Structural model of effects of cultural factors on escalation of commitment through antecedents, agency, and negative framing effects

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STRUCTURAL MODEL OF EFFECTS OF CULTURAL FACTORS ON
ESCALATION OF COMMITMENT THROUGH ANTECEDENTS,
AGENCY, AND NEGATIVE FRAMING EFFECTS

by

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ABSTRACT

Structural model of effects of cultural factors on escalation of commitment through antecedents, agency, and negative framing effects

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The purpose of this study was to identify and measure the effects of Hofstede’s cultural factors on escalation of commitment for hospitality managers among American and Chinese managers. Typical cultural factors include power distance, uncertainty avoidance, individualism and collectivism, masculinity and femininity, and orientation. Escalation of commitment refers to making decisions in risky circumstances. First, the effect of cultural factors on escalation of commitment was measured through antecedents (mediator variables). Second, the first effect of antecedents on escalation of commitment was measured through agency and negative framing effects. Structural equation modeling (SEM) found significant relationships between cultural factors and mediator variables, mediator variables and escalation of commitment and cultural factors and escalation of commitment. The comparisons between American and Chinese managers showed that some of the cultural factors and antecedents (mediator variables) were found to have different significant impacts on escalation of commitment. Implication and discussion were discussed in terms of employee training, job assigning, and close monitoring based
on employee tendency for escalation of commitment. Limitations and recommendations for future research were also discussed in terms of unsatisfactory level of measurement reliability and variance explained by the research model.
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CHAPTER 1
INTRODUCTION

Global Economy

The ‘world’ has been replaced by the concept of a ‘village’. A couple of decades ago, it took some time to know what happened on the other side of the world. Today, people are just a click away from incidents all around the world by logging onto the Internet. Formerly, manufacturing facilities had to be in the country of distribution. More recently, products manufactured from all around the world can be found in a single outlet store. Business trips were a part of the important business functions, but now people can hold business meetings without ever getting on a plane. In the next ten years, newly developed jet airplanes are expected to cover the distance between Tokyo and Los Angeles in less than 5 hours, which emphasizes that today’s world is a global village and nations are getting closer to their neighboring countries.

What makes a global village possible? Porter and Samovar (1985) summarized this concept as a function as four factors; (1) improvement in transportation technology, (2) development in communication technology, (3) globalization of the economy, and (4) changes in immigration patterns. First, people can travel from one country to another in less time as transportation technology improves in the future. Thus, the technology advance makes it possible to measure the time of travel, for example, between China and the U.S. by minutes rather than hours. Measuring time by minutes means that people will travel from one county to another as if they were commuting in a city.

Second, because of the development of communication technology, people can have instant conversations with others all around the world. Third, the globalization of
the world economy has made speedy progress based on the development of transportation and technology. When using an adjusted dollar amount, the world economy roughly had a scale of $45 to $55 trillion dollars a year in 2007. From this total scale, the U.S. captured first place with approximately 28 percent of the total scale and China with about 43 percent of the U.S. economy, came in second (“How big is the world economy?”, 2008). Porter and Samovar (1985) claim that the globalization of the world economy which has resulted in a ‘global village’ has had stronger effect than any other socio-economic factor. After World War II, only 5 percent of all U.S. companies faced international competition as compared with 75 percent in the 1990’s (Porter & Samovar, 1985).

Lastly, people have migrated from many different countries to the U.S., resulting in diverse cultural contacts. In business, 20 percent of employees currently working in the U.S. are non-Caucasians and it’s expected that in a couple of decades that percentage will reach 50 percent (Schiller, 2005). Other developed and developing countries are currently experiencing or are expected to go through a similar pattern with respect to demographic shifts. For example, 10 percent of the current total population in Seoul, Korea is composed of people from different countries while it was less than 1 percent in early 1980’s. This simple statistical change indicates that a ‘global village’ is not just a misty idea conveniently mentioned in some obscure research or newspaper article but is very real and affecting social dynamics of all kinds in every corner of the globe.

What influence would this global village have on our future? One perspective suggests that it would bring substantial changes in our world economic structure (Porter & Samovar, 1985). Because of the global village phenomenon, the world economy is
expected to experience more substantial changes in the next 50 years than ever before. The global economy has gone through turmoil throughout the 20th and the early 21st centuries. Monumental economic shifts such as the 1930s Great Depression, the 1980s Latin America debt crisis, the 1990s Asian financial crisis, the recent 2007 subprime mortgage crisis, and the 2008 downturn of the world economy have altered the balance of power in the world. It is currently anticipated that the wealthiest countries account for 70 percent of the global economy and 30 percent are created by developing countries. These percentages should be reversed by the mid 21st century (Gross, 2008). It is not clear whether this anticipation is going to become realized. However, this possible transition of wealth may be due to human errors, particularly as they relate to decision making and a misunderstanding of how closely our global economy is interwoven. What is abundantly clear is the fact that future turmoil is possible and a reversal of wealth can influence people’s perceptions, attitudes, and behaviors.

**Linking Culture to Managers’ Decision Making Behavior**

As suggested before, people are living in the same village but still lack inter-cultural understanding as well as effective forms of communication. This aforementioned turmoil can result from human errors or lack of knowledge relative to the messages being conveyed. These errors and misunderstandings can, in turn, lead to decision making errors. If erroneous decision making exists because of cultural differences, it needs to be examined and analyzed to improve inter-cultural communication. This can be especially problematic if agents (managers) make poor decisions. There are three components one
must examine with respect to agents’ decision making errors. These components include; foundational values, ethics, and behaviors.

First, it is necessary to examine if there is any difference in cultural values, which could result in decision making errors. Value is defined as “a conception, explicit or implicit, distinctive of an individual or characteristic of a group, of the desirable which influences the selection from available modes, means, and ends of action” (Kluckhohn, 1951, p. 395). Hofstede (2001) suggested that values are programmed in human lives and are non-rational. They are distinguished and expressed by behaviors and attitude. Behaviors and attitudes usually stem from different kinds of cultural values people have. Thus decision-making as a combination of behaviors and attitudes should be analyzed through a cultural lens. By doing so, it can be possible to minimize the negative effect of decision making errors based on efficient understanding of a different culture. Inter-cultural communication occurs when one message has to be interpreted and processed by another individual from another culture. However it is important to note that ethnocentrism and racism still run deeply and are rooted in most societies and hamper the effective inter-cultural communication and understanding (Porter & Samovar, 1985). Thus, it is necessary to examine whether there is any misunderstanding and as a result, whether there are errors in global businesses based on cultural perspectives.

Second, it is also necessary to analyze and examine managers’ ethics. Ethics is about one’s standard of right and wrong. This standard can be varied based on different cultural values (Schwartz, 2002). Turmoil can start from the decisions made by agents (managers). Morck (2008) said “many corporate disasters could be avoided if directors asked hard questions, demanded clear answers, and blew whistles” (p.179). Agents
largely make decisions abiding by their shareholders’ interests, but sometimes they do not. A manager’s ethics can lead to positive or negative outcomes, which, in turn, has an impact on the organization as a whole. For instance, Enron (an American energy company based in Houston, Texas) was complimented by economic experts and academics for efficient and brilliant marketing strategies and implementation until someone from the inside disclosed systematic financial fraud committed by unethical management. Also, the bankruptcy of Lehman Brothers (a global financial services firm) came from the risky management of investment assets and had a ripple effect around the global village. It is not difficult to observe that management could have made more sound ethical or efficient decisions if they had different ethics and cultural values. Ethic and values have been found to have an effect on agent’s decision making from a cultural perspective. Tan and Chow (2008) found that ethics and values were shaped based on cultural differences. They argued that cultural difference plays a far more important role in shaping values and ethics than national differences.

Third, linking with ethics and cultural values, it is necessary to examine agents’ repeated inefficient decision making behaviors. Agents often make investment decisions for projects which seem to be failing or have a low possibility of success. Similarly, people in general also face these kinds of decisions on a daily basis such as whether to bet or gamble on a losing game in a casino, to wait on hold on a phone to make reservations, to spent money on an aging or broken car, to keep a frustrating job, career or marriage etc. In these situations, people often make the decision to continue with the failing option. Thus, it would be beneficial to have a theoretical access to examine and
analyze what kind of relationship exists between agents’ decision making errors and their persistence in making erroneous decisions.

These three dimensions can be related. For example, because ethics and values are critical parts of one’s culture, agents make decisions based on what kinds of ethics and values they possess. The behavior of choosing a failing option is affected by the agents’ decision making against or for shareholders’ best interest. The in-depth explanation of relationships among each of these three dimensions can be explained as follows.

**Cultural Composition, Values and Ethics**

Culture does exist no matter where one goes even if one lives alone on an island. There are numerous definitions regarding culture. Kluchhohn (1951) defined culture as “consisting in patterned ways of thinking, feeling and reacting, acquired and transmitted mainly by symbols, constituting the distinctive achievements of human groups, including their embodiments in artifacts: the essential core of culture consists of traditional (i.e. historically derived and selected) ideas and especially their attached values” (p86). A more recent definition of culture is: “collective programming of the mind that distinguishes members of one group or category of people from another” (Hofstede, 2001, p.9). Values from the first definition coincide with the second definition with the notion that “mind” stands for thinking, feeling, belief, and attitude as values does.

