A photograph of the Flinders Street Station in Melbourne, Australia, featuring its iconic dome and ornate facade. The station is a grand, multi-story building with a central clock tower and a large arched entrance. The facade is made of light-colored stone or brick with intricate carvings and columns. A large clock is visible in the upper part of the facade. The entrance is a large archway with the words 'FLINDERS STREET STATION' above it. People are seen walking on the sidewalk in front of the station. The sky is clear and blue.

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# Editorial

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In this second Issue of Volume 3 of the *Journal of Business Systems, Governance and Ethics* articles again included cover a wide range of topics and come from Germany, Australia and China.

The first article: *Does Business Corruption have to be Considered in all Cases as Moral Misconduct? Two Statements*, Christian Linder and Rainer Linder question whether, in the fight against corruption, the stringent punishments imposed on corrupt companies are always wise or justified. They distinguish between two kinds of corruption: the first referring to corruption leading to personal enrichment, while the second type of corruption aims to increase the competitive ability of the company. They note that in many countries corruption and bribery are common while conducting business, even if this is officially illegal. They ask the following questions: Where does the companies' responsibility for corruption start and end? And, in which situation is it appropriate to punish companies for corrupt actions?

In the second article, Marty Grace, from Victoria University in Melbourne, investigates: *Australian Parental Incomes: Women and Men, Couples and Singles*. The article notes that families caring for dependent children need time, income and services in order to carry out the function of child raising. It focuses on income, and reports on a piece of original socio-demographic research that used unpublished Australian Bureau of Statistics (ABS) data to explore the incomes of Australian women and men in different family circumstances.

In the last paper, Pei-Chen (Joy) Lee and Cheng-Tai (Roger) Cheng consider how: *Organisational Socialisation Facilitates Overseas Assignment* in China. The study explores the adjustment of Taiwanese expatriates in mainland China.

Arthur Tatnall  
Editor





# Does Business Corruption Have To Be Considered in All Cases as Moral Misconduct? Two Statements

**Christian Linder**

Pforzheim University, Germany and University of Ulm, Germany

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## Abstract

*In the fight against corruption, stringent punishments are imposed on corrupt companies. This paper questions whether these punishments are always wise or justified. Therefore, we distinguish between two kinds of corruption. The first one refers to corruption leading to personal enrichment, while the second type of corruption aims to increase the competitive ability of the company. In many countries – even if officially illegal – corruption and bribery are common while conducting business. Further, in many cases it is only the tip of the iceberg. The majority stay exempt from punishment. Thereby the second variant of corruption turns to be a vital competitive factor. In other words, companies which want to survive in the market are forced to conform to existing conventions. In markets where paying bribes is omnipresent, corruption is not a moral mistake but a free-market need. Therefore, the following questions arise: Where does the companies' responsibility for corruption start and end? And, in which situation is it appropriate to punish companies for corrupt actions? In this paper, we discuss different corruption scandals involving Siemens, ABB and other competitors. Further we analyse country case studies from India and Russia. The result shows that corruption is in special cases a competitive requirement and not a lack of morality or honesty. It is argued that avoiding corruption in these circumstances cannot be considered the responsibility of companies. In addition, we show that to avoid corruption we need to take a closer look at the particular conditions in which companies "misbehave". This paper adds a further perspective in the discussion on corruption.*

## Keywords

*Corruption, competitive requirements, moral behaviour*

*"[F]or a man who wishes to act entirely up to his professions of virtue soon meets with what destroys him among so much that is evil."*

(Machiavelli, *Il Principe*, Chapter XV)

## Introduction

Copyright © 2008 Victoria University. This document has been published as part of the Journal of Business Systems, Governance and Ethics in both online and print formats. Educational and non-profit institutions are granted a non-exclusive licence to utilise this document in whole or in part for personal or classroom use without fee, provided that correct attribution and citation are made and this copyright statement is reproduced. Any other usage is prohibited without the express permission of the

Corruption is an age old problem, which still exists in all societies, regardless of their history, culture, religion, or political and economic systems (Hylton and Young, 2007; Rider, 2007; Budima, 2006). However, Osborne adds that all world societies, religions, and cultures see corruption as a crime (1997). The roots of

this belief dates back to the ancient Greeks. The earliest evidence of this attitude can be found in the discourses of Plato (Ritter, 1985) and Aristotle (Hoeffe, 2006), where corruption was considered a criminal act. It can be supposed that as long as mankind knows about corruption, voices are raised which call for more justice, responsibility and punishment. These claims are still present today, where we can find statements in news, political debates as well as in scientific researches for more morality in management. However, it seems that corruption is still ubiquitous. Without taking statements and expectations into account, companies are continuously involved in corruption scandals. Managers of today do not seem to be aware of doing wrong, of discriminating against others and of enriching themselves on the shoulders of society.

In this paper, it is argued that corruption is in some cases not a lack of honesty. Depending on market conditions, competition and market considerations, corruption can be a requirement for surviving in the market. In such cases we should not talk about moral misconduct. Instead, we argue that corruption has many faces. The concept of corruption has meant different things at different times in different societies (Rider, 2007). However, to distinguish between different kinds of corruption, it is essential to analyse the basic drivers of this behaviour. For the following argument, corruption as a competitive factor is of particular interest. Under competitive factors we can include all corrupt behaviour which aims at competing better against other companies. Here, the driver is the wish to perform better than the competitors. The welfare of the whole company is central to this kind of corruption. We distinguish between this kind of corruption and the type where individuals try to enrich themselves at the cost of others. The second kind of corruption won't be discussed in this paper.

How somebody is allowed to act depends on the legal framework within the entity. This applies to both individuals as well as companies. In every country, even in a free market economy, a legal system limits the possibility of acting in competition. Nevertheless, the same rules which cut the alternatives or limit acting strategies should constitute a market where the "better" company is successful in a fair competition for the customer. In other words, on the one hand, companies get duties through legal regulations for acting fair; on the other hand the same regulations secure the company from unfair competitors. Therefore, we can talk about taking and giving for the welfare of every market participant.

In that respect we underline that we don't justify corruption because the market requires it. But we point out that there is a contradiction if officials condemn corruption and in the same time don't carry out their duty to protect companies from corruption.

The idea of giving up rights and thereby accruing benefits, if every other subject does the same, isn't new. But are duties and rights in corruption in balance with each other? It is shown that in some cases, companies are compelled to respect rules, but their justified expectations for operating in fair markets as countermoves are not fulfilled by the legal system. So we discuss whether it is right to impose duties without rights. Further, we discuss if the legal system should get rid of initialising fair market conditions in the form of calls for morality in the economic system. However, as we see in examples of different corruption scandals, ethics and morality are not in the best hands if transplanted to market responsibility.

This paper first defines corruption. Further, we examine the latest theories of corruption research. Subsequently we present the two statements which focus on corporate responsibility. Both viewpoints discuss cases, where we argue that in special competitive situations and in unique cultural requirements, corruption cannot be seen as a lack of morality or misconduct requiring social responsibility from companies. To prove the veracity of these statements we examine such situations using different business and country case studies.

## **Corruption: A Little Bit of Definition**

Defining corruption is a difficult and complex process. However, plenty of research has been undertaken to explain this phenomenon (see e.g. Lambsdorff, 1999, 2001; Heidenheimer, 1970; Murphy, Shleifer and Vishny, 1993; Osborne, 1997). What this concept represents depends on time,

geographical and cultural contexts (Rider, 2007). In general, the view is that a certain action is judged on the basis of moral correctness. Budima (2006, p. 406) pointed out that “not in all societies economic crime and corruption present the same crime, and not always, those crimes have the same weight”.

A common definition for economic crime is “every act of earning wealth through illegal ways” (Lame, 2002). Unfortunately, “illegal ways” cannot be defined easily and in general for all societies and situations. However, corruption is seen as one of these “illegal ways”. Rider considers corruption is as old as human society (1997). From a more abstract point of view, corruption is “a private gain at public expense” (Budima, 2006, p. 410). Bowman and Gilligan (2007) focus on integrity or honesty as moral categories leading to non-corrupt behaviour. They define corrupt behaviour as, “a lack of integrity or honesty (especially susceptibility to bribery); and/or the use of a position for dishonest gain” (Bowman and Gilligan, 2007, p. 440). According to Transparency International (TI), “corruption is operationally defined as the misuse of entrusted power for private gain (2007). TI further differentiates between “according to rule” corruption and “against the rule” corruption. Facilitation payments, where a bribe is paid to receive preferential treatment for something that the bribe receiver is required to do by law, constitute the former.

The latter, on the other hand, is a bribe paid to obtain services the bribe receiver is prohibited from providing. Beside these definitions, corruption can also be classified into various types. The most common types are political, bureaucratic and private corruption. Jain (2001) defines three fundamental kinds of corruption within democratic societies. They are listed as the grand corruption of the political elite using power to influence public policies; bureaucratic corruption which is the corruption of appointed public officers when dealing with superiors or public; and legislative corruption, by which the behaviour of legislators can be influenced. Osborne (1997) adds a view on corruption where he separates bureaucratic corruption (meaning officials taking bribes); political corruption (politicians taking bribes); and grand corruption (implying key middlemen taking bribes). Apart from the corrupt entities, corruption can also be classified in terms of costs. In legal literature, corruption is categorised as “white” – tolerable; “grey” – some opprobrium, and “black” – violating community moral and legal norms (Heidenheimer, 1970).

In this article we examine corruption using the TI definition as an “according to rule” corruption and include payments by a company to manipulate the decision of the bureaucratic or political hierarchy. We don’t focus on cases where the bribe taker would act “illegally” in a way that he not only is influenced by his decision but also breaks existing laws. In this paper corruption from every official public role is of interest. We don’t differentiate between the bureaucratic and the political sector. Moreover, the classification between white, grey and black corruption is disregarded. Under these restrictions we use the term corruptions according to Budima as “a private gain at public expenses” (2006, p. 410).

