

Cross-cultural Issues and Ethical Dilemmas in Teaching Corporate Governance

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Abstract

Corporate governance is accepted as culturally related, but there is less evidence on its impact when teaching the subject. This paper examines the pedagogic issues of teaching postgraduate students from China in a Canadian university. A total of 72 students completed a questionnaire and this paper analyses the results. The majority of students did not consider that corporate governance should be abandoned in the pursuit of profits. However, when asked whether China should focus on economic progress before Corporate Governance, almost 20 percent of the students did not voice an opinion and the rest were evenly divided in their opinions. Statistical analysis showed that students with prior business knowledge are more likely to view the responsibility and implementation of Corporate Governance as resting with the individual managers and not by rigid government regulations. The research captures the ambiguities and contradictions of debating Corporate Governance in specific economic environments.

Keywords: corporate governance education, culture, international students, business ethics, pedagogic issues

1. Introduction

In teaching any subject, particularly at the postgraduate level, there is always the issue of understanding the existing knowledge base and assumptions of the students. When the student group is from China, there is also the additional consideration of the possible learning styles compared to western students. A number of studies have addressed this particular problem. However, teaching corporate governance to Chinese students who have recently arrived in North America involves the potential cultural contradictions in exploring western views of corporate governance compared to the Chinese experience.

The increasing number of international students choosing North America for their studies and the development of new programmes to attract them has exposed several pedagogic issues. These are attracting the attention of academics leading to advice and reflections on teaching both in the students' home country (Roberts and Tuleja, 2008) and in the host country (Currie, 2007). Much of the research proffers excellent advice but rarely considers the nature of the subject matter.

The available research on Asian corporate governance practices acknowledges the cultural underpinning of national models and practices (Chapple and Moon, 2007). There is also guidance on the implementation and transfer of Corporate Governance systems from one regulatory regime to another. However, the issues and challenges of teaching the subject to international students has not been addressed.

This paper draws from the experiences of the in-class delivery of a course on Corporate Governance to students from China on a postgraduate program in Canada. The course consisted of four hours of lecturing each week for 10 weeks and is held in the final semester of the program. Following the literature Review and explanation of the Methodology, the Discussion and Analysis section is divided into two parts. The first discusses students' opinions on the relevance of Corporate Governance to China. The second section considers the students observations on the challenges of strengthening Corporate Governance in China and, by comparison, the potential advantages benefitting Canada. This section involves a discussion of the possible complexity of Corporate Governance when the economic environment in either country is under stress.

2. Literature Review

There is a growing volume of literature on the challenges and accommodations that have to be made by Western-experienced professors when teaching classes that comprise predominantly of Chinese students. One of the now well established revelations is the students' previous exposure to rote learning as the main method of instruction.

In a study of Hong Kong students, Nield (2004) found that this experience led to a different view of the role of the teacher who is considered as the provider of instruction and not a participant in the learning process. Chinese students are therefore unprepared for the dialogic nature of instruction and this creates difficulties in listening, understanding and interaction (Holmes, 2004). Their previous experiences in a culturally and educationally different environment present them with conflicts when confronted with western pedagogic practices (Liang, 2004).

The previous educational experience of Chinese students is usually instructor-centered, with the instructor imparting knowledge to the students (Slethaug, 2007). The student will demonstrate respect to the instructor by not challenging or questioning the information conveyed. An instructor in a Western university, particularly on advanced courses at the postgraduate level, will encourage students to think independently and analyse information so that they can develop critical-thinking skills and be able to enter into logical dialogues with the instructor and other students (Greenholtz, 2003; Tweed & Lehman, 2002).

This relationship with the student as a passive recipient of information and the instructor the provider of knowledge are manifested in differences when compared to US students on the perceived fairness of grading procedures (Tata, 2005). Chinese students are far more likely to value being treated with respect and being provided with explanations of the grading procedures whilst US students are more likely to perceive an opportunity to discuss and appeal a grading decision.