Culture is composed of several elements and there are several different theories representing the general elements of each society. This study used the elements suggested by Hofstede (2001) including values, rituals, heroes, and symbols.
Values exist at the very core of culture. They are invisible until they are expressed as behaviors. Hofstede (2001) argued that the ‘behaviors’ expressing values of the society are rituals, heroes, and symbols. Figure 1 shows these values in this order.

Rituals are the first expressed collectivistic values of a society. Rituals are defined as “collective activities that are technically necessary to the achievement of desired ends, but that within a culture are considered essential, keeping the individual bound within the norms of collectivity” (Hofstede, 2001, p.10). Rituals can occur on an individual level of interaction, such as how to greet and pay respect with one another, or on a group level of interaction, such as social, political, and religious ceremonies.

Heroes are “persons, alive or dead or imaginary, who possess characteristics that are highly prized in a culture and thus serve as models for behavior” (Hofstede, 2001, p.10). Persons historically famous, politicians, celebrities, and even cartoon characters can fall into this category. The heroes are often times presented in rituals in that the leaders and celebrities publicly assert or represent the importance of rituals. For example, Martin Luther King, Jr., American civil rights leader, is the representative example of a leader publicly adhering to rituals.

Symbols are defined as “words, gestures, pictures, and objects that carry often complex meanings recognized as such only by those who share the culture” (Hofstede, 2001, p.10). Symbols represent language, jargon, hair style, fashion or status symbols. Symbols are placed as the very outer layer of the culture in that they are easily developed, perishable, and transferable to different cultures. Even cartoon characters can be examples of the symbols.
All these elements in culture ‘practice’ (or express) an expanded order from values to symbols in a collective way. In other words, culture is about human collectivity whereas personality refers to the individual. Guilford (1954) defined personality as “the interactive aggregate of personal characteristics that influence the individual’s response to the environment” (p.13). From this perspective, culture can be defined as common characteristics influencing group’s response to the environment (Hofstede, 2001).

Cultural differences and values have effects on business practices. Fukuyama (1995) found that national culture influences management control. Thus, the company policies, investment decisions and norms stem from deeply rooted cultural values. Kelly and Reeser (1973) compared the values and ethics (which are some of the key factors in formulating culture) and showed that ethics and performance systems in Western countries don’t necessarily function as they do in Japan. This can be due to the fact that ethics can be different based on cultural values the society has (Schwartz, 2002). Hofstede (1980, 2001) found attitudinal difference based on nationality difference of
employees. Approximately 50 percent of the altitudinal differences were explained from the research. These research results are consistent with the previous ones in that diverse managerial aspects as well as employee value-rooted behaviors and attitudes are strongly related to cultural values.

Ethics plays a role as an integral part of values. Ethics is defined as “the behavior associated with what is the ‘just’ or the ‘right’ standards between parties in a given social situation” (Armstrong & Sweeney, 1994, p.775). Thus, a person’s feeling, perception, and attitude regarding justice can be expressed as a behavior of ethics. When ethics is expressed (or practiced) as common characteristics of groups (in other words expressed in the cultural setting) it has a ripple effect on outer elements of rituals, heroes, and symbols.

Ethics and values have been found to be differentiated by different cultures. Amhed, Chung, and Eichenseher (2003) and Batten and Mellor (1999) found that different ethical decision making exists based on nationality and culture. Tan and Chow (2008) found that values and ethics are shaped by cultural differences rather than nationality. Lee (1981) argued that when a firm gets involved with international operations, ethical differences among employees of different cultures should be given first priority.
Agents’ Decision Making Behavior from Cultural Values and Ethics

Managers don’t always make decisions matching shareholders’ interests. Managers (agents) are supposed to make decisions representing the best interest of shareholders. In other words, managers should always make decisions to maximize the values of a firm. However, in agency theory, manager and shareholder interests may be different (agency problem). Jensen & Meckling (1976) argued that agency problems occur when an individual acts for oneself when incentives or rewards are higher than if the individual acted as an agent for shareholders. Morck (2008) confirmed this finding by revisiting Milgram’s (1974) experiment in which rival authorities and peer disagreement have a negative influence on loyalty and stimulated independent moral reasoning. These two studies show that human nature is basically motivated by self-interest. Thus, agents’ dissent from shareholders’ interests would lead to independent moral reasoning and consequently result in agency problems.

Considering the above scenario the question arises: when does a manager make a different decision that counters shareholders’ interests? Staw and Ross (1987) proposed conditions when this situation can occur.

1. Information asymmetry: This happens when the agent (manager) has more information than the shareholders (firm owner).

2. Incentive to shirk: When the manager’s reward for continuing (escalating) the project is greater than for discontinuing it.

Kanodia, Bushman, and Dickhaut (1989) proposed an equilibrium model explaining that rational managers would proceed with a project if abandonment adversely affects their reputation, or if managers have private information regarding the state of the project. In
other words, managers make decisions causing agency problems for the sake of their own reputation, for incentives or rewards (shirk), or just to increase the share price in the short-term (information asymmetry).

It has also been found that escalation is affected by a couple of variables other than the factors mentioned before. First, if the information is presented in a negative way, it can increase the escalation (Rutledge & Harrell, 1993; Whyte, 1993). Second, work experience could have an effect on the escalation of commitment. However, this is a controversial point of view. Harrison and Harrell (1993) found no effects of work experience on the escalation of commitment. However, Sharp and Salter (1997) found that more experienced managers were less willing to escalate.

**Purpose of Study**

The purpose of this study is to identify and understand the systematic relationships between cultural factors on risky decision making behaviors (escalation of commitments) through empirically found antecedents (mediator variables). Socio-economical and technological advances have made the world into a global village. As current experts forecast, it is likely that we will have a substantial transition of world economy in the next 50 years. Even though, there has been a lot of economical interaction between the U.S. and China, there is still a lack of cultural understanding regarding risky decision making behaviors between the two countries. The better the understanding regarding the cultural differences in terms of decision making the more one can influence the success of business organizations.
Objective of This Study

The practical or specific objective of this study is to measure the effect of cultural factors on escalation of commitment through empirically proven antecedents such as work experience, nationality, ethics and social responsibility. The effect was also measured through agency and negative framing effect. For agency effect, the level of escalation of commitment was measured by establishing information asymmetry and incentive to shirk. For negative framing effect, the effect was measured by manipulating and presenting the same information in a negative way.

This study can contribute to the understanding of possible decision making errors in the hospitality industry. The hospitality industry needs to have consistency in operating its organizations throughout the global village. The American hotel industry has been vigorously expanding its territory throughout the world and it seems that the expansion will last for a while unless it faces turmoil. One of many problems of firms operating in different cultures is that the organizations have no operational consistency because of different cultures and legal systems (Murphy & Lacziak, 1981). The differences can cause cultural misunderstandings, ethical issues, and decision making errors. By examining and analyzing possible relationships among cultural differences, ethics, decision making behaviors, and other variables affecting behavior, this study can provide insight on how cultural values and ethics can affect decision making errors. Practically, this study can help multinational hotel organizations to improve operational consistency and efficiency.
**Research Questions**

The following are research questions for this study.

a. Do cultural factors influence escalation of commitment through antecedents?

b. Are there cultural differences of escalation of commitment between Chinese and American managers?

c. Do American and Chinese managers show cultural differences with respect to escalation of commitment under the influence of agency effect?

d. Do American and Chinese managers show cultural differences of escalation of commitment under the influence of negative framing?

**Delimitations of the Study**

This study contains the following delimitations:

1. The general models for this research study adopted theoretical dimensions from sociology (cultural factors), psychology (escalation of commitment, negative framing) and business (agency effect) area. Even though the dimensions have proved to be effective theoretically, they can have less reliability and generalizability in the context of the model. Further study should be conducted to improve generalizability.

2. Some of the cultural issues such as social desirability (or saving face in Chinese culture) can be factors as they relate to survey-oriented research. To minimize the possible errors the researcher(s) have to be absent and detached from the scene of the survey.

3. Agency and negative framing effects were controlled while other dimensions were not in an attempt to minimize possible respondent error.
Summary
In this chapter, the socio-economic backgrounds of study and possible relationship based on general concept of each cultural factor and escalation of commitment were discussed.
In the next chapter, diverse research literature of all the variables in the research model will be discussed in terms of concept, empirical finding from the previous research, and possible link between the variables in each dimension.

Definitions
Cultural: “consisting in patterned ways of thinking, feeling and reacting, acquired and transmitted mainly by symbols, constituting the distinctive achievements of human groups, including their embodiments in artifacts: the essential core of culture consists of traditional (i.e. historically derived and selected) ideas and especially their attached values ” (Kluchhohn, 1951, p86)
Value: “A conception, explicit or implicit, distinctive of an individual or characteristic of a group, of the desirable which influences the selection from available modes, means, and ends of action” (Kluchhohn, 1951, p. 395)
Ethics: Standard of right and wrong. It is defined as “the behavior associated with what is the ‘just’ or the ‘right’ standards between parties in a given social situation” (Armstrong & Sweeney, 1994, p.775).
Agency problem: Problems occurring when an agent (manager) acts for themselves particularly when incentives or rewards are higher if the individual acts as an agent for shareholders (Jensen & Meckling, 1976).
Rituals: “Collective activities that are technically necessary for the achievement of
desired ends, but that within a culture are considered essential, keeping the individual bound within the norms of collectivity” (Hofstede, 2001, p.10).