## **Corruption: A Literature Overview**

Various theorists highlight the negative impact of corruption in development, while others hold the view that corruption can be “good” in specific countries with inefficient governments (Budima, 2006). As Heidenheimer mentions, the starting point of this discussion dates back to the first traditional works of ancient philosophers such as Plato and Aristotle (1970). This quote from them is an indication that corruption is an age old problem that, for centuries, people have been trying to address (Hylton and Young 2007; Rider, 2007). Plato (Ritter, 1985) saw corruption as a disease of politics. Modern thinkers like Machiavelli (Bertelli, 1968), Montesquieu (Von der Heydte, 1950), and Rousseau (Sakman, 1931) followed the classical meaning of corruption. However, they come to a different conclusion. Machiavelli and Montesquieu shared the view that corruption was a process that destroyed the virtue of the citizen, and perverted a “good” political system to an “evil” one. On the other hand, for Rousseau, corruption of man did not destroy the political system, but the political system corrupts and destroys man (Heidenheimer, 1970). This leads us to Lord Acton’s well-known sentence “all power tends to corrupt and absolute power corrupts absolutely”. Theoretical explanations of the consequences of corruption

consider corruption from a macroeconomic view with the theory of allocative neutrality of corruption (Frank, 2004; Tullock, 1996). Therefore, corruption changes only (in terms of the principal-agency-theory) the distribution between governance and agent (Tullock, 1996) but beyond it corruption has no negative outcome (Leff, 1964; Beck and Mahler, 1986). Further, the efficiency impact of corruption on bureaucracy is highlighted by some authors (Myrdal, 1968; Nye, 1967). Therefore, bribery for public officials is helpful to master administration hurdles quicker and results in more efficiency (Frank, 2004; see counter-arguments e.g. at Rose-Ackermann, 1975; Murphy, Shleifer and Vishny, 1993; Kurer, 1993). However, since the groundbreaking work of Mauro (1995, 1997), in the early 1990s, several empirical researches have been undertaken. So we need to question if previous research has established a causal connection between corruption and lower levels of private investment and growth (Mauro, 1995; Wei, 2000; Gyimah-Brempong, 2002) capital flows and currency crises (Wei and Wu, 2001), inferior resource allocation (Ades and di Tella, 1999), declining tax income (Hwang, 2002), distorted (higher) government expenditure and distorted (lower) government revenue (Tanzi and Davoodi, 1997), negative impact on government spending for education (Mauro, 1998), higher income inequality and poverty (Gupta, Davoodi and Alonso-Terme, 1998), inflation (Al-Marhubi, 2000) and in general lower standards in public life (Faria, 2001). Moreover, in countries with a high rate of corruption a high spending for munitions (Gupta, de Mello and Sharan, 2001) can be observed. Welsch (2003) showed a negative impact on environment where corruption is high and Smith et al. (2003) assume a higher hunting rate for animals in danger of extinction when the country suffers from high corruption. However, “the impact of economic crime in cost may be difficult to assess, but the crime ranks amongst the most costly of all criminal activities, with dire consequences for societies” (Lame, 2002, p. 14). In general, authors agree that fighting corruption is important, not only for reasons of morality and justice, but also because corruption clearly has a negative impact on economic growth and development (Schroth and Sharma, 2003; Hines, 1995; Mauro, 1995, 1997; Burki and Perry, 1998; Johnson, Kaufmann and Zoido-Lobaton, 1999; Easterly, 2001). A more recent way to examine corruption is in experimental laboratory studies in analogy and natural science. Within the last ten years a plethora of such research was undertaken. The advantages of these approaches are that special corruption relevant attributes can be isolated. Therefore it is possible to measure the impact of each attribute on the behaviour of the participants of the experiment (Renner, 2004). Results show that morals play an inferior role in decisions while being corrupt or non-corrupt (Abblink, Irlenbusch and Renner, 2002). The positive effect of appeals for more morality and higher ethical standards are abnegated (Abblink and Henning-Schmidt, 2002; Renner, 2004; Frank and Schulz, 2000). Insights from experimental corruption research suggest that efficient measures to avoid corruption are personnel rotation (Abbrink, 2004; Abblink, Irlenbusch and Renner, 2002), effective sanctions during wilful misconduct of employees (Schulz and Frank, 2003; Frey and Oberholzer-Gee, 1997; Rijckeghem and Weder, 2001) together with fair salary (Kirchgaesser, 1997; Azfar and Nelson, 2003; Barr, Lindelow and Serneels, 2003).

We can recapitulate that so far corruption research has provided a wide range of insights from the theoretical and empirical to an experimental point of view. With our work we don't look at the impact of corruption like most researchers do. In contrast we focus rather on competitive conditions. We ask if there are cases or situations where corruption is appropriate and can be justified. In consequence instances of such corruption should not be treated as moral misbehaviour. We refer to the work of Laczniak and Murphy (1993) which seeks to define situations where paying bribes is tolerable and results in three elaborate fundamental characteristics. According to them, corruption is justified in contexts, where it is:

- the accepted practice;
- really a form of commission paid to helpful intermediaries;
- the only way to compete in overseas markets.

Just as we do, Laczniak and Murphy (1993) rely on utilitarian or a means-ends rationale theory. We formulate our hypotheses in similar terms.

## Two Statements Regarding Business Corruption

As described above, there are many different views on corruption. In this paper we ask if corruption can be justified in any situation. We see corruption as a danger for society as well as for economic and political systems. However, corruption can also be harmful for the companies which act in markets with high corrupt activities (Frank, 2006). Therefore politics and law bear responsibility so that companies find an environment where they can do their business without losing business due to unfair competitors. To ensure this, the actions of companies in the market place are limited by several regulations (Pitman and Stanford, 1994). On the other hand, the company can be sure that all other competitors are under the same law. In other words, if a fair market place is guaranteed, companies can believe that the better company gets the mandate of the consumer. In this case, the market is free of dishonest activities. In such situations, corruption is no option and absolutely prohibited, not only in a legal but also in a moral way (Wood, 1995). However, the question must be, does such a situation exist typically? Yes, it does, but not in all markets in all situations (see e.g. the case studies, Chikulo, 2000; Gathii, 1999; McCusker, 2004; Johnstone and Brown, 2004). The TI Global Corruption Report (2006a) shows that in special areas of business, especially heavy machine equipment projects and construction corruption happens much more frequently.

For formulating the first statement we examine a situation where corruption can be an adequate instrument. It is argued, that companies only have to conform in a moral way to the law as described. They therefore have the security of knowing that politics and law takes care of ensuring a corruption free field for their business. Of course, if they pay bribes in situations where politics does not ensure the honest behaviour of the competitors, it is still against the law, but we differentiate between ‘against the law’ and immoral conduct.

If we look now at the effect of paying bribes, it can be assumed that the bribes are only paid in situations where the bribe-payer can expect an advantage, which in our definition of corruption, means an advantage for his company. In a total market situation, the corrupt company is preferred over the company which doesn’t agree to pay the stipulated price (Rose-Ackerman, 1975) because the market doesn’t honour about morality. The requirement for more morality in management would in such situations lead to an exclusion of the moral company while the immoral company gets the contract and in the end the profit, while the moral company is punished by the market (Laczniak and Murphy, 1993). It is argued that in these cases the company must have the chance to defend itself against unfair competitors. They must have the chance to be at the same level as their competitors or to work with the same instruments. However, if politics and law don’t fulfil their function of creating a corruption free environment, giving their responsibility to companies can’t be the solution. The company on the one hand does not have the tools to act on the other market participants. On the other hand their task is not to eliminate the mistakes or misconduct of politics and its institutions. The responsibility does not lie with the company to guarantee market conditions; they only have to act on markets. Based on these thoughts we formulate our first statement.

**Statement 1:** Corruption is justifiable in situations where companies must justly assume that (first) other market participants act corruptly and (second) that the official side won’t or can’t take appropriate action.

To justify this statement we use examples from the recent scandals in heavy equipment industries and major projects. We use examples especially from Germans Siemens and the Swedish/Swiss ABB concern as well as other cases from the last ten years to demonstrate, that the market participants have a long track record of corruption scandals. Therewith, we show that in some cases companies which apply for an official invitation to tender have to assume that their competitors use the same methods to better compete in cases before. It is not too far away to think that the company is discriminated against if they are the only one which is acting according to the law, especially in market places where products tend to be identical.

The second statement, examines the cultural aspect or the local habit. Except international contracts or supra national law, regulations for companies end at national borders (Pitman and Stanford, 1994). The

companies business doesn't. However, international companies come in touch with a wide range of different cultural and special local requirements (Zekos, 2004). We don't say that there is any country which sees corruption as an established way of doing business (Hylton and Young, 2007; Rider, 2007; Budima, 2006). But we argue that corruption is in fact influenced by culture, which means that an understanding of what is and what is not corruption changes within the cultural context (Budima, 2006). Moreover, it is a fact that theoretically, corruption is prohibited in all countries. However, in practice it is different. Paying for getting official services more quickly, for instance, is in some countries daily business (see the India and Russia case studies below). Therefore, we have to ask in which ways companies are discriminated against if they don't accept the unwritten law of several officials in public administration or government. It is argued that companies need basic equipment for doing business. This starts from having a telephone or internet connection and goes to rights for establishing buildings for their factories or other buildings, the right to hire staff and so on and the access to legal institutions (see e.g. the struggles in some countries with such problems TI India and CMS 2005; Sigsbee and Konovalenko, 2005). If companies encounter situations where it is a common habit to pay bribes to ensure that your needs are met in time or even at all, then it is outside the responsibility of the company to avoid such situations. In these cases, managers have to take care of staying in business. It can't be immoral to submit to these requirements, because it is not the job of a business to ensure a working public administration, jurisdiction or government. Companies suffer in such situations in the same way as the society does. They don't the role of a victim. A call for moral behaviour in such situations would also lead to an unfair discrimination of the fair or moral company. Therefore we formulate our second statement.

**Statement 2:** Corruption is justifiable in such situations where (first) companies are expected to pay bribes to bureaucrats to get the basic needs for doing business and (second) not to pay would penalise them.

To justify the second hypothesis, cases are shown where paying bribes enable companies to get the basic needs to stay or step into the market. The analysis of these cases demonstrates that companies have no realistic alternative if they want to continue their business. If such situations exist, we can't talk at all about an immoral behaviour if managers fulfil these requirements. With the second statement we also identify situations where corruption can't be seen as misconduct.

## Statement 1: Corruption and Competition

In the first statement, we draw attention to the market for a major engineering project like the recent Siemens scandals. We discuss markets where business-to-business companies negotiate with public administration about projects like large-scale information and communications-systems, planning, engineering, and construction of coal and gas fired power plants, providing signalling and control systems, railway electrification systems, heavy rail systems and so on. All these cases are strongly related to the business of Siemens and ABB as well as a handful of other providers. But we also include construction projects for airports, sport stadiums or other major projects in these fields. These markets have a few special conditions. First, only a few consumers exist for example the Chinese Government is the only consumer for the magnet railway train Transrapid. Further, both parties also often have longstanding relationships. The products are complex, its advantages compared to competitive products are not easy to capture and typically for non-insiders they are not self-explanatory. Moreover, the deals for such projects are really expensive. These conditions provide an enormous potential for companies to persuade the other side (in our case public administration) by using illegal payments or other benefits. As we explained before, corruption in such situations is justifiable where companies must justly assume that (first) other market participants act corruptly and (second) that the official side won't or can't take appropriate action.