Previous studies have not only explored the problems but offered advice and guidance. Much of this is in the direction of being aware of the problems rather than a discussion of specific techniques that can be adopted. An exception is a paper by Biktimirov and Feng (2006) which presents intriguing suggestions for teaching finance. They argue that the use of Chinese proverbs to illustrate finance concepts build on students' prior knowledge. It also has the advantage of promoting Chinese culture. There does not appear to be any published work that has extended this approach to the less numerate disciplines.

Given these pedagogic difficulties and the possible dominance of cultural dilemmas, the teaching of Corporate Governance to Chinese students presents a substantial challenge. A major factor is the definition of Corporate Governance being used as a basis for examination and discussion. Within this definition are the boundaries that the professor and the students wish to establish for the subject matter.

Corporate governance can be defined tightly as the system by which business corporations are directed and controlled (OECD, 1999). Nevertheless, it can be difficult when discussing human values to keep within these boundaries and it can be argued that the field of corporate governance is not independent of business ethics. The latter being the study of ethical dilemmas, values and decision-making in the world of commerce.

A secondary but important element is the approach that is being adopted to teach the concepts. These have been discussed by Collins (2004) who described the utilitarian approach is one where the maximisation of social welfare i.e. the action that is adopted to offer the greatest good to the greatest number of people.

The second one is deontology where ethical principles and concepts are based on morals, rights, duties and obligations. Deontologists argued that these principles would lead to morally acceptable results. For example, for centuries in China, a Confucian approach was foremost and was based on interpersonal relationships where commitments were more likely to be agreed by a nod or a handshake rather than the signing of a contract (Day, 1997). This would appear to complement the current philosophy in China where it is claimed that the Chinese government has stressed that economic growth may not be sustainable if ethical concerns are not addressed (Endearle, 2005).

A third consideration to be borne in mind is that international students may well hold a different conceptual framework than students from other countries. This may be particularly true where the teaching material is unfamiliar or reflects policies and practices not yet widespread in China. Chand, Cummings and Patel (2012) examined the effect of national culture when accounting students are interpreting and applying selected IFRS containing uncertainty expressions.

They concluded that accounting students from China exhibit greater conservatism and secrecy compared to Australian accounting students.

3. Research Design

The aim of the study was not merely to describe student opinions but to contextualize them. The investigation therefore endeavoured to capture the responses of students to corporate governance in the framework of the program on which they were enrolled and as new visitors to Canada. The data was collected using various strategies including focus groups, questionnaires and interviews.

Two focus groups were held using two documentary videos: one on the Enron collapse and another on business practices in China made by the Canadian Broadcasting Corporation (CBC) in 2006. Collis and Hussey (2009) have argued that focus groups can be used in an interpretive methodology but are also used by positivist as the exploratory part of a longer study. They can be used in pilot studies to develop a questionnaire or interview schedule for a quantitative study, but can also be self-contained. In this study, the focus groups were used to both assist in the development of a questionnaire and for interpretative data collection.

The focus groups were followed two weeks later by a self-administered questionnaire. Normal procedures assuring confidentiality were followed. In total, 76 questionnaires were distributed to the classes and 72 were returned fully completed. The main purpose of the questionnaire was to obtain data to describe the students' views on corporate governance issues and also to explore the possibility of students' demographics influencing their opinions. Data was therefore collected on such matters as the type of undergraduate degree (business related or not business related), age, and length of work experience held by the student.

The main part of the questionnaire contained twelve statements, using a Likert five point scale that required the students to agree or disagree with a selection of statements concerning corporate governance. The statements were posed both in a positive format and a negative format to reduce the possibility of students automatically agreeing or disagreeing with each of the statements. Given that students had completed an intense 10-week period on Corporate Governance, it can be assumed that they were aware of some of the perils of misgovernance.

Finally, in-depth unstructured interviews were conducted with 12 students. Unstructured interviews are not merely idle conversations; but methods of encouraging the participant to tell his or her own story in his or her own words whilst being kept by the interviewer to the discussion relevant to the research issue. The purpose is to obtain in-depth and authentic knowledge of people's life experiences (Gubrium and Holstein, 2001). For both the focus groups and the unstructured interviews, the data has been analysed using a general analytical procedure described by Miles and Huberman (1994).