Heroes: “Persons, alive or dead or imaginary, who possess characteristics that are highly prized in a culture and thus serve as models for behavior” (Hofstede, 2001, p.10)

Symbols: “Words, gestures, pictures, and objects that carry often complex meanings recognized as such only by those who share the culture” (Hofstede, 2001, p.10).
CHAPTER 2
LITERATURE REVIEW

Introduction

It is necessary to examine whether cultural differences affect ethics and social responsibility, work-related variables such as work experience and nationality and agents’ decision-making behaviors. As was mentioned before, values in a society influence rituals, heroes, and symbols. All of these factors together are understood, accepted, and expressed as the culture of a particular society. Even though some cultures in different societies share some common grounds through interacting with one another, differences always exist which ultimately shape perception. The differences lead to managerial and operational inconsistencies in business. Because of differences in legal and value systems (both of which are part of culture and society) cultural misunderstandings, ethical issues, and decision making errors can occur.

In this study, the relationships between cultural factors and decision making errors such as agency effect, negative framing and negative escalation of commitment, were measured with some antecedents (mediator variables) for decision making errors such as ethics and social responsibilities, work experience, and nationality. By examining the relationships among these dimensions, it is possible to see that cultural differences work as fundamental factors to deviate antecedents, agency effects and decision making errors (negative escalation of commitment). This literature review examined the dimensions and the relationship with other factors.
Cultural Factors

In this research, five cultural factors were used in differentiating between countries. The following factors were developed by Hofstede (1981, 2001): power distance (PD), uncertainty avoidance (UA), individualism and collectivism (IND/COL), masculinity and femininity (MAS/FEM), and long-term and short-term orientation (LTO/STO). These factors were developed based on the preceding research. These factors are meaningful to the discipline of sociology in that they reflect the first attempt to establish theoretical factors, international measures, and massive data collection. Hofstede measured the validity and reliability of these factors by applying them to 117,000 IBM employees world-wide.

Schwartz (1994) criticized the cultural factors established by Hofstede (2001) for the following reasons:

1. Hofstede’s cultural dimensions are not necessarily exhaustive because the survey Hofstede designed was not intended to identify cultural dimensions. Thus, the survey may not contain all the relevant questions.

2. Hofstede’s sample countries do not reflect the full spectrum of national cultures and may result in different factors whenever more countries were added up.

3. IBM employees who were the research subjects of Hofstede’s work do not represent a total population.

4. Major cultural changes have happened since Hofstede’s research was conducted. His research was done between 1967 and 1973. McCoy, Galletta, and King (2005) argued that Hofstede’s cultural factors have been used for 30 years, should only be used at the national level, and are not suited for individual models of behaviors and technology.
acceptance. Spector (2001) showed that there is lack of internal consistency with respect to cultural factors except for a long-term orientation and those factors should be used with caution. However, other research has shown that some of dimensions are still valid enough to measure the cultural differences among countries around the world. Those research studies are presented and explained with each cultural factor as follows. As a result these variables will be included in the analysis for this investigation.

**Power Distance**

One of the very basic issues in each society is that societies handle inequality of power differently: Power Distance (PD). The term ‘power distance’ was first developed by Dutch sociologist Mauk Mulder. The PD was defined as “the degree of inequality in power between a less powerful Individual (I) and a more powerful other (O), in which I and O belong to the same (loosely or tightly knit) social system” (Mulder, 1997, p. 90). Hofstede (2001) explained the inequality of society by dominance behavior of cats: “At the time of feeding, the cats queue up in a definite order, always the same. Only when a new cat enters is there some disorder: it tries to take a place in the queue and is bitten by every neighbor until it has found a place where henceforth it is tolerated” (p. 79). Thus, when the dominance behavior of cats is applied to humans, human inequality (finding a place where one is tolerated) and status, consistency of biting a new cat to keep one’s place in the queue, are clearly issues in every society. The way each society handles the inequality differentiates one society from another. In organizations, power distance is simply about the degree of perception of inequality of power between boss and subordinate. Thus, the higher inequality a subordinate perceives, the higher PD exists.
Diverse studies regarding power distance.

There have been a number of research articles that have utilized foundational theories relating to power distance. Power distance has been a cornerstone in studies that focused upon dynamics within the hierarchical structure of corporations to migration patterns to relationships between teachers and students. Diverse research articles have shown that power distance is a valid cultural factor distinguishing one country from another. Varela and Premeaux (2008) measured feedback dynamics of employees in Venezuela and Colombia with high power distance characteristics. The feedback dynamics in these countries had three distinctive characteristics compared to countries with lower power distance.

First, peers were the least discrepant source of the environment. The finding means that members in peer groups in high power distance countries can be more homogeneous than the groups in low power distance countries. Second, subordinates tended to provide the highest evaluations across feedback sources. Since the more homogeneous group members can have stronger individual bonds, they tend to give more generous evaluation in peer or subordinate evaluations. Third, there was an excessive emphasis on people-oriented behaviors. Collective (less individual) groups can emphasize group-oriented behaviors rather than individual behaviors.

Cheung and Chan (2008) investigated the relationship between educational expenditure and pupil-teacher ratio in the cultural context and applied this frame work to 43 different regions around the globe. They found that power distance and individualism had a significant impact on the relationship. Galin and Avraham (2009) found that aggressiveness in the workplace is different based on cultural dimensions. Cultural
dimension was also applied to the medical field and the communication style of 307 practitioners and 5,820 patients in Belgium, Estonia, Germany, Great Britain, the Netherlands, Poland, Romania, Spain, Sweden, and Switzerland were analyzed (Meeuwesen, Van den Brink-Muinen, & Hofstede, 2009). It was found that practitioners and patients with higher power distance had less tolerance for unexpected information exchanges and shorter consultations.

Kasof (2009) measured differences of seasonal depression in terms of cultural dimensions and found that winter seasonal depression was more common in countries with high power distance. Claus and Hand (2009) examined customization of decision making regarding performance measurement systems. They found that power distance plays an important role in the customization decisions. Goh (2009) investigated whether cultural changes in modernizing countries led to the ‘erosion’ of cultural differences in Australia and Singapore for MBA students. He found out that the cultural erosion phenomenon was significant in terms of power distance. Gaygisiz (2009) examined the road traffic mortality rate for 30 countries and found a positive relationship between power distance and accident fatality rates. This finding means that countries with higher power distance embedded in the societies show higher road traffic accident fatality rate.

Tsai and Chi (2009) explained behaviors of Taiwanese-Chinese construction engineers to resolve disputes among themselves and found that high power distance partially explained the behaviors. Neilson, Soares, and Machado (2009) examined Fado, the Portugal folk music, using cultural factors and found that fatalism and perseverance in the folk music partially stemmed from the large power distance. Since lyrics of the folk songs normally integrate the culture of the society, some of the characteristics of the folk
song were found to be originated from higher power distance. Costigan, Insinga, Berman, Liter, Kranas, and Kureshov (2006) measured the relationship between cultural factors and employee-supervisor trust. They found that trust between employees and supervisors was not moderated by power distance and uncertainty avoidance. Cheung and Chan (2008) showed that corporate governance in 43 countries was significantly influenced by power distance. Yetim and Yetim (2006) examined employee job satisfaction in cultural contexts and found a significant relationship between power distance and employee job satisfaction. Murdoch (2006) investigated migration outflows from Poland within its cultural context and found that power distance is the strongest ‘pull’ factor of the migration phenomenon. Another study did an epidemic investigation regarding suicide in terms of culture, age, and gender in 33 countries (Webster Rudmin, Ferrada-Noil, & Skolbekken, 2003). The results indicated that power distance can be a prominent predictor in addition to other cultural factors in predicting suicide rates. Zhang (2005) measured students’ level of apprehension of communication between teachers and students in Chinese college classrooms. In the research, power distance was found to be an effective predictor only of student apprehension level of communication. This finding means that students with lower power distance showed more apprehension of the communication with their teachers.

Paulus, Bichelmeyer, Malopinsky, Pereira, and Rastogi (2005) examined group dynamics in terms of power distance and found that lower power distance played a role in helping team members avoid potential conflicts. Sharma (2003) examined the effect of cultural factors on social progress and found a positive relationship between power distance and social progress. Perea and Salter (1999) examined the effect of cultural
factors on drinking-and-driving warnings directed at young, adult Latinos and Anglos. They found that Anglo young adults rated the warning without Surgeon General (power distance) as more believable while Mexican-Americans regarded one with Surgeon General more trustful. This means that Latinos showed higher distance by being favorable and acceptable for the authoritative figures (Surgeon General).