We don't discuss the term "justly assumed". What is and what is not "justly assumed" needs a conventional clarification at the end of the day. We also neglect how to measure these assumptions. This

argument focuses only on the fact, that such situations can exist and how to deal with them and not on the practical implementation.

Starting with the first part of the statement (other market participants act corruptly) we take a look at various corruption scandals in such markets as described above.

In Table 1 (next page) we have put together Siemens and ABB as well as other corruption scandals from the last 10 years. If we analyse these cases we can make the following statements.

- Each company has a long track record of bribes and getting caught by prosecution.
- After exposed corruption the companies didn't stop paying bribes. They go on with their illegal payments.
- They do this, in the case of Siemens and ABB, at least on average every second year.
- Corruption is global. All cases come from around the world.
- Also smaller competitors try to better compete by using illegal payments.

As we know from many public relation activities, all these companies have anti-corruption programs (see e.g. the websites of the companies from table 1). We don't know how effective these instruments are but we can see that they don't anticipate total corruption. Another fact supports this argument. The cases are only a selection from known corruption scandals which have found their way on the desk of prosecutors and in the court rooms. There are also an estimated number of unreported cases. TI (2006b) and (Jositsch, 2004) set this number as around 97% to 99% in the Switzerland in the case of corruption and for Germany at 90%. According to Zimring and Johnson, they found a perceived dark figure of around 95% (2005). Also Moering sees corruption around 95% (2005). However, other researchers see the corruption dark figure at around 80% (KMFG, 2006). The results of such studies have to be seen as very critical. The outcome depends strongly on the definition of corruption, on the time span, the analysed region and the methods used. More dark figures are characterised as unknown numbers. Besides, as critics on the measurement of these numbers, we want to point out that the correct number is not important. For "justly assumed" it is sufficient to know that there are many more cases than are officially known. However, there is a consensus that the estimated number of unreported cases is very high (Shleifer and Vishny, 1993; Osborne, 1997; Lambsdorff, 2001).

The second part of our viewpoint focuses on the official ability to avoid or intervene in such situations. Sometimes the company assumes that other participants use unfair methods to better succeed in bid invitations and these behaviours wouldn't be exposed. The official institutions in charge of secure fair competition don't work efficiently. As the high rate of unreported cases demonstrates, there is a huge potential for such practices, even if avoiding corruption is surely not an easy job and it is in some cases impossible for external parties to have a closer look into negotiation processes. However, such low exposure rates are absolutely disappointing for a company with the willingness to act according to the rules. Our views on instruments and institutions for avoiding corruption only focus on the outcome and not on the difficulties in terms of information seeking or access to insiders. For our arguments, we use the rate of dark figures to show that there is a low efficiency. Cases exist where companies have no guarantee that unfair behaviour is called to account. In situations where the equality or the equal treatment for all market participants isn't assured by officials, the company acting according to the rules is the loser in this game.

In conclusion, we examine the view on the markets as described before. Without any changes, what should a company do if they are to compete for future projects if they see the list of competitors in Table 1? However, it is not mandatory that these companies try to compete better by paying bribes. However the uncertainty involved in each company doing business and knowing the track record of the competitors, the company can expect less help from officials. Additionally the unsatisfactorily high dark figure will make companies justly assume that they are the only ones which do not pay bribes if they act according to law. Indeed assuming and knowing are two different things. But in such situations, knowing isn't possible. However, managers must make their decision, no matter if they have all information or not.

In the end these arguments lead to a strong justification for our statement. It is not possible to say how often these situations happen, or in which cases. But it can be strongly believed that such situations exist. If they do so, as we have shown, we have to ask how to deal with them. Simply to declare it as immoral isn't the key to deal with such market terms.



**Table 1:** Selected cases of corruption

Source: Cases collected from daily news papers; *Financial Times Europe* (February, 9<sup>th</sup> 2006, p. 7); *Washington Post* (April, 25<sup>th</sup> 2008; p. D01); *New York Times* (January, 12<sup>th</sup> 2007; May, 15<sup>th</sup> 2007); *Against Corruption* (seen, June, 18<sup>th</sup> 2008 at: [www.againstcorruption.com](http://www.againstcorruption.com)); N.A., *The Lesotho Highlands Water Project Case Study* (seen, April, 7<sup>th</sup> 2008 at: <http://www.ipocafrika.org/cases/highlands/index.htm>); *Süddeutsche Zeitung* (April, 28<sup>th</sup> 2007)

Siemens	ABB	Other competitors
<p><b>ITALY:</b> In April 2004, an Italian judge banned Siemens from taking part in any public tenders in Italy for a year following an investigation into alleged bribes made by Siemens to Italian utility company Enel. Siemens was accused of paying €4 million in bribes to Enel executives for a gas turbines contract. Subsequently, the ban was limited to gas turbine contracts.</p>	<p><b>CHINA:</b> Jan 2007 — The police have detained 22 people in a bribery investigation that has ensnared several large companies, including ABB, McDonald's, McKinsey &amp; Company and Whirlpool. The government did not announce formal charges, disclose who was detained or offer a full list of the companies involved. But the media reports said that the bribes totaled about \$500,000 and that some officials were "company directors and senior employees."</p>	<p><b>FRANCE:</b> In 1998, the three largest construction groups in France - Bouygues, Suez-Lyonnaise, and Vivendi - were the subject of a major investigation by two judges, for a scandal which <i>Le Monde</i> (10 Dec 1998) described as "an agreed system for misappropriation of public funds." The companies participated in a corrupt cartel over building work for schools in the Ile-de-France region (around Paris) between 1989 and 1996. Contracts worth FF 28 billion (about \$500m) were shared out by the three groups.</p>
<p><b>RUSSIA:</b> In April 2005 the <i>Mail on Sunday</i> newspaper reported that two former employees went public with allegations that Siemens regularly paid bribes in order to win public contracts. The allegations are supported by affidavits and internal Siemens documents and concern events that took place throughout the 1990s. Siemens secured a £20 million contract in 1999, with an alleged £4.5 million kickback, to supply equipment to the Bourdenko Institute of Neurosurgery in Moscow. A whistleblower alleges that this contract was dropped in 2000 as Siemens prepared to be listed on the New York Stock Exchange and feared it could be vulnerable under the US Foreign Corrupt Practices Act.</p>	<p><b>MIDDEL EAST:</b> In Feb 2006, the Swiss-Swedish engineering giant ABB said it had disclosed to the US Department of Justice and the Securities and Exchange Commission (SEC) details of suspect payments in a country in the Middle East. The case, ABB said, revolves around payments made to intermediaries in Latin America and the Middle East "in connection with the [US] company's business, which is control software for utilities." An investigation following the dismissal of two managers in 2004 uncovered \$560,000 in suspicious payments.</p>	<p><b>INDIA:</b> In 1996 executives of Generale des Eaux, a French water company with cable television and telecommunication interests, were convicted of bribing the mayor to obtain a water concession on the French island Reunion in the Indian Ocean. In the same year CGE and its transport subsidiary CGEA also faced claims of paying bribes to win transport contracts on Reunion. According to the <i>Sunday Times</i> this inquiry was one of nine separate investigations by judges across France into CGE's empire in response to claims of bribery, fraud and corruption.</p>
<p><b>SINGAPORE:</b> In 1996, Siemens and a number of other multinational corporations were debarred for five years from Singapore government contracts. A consultant working for those multinational corporations allegedly bribed the Chief Executive of the Public Utilities Board.</p>	<p><b>USA:</b> On February 2006, Swiss company ABB announced that it had voluntarily disclosed to the US Department of Justice and the Securities Exchange Commission suspect payments made by ABB subsidiaries in a number of countries. The payments were detected during compliance reviews, which triggered internal investigations. ABB reported that it had initiated disciplinary actions against a number of its employees.</p>	<p><b>SOUTH AFRICA:</b> In a landmark judgment on 15 August 2001 the Court of Appeal of Lesotho rejected the major appeal of Canadian engineering firm Acres International. The company was convicted of bribing a public official to win a contract on the World Bank-funded Lesotho Highlands Water Project.</p>
<p><b>SLOVAKIA:</b> In 2001 Siemens was alleged to have offered SKK 1.5 million to the Chair of a tender commission concerning a large IT contract for the Slovak Treasury. However, Siemens Business Services successfully appealed in April 2002 and was able to re-enter bidding for an IT contract in the Slovak Treasury.</p>	<p><b>NIGERIA:</b> In July 2004, US and British subsidiaries of ABB Ltd pleaded guilty to paying more than \$1 million in illegal bribes to win oil contracts. The companies were accused of paying bribes in exchange for confidential bid information and favorable recommendations from Nigerian government agencies overseeing seven oil and gas construction contracts.</p>	<p><b>ARGENTINA:</b> In June 2004, the Press reported that Argentina's federal prosecutor, Guillermo Marijuan had requested a probe into, former, President Carlos Menem for allegedly receiving corrupt payments from the French defence company Thales Spectrum. Marijuan alleged that Menem asked Thales Spectrum, for \$25 million in exchange for favoring the company in a state bid and that between 1997 and 1999, Thales deposited millions of dollars into the bank accounts of Argentinean government officials.</p>
<p><b>SPAIN:</b> In 2001 Spanish judges suggested that Siemens was involved in money laundering, corruption and party financing amounting to DM 19 million in connection with the construction of the Ave rapid rail link between Madrid and Seville.</p>	<p><b>JAPAN:</b> In July 2002, a Japanese district court confirmed that it seemed likely that construction companies had rigged bids for construction orders from the US Atsugi navy base, south-west of Tokyo. However, the Tokyo court rejected compensation claims for ¥680m made by the US government against the 26 builders, saying there was inadequate evidence to prove that collusion occurred with each specific construction project.</p>	

## Statement 2: Corruption and Society

In this section we look at corruption at the level of the common man as an indicator of how a society deals with this crime. We assume that countries in which corruption is a common phenomenon don't act differently in cases where companies are involved. Our second statement focuses on bribes which are expected and common in some societies. The reason for these payments must be external or outside the company. In this sense, the payments should not be introduced or influenced by the company. For a business it is permitted to pay and submit to a request for a payment for official purposes only. In other cases, the company becomes a committer of a crime. The company is seen as a victim in this corrupt game only in cases where the payments are required without the influence of the company. In the following paragraph we analyse the social and cultural environment of corruption.