In view of the non-parametric nature of the sample, the data was analysed using the Mann-Whitney test to establish whether there was any statistical associations due to the differing background of the students. In particular, it was postulated that the undergraduate degree of the students, their age, or the presence of full-time work experience would influence their opinions. Tables 1, 2, and 3 show type of degree, age and work experience.

Table 1 Type of Degree

Type of degree	Frequency	Percentage
Business or related discipline	46	63.9
Non-business	26	36.1
Total	72	100

The students included in the related disciplines included specialist undergraduate degrees such as Finance, Accounting, Economics and disciplines such as International Trade. However, none of the students had taken any Corporate Governance or Business Ethics courses in their undergraduate programs.

Table 2 Age of Students

Age	Frequency	Percentage
20-25 years	50	69.4
26 years and above	22	30.6
Total	72	100

Well over half (69.4 percent) of the students were in the age range 20-25. The usual pattern for these students was to complete their undergraduate, take intensive English tuition and then apply for admission to a postgraduate degree program abroad.

Table 3 Full-time Work Experience

Age	Frequency	Percentage
Under 1 year	43	59.7
1 year and above	29	40.3
Total	72	100

Some caution must be used in assessing the students' self evaluation of their length of work experience. The period given may represent a complete period with one employer or an aggregation of shorter periods with different employers. There was also no attempt by the researchers to assess the quality of that work experience.

4. Analysis and Discussion

Some of the statements on the questionnaire were concerned with the study of Corporate Governance as a subject. The responses from the students generally were in favour of studying Corporate Governance and reflected an interest and enjoyment of the subject as an academic study. Some of the questionnaire statements, however, were aimed at assessing the students' opinions on the relevance of Corporate Governance, as espoused in North America, to China and the challenges in improving Corporate Governance mechanisms in China compared to the position in Canada. It is the responses to these statements that we will discuss. Firstly, the relevance of Corporate Governance to China is discussed, and secondly, the challenges and dilemmas associated with its application are examined.

4.1 Relevance and Application of Corporate Governance

Table 4 shows the responses to three statements that are related to the relevance of Corporate Governance to China. The sample size was 72 students and the table gives the number of the responses accompanied by the percentages in parenthesis.

Table 4 Relevance of Corporate Governance to China

Statement	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree
China needs stronger Corporate Governance regulations	34 (47.2%)	27 (37.5%)	8 (11.1%)	2 (2.8%)	1 (1.4%)
Effective Corporate Governance must have strong rules set by the government	18 (25.0%)	31 (43.1%)	14 (19.4%)	8 (11.1%)	1 (1.4%)
Companies must focus on good profits and not worry about Corporate Governance	3 (4.2%)	3 (4.2%)	3 (4.2%)	26 (36.1%)	37 (51.4%)

In general, 85 percent of the students agreed that stronger regulations were required. There was a slight lessening of enthusiasm (68 percent) in agreement to the statement that strong rules should be set by government to be effective with almost 20 percent of the students having 'No Opinion'. However, 88 percent disagreed that companies should focus on good profits and not worry about Corporate Governance. Discussions with the students provided a possible framework to explain the pattern of these three responses and illuminate the perceived authority of central government and the actions of managers.

The only statistically significant response at 5 percent level using the Mann-Whitney test was when the work experience of the students was analysed. Using a two-tailed test, as the direction of the relationship was not hypothesized; students with work experience were more inclined **not** to agree with the statement that strong rules should be set by government.

During interviews, they explained that their experience was that not the enforcement, or lack of it, by the government but encouraging managers on a daily basis to consider corporate governance and comply with the regulations that are already in place. They argued that managers' performance is measured by revenue or profits generated and there are no measures or goals for corporate governance or wider ethical considerations.

This finding varies from a study by Wong, Long and Elankumara (2009), but this may be explained by the wording of their question and the context of the study. They found that a majority of US (66 percent) and Indian respondents (67 percent) disagreed that the only business social responsibility is to perform its economic role well, such as providing employment, meeting consumers' needs, and generating profits for owners. Only 46 percent of Chinese respondents disagreed. Part of the anomaly in the two studies may be explained by the developments in China.

