may perceive differently which leads to different reaction even under similar circumstances. With regard to this, the Hunt and Vitell theory of marketing ethics (1993; 1986) predicts that perceived ethical problems are influence by many factors and one of them is culture.

Previous researchers have documented significant relationship between culture and perceived ethical problems (Rashid & Ibrahim, 2008; Rashid & Ho, 2003). Rashid and Ibrahim (2008) investigated the influence of culture based on three ethnic groups namely the Malays, Chinese and Indians on perceptions of business ethics. The study was conducted among 550 students of public institutions of higher learning. The study found that the culture of these ethnic groups influenced their perceptions on business ethics. Each group was related to certain ethical practices. For example, Indians were highly ethical on responding to the situations that relate to manager and subordinate relationship. Meanwhile, Chinese were highly ethical on responding to business operations. Finally, Malays were highly ethical on responding to employee social affairs.

Perceived Ethical Problems and Ethical Judgments

Many empirical studies were conducted in an attempt to find the relationship between perceived ethical problems and ethical judgments (Malone, 2006; Marta et al., 2004; Zeigenfuss & Martinson, 2002; Shafer et al., 2001). Malone (2006) assessed the relationship between perceived ethical problems and unethical judgments of accounting students. The findings indicated that perceived ethical problems have a negative relationship with unethical judgments.

Earlier than that, Marta et al. (2004) analyzed the ethical judgments of Middle Eastern marketers. The study examined the influence of perceived ethical problems on ethical judgments and the results revealed that perceived ethical problems positively influenced ethical judgments.

Likewise, the results were consistent with a study carried out by Zeigenfuss and Martinson (2002) that investigated the relationship between perceived ethical problems and ethical judgments. The findings revealed a positive relationship between these two variables. Shafer et al. (2001) investigated the effects of perceived ethical problems on auditors' ethical judgments. As hypothesized, the study found that the greater the perceived ethical problems the greater were the likelihood of the formation of ethical judgments.

Despite the fact that ethics is a worldwide issue, majority of the previous studies were conducted in the western while local study remain scarce. As such, the study aims to contribute to ethics literature by examining the influence of culture on ethical perceptions and judgments in our local context. In addition, this study intends to examine the effect of ethical perceptions in mediating the relationship between culture and ethical judgments.

Methodology

Development of Hypotheses

Culture perpetuates the uniqueness of the three ethnic groups' values that stimulate and motivate them to be different in the formation of ethical judgments. It is expected that the cultural values adopted by the three ethnic groups would influence their members in the formation of ethical judgments. Therefore, the study formulates the following hypothesis.

H_1: There is a significant relationship between culture and ethical judgments

When faced with ethical issue, it is expected that different ethnic group will demonstrate difference in ethical perceptions. Each ethnic group is more likely to perceive ethical problems in situation that espouses its cultural values. As such, the study proposes the following hypothesis.

H_2: There is a significant relationship between culture and perceived ethical problems

When dealing with ethical issues, it is believed that individuals who are able to perceive ethical problems are more likely to form ethical judgments. Hence, the study develops the following hypothesis.

H₃: There is a positive relationship between perceived ethical problems and ethical judgments

The general theory of marketing ethics (Hunt & Vitell, 1993; 1986) predicts that culture influences perceived ethical problems which trigger ethical judgments as one can make ethical judgments only after recognizing the existence of ethical problems. In other words, the theory indicates that if one does not perceive the existence of ethical problems, then ethical judgments will not exist. Based on this theory, it is expected, that culture adopted by the ethnic group will initially influence its members in perceiving ethical problems which leads to the formation of ethical judgments. As such, it is hypothesized that:

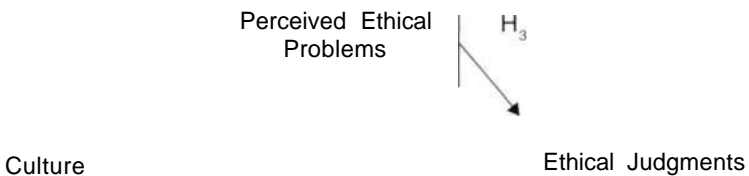H₄: Perceived ethical problems mediate the relationship between culture and ethical judgments

Figure 1: Proposed Conceptual Model

Data Collection

A total of 880 questionnaires were distributed to undergraduate students studying business in 4 public universities (Universiti Sains Malaysia, Universiti Putra Malaysia, Universiti Malaya and Universiti Kebangsaan Malaysia). From this amount, only 550 were returned and 524 were usable, giving the response rate of 59.55%. 26 questionnaires became non-usable because respondents did not complete all the three scenarios. 87 respondents were considered late response because their questionnaires were received one month after the due date. A comparison of responses from early and late respondents suggests that non-response bias would not be an issue of this study.