As we noticed above, corruption is still present in all societies, regardless of their history, culture, religion, or political and economic systems. However, the nature of organised crime has changed significantly over the past 50 years, with even more dramatic changes over the last 15 years (Frank, 2006). In Africa especially, corruption is reported everywhere and in many places the situation is as bad or worse now than it was a decade ago (e.g. Chikulo, 2000 – Zambia; Gathii, 1999 – Kenya; Stasavage, 2000 – Mozambique; Watt, Flanary and Theobald, 2000 – Uganda; Brown and Cloke, 2005 – Nicaraguan). But, even if the statistics are right and Africa suffers more than other parts of the world from corruption, no society is totally free from corrupt actions. A look into literature and studies show that Russia often is the centre of corruption (e.g. Dent, 1994; Clark, 1998). Another focus is China (e.g. McCusker, 2004; Overholt, 1994) but also studies from all European countries (see e.g. Becker and Fritzsche, 1987 – Germany, Brown, 2007 – UK, Harney, 2006 – Italy) America (see e.g. Johnstone and Brown, 2004 –United States; Filho, 2008 – Brazil) or Australia (Browman and Gilligan, 2007) show evidence of corruption. However, the TI Corruption Perceptions Index shows a differentiated picture for the rate of corruption for nearly all countries (2007).

In situations where decisions have to be made with two competing values, business ethics theorists generally agree that managers should apply ethical guidelines based on moral philosophies (Wood 1995; Ferrell and Gresham, 1985; Hunt and Vitell, 1986). Karande, Rao and Singhapakdi (2002) further say that social psychologists also consider moral philosophies or “personal ethical systems” to be important factors influencing an individual's ethical judgments. In this context the question arises “what are these personal ethical systems?” As the word “personal” implies, these judgments have to stay individual. Wood (1995) draws attention to cultural relativism. He accurately pointed out that (Wood, 1995, p. 10-11), “[c]ultural relativism asserts that there are no or few universal standards or rules of ethical behaviour. Words such as “right”, “wrong”, “good” and “bad” only gain a meaning within a specific cultural context. Thus if, for example, Saudi Arabia, considers homosexuality as immoral then the practice of homosexuality is immoral in Saudi Arabia. If another country, say the UK, does not regard homosexuality as immoral, then homosexuality in the UK is not immoral. This relativistic thinking is adopted almost without thinking by business people trading internationally.” Apart from inequality and poverty, the traditional societies might be more likely to act and accept corrupt behaviour. Collectivism instead of individualism has a public mentality that promotes respect for the family and kinship before respect and rule of law (Budima, 2006).

To analyse corruption deeper we draw attention to two cases. TI defines corruption as the abuse of public office for private gain and measures the degree to which corruption is perceived to exist among a country's public officials and politicians. Any country that scores below 5.0 is TI's Country Index is considered seriously riddled with corruption (2007). Therefore, we examine two different cases from countries with a score below 5.0: India (3.5) and Russia (2.3) (TI, 2007).

### Case Study - India

In 2005 IT Indian and CMS analysed corruption for 20 Indian provinces. Eleven public services were covered in this study: Police (Crime/Traffic), Judiciary, Land Administration, Municipal Services, Govt. Hospitals, Electricity (Consumers) PDS (Ration Card/Supplies), Income Tax (Individual

Assesses), Water Supply, Schools (up to 12th) and Rural Financial Institutions (Farmers) (TI India and CMS, 2005). According to this study (TI India and CMS, 2005, p. 1), “[c]ommon citizens of [India] pay a bribe of Rs. 21,068 cores while availing one or more of the eleven public services in a year. As high as 62% of citizens think that the corruption is not hearsay, but they in fact had a firsthand experience of paying bribes or “using a contact” to get a job done in a public office.” The study highlights the fact that the problem of corruption in public services affecting the day to day needs of citizens is seriously high. One-third of citizens think that both the officials concerned and the users of these eleven services know how much to be paid as “extra” to get a job done or attended to. “One-third of citizens”, according to IT India and CMS (2005, 1), “think that “both the officials concerned and the users” of these eleven services know how much to be paid as “extra” to get a job done or attended to”.

Users of various public services across the country in this study have named seven key factors that stand out as responsible for widespread corruption in the system. These include,

- Lack of transparency and accountability in the system,
- Lack of effective corruption reporting mechanisms,
- Lack of honesty in officials in the Government,
- Acceptance of bribes as a way of life, custom and culture,
- Ineffective judiciary,
- Poor economic policies,
- Inadequate training and orientation of Government officials.

The 2002 study of TI India shows that daily common goods like railway tickets or Telecom services are also not free from paying extra. In 2005, computerisation reduced these problems, however, they still exist. Before we analyse the case of corruption in India, we look at other case; Russia.

### **Case Study – Russia**

In Russia, between 2001 and 2005, large-scale diagnostic studies of corruption testified that the average amount of bribes paid by businesses increased exponentially (Information Science for Democracy (INDEM) 2007; Sigsbee and Konovalenko, 2005). According to research by the INDEM (2007) the high non-production costs of small businesses (administrative and corruption-related costs) grew from 8.5% of annual turnover in 2005 to 9.6% in 2006. Sigsbee and Konovalenko (2005) found a high rate of corruption for court justice, traffic police services, housing ownership, and land ownership. According to their work, the size of a newly-built apartment (in m<sup>2</sup>) that a Russian Government official can buy based on the average amount of a bribe increases from 30m<sup>2</sup> in 2001 to 209m<sup>2</sup> in 2005. In the same time, the values of the business corruption market where businesses have to pay increases from 33.5 billion USD to 316 billion USD. Investigating the branches of government that were involved in corruption, they found corruption existed in nearly every official scope of duties, literally in the legislative (7.1%), the executive (87.4%) and the judicial (5.5%) branches. The types of control that the government exerted were non-financial control and supervision, fiscal and tax regulation, licensing regulation, customs regulation and law enforcement regulation.

INDEM traces these effects back to the fundamental changes that occurred after the breakdown of the communistic system (2007). “Any transitional period in a society involves an increased level of legal chaos. The old system of legal norms and traditions collapses more rapidly than the new system is created. A sort of legal void forms. It is not surprising that in these conditions, bureaucrats and businesspeople alike take advantage of the situation. The bureaucracy sees new opportunities to extract income through corruption by trading on its power and the exercise of it” (INDEM, 2007, p. 4).

According to their study, businesspeople see a change in the quality of corruption. “Today, [...] lower-quality corruption services are being provided for at a higher price” (INDEM, 2007, 3). A further change is documented by an example. Where previously one could actually register a legal entity in less than the maximum allowable time by giving a bribe to expedite the process, now the same amount of money might, in the best case, only ensure that the established deadline is met. INDEM (2007) reveals a

new quality called “bribes for the right to live” payment. Such a bribe is a bribe to renew a lease agreement that the tenant already has a contractual right to renew. But without a bribe, additional complications and unexpected problems could arise. Such payments are required because officials know that companies have to pay if they want to stay in business. INDEM concludes the increasing appetite of bureaucrats over the past years with the words, “[t]hey no longer want “apples” (bribes); now they want “apple trees” (the business itself or total control over it)” (2007, p. 5). Based on a survey the list of Russia’s primary problems with corruption contains the following:

- Mistrust of the government;
- Constant changes in rules and laws;
- Ineffective government regulation;
- Tax burden;
- Black-market transactions;
- Expensive credit;
- Problems with commercial real estate; control by the authorities over the real estate market;
- Low quality of municipal services involving maintenance of leased properties;
- Enforcement and fiscal pressure;
- Corrupt extractions;
- Poor performance by courts and the law-enforcement system;
- Participation in the business by the authorities.

If we look at the case of India and Russia, what does this mean for our argument? First, corruption is present in India and Russia, not only in big business but also in daily life. However, corruption in this context has to be differentiated from the corruption in systems where single officials take money to fulfil their duty. In such cases, the system itself does not suffer from the sickness of corruption. In these cases we can talk about the wrong conduct of single persons. In the case of India and Russia we face a system of corruption.

The studies reveal different reasons for the dramatic corruption in both countries. All named factors are very closely related to government and public administration. The driving force of corruption is that the officialdom in the form of corrupt executives is the main problem in these situations. The effects of such situations on doing business in these countries show that companies also get involved in corruption. The corruption starts at small business needs and ends at vital requirements for example, phone connections that are required. There are also formal allowances like building permits, access to transportation or access roads to fabrics as well as dealing with legal institutions. However, on the other hand, businesses need their services in many cases right on time because they have to fulfil contracts with their suppliers or customers. Indeed this kind of culture is a big disadvantage for the whole society. But it is argued that the problems leading to corruption described above is not the responsibility of companies. It is surely a problem if the political and economic system lacks transparency or honesty in the Government, as in the surveys from India and Russia reveal. Also an ineffective judiciary is a bad complication for the whole country.

If we want to stop corruption, it would be too easy to do it on the company’s side. In environments like those described, the companies are much too often a victim too, especially, if the misconduct lies on the part of the government or public administration. In a free market economy it is not the responsibility of business to care about politics, law and culture. Other actors are responsible to solve these problems. In conclusion, we can say that cases exist where companies can submit to effective practical rules. Again, we don’t know how it can happen, but we have to assume that there are cases where corrupt acts are not immoral.

## Conclusion

In this paper we asked if corruption is always immoral and misconduct on the part of businesses. The answer to this question is important, because corruption should be avoided. Therefore it is necessary to

face this crime without any bias. To adequately fight against corruption, defining the responsibility and the duties are crucial. Rising claims against the immorality of business people does not lead to a success in cases where companies act corrupt and bribe public officials but it can't be seen as an immoral act. In this paper we ask if such situations exist in real life. To give the answers, two aspects are important: first, there must be situations where corruption from the context of a business is theoretically not misconduct, and second, it could be assumed that companies face such situations in real life. We developed two statements. The first one focuses on competition. It is argued that in a competitive situation, corruption is justifiable where companies must justly assume that (first) other market participants act corruptly and (second) that the official side won't or can't take appropriate action. We argued that if we require morality in business deals, it is the responsibility of public institutions to ensure, that companies face a corruption-free market place; elsewhere, in cases where other competitor's offer bribes, the "moral" business has to leave the market place. It is further asked, if such situations exist. We used the cases of Siemens and ABB to look at this market situation and asked if suppliers of such markets can be sure that no illegal payments happen. It is shown that reasons exist because it cannot be assumed that no corruption will happen. However, we don't say that the market participants can now bribe without any conscience. Of course, it is necessary to look at every single case and the special conditions under which such behaviour takes place. It is only argued here that cases are conceivable in which companies have to use the instrument of bribes. Not because they want to but because they have to.