Since 2002, China has made tremendous strides on the corporate governance front. However, progress is still partially hampered by inconsistencies concerning rules and institutions, partly due to different government and market sector groups pursuing reforms without full coordination and common oversight. For instance, although ownership and board structure, as well as accountability, transparency and fairness have formed the bases for sound corporate governance (Wu, 2005), there is considerable evidence of weaknesses in the Chinese system due the relationship between 'guanxi' (social networking) and corruption (Braendle, Gasser and Noll, 2008). Corporate governance policies will only prove effective if corporate managers implement its provisions. Due to China's growing presence in the global financial markets, there is urgency for the government to act and implement corporate governance reforms (Niklasson, 2015).

4.2 Challenges and Dilemmas of Corporate Governance

Table 5 provides the results for three statements concerned with the challenges of implementing stronger corporate governance in China compared to Canada. The table gives the number of responses accompanied by the percentages in parenthesis.

Table 5 Implementation of Corporate Governance

Statement	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree
It is easier for developed countries to practice Corporate Governance	14 (19.4%)	29 (40.3%)	13 (18.1%)	15 (20.8%)	1 (1.4%)
It is easier for Canada to practice Corporate Governance	19 (26.4%)	34 (47.2%)	12 (16.7%)	6 (8.3%)	1 (1.4%)
The public in Canada is more aware of Corporate Governance issues than in my own country	9 (12.5%)	40 (55.6%)	14 (19.4%)	7 (9.7%)	2 (2.8%)

The above responses indicate that students considered Canada to be in a more favourable position to have good corporate governance practices. Although fairly recent arrivals in Canada, they had gained sufficient experience to be able to make comparisons with their own country.

In interviews several students made references to the lack of 'visible' pollution in Canadian cities compared to their home cities in China. They made such comments as '*Companies are responsible here – they do things properly*'. They also saw the economic environment as being more benign with less pressure on making profits and therefore more thought being given to environmental and economic issues. One student commented '*I think anyone could be good if they lived here*'.

These responses raise the question of the perceived importance of the economic environment: an issue that was not investigated specifically in the research. The comments of the students, however, indicate that they believe that it is easier for countries without the necessity of rapid economic progress to be concerned with Corporate Governance than those countries that are pursuing economic development.

An analysis of the responses using Mann Whitney did not reveal any significant statistical differences between the students at the 5 percent level using as independent variables the type of degree, age and length of work experience.

4.3 The Dilemma

Table 6 examines the responses to two statements and also exposes the dilemma when one is considering Corporate Governance in differing economic environments. The table gives the number of responses accompanied by the percentages in parenthesis.

Table 6 Profits and responsibilities

Statement	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree
Good Corporate Governance should be the responsibility of the government and not individual managers	8 (11.1%)	16 (22.2%)	5 (6.9%)	30 (41.7%)	13 (18.1%)
China must focus on economic progress before Corporate Governance	12 (16.7%)	17 (23.6%)	14 (19.4%)	24 (33.3%)	5 (6.9%)

The Mann Whitney test shows that students with a business degree were more likely to disagree with the first statement (two-tailed test) significant at 5 percent. The results suggest, therefore, that students with business knowledge are more likely to consider that individual managers are responsible for Corporate Governance. One possible reason for this is that many CSR ideas in Asia are influenced by Western business education (Chapple and Moon, 2007).

The second statement reveals the extent of the dilemma even further. One in five of the students did not express an opinion and the remaining students were almost evenly divided as to whether China should focus on economic progress before Corporate Governance. The impressive economic progress made by China in recent years is not in doubt, although it is contended in some quarters that this may have been achieved by ignoring aspects of good corporate governance and wider ethical and environmental concerns.

Based on the data above, students with a business related degree were more inclined to disagree with this statement. In other words, corporate governance should not be ignored for the sake of economic progress. In the interviews and group discussions with students, the possible reasons for these views were explored.