Operationalization of Variables

The study examines one dependent variable (ethical judgments), one independent variable (culture) and one mediating variable (perceived ethical problems). The variables are discussed in the following sections.

Culture

This study conceptualized culture by focusing on ethnicity. To measure this variable, the respondents were asked to state their ethnic group in the demographic profile. The ethnic group was then assigned to dummy values. For example, Malays = 1, Chinese = 2 and Indians = 3.

Perceived Ethical Problems

Perceived ethical problems are measured by a single test to assess the extent of how clearly one could discern an ethical issue from three ethical scenarios. The first scenario is selling defective product with intention to gain quick profit. The second scenario is ethical dilemma (marketing research) that relates to the welfare of employees at work place. Meanwhile, the third scenario is withholding information, whereby the employer does not disclose the employment contract to his or her employee. After reading the scenarios, they had to state their degree of agreement whether the situation involved an ethical problem (on a seven-point Likert scale from 1 = strongly disagree to 7 = strongly agree). Next, the score for each of the scenario is added and averaged. The score of more than 1 indicated that the respondents were more likely to perceive the existence of an ethical problem in the scenario.

Ethical Judgments

The study also measures ethical judgments through one item based on three similar scenarios that measure perceived ethical problems. The respondents were required to state their degree of agreement with the action described in the scenarios on a seven-point Likert scale (from 1 = strongly disagree to 7 = strongly agree). Each score from the three ethical scenarios would be added and divided by the total number of scenarios to get the variable's mean value. A high score indicated that a respondent is more likely to form ethical judgments (respondents perceived the situation

as unethical). Meanwhile, a low score indicated that a respondent is less likely to form ethical judgments (respondent perceived the situation as ethical).

Results and Discussion

Profile of Respondents

The respondents' profile is reported in Table 1. Participants include 32.5% male and 67.5% female. Meanwhile, 66.9%) are Malays, 26.7% are Chinese and 6.4%> are Indians. About 7% are less than 20 years, 88% are between 21 to 30 years while 5% are above 30 years. In terms of qualification, 75% are high school leavers, 15% have a degree, 8%o have postgraduate degree and 2%o have other qualifications. The information was presented in percentages to facilitate interpretation.

Table 1: Profile of Respondents

	Malays (%)	Chinese (%)	Indians (%)	Total (%)
Gender				
Male	16.4	14.5	3.1	34
Female	40.4	16.9	8.7	66
Total	56.8	31.4	11.8	100.0
Age				
Less than 20 years	4.0	2.0	1.0	7.0
21-30 years	52.8	26.4	8.8	88.0
Above 30 years	0	3.0	2.0	5.0
Highest qualifications				
High school	42.8	21.4	9.8	74.0
Degree	10.0	5.0	1.0	16.0
Postgraduate degree	4.0	3.0	1.0	8.0
Others	0	2.0	0	2.0

Note: N=524

Table 2 depicts the descriptive statistics of the variables under study. The mean value of perceived ethical problems is 6.90 out of the maximum value 9.00 or represented by 76.7%. Meanwhile, the mean value of ethical judgments is 6.72 out of the maximum value of 9.00 or represented by 74.7%. In addition, the skewness for the two variables is within normality (between negative one to positive one).

Table 2: Descriptive Statistics

Variable	Mean	Percentage	Standard Deviation	Skewness
Perceived Ethical Problems	6.90	76.7	1.18	-.25
Ethical Judgments	6.72	74.7	1.13	-.15

Note: N =524

Factor Analysis and Scale Reliabilities

The reliability test is performed on the mediating (perceived ethical problems) and dependent (ethical judgments) variables. The factor analysis process with varimax rotation condenses the 3 indicators of perceived ethical problems into one factor. Likewise, 3 indicators of ethical judgments are condensed into one factor. This is consistent with the prior study which had condensed all the indicators for perceived ethical problems and ethical judgmetns into one construct (Marta, 1999). Both constructs showed eigenvalues larger than 1, which are PEP (2.31) and EJ (1.61). The factor loadings of PEP and EJ are in the range of 0.73 to 0.83 and .63 to .80 respectively. The variances that could be explained by each construct are 76.85% for PEP and 60.79% for EJ. The results for the factor analysis also indicated that the Kieser-Meyer-Olkin score for PEP and EJ was .71 and .64 respectively. Meanwhile, the Cronbach Alpa for the constructs are PEP (.85) and EJ (.67). Table 3 presents the results of the analysis done on goodness of data.