Bruins and Wilke (1993) examined power distance within hierarchies and found the following employees’ tendencies toward power: (1) subject immediately below the top position showed a stronger upward tendency towards this position than subjects in the two lower positions, whereas no differences were found between subjects in these two lower positions; (2) only entitlement mediated the relationship between power distance and upward tendencies. Naumov and Puffer (2000) re-measured the cultural factors for Russians and found that the degree of power distance had been moderated. Jenner, MacNab, Briley, Brislin, and Worthley (2008) hypothesized cultural changes in the U.S., Mexico, and Canada and so they measured cultural factors among those countries. In the research, they found power distance was not significantly different between the U.S., Mexico, and Canada.

**Difference between US and China on power distance.**

Power distance differed significantly between China-related countries and the U.S. (Hofstede, 1981). The first survey was conducted in 1970’s and China was not included. China-related countries such as Hong Kong (68) and Singapore (74) all showed higher PD value than the U.S. (40). A higher number means higher power distance. This difference of power distance correlates with a different attitude of employees in business organizations. This suggests that while employees with higher PD were inclined to show
obedience, conformity, autocratic decision making, and close supervision, employees with relatively lower PD show reasoning, bargaining, consultative leadership, and decentralized decision making (Hofstede, 2001).

**Origination of differences of power distance.**

Research suggests that those higher PD traits originated from Confucianism developed by Kong Ze (Confucius) around 500 B.C. Baird, Lyles, and Wharton (1990) claim that Confucianism contributed to the higher PD traits of employees of China-related countries. Confucianism is pure ethics separated from religion, with the idea that people have to abide by these themes (teaching/philosophy) in order to achieve a harmony as a society. One of the Confucianist principles related to PD is that “the stability of society is based on unequal relationships between people” (Hofstede, 2001, p. 354). Thus, this principle means that by accepting and conforming to the unequal and obligated relationships such as master-follower, father-son, and elder brother-younger brother the delicate balance of a society can be realized. Evidently, this principle might have had a long term impact on societal values in China and China-related countries and thus led to relatively higher levels of PD.

The degree of power distance is relatively lower in the U.S. However, research in the U.S. and Western countries has found that dominant behaviors in these societies prevail. Michels (1962) showed how inequality and oligarchy existed by examining the German Social Democratic Party and other European socialist parties before World War I. Later, in the U.S., Kipnis (1972) demonstrated the inequality of power and dominance behavior by conducting a laboratory experiment. Kipnis found that people in more powerful positions showed dominant behavior by devaluing the performance of
people in less powerful positions and attributing the cause of this devalued performance to the lack of effort on the part of the less powerful. Clearly, there is a gap between societies regarding how to handle inequality of power and status and the different ways of handling inequality and status continues.

**Diverse research on power distance between the U.S. and China.**

Research regarding cultural difference in term of PD has been conducted in diverse areas. Tian (2004) examined the relationship between cultural factors and strategies relative to reputation and brand management in cyberspace. In the study, PD was the most 'prominent' indicator distinguishing corporate websites between the U.S. and China. Rhodes, Emery, Tian, and Shurden (2004) showed PD is partially attributed to the different ethics of American and Chinese leaders. Rawwas, Al-Kahtib, and Vitell (2004) compared academic dishonesty between Chinese and American marketing students. They found that Chinese students are more detached and tolerant for academic dishonesty than American marketing students and attributed this finding to cultural factors. Chinta and Capar (2007) compared the managerial values between the U.S. and China and attributed it to power distance between two countries. Another research study compared the differences of subjective well-being between the two countries and found that American managers have higher subjective well-being (Srivastava, Blakely, Andrews, & McKee-Ryan, 2007). The difference was partially attributed to power distance.

Schmidt, Johnston, Arnett, Chen, and Li (2008) implemented a cross-cultural comparison regarding computer security awareness between the U.S. and China and found that Chinese computer users have a higher user perception regarding viruses and
spywares. This difference was attributed to high power distance. Because of the higher power distance associated with Chinese society, it is possible to have centralized control over computer security. Tang and Koveos (2008) measured the relationship between economic conditions such as GDP per capita with cultural factors. They found that power distance has a curvilinear relationship with national wealth. Thus, China and other developing countries can have higher power distance compared to the U.S. and other developed countries. Kirkman, Chen, Farh, Chen and Lowe (2009) did a cross-cultural examination regarding followers’ orientation of power distance and their reaction to transformational leaders. The results indicated that a group’s shared perception for transformational leaders is negatively related to power distance. Morrison, Chen, and Salgado (2004) explained that newcomers perceive their boss and subordinates differently in Hong Kong and the U.S. and the gap is due to power distance. They found that newcomers who perceive their boss within the context of low power distance view them as being more approachable.

Uncertainty Avoidance

The second cultural factor, uncertainty avoidance (UA), should not be confused with risk avoidance. UA explains how humans deal with basic facts of future uncertainty and human life. The term “uncertainty avoidance” was borrowed from U.S. organizational theorists Cyert and March (1963). They claimed that organizations typically try to avoid or deal with uncertainty of future in two ways: They “solve pressing problems rather than develop long-term strategies” and predict future events by “emphasizing plans where the plan can be made self-confirming by control device” (Cyert & March, 1963, p. 199). In extremely uncertain situations, human beings may
show unbearable anxiety. Thus, each culture or society deals with the facts of uncertainty by establishing realms of technology, religion, law, and norms. In organizations, the realms exist as forms of technology, rules, and rituals (Hofstede, 2001). Consequently, the greater anxiety or uncertainty an employee demonstrates the higher UA is shown.

**Diverse research done on uncertainty avoidance.**

Extensive applications have supported the effect of UA as significant cultural factor in diverse research areas. Srite and Karahanna (2006) measured the level of technology acceptance in its cultural context. They found that people with higher UA showed higher perceived levels of usefulness and behavioral intention for technology. Cheung and Chan (2008) investigated corporate governance in 43 countries and found out that corporate governance is significantly influenced by uncertainty avoidance. Jenner et al. (2008) examined the change in the degree of cultural factors of the U.S., Mexico, and Canada. They found that the mean of UA of the U.S. was significantly higher than that of Canada. However, Spector (2001) argued that some cultural factors including UA had a lack of construct validity with respect to psychometric properties. Thus, he suggested that UA has to be regarded with caution when applied in psychometric analysis.

Vishwanath (2003) compared the effect of on-line information among Germany, Japan, and the United States and found significant interaction between culture, information, and uncertainty avoidance. For example, online interaction in Japan with higher UA showed more drastic behavioral change when they were faced with limited information within an ambiguous decisional context. Conduit (2001) explored the relationship between cultural factors and coronary heart disease and found that low uncertainty avoidance is one of the strongest predictors of heart disease. Lord, Putrevu,
and Zheng (2005) examined cultural determinants of customer satisfaction of cross-border restaurants between China and Hong Kong, and Canada and the U.S. They found that UA and individualism are related to attractiveness and satisfaction of patrons. Kobayashi, Sharp, and Grasmick (2008) compared the gender and deviance behaviors between Japan and the U.S. within its cultural context. They found that male deviant behavior in Japan is similar to that of female students because of the high uncertainty avoidance in the society. Fischer (2008) investigated seniority as part of an employee reward system in the United Kingdom, the United States, New Zealand, and Germany. The results indicated that UA is the most prominent predictor of seniority among cultural factors. Min (2007) compared behaviors of Japanese and American tourists toward disaster. The results indicated that UA was found to be a significant factor distinguishing American and Japanese tourists’ behaviors. Tourists with higher UA (Japanese) showed a more indecisive attitude for the uncertainty of the possible scenario of disaster.

Lam (2007) measured teachers’ decision making bearing in mind the cultural context and found out that teachers’ decision making is strongly influenced by uncertainty avoidance. For example, teachers with higher UA showed stronger compliance to the culture of society. Harzing (2006) compared the survey questionnaires written in different languages in their cultural context and found that UA, individualism, and power distance influenced response style. Ladbury and Hinsz (2009) examined how UA affects decision making in uncertain and risky situations. The results indicated that higher UA predicted choices for uncertain outcomes involved gains not losses. Kao (2009) examined the effect of cultural factors on the M-commerce industry and found a moderating effect of UA on business security and trust of customers. Lee (2009)
measured the relationship between UA and gambling expenditures. The results indicated that UA is the significant predictor of gambling expenditures. Research regarding the effect of national culture on safe work behaviors of construction workers showed that workers with higher UA and collectivism were rated higher in safety awareness than those with lower UA and collectivism.

Beckmann and Menkhoff (2008) investigated behaviors of asset managers within its cultural context. They found out UA is related to higher safety margins against tracking error and research effort. This finding is consistent with Hofstede’s (1981, 2001) study in that the managers with higher UA seek less investment decisions. Research regarding escalation of commitment in software projects within its cross-cultural context found that UA is inversely related to escalation of commitment (Keil, Tan, Wei, Saarinen, Tuunainen, & Wassenaar, 2000). Among the three participating countries Singapore, Finland, and the Netherlands were found to have the strongest relationship.