Further we draw attention to the social, cultural and political environment. It is argued that companies face situations where the business has to be seen as a victim. Corruption is in such situations justifiable where (first) companies are expected to pay bribes to bureaucrats to get the basic needs for doing business and (second) not to pay would penalise them. If companies operate in an environment where they are not the driver but are blackmailed, it is not wrong to submit to these rules. It is further shown that such situations exist. The case studies of India and Russia demonstrated that reasons outside the company require paying bribes to stay in business. The responsibility therefore has to be carried by the legal, politic and administrative system.

To conclude, we have to say that corruption is no problem of morality in every case. Therefore, it shouldn't be treated like a problem of morality. To find suitable solutions in the fight against corruption, we need to face the reality first. For further research, it is necessary to identify the line between right and wrong in the case of corruption. We also need to identify which kind of corruption we face and in which ways the responsibility are distributed and which instruments ensure the adherence to rules. However, as we have seen research has brought a lot of insights about corruption. Nevertheless a long road still remains.

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# Australian Parental Incomes: Women and Men, Couples and Singles

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## Abstract

*Families caring for dependent children need time, income and services in order to carry out the important function of raising children, an essential social and economic activity that ensures the future survival and wellbeing of the society. This article focuses on income, and reports on a piece of original socio-demographic research that used unpublished Australian Bureau of Statistics (ABS) data to explore the incomes of Australian women and men in different family circumstances. The research shows that couple family men have markedly higher incomes than couple family women, single fathers and single mothers. We need social policy that takes account of diversity of family forms; makes it possible for all families raising children to gather together adequate income; encourages gender equity; and acknowledges the raising of children as activity that benefits the whole community. Along with these requirements, social policy must recognise that caring for children takes time, and that the demands of children change over the lifecourse. The lifecourse considerations include the high demands on parental time in the early years; and recognition of change in roles and circumstances over time.*

## Keywords

*Parents, Incomes, Policy*

## Introduction

In Australia we have seen extensive discussion in the community regarding paid maternity leave and 50:50 shared care following separation and divorce. Governments, communities and families are seeking new ways of arranging how we provide financially and care for our children. Community discussion and government policy initiatives are signs of a community seeking new structural arrangements that can support and reflect its beliefs, values and aspirations.

Australia's diverse families need to gather together the resources they need for wellbeing. These resources include income, time and services, and the wellbeing of all family members must be considered. The time required to provide care will usually come from adults and older children in households and extended families. Income comes from market earnings and government cash transfers. Services may be provided free of charge or subsidised by governments, as in the case of health and education, or purchased by households, as with gardening, car washing, prepared meals and home maintenance.

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This article focuses on income, and reports on a piece of original socio-demographic research that used unpublished Australian Bureau of Statistics (ABS) data to explore the incomes of Australian women and men in different family circumstances. The research was funded by a Victoria University Discovery Grant, and studied individual weekly income from all sources,

revealing patterns of income inequality among women and men in couple families and single parent families.

## **Previous Research**

In order to ensure the wellbeing of all family members, Australian women and men with responsibility for children require adequate time, income and services. Time to provide care for children, and services such as education and health are as important as income. All three must be considered together. Using time for unpaid work limits people's ability to use their time for income-earning. Income-earning increases the need for services such as childcare. Research in this area has included examination of time use survey data (Bittman & Pixley 1997; Craig 2007, 2004, 2002; Gilding 1994; Ironmonger 2001), modelling of loss of lifetime earnings (Breusch & E. Gray 2004; M. Gray & Chapman 2001), modelling of costs of children (Australian Institute of Family Studies 2000; Percival & Harding 2005), examination of mothers' labour market activity (Cass 2005; Walters 2002), findings that divorcing women are likely to be worse off financially than their ex-partners (Bittman & Pixley 1997; O'Connor et al 1999; Wolcott & Glezer 1995), studies of attitudes and preferences in relation to work and family (Evans & Kelley 2001; Hakim 2003, 1996), and critical reflections on the concept of preferences (Morehead 2005; Probert & Murphy 2001), studies of household income across different household types (ABS 2005), and international comparative modelling of mothers' ability to form an independent household (Shaver & Burke 2003). Related research includes international studies of fertility rates (McDonald 2000) and qualitative research into the experiences of mothers following childbearing (Brown et al 1994).

Time spent caring for young children has both immediate and long-term impacts on mothers' incomes. Evidence indicates that younger children require more hours of care than older children, and that mothers of younger children earn less income than mothers of older children (Bittman & Pixley 1997; Office of the Status of Women 2002). Pocock (2003) analysed 2001 census data and found that employment among both single and couple-family mothers increases gradually with age of youngest child. Gray and Chapman (2001) estimate that women with one child lose about 34% of their lifetime earnings, increasing to around 40% for those with three children.

Some of the research above shows that in general, divorcing women are likely to be worse off financially than their ex-partners. However, it is not a simple story of gender, with men more likely than women to have high incomes. The Ministerial Taskforce on Child Support (2005) found that men as well as women post separation and divorce were much more likely to be on low incomes than people in the broader population. Men's low reported incomes post-divorce are often seen as an artefact of attempts to avoid child support obligations, and the Ministerial Taskforce on Child Support (2005) received many complaints alleging that payers minimised income in order to avoid child support obligations. However, Silvey and Birrell (2004) accessed Australian Tax Office records to compare pre-separation with post-separation incomes and proposed the alternative idea that poverty and ongoing financial pressure contribute to separation and divorce, and that low post-separation incomes reflect low pre-separation incomes. This could of course mean that some men minimise their taxable incomes both before and after separation. In another take on men's low incomes following separation and divorce, Smyth et al (2003) suggests that fathers who share care of children equally with ex-partners typically change their working arrangements to increase flexibility, and suffer a consequent drop in earnings.

## **Time Use and Income**

According to time use research, Australian women and men perform about the same amount of work. However, men are much more likely than women to be paid for their work. Australia's gendered division of labour is particularly striking when it comes to the work involved in caring for young children, with women tending to specialise in unpaid work and men tending to specialise in paid work (Bittman & Pixley 1997; Craig 2002). Time use research has shown that caring for infants and young children takes at least the equivalent of a full working week. This work does not magically disappear if

children go to formal childcare while parents are at their paid work. It has become apparent that the unpaid work must be done before and after paid work and at the weekends (Craig 2007). One of the great social policy challenges of the early 21<sup>st</sup> century is to deal with the 'work/family issue' – the increasingly apparent desire of both women and men to participate meaningfully in both paid work and raising children (see Goward et al 2005).

There are convincing arguments that raising children is indeed economic activity (Pocock 2003) but this understanding is sinking into public consciousness slowly, if at all. The work involved is mostly treated as 'caring': an intangible that expresses feelings and commitments, rather than as tangible work that takes up time and energy. 'The' economy continues to mean the market economy. Care of young children remains marginalised, treated within the economy as a private matter like a hobby or having a pet. However, time spent on caring for young children is committed time rather than discretionary time, and there is little capacity to reduce the time spent. This time comes at a cost to parents and provides a benefit to the whole community, a clear exploitation of the labour of parents (mostly mothers).

## Social Policy Significance

Within Australian social policy, women are increasingly perceived as individuals rather than subsidiary household members, and as having some entitlement to economic wellbeing. The male breadwinner – female homemaker model is generally seen as no longer valid, but many labour market and social policy provisions have not kept pace with this cultural change. New structural arrangements are difficult to achieve, and will require major shifts in ways of thinking about situations, and examination of evidence not previously considered important. The design of appropriate maternity and paternity leave, family allowances, childcare, education, training and labour market practices require detailed information about the time required to care for children of different ages, and the costs to various parties of raising children.

Before having children, women may see childbearing as a temporary interruption to income earning. However, evidence available to date indicates that it is more of a permanent setback. Women who specialise in unpaid work may see themselves as being in partnership with male partners who specialise in paid work. However, for the many women whose desires change; who find themselves heading single-parent households; or are alone later in life, the degeneration of their earning capacity has serious consequences possibly including poverty for themselves and their children.

## Methodology

When considering income as an indicator of wellbeing, it is important to consider income from all sources. This study had two data requirements – a large enough data set to allow for fine analysis of the data by gender, family type and age of youngest child; and data on total income rather than earnings alone. Labour market income reflects individuals' ability to engage in paid employment, but total income from all sources including government transfers, income from investments and self employment is a better indicator of ability to meet the expenses of everyday life. There are three credible Australian sources of income data – the Australian Bureau of Statistics (ABS) Survey of Income and Housing (SIH); longitudinal studies including HILDA (Household, Income and Labour Dynamics Australia) and the ABS census, conducted every five years. The only data set that meets both the criteria for this research is the ABS census, and customised census data was used.

The most recent data available at the time of writing was the 2001 Australian Bureau of Statistics census data. The question about income on the 2001 Australian census asked people to nominate an income range from a list provided. The instructions said to include income from all sources, specifically mentioning wages and salary, Centrelink benefits and pensions, superannuation, self-employment and investments. The data are reported in income ranges. For this study, average incomes were calculated using the midpoints of the ranges. Following these calculations, the low income ranges were

reconfigured, collapsing some of the categories, in order to have more even ranges for the graphs. It was not possible to split the top three ranges, and these are presented as provided by the ABS.

This research focused on incomes of women and men with dependent children. Previous research indicates that there are differences in time use, earnings, and labour market participation between women and men, and between couple-family mothers and single mothers. This research adds attention to single fathers. The most suitable ABS census variable for studying these groups is 'Family Type'. The reported values of this variable are 'Couple family with children'; 'Couple family without children'; 'One parent family'; 'Other family'; and 'Not applicable'. 'Other family' includes households with dependent children whose parents are not part of the household. 'Not applicable' includes households without dependent children. This variable is coded by ABS staff depending on information given on the census form, particularly the stated relationship between the reference person and other adults in the household. Because of this procedure, 'Couple family' includes married, de facto and same-sex couples if their answers to census questions indicate these relationships. 'One parent family' includes single adults who identify themselves as the parent of at least one child, either resident with them on census night or usually resident with them. Where there is substantial sharing of care of children between parents who are both single, both parents could be identified as 'One parent family' even though the child/ren could have been with only one of them on census night.

The preliminary data analysis revealed a much higher proportion of male-headed single parent families than is usually cited. The statistic usually quoted in relation to proportion of female-headed and male-headed single families is 83 per cent female headed, or approximately five times as many female-headed as male (ABS 2003). However, using the 'Family Type' variable, I found that 30% of single parent families were male-headed. Within 'One parent families', 70 per cent were single mothers, 2.3 times as many as single fathers. This is a useful distinction, because it reflects contemporary patterns of separated parents taking responsibility for children rather than old ideas of 'custodial' or even 'resident' parent, within which a 'main' parent must be identified.