Considerable discussion took place among students on whether there was the absolute need to make economic progress before ethical issues could be addressed. In individual interviews, there was a tendency for the student to express agreement with the theme of the lectures which was that economic progress had governance boundaries. The question arises, therefore, as to whether their responses exhibited more their respect of the professor's opinions than reflected their own convictions. In focus groups, however, a collective opinion was generated that, although not challenging the importance of corporate governance, questioned whether there was a high incidence of corporate governance abuses in China.

Although the readings the students were assigned included various fraud cases and other misdemeanours in China, comments were made that China was all said and done, 'no better nor worse', and possibly better, than some other countries. The students cited the Enron case as the prime example. The students were unable to comprehend, in what they considered to be a highly developed and regulated country, corporate fraud could take place on such a devastating scale. Students also commented on the increasing scrutiny of international media on China in the run-up to the Olympics, *'thus putting China on the spotlight and magnifying every negative issue that occurs.'*

Contradictions and ambiguities in opinions were also expressed in relation to various aspects of business ethics and responsibilities. Students made a comparison between cities in Canada with a relatively good environment, and the polluted cities in China where they lived. There was a difficulty in making a linkage between the environment where the students lived and the behaviours that might detrimentally affect that environment. When confronted with this, students would resort to the words: *'But it is because of the stage that we are at. Like any other developing economies, we have growing pains.'* If the students were then asked whether they meant economic progress was the prime objective which over-rode environmental concerns, they would deny it.

Having watched a film on the Enron fraud in the US, students were shown a Canadian Broadcasting Corporation documentary highlighting unethical Chinese business practices. There was an understandable tendency for the students to be more defensive. The CBC documentary showed one issue where a local leather tanning factory was polluting the river and causing marine life to die. This was harming the livelihood of the local fishermen but the factory was the largest employer in the area. Despite the support of a lawyer who is an activist, the local fishermen were unable to convince the local officials to close down the factory.

This scene was discussed but apart from one student who spoke vehemently for protection of the environment, the general sentiment was that action could not be taken because of the job losses in the factory. The interesting aspect that came from the discussion was that the utilitarian approach to ethics (i.e. the maximization of social welfare to the greatest number of people) over-rides the deontology approach. According to some students, *'the polluted river was a small price to pay compared to the job losses if the factory were to close down.'*

Considerable discussion took place among students on the absolute need to make economic progress in China with the general feeling that this had to take place before ethical issues could be addressed. Some of the more experienced students also pointed out to the power of local bureaucrats. They stated that central government was attempting to introduce better management and more responsible behaviour but the enforcement power was still held at the local level. The students claimed that many local officials are poorly educated and do not understand the issues at the national level and the international level. As one student said, *'they only understand what happens in their own villages and do not worry about issues outside their villages, let alone China as a country!'*

5. Conclusion

This study examines the issues of teaching in North America a postgraduate course on Corporate Governance to students from China. In addition to seeking opinions on the relevance to and implementation of Corporate Governance in China the research also analysed the influence of students' age, work experience and type of undergraduate degree on their opinions of corporate governance.

Although the majority of students considered that China required stronger regulations, there was a strong opinion that the responsibilities for recognising the need for Corporate Governance was at the individual company level. Those students that had work experience were less likely to believe that stronger rules should be set by the government.

When considering the implementation of Corporate Governance compared to more economically developed countries, there was a strong belief amongst students that it was easier for developed countries. In particular, they made comparisons between the physical and economic environments in Canada and China and identified the advantages enjoyed by the former.

The challenge and dilemma, therefore, is adopting strong Corporate Governance whilst maintaining economic progress at the **country** level. The final responsibility for the implementation of Corporate Governance, however, is seen as being at the **company** level. This involves not only the interplay between the individual and the collective levels but also where and in what form the responsibility will be expressed and the boundaries of economic progress established.

There was a strong feeling amongst students that economic development had great importance and some argued that it has priority. The dilemma arose because the utilitarian approach was accepted but it was not evident at which point the resultant harm from unethical actions would impair economic success. But is the deontology approach the answer? As one student commented, *'The problem is not what **should** be done, but what we are **able** to do at this stage of the journey that we are making.'* And as with all journeys, a baggage of culture, experience and emotions has accumulated on the way and has to be carried through an economic habitat that may be hostile, or at least not supportive.

6. References

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