**Difference between US and China regarding uncertainty avoidance.**

Uncertainty avoidance was significantly different between some Asian countries and the U.S. (Hofstede, 1980). Countries such as Hong Kong (61), Taiwan (73), and Japan (112) all showed higher UA value than the U.S. (36). Employees with relatively higher UA showed higher degree of emotional resistance to change, greater loyalty to employers, a larger generation gap, seniority based promotion, a clear hierarchy, a preference for clear instruction, and suspicion for foreign managers. Likewise, employees with lower UA tended to prefer flat and smaller organizations, promotion based on merit, and a desire for autonomy at work. Additionally, they were more resistant to change and less hesitant to change employers.
Origination of differences in terms of uncertainty avoidance.

As with PD, the stronger tendency of UA in some Asian countries might have originated from Confucianism. The Confucianist principles imbedded in power distance are related to UA in terms of a greater loyalty to employers and a clear hierarchy. The other principles of Confucianism related to UA is “Virtue with regard to one’s tasks in life consists of trying to acquire skills and education, working hard, not spending more than necessary, being patient, and persevering. Conspicuous consumption is taboo, as is losing one’s temper. Moderation is prescribed in all things” (Hofstede, 2001, p. 354). Moderation exhibited in some situations can be interpreted and perceived as resisting change or innovation.

Research showed that lower UA behavior in the U.S is inversely related to rates of innovation (Shane, 1993). Research done in sixteen Western countries showed that tolerance of ambiguity is positively related to degree of UA (Hofstede, 1974). This finding is consistent with the concept of UA in that a society or culture with high UA tries to minimize ambiguity with systemized tools of technology, law, and religion. When intolerance applies to organizations, employees with higher UA work under strict and sophisticated controls within the work process, while lower UA employees work under an autonomous work process.

Studies for Difference between the U.S. and China in Terms of Uncertainty Avoidance.

Research studies conducted in different areas supported the findings of Hofstede’s Uncertainty Avoidance between China and the U.S. Atuahene-Gima and Li (2002) examined the dual roles of sales controls and supervisor behaviors and found that in the
area of UA, supervisors’ trust for sales employees can boost the sales performance in China but not in the U.S. Blodgett, Hill, and Bakir (2006) examined customer complaint behaviors. The results indicated that customers with high UA tend to avoid negative word-of-mouth. Feng (2005) measured the cultural factors between the U.S. and China and found that the degree of UA in China has decreased compared to Hofstede’s findings in the human resources area. Bontempo, Bottom, and Weber (1997) measured the differences of risk perception of students in Hong Kong, Taiwan, the Netherlands, and the U.S. The results indicated that students were more sensitive to potential loss in uncertain situations and less mitigated by the probability of positive outcome. Robertson and Hoffman (2000) examined the relationship between Confucian dynamism and Hofstede’s initial cultural factors and found out that UA is significantly related to Confucianism.

**Individualism and Collectivism**

The third cultural factor of this research study is individualism and collectivism (INV/COL). It reflects how people live together. Human beings are gregarious and, not solitary. We are pack animals. Nonetheless, human beings have varying ways of coexisting. For example, based on what kind of family type the society values (i.e. extended or nuclear) cultural values and behaviors of people can be different. Thus, individualism and collectivism can differentiate the cultural values of countries.

Why do people display different ways of living together even though they are originally gregarious? One persuasive explanation in answering this question is the modernization of human society. Blumberg and Winch (1972) supported the curvilinear relationship between family complexity and complexity of society. For example,
primitive and conventional hunting tribes live together as nuclear families. Agricultural societies have a more complex form of extended families due to the need for collaboration. As agricultural societies progress into industrialized urban societies, the extended family collapses and nuclear families are formed. Nowadays, there is a phenomenon that even nuclear families are disintegrating in some societies. It is abundantly clear that culture and its accompanying values evolve.

Hofstede (2001) claimed that whether people choose individualism or collectivism is a matter of both the complexity and the values in the society. Values are a fundamental component of a culture and they affect societal norms relative to their ideologies surrounding individualism and collectivism.

**Diverse research studies done for individualism and collectivism.**

Extensive application of IND/COL in diverse research areas have supported Hofstede’s findings. Varela and Premeaux (2008) found that people living in countries with higher collectivism tend to overly emphasize people-oriented behaviors. Kasof (2009) found that individualism had a significant influence on seasonal depression. Galin and Avraham (2009) measured the relationship between the level of collectivism and employee aggressiveness in the workplace. They found that collectivism can have a more positive relationship with aggressiveness than individualism. Cheung and Chan (2008) discovered that education expenditure and pupil-teacher ratio is affected by level of individualism in 43 different countries. Gaygisiz (2009) found that countries with more individualistic, egalitarian, and greater individual autonomy had lower rates of traffic accidents. Yetim and Yetim (2006) found a significantly positive relationship between collectivism and employee job satisfaction. Sharma (2003) explained social progress
utilizing this theoretical construct and showed a negative relationship between individualism and the social progress of the nation. Perea and Salter (1999) examined the effect of cultural factors on drinking-and-driving warnings aimed at Mexican-American and Anglo young adults. They found that females regard collectivistic warnings as being more reliable, whereas males are more trusting of individualistic warnings.

Basabe, Paez, Valencia, Gonzalez, Rime, & Diener (2002) examined the relationship between cultural factors, self-rating affect balance and subjective well-being. Affect balance is simply offset of our negative affect from your positive affect self-rating. It means that how much positive affect in the person’s mind. They found a significant relationship between individualism, affect balance and subjective well-being. Parboteeah, Bronson, and Cullen (2005) examined the effect of cultural factors on ethically suspect behaviors in 21 countries. The results indicated that collectivism can be a prominent predictor of suspect behaviors. This means that collectivistic behaviors can be more strongly linked to ethically suspect behaviors than individualistic attitudes or behaviors. Kao (2009) examined the effect of cultural factors on customer security and trust on M-commerce and found that IND/COL could moderate the intention of M-commerce adoption of customers.

Lee, Geistfeld, and Stoel (2007) examined the differences of apparel websites between the U.S. and Korea. The results indicated that American apparel websites focused on specific information and the purchase of products while Korean websites focused on customer relationships to the larger community. This difference was attributed to the individual-oriented culture of the U.S. and the collectivistic culture of Korea. Research regarding employee commitment across different cultures found that IND/COL
was significantly related to employee commitment (Fischer & Mansell, 2009). Chui and Kwok (2009) investigated life insurance consumption across 38 different countries by using data from 1996 to 2004. They found that collectivism and power distance were found to have significant positive relationships with the degree of life insurance consumption.

Muk (2007) applied IND/COL acceptance on SMS (short message service) for mobile phones in advertising between American and Taiwanese customers. The findings of this study indicated that American customers are influenced by attitudinal consideration while Taiwanese customers are influenced by social norms and attitudinal factors. Kirmanoglu (2004) examined the effect of cultural factors on democracy, and economic growth stability. The findings revealed that individualism significantly affected the volatility of economic growth.

**Differences between China and the U.S. regarding individualism and collectivism.**

The concept of individualism was found to be significantly different between some Asian countries and the U.S. (Hofstede, 1981, 2001). Countries such as Hong Kong (25), Taiwan (17), and Japan (46) all showed lower IND (high COL) values than the U.S. (91). Employees with relatively higher IND (lower COL) are more attached to importance of personal lives (time), freedom and challenges within their jobs. There is differentiation with respect to “importance” questions and these same employees view individual responsibility in high regard and prefer to make decisions themselves. On the other hand, employees with lower IND (higher COL) appear to be more attracted to provisions provided by a company such as work conditions, training and use of job skills.
In addition, in response to “importance” questions, these individuals feel that companies are responsible for their employees and group decisions are better.

The Chinese are known to have high collectivism values because of their traditional environment and societal history. Hsu (1971) claimed that traditional Chinese cultural values have no such concept of “personality.” The Chinese word ren (man) implies the person’s intimate societal and cultural environment. The human beings are presumed to be adjusted to their societal environment. From this perspective, the Chinese more easily adapt their view to fit the environment. Thus, individual values reflect the overall values of the society. From the perspective of societal history, China has maintained its communist view of condemning individualism as evil. Since the start of the ‘open door policy,’ business companies have been privatized and the people can accumulate their own wealth. However, the deep-rooted tradition of pro-collectivism still exists and dominates in Chinese society.

It can be argued that individualism in American society has become a dominant theme because of the modernization of society. Riesman, Glazer, Denney (1953) explained how modernization affected individualism as a dominant societal value. Trandis (1971) described how traits of modern man overlapped with the individualism of American society.

“Modern man…. is open to new experience; relatively independent of parental authority; concerned with time, planning, willing to defer gratification; he feels that man can be the master over nature, and that he controls that reinforcement he receives from his environment; he believes in determinism and science; he has a wide, cosmopolitan perspective, he uses broad in-groups; he competes with standards of excellence, and he is
optimistic about controlling his environment” (Trandis, 1971, p. 8).

It seems that modern people who value individualism, pursue superiority or perfection by being independent, planning, controlling, mastering and competing against others. These characteristics are quite different from the Chinese ren concept of adapting one's views to the environment.

**Research on individualism and collectivism between the U.S. and China.**

Several interesting research studies showed significant cultural differences in terms of IND/COL between the U.S. and China. Tata, Fu, and Wu (2003) examined the procedural justice principles in terms of IND/COL and found that Chinese society perceived social sensitivity as being fairer than Americans, because of higher collectivism. Blodgett et al. (2006) investigated customer complaining behaviors. The results indicated that people in collectivism cultures (China) are discouraged to complain.