This article reports on average weekly incomes and income distributions for women and men in single families and couple families. A separate article reports on average weekly incomes by age of youngest child (Grace 2007). While the ABS census is a large and relatively accurate data set, it has some limitations, including that it does not include absolutely all persons in Australia, and that there is the possibility of some systematic mis-reporting in relation to income data. Because of concerns about the reliability of bottom decile income data, researchers often exclude this decile, particularly in studies of income inequality, and compare the top decile with the second decile (see for example ABS 2005). For this research I have retained the first decile, including the nil and negative income categories as I believe the picture is incomplete without them. Whether or not these categories reflect 'real' incomes, they do reflect reported incomes, and may be read in this way.

## **Findings**

Comparisons of women's and men's incomes are usually based on earnings, indicating that women's earnings are about 68% of men's (ABS 2005). My analysis of census data found that women's average gross weekly income from all sources was approximately 60% of men's. Looking at Australians in different family types, I found as expected that women with dependent children had lower incomes than women without dependent children. In contrast, men with dependent children had higher incomes than men without dependent children. These findings are consistent with the view that the presence of dependent children puts pressure on women to spend their time on caring for the children rather than earning money, and pressure on men to maximise income (Russell et al 1999).

Table 1: Average weekly incomes of Australian women and men with and without dependent children

	<b>Females</b>	<b>Males</b>	<b>F:M Ratio</b>
All persons (aged15+)	\$370.88 (n=3,914,499)	\$615.73 (n= 3,700,898)	60%
Without dependent children	\$407.64 (n=596,184)	\$558.89 (n=695,033)	73%
With dependent children	\$364.60 (n=3,318,315)	\$629.04 (n=3,005,865)	58%

Australian mothers tend to specialise in the unpaid work of caring for children and fathers tend to specialise in paid work. Because of this, we would expect fathers' weekly incomes to be higher than mothers'. This was the case, with mothers' incomes sitting at just 58% of fathers'. Table 2 shows how this picture changes if we look at different family types.

Table 2: Average weekly incomes of Australian women and men with dependent children by family type

	<b>Females</b>	<b>Males</b>	<b>F:M Ratio</b>
Couple family with children	43 \$356. (n=2,6 10,129)	91 \$662. (n=2,6 70,796)	54%
One parent family	25 \$397. (n=65 9,950)	49 \$352. (n=28 4,622)	113 %
Other family	85 \$359. (n=42 0,500)	45 \$396. (n=51 9,465)	91%
Couple family without children	64 \$468. (n=17 5,684)	80 \$627. (n=17 5,568)	75%
Other persons	15 \$382. (n=42 0,500)	60 \$535. (n=51 9,465)	71%

Within couple families with children, women's incomes are under \$400 per week, much lower than men's, at 54%. Couple-family men with children have the highest incomes (over \$650 per week) of any of these groups, including couple-family men without children. This pattern supports the idea that having children puts downward pressure on women's incomes and upwards pressure on men's incomes.

In couple families without dependent children (see Table 2), women had higher incomes than women in other family types, and men had higher incomes than other men except for couple-family men with dependent children. These couple families without dependent children would include couples who have not had children and those who previously had dependent children. The women's incomes are higher than those of women in any of the other family types, but still under \$500 per week, and just 75% of

men’s. This probably reflects a complex picture of advantage and disadvantage. The disadvantages would include the gender segmentation of the labour market and the lifetime impacts of childbearing. The advantage would probably flow from the support and sharing of responsibilities with a life partner. The women’s incomes in this group are higher than the couple-family-with-dependent-children women, reflecting women’s greater earning capacity when they are not responsible for children.

The most surprising finding from this research relates to incomes for one-parent families. This analysis of census data suggests that single mothers have higher average weekly incomes than single fathers. This runs counter to my expectation that single mothers would be the most disadvantaged of these groups in terms of income.

### Single parents’ incomes

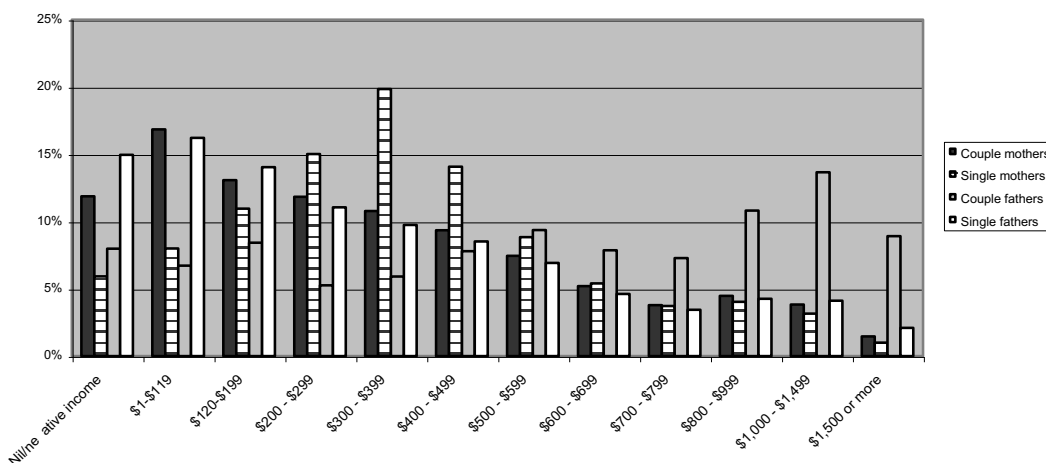
Logically, one might imagine that for every single mother in Australia there would be a single father. However, if single men do not list their children as ‘usual residents’ in their household, they would not be classified as ‘single parent households’ by the ABS. If fathers have re-partnered, they would show as ‘couple families’. We know that men are more likely than women to re-partner, and also that mothers post-separation continue to take major responsibility for children. These factors explain the big difference between numbers of single mothers and single fathers.

I am assuming that where there is shared parenting (50/50 or 60/40) both parents would include the child or children as usual residents, and would be classified as single parent families by the ABS. Testing this assumption would be an appropriate activity for census researchers.

### Incomes by gender and family type

Tables 1 and 2 focus on average weekly incomes. However, understanding the distribution of incomes within family types is equally important. Figure 1 presents income distributions for all Australian women and men aged 15+ in different family types.

Figure 1: Incomes of women and men with dependent children, Australia 2001



Within each cluster, reading from the left, the first bars are the couple mothers. The second bars are the single mothers. The third bars are the couple fathers and the fourth bars are the single fathers.

The couple fathers have a tri-modal distribution with plenty of activity at the upper income levels. The other groups are all relatively unlikely to have incomes over \$700 per week. Single mothers are more likely than other groups to have incomes between \$200 and \$500 per week. It may be that single mothers are more likely than single fathers to count their Centrelink payments as income. However, this is an untested assumption. This finding may reflect greater social pressure and expectation on single

mothers to have labour market earnings in addition to Centrelink payments than on either couple family mothers or single fathers.

Responsibility for children clearly has a significant impact on income. This study shows a likelihood of low incomes for both mothers and fathers who remain single post-separation. Couple-family mothers also had low individual weekly incomes. Only couple-family fathers were likely to have high incomes. Overall, these findings support the idea that the labour market is set up for the 'ideal worker' (Williams 2000), a man with the pressure of children at home to support, and a wife or partner at home to do his share of the unpaid work.

## **Conclusion**

Families with dependent children need time, income and services in order to carry out the important function of raising children, an essential social and economic activity that ensures the future survival and wellbeing of the society. The research reported in this article shows that in Australia only couple-family fathers are likely to have comfortable incomes. We need social policy that takes account of diversity of family forms; makes it possible for all families raising children to gather together adequate income; encourages gender equity; and acknowledges the raising of children as activity that benefits the whole community. Along with these requirements, social policy must recognise that caring for children takes time, and that the demands of children change over the lifecycle. The lifecycle considerations include the high demands on parental time in the early years; and recognition of change in roles and circumstances over time.

For most Australian women who take time out from the labour market, this is a temporary arrangement, not a sign of taking up a life-long identity as a 'stay-at-home mother'. Many women and some men mix their parenting and labour market activities, challenging the juxtapositioning of 'working' and 'staying at home'. In relation to 'single mothers', far from being a fixed category, today's single mother was probably previously a married mother, and she may be a couple-family mother in the future.

Social policy that relies on fixed categories cannot hope to respond to contemporary lives. We need policies that take account of diverse lifecycle experiences, including early parenting, same-sex couple parenting, single parenting and shared parenting. Critical aspects include the very high demands infants and young children make on parental time; and the desires and needs of both women and men to participate meaningfully in both paid employment and direct caring for children. Families raising children need adequate income at all stages of the lifecycle; large amounts of time for direct childcare while children are very young; flexible time for child-related commitments as children reach school age; and appropriate services including health, education, support and childcare.

Better social policy would enable parents to get through the intensive early years of children's lives while keeping future options open. Babies and toddlers up to two or three years of age require many hours of intensive work. This care is expensive to provide in childcare centres, and it is expensive to provide at home. It is reasonable for the community in general to bear the dollar costs of this care, whether through free childcare, paid maternity/paternity leave or a generous short-term (for example three years) parenting allowance. Of course, some assistance with the costs of children should continue in the longer term. If families sink into either poverty or stereotypical gender roles in these early years, the data indicate that they may never recover. However, if the community offers generous support for early parenting, families have a strong platform for establishing longer-term wellbeing, including the ability to earn a good income once their children are older.

Better social policy would encourage parents to share caring responsibilities and income-earning rather than specialising in one or the other. Current policy punishes this arrangement relative to a breadwinner / homemaker model, as families with two part-time incomes lose Family Tax Benefit Part B, even though their two part-time incomes may amount to no more than one full-time income. As well as promoting gender equity, supporting sharing would reduce the degeneration of mothers' earning capacity, thus protecting to some extent against single parent poverty in the event of couple separation.

This research suggests that single parenthood is no longer overwhelmingly single mothers taking sole responsibility for their children. The 70:30 ratio of single mothers to single fathers may indicate more single fathers taking sole responsibility for children. However, it seems likely that much more single parenthood than in the past consists of separated couples sharing responsibility for children. The income data indicate that many single parent families are suffering from lack of adequate income. We need to develop new ways of assisting single parent families. Better support of these households could include, for example, both parents having full entitlement to Family Tax Benefits.

For parents with limited earning capacity, perhaps because early parenthood has interrupted education, incentives to undertake education and training while youngest child is aged 3-8 would increase future earning capacity. More generous arrangements would be a sensible investment in future family wellbeing.