Table 3: Goodness of Data

Measure	Items	Factor Loading	KMO	Eigenvalue	Variance explained	Cronbach's Alpha
PEP	9	.732 - .830	.706	2.306	76.85 %	.849
EJ	9	.633 - .801	.637	1.608	60.79 %	.673

Hypotheses Testing

This study examines the influence of culture on ethical judgments (HI). The results on Table 4 show that culture is strongly associated to ethical judgments ($\beta = .33$, $p < .05$). The R^2 is .31, showing 31.2% of variance in ethical judgments is explained by culture. Therefore, HI is supported.

Table 4: Regression Results of Culture and Ethical Judgments

Variable	Std Beta
Determinants for Ethical Judgments	
Culture	.334**
R^2	.312
Adjusted R^2	.310
F	52.886
Sig	.000

Hypothesis 2 is tested using one-way analysis of variance (ANOVA) and regression analysis. Table 5 shows the ethical perceptions of the Malays, Chinese and Indians future marketers towards 3 ethical scenarios namely selling defective products, marketing research and withholding information. The results indicate that there are significant differences in all the 3 scenarios. From the results the Chinese are more likely to perceive ethical problems on the selling defective product scenario for which this scenario is related to the intention to gain profit. On the other hand, the Malays are more likely to perceive ethical problems on marketing research for which this scenario is related to consumer welfare. Meanwhile, the Indians are more likely to perceive ethical problems on the withholding information scenario for which this scenario relates to the situation where the employer does not disclose important information to his or her employee.

Table 5: Perceived Ethical Problems by The Malays, Chinese and Indians Future Marketers

Scenario	Chinese	Malays	Indians	F-value
Selling defective product	7.369**	6.991**	7.269**	3.393
Marketing research	6.644**	7.164**	6.814**	4.452
Withhold information	6.330**	6.443**	7.286**	15.350

**p< .05, ***p< .01

Table 5 illustrates the regression analysis results of culture and perceived ethical problems. The results indicated that culture influences perceived ethical problems (/3 = .302,/? < .05). The R^2 is .31 or 31.4% of perceived ethical problems is explained by culture. As such the results of one-way analysis of variance and regression analysis indicate that there is a significant difference between culture and ethical judgments.

Table 6 illustrates the regression analysis results of culture and ethical judgments problems. The results indicated that culture influences perceived ethical problems *(/3 = .302, p < .05)*. The R^2 is .34 or 33.7% of perceived ethical problems is explained by culture. As such, the results support H2.

Table 6: Regression Results of Culture and Perceived Ethical Problems

Variable	Std Beta
Determinants of Perceived Ethical Problems	
Culture	.302**
R^2	.337
Adjusted R^2	.314
F	53.676
Sig	.000

The study also examines the influence of perceived ethical problems on ethical judgments. Table 6 indicates the regression results between perceived ethical problems and ethical judgments. The results show that perceived ethical problems are positively related to ethical judgments 08 - .92, *p* < .05). With R^2 of 851, it shows that 85.1% of variance in perceived ethical problems can be explained by ethical judgments. Hence, H3 is supported.

Table 7: Regression Results of Perceived Ethical Problems and Ethical Judgments

Variable	Std Beta
Determinants of Ethical Judgments	
Perceived Ethical Problems	.923**
R^2	.851
Adjusted R^2	.851
F	2516.664
Sig	.000

A/ote:**p<.05

Apart from the above, this study also examines the mediation effect of perceived ethical perceptions on the relationship between culture and ethical judgments (H4). According to Baron and Kenny (1986), a mediating effect is present when the following three conditions are fulfilled. First, the results support that culture (independent variable) is significantly associated with ethical judgments (dependent variable) (H1).