Koch and Koch (2007) hypothesized that collectivists are more cooperative than individualists. They found that Chinese with higher individual scores are more cooperative than ones with higher collectivistic scores. Bailey, Chen, and Dou (1997) compared individual performance, evaluation, and feedback among American, Japanese, and Chinese managers under different degrees of IND/COL. The results indicated a significant difference between American and Japanese managers but not between American and Chinese managers. Gambrel and Cianci (2003) examined whether Maslow’s hierarchy developed in the individualistic society, the U.S., can be applied to a collectivistic society, China. The results suggested that the hierarchy of needs in a collectivistic culture is different from the original model. Zhong (2008) examined ethical decision making between Chinese and American journalism students and explained the
differences based on IND/COL. It was discovered that Chinese students are more prone
to emphasize colleague’s and editor’s reaction while U.S. students emphasized media’s
needs in competitive surroundings. This finding means that Chinese students are more
concerned about what the overall group thinks (collectivistic).

**Masculinity and Femininity**

The fourth cultural factor is masculinity and femininity (MAS/FEM). This factor
pertains to the social and emotional roles of opposite genders based on the biological
differences. The foremost and probably absolute biological difference between men and
women is “Women bear children and men beget them” (Hofstede, 2001, p. 280). There
are some other physical differences such as men are taller and stronger, women have
greater finger dexterity and faster metabolism. These differences are the same in all
societies on earth. However, the appropriate attitude and behaviors based on tradition and
norms that each society develops and applies to both genders are not the same. Women
can have a sense of achievement by bearing children while men can’t. This difference can
lead to men’s assertive and dominant behaviors in politics and economic life (Hofstede,
2001). However, this persuasive and simplistic approach for this fundamental difference
is not universal.

Herrick (1973) found that female executives in the U.S. emphasize the importance
of career as opposed to home and family and also place more emphasis on masculine
career goals than male executives do. Masculine career goals are those such as
advancement, earning, and training, while a feminine friendly atmosphere involves
security of position, physical condition, the manager, and cooperation (Hofstede, 2001).
This mean that the degree of masculinity can be different based on occupations. Thus, it
can be meaningful to apply this cultural factor to examine the validity and reliability of this factor for the hotel industry.

**Diverse research studies done for masculinity and femininity.**

Several research findings have supported Hofstede’s findings for MAS/ FEM. Claus and Hand (2009) studied customization of decision making of multinational companies in Bulgaria and Romania. They found that masculinity significantly affected the customization of decision making in a performance measurement system. Posthuma (2009) examined the influence of national culture on union membership and found that MAS was negatively related to union membership. Chew and Putti (1995) compared the effects of cultural factors on work values (motivation, employment stability, and orientation toward work goals) for Singaporean and Japanese managers in Singapore. The results indicated that there is a significant difference between work values in terms of degree of masculinity.

Jogulu and Wood (2008) examined the effectiveness of women’s leadership in Malaysia and Australia and found that cultural factors impact male and female managers’ behaviors in the work place. Another research study comparing children’s television commercials between the U.S. and Taiwan didn’t reveal any significant difference. The results revealed that MAS/FEM can partially explain the lobbying behavior. Milner and Collins (2000) compared television commercials among Japan, Russia, Sweden, and the U.S. within their cultural context. The results indicated that the difference of MAS/ FEM in the television commercials among those countries were not significant. Another research study comparing children’s television commercial between the U.S. and Taiwan didn’t reveal any significant difference. This finding was different from Hofstede’s (1980,
2001) in that it was claimed that countries with high femininity showed less gender difference than ones with high masculinity. However, different research studies showed that femininity is the most important factor for differentiating television commercials between Hong Kong and Korea (Moon & Chan, 2005). The differentiation was measured with content analysis regarding whether the commercials minimize the gender differentiation. Arnold, Bernardi, Neidermeyer, and Schmee (2007) examined the effect of cultural factors on ethical codes of conducts for European countries and found out that masculinity and individualism were significantly associated with perception of ethicality.

Lippert and Volker (2007) compared the attitude of technology performance and utilization for American and Canadian information technology users within its cultural context. The results indicated that MAS/ FEM score was significantly different between male and female users in the U.S. but not in Canada. Wacker and Sprague (1998) investigated managerial forecast and forecasting error under the cultural setting in seven developed countries (Germany, Japan, Mexico, New Zealand, Spain, Sweden, and the U.S.). The results showed that firms in countries with high masculinity tended to use subjective information to gain advantage over the competitors. Another research study examined phobic anxiety in 11 developed countries (Australia, Germany-Eastern, Great Britain, Greece, Guatemala, Hungary, Italy, Japan, Spain, Sweden, and Venezuela). The results indicated that high MAS scores are significantly related to high level of national Agoraphobic fears and bodily injury-illness-death fears (Arrindell et al., 2004). Calvo-Salguero, Garcia-Martinez, and Moteoliva (2008) examined gender roles based on age and level of education. The results support Hofstede’s hypothesis that there are fewer gender role differences in countries with higher femininity. Bangert and Pirzada (1992)
measured three negotiation elements (predisposing factors, process, and outcome) under the cultural settings and found that MAS/FEM had significant effects on negotiation outcome.

**Differences between US and China regarding masculinity and femininity.**

There are mixed results when viewing masculinity between China-related countries and the U.S. The U.S. showed a 62 out of 100 of masculinity score, while Taiwan and Singapore showed a 38 and 52. The score for Hong Kong was 61, with no significant difference from the score of the U.S (Hofstede, 1980, 2001). However, because the sample was applied to the employees in the computer industry, it is applicable to the hotel industry. Also, because the cultural factors were measured just for China-related countries not China itself, it would provide valuable information to research the efficiency of this variable. Some attributes of low masculinity scores in the work place include: a small gender culture gap, more equal job and educational opportunities (seen only in affluent countries), socialization toward nontraditional gender roles, and attribution of characteristics freely applied to one or the other gender (example: men are allowed to be gentle, feminine, and weak). Attributes of high masculinity in work places include: a larger gender culture gap, less equal opportunity in affluent countries, socialization toward traditional gender roles, country specific gender stereotypes, and attribution of characteristics less easily differentiated.

**Research regarding difference between the U.S. and China regarding masculinity and femininity**

Several research studies utilized MAS/FEM to explain cultural differences between the U.S. and China. Feng (2005) applied MAS/FEM as one of distinctive
cultural difference in human resource management of companies between the U.S. and China. Also, it was claimed that since it has been 30 years since Hofstede measured the cultural difference between the two countries, it is highly possible that the degree of MAS/FEM has changed due to industrialization and the introduction of technology. It would be interesting to see whether there is still a significant difference in terms of MAS/FEM and how the changing climate of cultural differences can be related to agency effects, escalation of commitment, and other variables. Singh, Xhao, and Hu (2003) compared business web sites between the U.S. and China and supported Hofstede’s finding that Chinese websites depicted more feminine values than U.S. websites.

**Orientation**

The fifth cultural factor is long (LTO) vs. short-term orientation (STO). This factor is also called Confucius dynamism in that it is based on Confucianism and measured by a Chinese values survey (Hofstede & Bond, 1984). Hofstede developed and presented the first four cultural factors in 1981. The fifth factor was added in the second version of his book published in 2001. Hofstede (2001) rationalized the reason why this Eastern value was put in as a fifth factor. Most of the researchers at the beginning of the development of the first four cultural factors were Westerners. Therefore, those four factors were Western focused. Even when administering a survey to people from Eastern cultures, the questionnaire itself was still written with a Western bent. Thus, as a way to balance between Eastern and Western cultural values LTO was added as a fifth.

There are four principles in Confucianism. They can be explained as follows:

a. The stability of society is based on unequal relationships between people.

b. The family is the prototype of all social organizations
c. Virtuous behavior toward others consists of not treating other as one would not like to be treated oneself.

d. Virtue with regard to one’s tasks in life consists of trying to acquire skills and education, working hard, not spending more than necessary, being patient, and persevering. Conspicuous consumption is taboo. Moderation is prescribed in all things (Hofstede, 2001, p. 354).

Principle ‘a’ was explained to help understand for power distance, and ‘d’ was related to uncertainty avoidance. Principle ‘b’ is about respecting parents, emphasizing self-restraint, and saving face beginning with family members and extending to all forms of social organizations. Principle ‘c’ is about basic benevolence towards other people.

Critique for orientation.

Some of the research argued that there is a philosophical flaw in this fifth cultural factor. Fang (2003) argued that some of the features of LTO and STO are not distinguishable. For example, unlike the other four cultural factors, LTO/STO are not opposing or contrasting. Table 1 shows some of the features for LTO and STO. Fang (2003) criticized some of the researchers who accepted this fifth cultural factor without theoretical consideration. Also, he argued that Western researchers have little interest in utilizing LTO in research. However, Spector (2001) examined validity and internal consistency of cultural factors with empirical rigor and found that LTO has sufficient alpha coefficient applicable to psychometric analysis.
Table 1.