Present social arrangements partly recognise the responsibility of the rest of the community to contribute to the costs of raising children, with Family Tax Benefit A and B, maternity payment, and health and education services. Some of Australia's provisions are moving away from stigmatised welfare payments, but they are far from Nancy Folbre's (2005) recommendation that government transfers to parents should be treated as payments for services rather than as welfare payments.

This study has presented a new way of looking at income data. It is a preliminary study, establishing a broad general picture. It highlights the need for further research into incomes following childbearing, and the ways that incomes vary among women and men in different family types.

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# Organisational Socialisation Facilitates Overseas Assignment

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## Abstract

*Cross-cultural adjustment is the biggest challenge that derails expatriate success. In responding to the importance of Taiwanese expatriates' adjustment in Mainland China, this study tests, as a critical factor, Socialisation affecting the adjustment of Taiwanese expatriates in Mainland China. As a result, this study critically reviews previous studies on expatriate success, shedding light on key factors in the area of expatriate adjustment and providing multiple guidelines for human resource supervisors and senior executives hoping to ensure expatriate success. The definitions of success and methodological approaches are discussed, and suggestions for improving empirical research in this area are presented. Academic researchers and international enterprises can perhaps clarify whether all international expatriates are affected by the factor as organisational socialisation, and also whether the proposed model can be utilised in studying expatriates in different professional areas from those of this study. Finally, the results and their implications for research and the business world are discussed. This may assist not only Taiwanese MNCs but also global enterprises to perform their international business more efficiently in Mainland China.*

## Keywords

*Taiwanese expatriates, mainland China, socialisation.*

## Introduction

As enterprises develop globally, there is a growing challenge to utilise expatriates on international assignments to complete strategically significant tasks (Brewster 1998; Downes and Thomas 1999; Gregersen and Black 1996). Multinational corporations (MNCs) utilise expatriates, not only for reasons of corporate organisation and expertise in critical global markets, but also to smooth the process of entry into new markets or to extend international management abilities (Bird and Dunbar 1991; Boyacigiller 1991; Forster 2000; Rosenzweig 1994; Shaffer, Harrison and Gilley 1999). For that reason, in order to remain competitive in today's international marketplace, enterprises not only acknowledge that transferring competent employees adds crucial skill and knowledge to their overseas performances, enabling them to compete more efficiently in all international positions, but also

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expatriate employees, particularly managerial and professional employees, are vital to the success of overseas assignments such as implementing international corporate tactics and managing and coordinating subsidiaries (Black, Gregersen and Mendenhall 1992). Expatriates are able to play tremendously significant roles during worldwide assignments. Particularly,

successful expatriate assignments are indispensable to MNCs (multinational corporations) for both developmental and functional reasons (Adler 1983; Brake et al. 1994; Dowling et al. 1998; Mendenhall and Oddou 1985; Stroh and Caligiuri 1998; Tung and Miller 1990).

At present, Mainland China's economic importance to Taiwan is continuing to grow, shown by its ousting of the United States for the first time as Taiwan's largest export market in 2002. Taiwan is also Mainland China's second-largest supplier of imports and the fourth biggest investor in Mainland China, just behind Hong Kong, the U.S. and Japan. Following the rapidly increasing foreign direct investment in Mainland China, an increasing number of expatriates are assigned there. According to that, more and more expatriates are being sent to Mainland China to operate foreign subsidiaries. The Investment Commission of the Ministry of Economic Affairs (ICMEA 2001) estimated that there were over 200,000 populations of Taiwanese expatriates and their families in Mainland China. In the 1980s, only a few Taiwanese employees wanted to be assigned to work in Mainland China, because Mainland China represented a communistic society, with differences in expectations, food, habits, work attitudes, the concept of personal space, etc. to those of most business expatriates. Those factors are often stress producing because they appear to be neither understandable nor ethically acceptable.

In conclusion, investigating the influential factors of expatriate adjustment is significant for several reasons. First, failure of expatriate adjustment may cause premature return from overseas assignments, which may be very costly financially for international enterprises (Coperland and Griggas 1985; Naumann 1992). In addition, non-financial costs of failure, which include damage to the reputation of enterprises, lost business opportunities and lost market or competitive share (Black and Gregersen 1991; Naumann 1992). Second, failure to accomplish the plan of the assignment is as harmful to the expatriate as it is to the parent and host companies. Inability of an expatriate to complete the assignment is likely to damage his or her self-esteem, and self-confidence, and cause a loss of prestige among co-workers (Mendenhall and Oddou 1985; Tung 1987). Third, an unsuccessful period of expatriation is likely to decrease both the subsequent commitment to the parent company (Naumann 1993) and job performance upon repatriation (Adler 1981). Finally, an expatriate failure will have an adverse impact on the decision of qualified expatriates to accept overseas posts (Stroh 1995). Nowadays, despite these negative possibilities, those influential factors still exist, nevertheless, following the increasing investment, many more people volunteer to develop their careers in Mainland China for longer periods. The recent growth of international business has guided enterprises to examine more closely their policies for transferring employees from one country to another (Aryee and Stone 1996; Black, Gregersen and Mendenhall 1992). Without proper international human resource management, the advantages of overseas operations may not be fully realised. Yet in Taiwan, very few studies concerning expatriate problems have been conducted.

## **Literature Review**

### **Cross-cultural Adjustment**

The international scope of markets and intensifying global competition are forcing firms to operate in more diverse geographical environments. The ability to establish operations in different locations can allow a firm to more quickly gather technological and market information as well as respond rapidly to local customer demands. This situation often requires the presence of competent overseas expatriates to effectively implement enterprises' strategies. The overseas assignment of executives can thus have a significant impact on an enterprise's success in international markets. As a result, understanding the factors that improve expatriates' adjustment and performance in international environments has become a crucial human resource issue. The original notion of cross-cultural adjustment began from previous work on culture shock. Based on Oberg's (1960) research, 'culture shock' was defined as the phase of anxiety before an individual feels well adjusted in a new culture. Nevertheless, some researchers (as Church 1982; Stening 1979) found that not all expatriates encounter the same degree of anxiety, or experience anxiety for the same duration of time. For that reason, those research results indicated that

cross-cultural adjustment was an individual difference, which could potentially be forecasted, rather than a constant duration of anxiety that all expatriates would necessarily encounter when they entered a new environment and faced a different culture (Black 1990). For the duration of the process of cross-cultural adjustment, uncertainty in the surroundings reduces gradually (Black 1988; Black and Gregersen 1991; Church 1982). The process of cross-cultural adjustment may perhaps be stressful due to the insecurity and ambiguity of not knowing what is appropriate behaviour or actions, coupled with a potential incapability to comprehend feedback from the situation owing to deficiency in knowledge of the language or culture (Black and Gregersen 1991; Louis 1980). Relating to the standard of premature termination of an overseas assignment, expatriates who fail to adjust would be experiencing insuperable stress and would prefer to return to their home country earlier than planned (Tung 1981).

In conclusion, cross-cultural adjustment is defined as the process of adaptation to living and working in a foreign culture. It is the perceived degree of psychological comfort and familiarity an individual has with the new host culture. Current conceptualisations of the construct have focused attention on three specific facets of cross-cultural adjustment. The first facet is work adjustment, which contains adaptation to new job tasks, work roles, and the new work environment. Work adjustment is assisted by similarities in procedures, policies, and task requirements between the parent company and host subsidiary in a foreign country. The second facet is interaction adjustment, which consist of the comfortable accomplishment of interactions with host nationals in both work and non-work situations. Interaction adjustment is the most difficult of the three facets to achieve. The third facet is cross-cultural (general) adjustment, which involves the overall adaptation to living in a foreign culture, and comprises factors such as housing conditions, health care, and cost of living.

### **Organisational Socialisation**

Organisational socialisation may possibly occur by means of formal organisational schemes and individual efforts that familiarise expatriates with the processes and procedures of the host country organisation. Organisational entry is a critical time for newcomers. A basic premise of organisational socialisation practices is that the nature of a newcomer's initial experiences is imperative to their adjustment to the new environment. Researchers (Chao, et al. 1994; Feldman 1981; Ostroff and Kozlowski 1993) have recognised that typically there are four phases contained in a newcomer's progress. The first phase is concerned with group processes (social integration). In this phase the newcomers are sensitised to the group norms and values, comprehend the relationships between formal and informal work, and discover the person who is most well-informed and influential in the organisation. At the same time newcomers start to recognise how to relate and fit in. The second phase is concerned with task mastery (performance proficiency). The newcomers learn the tasks involved in the job (knowledge, skills, capabilities), important duties, assignments, and priorities. In addition, the newcomers comprehend how to deal with regular problems and how to gain important information in this stage. The third phase is related to work roles (role clarification). The newcomers become acquainted with boundaries of authority, responsibility and appropriate behaviours in this stage. The fourth phase is about organisational attributes (acculturation). In this stage the newcomers achieve an appreciation of the politics, power, goals, and value premises of the organisation; knowledge of the organisation's mission, special languages, key legends, myths, stories, and management's leadership and motivational style. To sum up, organisation socialisation is a procedure through which the individual adjusts to a particular work role in an organisation by learning content and process. Organisation socialisation is also explained as the procedure by which individuals or newcomers gain information concerning routine or desirable behaviours and perspectives within the work surroundings. As a result, in this study it has been speculated that organisational socialisation factor have a significant influence on how individuals, particularly organisation expatriates, adapt themselves to their roles in overseas assignments.

In conclusion, the rationale of organisational socialisation is to comprehend the new environment, thereby reducing the level of uncertainty and offering the expatriate direction concerning what to do and how to perform in an satisfactory manner, given the cultural context of the foreign organisation. On a

person-to-person basis, interaction with old-timers (mentor programs) facilitates sense-making, situational identification, and acculturation among newcomers (Louis 1980, 1990). Therefore, mentors may accelerate socialisation by providing protégés with information about the internal workings of the organisation and feedback as to appropriate behaviour (Ostroff and Kozlowski 1993). By providing expatriates with access to mentors, MNCs are demonstrating a willingness to support the expatriate during the overseas assignment.

## Methodology

### The Research Sample

The Straits Exchange Foundation of Taiwan was contacted, agreed to support this study and also supplied the addresses of Taiwanese firms established in Mainland China. This organisation was founded in Taiwan on 21 November 1990; it has six units including a secretariat, culture service office, economic and trade service office, traveling service office and service office. Its chief function is to deal with affairs concerning cross-Straits exchanges under the guidance of the 'Mainland Affairs Office'.