Second, the results support that perceived ethical problems is significantly associated with ethical judgments (H2). Third, to regress ethical judgments simultaneously on both perceived ethical problems and culture analysis is done (H4).

The test was carried out in two stages. The first stage of hierarchical regression indicated that culture is significantly related to perceived ethical problems ($/3 = .334$, $p < .05$) (HI). The results of the second stage also indicates that perceived ethical problems is significantly associated with ethical judgments ($/3 = .912$, $p < .05$) (H2). However, in the second stage, the results indicate that the relationship between culture and perceived ethical problems is insignificant ($/3 = .019,/? > .05$). In other words, the results show that the impact of culture (independent variable) on ethical judgments (dependent variable) is less after controlling perceived ethical problems (mediating variable). As such, the relationship between culture and ethical judgment is fully mediated by perceived ethical problems. Hence, H4 is also supported.

Table 8: Results of Hierarchical Regression Analysis

Variable	Step 1	Step 2
Perceived ethical problems as a mediating variable on Culture to ethical judgments		
Culture	.334**	.019
Perceived ethical problems		.912**
Adjusted R^2	.310	.843

Note: ** p < .05

Discussion

The objective of this study is to examine the influence of culture and perceived ethical problems on ethical judgments. Results show that culture practised by the ethnic group influences its members who are more likely to perceive ethical problems that espouse their cultural values. The Malays are more likely to perceive ethical problems in the scenario that relates to employees welfare as the Malays are always concerned about the welfare of others. They also prefer a harmonic relationship and tend to be considerate on the interest of others than their own. On the other hand, Chinese culture emphasizes on entrepreneurship for which work and

profits are virtues of the highest order. Therefore they are more likely to perceive ethical problems in the scenario that relates to business issues. Meanwhile, the Indians are more likely to perceive ethical problems in the scenario that relates to employee and employer relationship as they like to be a leader to fight for the sake of others. The findings are consistent with local studies such as those conducted by Rashid and Saidatul (2008), Rashid and Ho (2003).

In examining the effect of perceived ethical problems as a mediator to explain the relationship between culture and ethical judgments, the study finds that perceived ethical problems fully mediates the relationship between culture and ethical judgments. The results show that culture practiced by the ethnic groups helps them to be more likely to perceive ethical problems, which in turn, leads to the formation of ethical judgments. The results also revealed that business students who are more likely to perceive ethical problems will be more likely to form ethical judgments. The results are supported by past studies which include Maheran et al., (2009); Zeigenfuss and Martinson (2002).

Even though the results of the present study are consistent with previous studies, it has several limitations that need to be acknowledged. The first limitation noted is that respondents were required to form judgments based on limited information provided in the scenarios. However, in the real working environments, respondents would normally inquire additional information than what is available in the three scenarios. Therefore, caution needs to be exercised when generalizing to other business situations because the scenarios examined in this study do not cover all ethical problems faced by future business operators. The second limitation relates to the use of self-reported questionnaires, whereby respondents tended to rate themselves more ethical than they actually were. This self-deception bias is a common phenomenon in studies related to ethics and was not fully controlled in this research. However this bias is a constant factor and it is unlikely to affect the validity of the results.

Conclusion

The study concludes that culture influence perceptions of ethical problems that lead to the formation of ethical judgments. In addition, perceived ethical problems mediate the relationship between culture and ethical judgments. The implication is that different cultures have different

perceptions pertaining to business ethical situations. Each ethnic group is more likely to perceive ethical problems that espouse its cultural values. Despite of this, however, it is better if these three groups are able to perceive ethical problems in all situations regardless of their culture background. The findings will provide implications on teaching business ethics in institutions of higher learning in a cross-cultural context. The institutes of higher learning are recommended to provide different education and training on ethics and moral values for these 3 ethnic groups. The Chinese ethnic group should be given more training on the situation that relates to employees and consumers' social welfare instead of mainly focusing on profit. On the other hand, the Malays should be given more training on the situation that relates to business ethics. Meanwhile, the Indians should be given more training on the issue of consumers' welfare and business ethics. The empirical results discussed in this study also provide the basis for future research in developing a more comprehensive theoretical framework for ethical judgments. The investigations of age, gender, type of study programs (business versus non-business) and students in other cultural settings on ethical judgments are suggested because they may lead to a better understanding of the formation of ethical judgments. Last but not least, it is hoped that the findings would enhance ethical judgments among future business operators.

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