*Long-term orientation (Confucian Dynamism)*

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**Research done for orientation.**

Several research studies have supported the idea of long term orientation. Robertson (2000) surveyed Confucius ethics for managers from Chile, Australia, and the U.S. and found that these Asian values can also be found in managers with individual variability. Latova and Latov (2009) measured the index of LTO including other cultural factors. When the LTO score of 23 countries was measured Russia was not included (Hofstede, 2001). Russia’s score was relatively close to other Asian countries with high LTO scores.

Minkov (2008) examined self-enhancement and self-stability scores of 8th grade students in more than 30 countries and indicated that the concept of self-enhancement and self-stability were very close to the concept of Confucian Dynamism. The definition of self-enhancement is “the tendency to overly dwell on, elaborate, and exaggerate positive aspects of the self, relative to one’s weaknesses” (Heine, 2003, p. 101). Self-stability is about the tendency to “ascribe immutable traits to the human self and value the existence of such traits” (Minkov, 2008, p.173). Cheng and Cascio (2009) examined the perception of performance appraisal of Chinese employees in Hong Kong and the
Pearl River Delta. The results indicated that effective performance stems from individual attributes and that feedback should be frank, direct and given by someone with power. This kind of perception is similar to Confucian dynamism in that individuals have to work hard with perseverance and admit inequality of society. Hue (2008) investigated the effect of Confucianism on teachers’ school guidance and counseling in Hong Kong. The results revealed that Confucianism embodies the key principles for student guidance and counseling for teachers in Hong Kong.

Berthrong (2003) depicted how Confucianism has been adopted and applied to a new period of Asian history, by reforming its principles so that they match with the differences in each era. He forecasted that Confucianism may play an active role in ethical and philosophical debates in the Twenty-first century. Chan (1998) measured the effect of cultural factors on pricing negotiation behaviors and outcomes of negotiators from Australia and the U.S. The results indicated that American negotiators see high accountability as a better indicator individual performance while Australians focus on better integrative outcomes. This result relates to the concept of perseverance in Confucianism in that people with more power have more responsibility.

Franke, Hofstede, and Bond (2002) examined the relationship between national culture and economic growth and found that countries with high LTO were more likely to have more rapid economic advancement. Hofstede (2004) measured the effect of cultural factors on business goals and corporate governance in 1,800 part-time MBA students in 15 countries. The results indicated that perceived goal importance is significantly correlated with long-term orientation and power distance. Alves, Lovelace, Manz, Matsypura, Toyasaki, and Ke (2006) examined the effect of cultural factors on self-
leadership and found that long-term orientation is significantly related to making time an explicit element. Yoon (2009) measured the effect of cultural factors on consumer acceptance of e-commerce of Chinese consumers. The results revealed that long-term orientation and uncertainty avoidance had a moderate influence on trust and intent to use e-commerce.

**Differences between China and the U.S. regarding orientation.**

Long term orientation showed significant differences between China and the U.S. The LTO score of China and the U.S. were 118 and 29 out of 100 respectively after linear transformation (LTO = 50 x Factor score + 50) of factor scores. The score of China is more than 100 because the LTO score of China was calculated after the formula of factor score was established. The score of China is reasonable because it finds its roots within this cultural factor (Hofstede, 2001).

Even though it is called Confucius dynamism, still some of the traits are closer to individualism which is representative by Western minded factors. Some of those traits are tolerance to others, harmony with others, non-competitiveness, close intimate friendships, trustworthiness, contentment with one’s position in life, solidarity with others, and being conservative. Others traits border on that of collectivism. These include: filial piety (i.e. respect and obedience to parents, honoring ancestors), chastity in women, and patriotism. Each culture has its own distinctive characteristics. However, those cultures cannot be fully dichotomized under the definitive cultural factors. Thus, even Confucianism contains some of the mixed values of individualism and collectivism.
Research for difference of orientation between the U.S. and China.

Diverse research studies focused on LTO as cultural difference between the U.S. and China. Lin, Tu, Chen, and Tu (2007) measured different customer expectations between China and the U.S. The results indicated that because of the significant cultural differences in terms of long-term orientation and power distance, there is a difference with respect to the decision making process. For example, because of the higher degree of PD and LTO in the Chinese culture, they often times delegate their decision making of purchase to the seller. The delegation can happen between doctors and patients when patients (customers) are confused about medical terms and unsure what kind of option to take. In this incidence, the Chinese are more likely to show delegation behavior than Americans. Srivastava et al. (2007) compared subjective well-being and found that LTO contributes to the significant difference between Americans and the Chinese. Blodgett et al. (2006) investigated customer complaint behaviors and found that those with Chinese values were less likely to complain.

Cook and Finlayson (2005) examined the impact of cross-cultural differences on website designs. They reported that website designs with long-term orientation focused on site contents and patience in order to establish credibility between buyers and sellers, while websites with short-term orientation focused on immediate results from actions and rules rather than credibility. Hofstede, Van Deusen, Mueller, and Charles (2002) compared perceived business goals from 1,800 junior managers and professionals in MBA programs in 15 countries. The results indicated that Chinese subjects put forward respect, honor, face and reputation, while American subjects put forward growth, profit, and personal wealth. This difference was attributed to cultural differences such as long-
term orientation and power distance. Whitcomb, Erdener, and Li (1998) showed the difference in an ethical decision making exercise between American and Chinese managers.

**Antecedents (Mediator Variables)**

Negative escalation of commitment was introduced to explain why agents make decisions out of or sometimes against the best interests of shareholders. Two prominent factors known to affect negative escalation of commitment are agency effects and negative framing.

There are numerous research studies that support the existence of antecedents of escalation of commitment. Salter and Sharp (1997) aggregated the antecedents, negative framing, and agency effect in a single dimension and regressed to escalation of commitment to measure the difference between American and Asian managers. However, the difference was not significant. This result can be attributed to exclusion of cultural factors in their model. Also, diverse research studies mentioned the existence of antecedents of agency problems and framing. Therefore, a multidimensional approach measuring relationships between antecedents and escalation of commitment either through agency and framing effects or directly can be more effective rather than putting all the variables in a single dimension. Thus, by establishing the dimensions of the possible antecedents (which are related to cultural factors), agency effect, negative framing, and negative escalation of commitment, the model would be expected to have generalizable explanatory power for managers’ erroneous decision making behaviors based on cultural difference. In this research, the possible relationship between cultural
factors and agency effect and negative framing linking to negative escalation of commitment was examined.

The model of this research study proposed three possible antecedents; nationality, work experience, and ethics and social responsibility. Each of the variables will be explored in terms of the effect of cultural factors on each antecedent, the effects of the antecedents directly on escalation commitment and indirectly through agency effect and negative framing.

**Nationality**

**Relationship between cultural factors and nationality.**

It may be impossible to think of culture without considering nationality because nationality has been the distinctive indicator distinguishing one country from another. In other words, nationality has as much exploratory power as culture. For each cultural actor, a variety of research studies have been presented and explained. They provided exploratory power in distinguishing between American and Chinese nationalities.

There were some other research studies specifically linking nationality to diverse perspective of society. Conduit (2001) compared submissiveness of risk of heart disease between Japanese expatriates and British employees. The results indicated that Japanese subjects were significantly more exhausted. Güss and Wiley (2007) compared metacognition of problem solving strategies among Brazil, India, and the United States. Metacognition concerns the observation of one’s own thinking leading to a restructuring of our own thinking process. They reported that nationality significantly distinguished three countries in terms of meta-cognition. Harvold (2007) examined the safety orientation of seafarers in Norwegian shipping companies and found that the number of
nationalities was inversely related to the farers perception of safety. Consequently, these research studies imply that nationality influences diverse aspects of societal values and culture.

However, Tan and Chow (2008) argued in their research examining cultural common grounds between American-Chinese and Chinese citizens that these two groups of people have a lot more in common than Caucasian American and American-Chinese. In other words, without cultural values shaping one’s individual personality, nationality can be meaningless. Akande (2009) examined self-esteem in its cultural context and found that nationality is significantly related to high levels of self-esteem. This means that nationality was interpreted by people in society as one distinctive factor affected by the culture of the society. Thus, by putting nationality as an intermediate variable, it is possible to see how much effect cultural factors have on nationality and if there are any different effects between American and Chinese managers.

**Relationship between nationality and escalation of commitment through agency effects with indirect effect of culture.**

Several research studies reported that agency effects were found to be influenced by nationality. Sigma-Mugan, Daly, Onkal, and Kavut (2005) found that ethical sensitivity is affected by national difference. Ethical sensitivity is one of the key factors shaping agency effects in that people tend to distort their misbehavior rather than correct it (Freeman, 1957). Roth and O’Donnell (1996) found that the compensation strategies in five different countries were affected by agency problem that originated from cultural distance. Cultural distance can be interpreted as national difference. Two research studies regarding the control of multinational companies reported that mixed nationalities among
employees can be problematic for efficient communication (Phatak, 1989; Toyne & Kuhne, 1983). This means that misunderstandings between national cultures within multinational companies can cause, for example, distrust and asymmetry of information. This situation can lead to agency problems. Hassab, Elnaby and Mosebach (2005) examined whether national culture is related to the use of accounting-based debt covenants in debt agreements in Egypt. Accounting-based debt covenants is one accounting method used to reduce agency problems. Egypt showed higher power distance, collectivism, and masculinity compared to the U.S. The results indicated that national culture is significantly related to accounting methods used to reduce agency problems.