According to the list of enterprises supplied by the Straits Exchange Foundation of Taiwan, the target population of this study was 1,786 Taiwanese manufacturing firms located in Shanghai (one city in Mainland China). Shanghai is the most developed city of east Mainland China and many Taiwanese investors set up their manufacturing companies here. With its excellent location, comprehensive transportation network in terms of land, sea and airfreight, together with its huge and high quality pool of human resources, it is no wonder that Shanghai has always been the economic leader, commercial centre and important foreign gateway for the past several centuries. A city with a population of 14 million, Shanghai's total production value is one-sixth of all production of Mainland China.

### Sample Size

Actually, that is hard to find out the real statistics amount about the Taiwanese expatriates work in Mainland China, only the amount of firms located in Mainland China can be found in official statistic of Taiwan Government, therefore, this study adapted the whole Taiwanese firms' amount, instead of whole population number. But this reason should be described and explained in this section. Table 1 presents a helpful lead for calculating the sample size. Tables such as Table 1 can provide a useful guide for determining the sample size. Researchers may need to calculate the necessary sample size for a different combination of levels of precision, confidence, and variability (Israel 1992), by applying an equation such as that proposed by Yamane (1967).

**Table 1 Sample size for  $\pm 3\%$ ,  $\pm 5\%$ ,  $\pm 7\%$  and  $\pm 10\%$  Precision Levels**

Size of Population	Sample Size (n) for Precision (e) of:			
	3%	5%	7%	10%
1,000	a	286	169	91
2,000	714	333	185	95
3,000	811	353	191	97
4,000	870	364	194	98
5,000	909	370	196	98

Note: a = Assumption of normal population is poor. The entire population should be sampled. Where Confidence Level is 95% and  $P=.5$ .

Source: Israel (1992)

Yamane (1967) provided a simplified formula that was also used to calculate sample sizes; the result was similar to Table 5.3.

$$\text{Equation: } n = \frac{N}{1 + N(e)^2}$$

n=Sample size  
N=Target population

This Study:  $1786 / 1 + 1786(0.00212598425)^2 \doteq 373$

As a result, the sample size of this study was 400 firms in this study.

There are 20 different categories of industry such as food industry, plastics industry, cement industry, spin and weave, electric machinery, electric equipment included in Taiwanese enterprises located in Shanghai. Twenty Taiwanese companies were selected from each category by using a random numbers table. Therefore, a total of 400 firms was selected from the address book issued by the Straits Exchange Foundation of Taiwan. In this study, the respondents targeted were one expatriate in each firm.

### Non-Responses

A researcher should monitor and minimise the non-responses to avoid bias in the sampling results. In order to avoid bias, in this research the non-responses were managed by sending follow-up mails first. If the participants still did not respond, then the non-responses were managed by replacement.

### Response Rate

The response rate for a mailed questionnaire is the number of questionnaires returned. It is typically expressed as a percentage of the number of subjects selected to participate. The response rate is the single most important indicator of how much confidence can be placed in the results of a survey. A low response rate can be devastating to the reliability of a study. One of the most powerful tools for increasing response is to use follow-ups or reminders. Traditionally, between 10 and 60 percent of those sent questionnaires respond without follow-up reminders. These rates are too low to yield reliable results, so the need to follow up on non-respondents is clear.

In this study, electronic mail was used to increase the response to follow-up attempts by including another copy of the questionnaire.

### Research Instrument Reliability

A test of reliability was conducted on the scales used in the questionnaire. Before conducting consistency estimates of reliability, the reverse-scaled items were reversed. The result of each of the coefficient alphas indicated satisfactory reliability. According to DeVellis Reliability Guidelines (1991), a Cronbach alpha coefficient over 0.7 implies respectable reliability. In this study, Cronbach alpha coefficients of cross-cultural adjustment, and organisation socialisation 0.84387 and 0.85216 respectively. A value of 0.8 is seen as an acceptable value for Cronbach's alpha; a value substantially lower indicates an unreliable scale. In this study, the Cronbach alpha coefficients of the six scales were over 0.8 that were seen as a good indicator of their reliability and high acceptability.

**Table2 Research Instrument Reliability**

Variables	Number of Questions	Cronbach $\alpha$
Cross-Cultural Adjustment	14	0.84387
Organisation Socialisation	14	0.85216

### Regression Analysis

A multiple regression analysis was conducted to see how well the proposed model predicted overall cross-cultural adjustment from organisation socialisation. The Table3 on below demonstrates summary that the linear combination of the proposed model was significantly related to cross-cultural adjustment

( $F = 92.315$ ,  $P \text{ value} = 0.000 < 0.05$ ). The sample correlation coefficient was 0.766, indicating that approximately 58.7 percent of the variance of the cross-cultural adjustment in the sample can be accounted for by the linear combination of the proposed model. In this study, there was a statistically significant linear relationship between independent variables: organisation socialisation and the dependent variable cross-cultural adjustment. As a result, the proposed model was shown to be statistically significant to cross-cultural adjustment. To sum up, the proposed model unerringly and completely predicts cross-cultural adjustment.

**Table3 Regression of Proposed Model Summary**

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error of the Estimate	R <sup>2</sup> Change	F	df 1	df 2	Sig.
	0.766	0.587	0.580	0.6503	0.587	92.315	5	325	0.000

a. Predictor: (Constant), OSA

### Pearson Correlation Coefficient

This section of the study applied stepwise regression analysis to investigate the influence of organisation socialisation on cross-cultural adjustment. In other words, the predictor that contributed statistically to the prediction of cross-cultural adjustment was included, while those that did not contribute were excluded from the analysis.

Because stepwise regression was requested, SPSS was used to first investigate a model with organisation socialisation, it was a strong correlation on cross-cultural adjustment. The test result, shown in the Table 4, revealed that the partial correlation for organisation socialisation was 0.113. In effect, the independent variable was significant for explaining the cross-cultural adjustment model.

All the bivariate correlations between organisation socialisation and cross-cultural adjustment were positive. At the same time, each independent variable was statistically significant as revealed in Table 4 below: organisation socialisation ( $P = 0.041 < 0.05$ ). This appeared to verify that the practical predictor in this study for cross-cultural adjustment was organisation socialisation. It accounted for organisation socialisation, 14.90 percent ( $0.386^2$ ) of the variance of cross-cultural adjustment.

**Table4 Coefficients of Proposed Model**

Model	Un-standardised Coefficients		Standardised Coefficients	t	Sig.	95% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
Constant	-3.860	0.506		-7.633	0.000	-4.855	-2.865
Organisation Socialisation	0.152	0.074	0.082	2.052	0.041	0.006	0.297
<b>Correlations</b>							
<b>Model</b>		<b>Zero-Order</b>		<b>Partial</b>		<b>Part</b>	
<b>Constant</b>							
<b>Organisation Socialisation</b>		0.386		0.113		0.703	

Note: a Dependent Variable: CAA

Correlation coefficients were the statistical method utilised to explore the variable as organisation socialisation and cross-cultural adjustment. The results of the correlation analysis are presented in Table 5 below which shows that the correlations were statistically significant.

The correlation between organisation socialisation and cross-cultural adjustment was also significant,  $r = 0.386$ ,  $P < 0.01$ .



**Table 5 Correlations Matrix**

	<b>L.O.</b>	<b>C.A.</b>
Organisation Socialisation	<b>0.111*</b>	0.386*
Cross-Cultural Adjustment	<b>0.209**</b>	<b>1.000</b>

Notes: \*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

The previous researcher reviewed the correlation among the variables and concluded that they were associated; therefore, collinear statistics were used. The tolerance for a variable is 1-R squared for the regression of that variable on all the other independents, ignoring the dependent. When tolerance is close to zero, there is high multicollinearity of that variable with other independents and the B and Beta coefficients will be unstable. VIF is the variance inflation factor, which is simply the reciprocal of tolerance. Lower tolerance values indicate that there is a great deal of overlap with other predictors. When VIF is high that means there is high multicollinearity and instability of the B and Beta coefficients. In this study, according to Table 6, the VIF of organisation socialisation was 1.264,

**Table6 Collinearity Statistics**

<b>Model</b>	<b>Unstandardised Coefficients</b>		<b>Standardised Coefficients</b>	<b>t</b>	<b>Sig.</b>	<b>Collinearity Statistics</b>	
	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>			<b>Tolerance</b>	<b>VIF</b>
Constant	-3.860	0.506		-7.633	0.000		
O.S.	0.152	0.074	0.082	2.052	0.041	0.791	1.264

## Significance of Independent Variable

The theoretical and empirical literature on organisational socialisation has mainly focused on the relationship between organisational socialisation tactics and mode of adjustment. This study revealed that the correlation between organisation socialisation and cross-cultural adjustment was positive.

Socialisation is the process by which newcomers learn the behaviours, values, beliefs, and social knowledge needed to accept their new roles and function effectively within the organisation. On the other hand, the socialisation received has been related to various indicators of newcomer adjustment, including role ambiguity, role conflict, stress symptoms, job satisfaction, organisational commitment, organisational identification, and intention to resign.

It is a proven hypothesis that received socialisation in organisations will be positively related to newcomer adjustment. It is essential that international organisations have a sound appreciation of the necessary elements that expatriates need as part of their socialisation process and the impact of these elements on cross-cultural adjustment

## Conclusion

There has recently been a tremendous surge in foreign direct investment in the mainland of the People's Republic of China (PRC), resulting in a substantially increased number of foreign business persons working in Sino-foreign joint ventures, foreign representative offices, foreign wholly owned subsidiaries and branches of foreign firms. Mainland China has developed into an important current and potential market for international business firms. Foreign capital has poured into Mainland China on a large scale over the last two decades and the Chinese market has retained a considerable attraction for international business. In addition, Mainland China has developed into an important destination for foreign investment as the host of a growing multitude of business operations controlled by Taiwanese corporations. Following the phenomenal growth in international trade, globalisation of markets and economic integration are likely to increase the placement of expatriates in foreign assignments. In other words, owing to the rapid globalisation of business and markets, cross-cultural management has

emerged as a crucial issue for expatriates as well as for international enterprises. The current number of Taiwanese expatriates in Mainland China is uncertain, but in 1994 it was estimated to exceed 100,000. In addition, Investment Commission of the Ministry of Economic Affairs estimated that there were over 200,000 Taiwanese expatriates and their families in Mainland China.

The findings of this study suggest that to achieve the ideal fit between Taiwanese expatriates and the new work and sociocultural environment of Mainland China, both the Taiwanese MNCs and expatriates need to comprehend the influence of factor as organisation socialisation. The majority of the respondents considered that the cross-cultural adjustment of Taiwanese expatriates in Mainland China seems affected by organisation socialisation.

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