**Relationship between nationality and escalation of commitment through negative framing with indirect effect of culture.**

Research on the relationship between nationality and framing effect has been largely ignored. A couple of exploratory research studies uncovered the relationship between nationality and negative framing. Orth, Koenig, and Firbasova, (2007) examined the framing effects on advertising among four different East European countries (Croatia, The Czech Republic, Hungary, and Poland) and found a significant influence of nationality on negative framing. Orth, Oppenheim, and Firbasova (2005) examined negative framing effects from 14 countries. The results indicated that even culturally similar countries showed a significantly difference in the degree of reaction toward negatively framed messages. Thus, it is possible to measure the differences between American and Chinese managers by looking at varying levels of negative escalation of commitment as understood through these cultural factors.
Relationship between nationality and escalation of commitment with indirect effect of culture.

As for the effect of nationality on escalation of commitment, some of the research showed, directly and indirectly, that nationality had explanatory power as an antecedent. Salter and Sharp (2001) examined the direct effect of national culture on escalation of commitment between American and Canadian managers. The result didn’t show significant difference with respect to nationality. The insignificance was attributed to the similarity of cultures between the two countries.

It was also found that people tend to choose the path of negative escalation of commitment, especially when they are personally responsible for the outcome (Staw, 1976). In other words, when people in a society show a high degree of ethicality (long-term orientation) or sense of individual responsibility (individualism), the level of escalation of commitment can be varied.

Work Experience

It is commonly said that human beings accumulate knowledge and wisdom as they gain experience. This general understanding of the human mentality can be applied to the work place as a presumption. Simply stated, an employee knows how to better handle his/her job as work experience increases. This experience can be affected by diverse factors of surroundings. For example, even if a survey question simply asks “How long have you been working in your area?” culture, agency effect, or escalation of commitment can be integrated into this question.

Relationship between Cultural Factors and Work Experience.
Diverse aspects of work experience have been shown to be affected by the culture of the society. Hofstede (1981, 2001) has shown that work conditions, organizational norms, and work place atmosphere are significantly different in each culture. For example, individualism was found to be related to intrinsic (freedom, challenge, use of skill, and training) and extrinsic (personal time and physical conditions) work goals (Herzberg, Mausner, & Snyderman, 1959). Near and Rechner (1993) found that the importance of work is weighted more than non-work in more masculine cultures. Romm and Hsu (2002) conducted an active case study regarding the power distance of the Taiwanese. The results indicated that work experience, especially the relationship with other employees and supervisors, can be influenced by power distance. Humborstad, Humborstad, Whitfield, and Perry (2008) reported that service willingness of hotel employees in China was significantly related to some cultural factors (power distance). Thus, by measuring the relationship between work experience and cultural factors, it is possible to examine how much work experience is influenced by cultural factors.

**Relationship between work experience and escalation of commitment through agency effect.**

Work experience has also been shown to affect escalation of commitment through agency effects. Since the conditions for agency effect that can lead to negative escalation of commitment are “incentive to shirk” and “information asymmetry,” the relationship between work experience and agency effects can be explained in terms of ethicality and decision making processes. Persons (2009) showed that being female, being an accounting major, having full-time work experience, and participating in numerous workplace ethics trainings have positive effects on the ethicality of employees. Kulik
(2005) argued that lack of ethicality and stewardship reasoning led to the collapse of Enron. Stewardship theory assumes that the agent’s interest is aligned with that of the principal’s interests (Davis, Schoorman, & Donaldson, 1997). In other words, the CEO of Enron could have emphasized the love of games of traders and intrinsic motivators (recognition, sense of advancement, self-actualization etc.) instead of cash bonuses and stock options, which eventually led the employees to shirk the incentives and severe information asymmetry. Thus, the work experience can affect a manager’s adverse selection (agency effects). Gallagher (2007) argued that practical wisdom which employees can acquire as work experience increases is central to moral personhood in that the practical wisdom and moral personhood both can be acquired through interaction with other persons and habituation. In other words, employees’ work experience and ethicality preventing agency problem can be facilitated or hindered through interactions with other employees. As a result, work experience can influence agency effect in the interactions.

Relationship between work experience and escalation of commitment through negative framing.

Several studies projected the possible effect of work experience on escalation of commitment through negative framing. Almashat, Ayotte, Edelstein, and Margrett (2008) examined the effect of the debiasing technique on framing effect in medical science. The debiasing technique involves listing potential pros and cons of each treatment before making a decision so that doctors can decrease bias from framing effects. The results showed that the debiasing technique significantly decreased framing effects in decision
making. This result means that diverse experiences in decision making can facilitate or hinder the influence of framing effect on escalation of commitment.

Mikels and Reed (2009) examined the effect of age on the perception of framing effects. The results indicated that younger adults showed risk seeking in negative frame while older adults did not. This finding can be applied to business organizations in that the longer tenured employees can be less prone to risk seeking in negatively framed circumstances. Greenfield, Norman, and Wier (2007) found that research subjects with higher professional commitment are less opportunistic. Harrison and Hubbard (1998) reported that employee tenure influences commitment and commitment affects organizational effectiveness. Thus, tenure of employees can influence organizational effectiveness. Organizational effectiveness cannot be the same as avoiding risk seeking. However, it is possible that the longer one is tenured (work experience) the less risk seeking is viewed in a negative frame.

**Relationship between work experience and escalation of commitment.**

Research regarding the effect of work experience on escalation of commitment has had mixed results. Smith and Kida (1991) reviewed the audit judgment literature and reported that experience can mitigate judgment bias. Kennedy (1995) examined the relationship between cognitive bias and reported that work experience does not reduce cognitive bias. Salter and Sharp (1997, 2001) found that the more experienced the manager is, the less likely he or she escalates to negative commitment.

**Ethics and Social Responsibility**

Ethics and social responsibility have long been regarded as critical to the function of business organizations. However, business ethics have sometimes been easily
compromised. In Chinese culture, “quanxi” means “more than the business relationship itself.” Quanxi sometimes leads to compromising business ethics and corruption because the business relationships are based on strong personal attachment (Hofstede, 2001).

American society has long valued, encouraged, and established laws and policies for business ethics and social responsibility. Still, the moral dilemma of people in control of the society is a problem and it seems to need a lot more elaboration to redeem the value of ethics. Thus, it can be theoretically as well as socially worthwhile to examine whether there are any cultural or behavioral relationships of erroneous and negative decision making with ethics and social responsibility.

**Relationship between cultural factors and ethics.**

It has been suggested that differences in ethical decision making exists across cultures (Amhed, Chung, & Eichenseher, 2003; Batten, Hettiwa, & Mellor, 1999; Blodgett, Lu, Rose, & Vitell, 2001). For example, the strong work ethic in Confucianism influences employees who come from Confucianism backgrounds such as China and other surrounding countries. Employees with strong individualism tend to prefer calculative hire-and-fire relationships (i.e. relatively easier to change employer) to collectivistic moral involvement (i.e. loyalty to employer) (Hofstede, 2001). Especially, as the role of China in the global economy has expanded, Chinese versus Western cultural differences in terms of business ethics needs to be examined. Shafer, Fukukawa, and Lee (2007) used Perceived Role of Ethics and Social Responsibility (PRESOR) to measure the relationship between ethics and social responsibility, and cultural factors.

They found that certain cultural indicators such as tradition and conformity are significantly related to some dimensions of the PRESOR scale. Tradition and conformity
are the critical factors in power distance, uncertainty avoidance, and long-term orientation (Hofstede, 2001). Also, Tan and Chow (2008) found that ethics were more likely affected by culture than by nationality. This means that cultural factors can play a vital role in shaping someone’s value for ethics and social responsibility.

Smith and Hume (2005) examined the belief of accountants’ ethical systems in the cultural context of Hong Kong, Mexico, The Netherlands, New Zealand, the United States (U.S.), and Venezuela and supported the relationship between individualism and business ethics. Beekun, Stedham, and Yamamura (2003) examined the effect of national cultures on ethical decision-making for Brazilian and American business professionals. The results indicated that the different level of individualism affects utilitarian criteria but not the ethical nature of business decision making.

Beekun, Hamdy, Westerman, and HassabElnaby (2008) examined the effect of cultural factors on ethical decisions between Americans and Egyptians in terms of individualism and power distance. The degree of individualism in the U.S. was higher than in Egypt. This difference was found to have a significant influence on some ethical decision making behaviors. Moon and Franke (2000) examined the effect of cultural factors on ethical perceptions between American and Korean managers and supported the influence of some cultural factors (power distance and individualism) on ethical perception and practices in the advertising industry. Armstrong (1996) examined the relationship between ethical perception and cultural factors for masters seeking students in business colleges in Australia, Malaysia, and Singapore. The results indicated that there was a significant relationship between some of cultural factors (uncertainty avoidance and individualism) and ethical perceptions. Zhong (2008) investigated ethical
decision making between Chinese and American students. The results indicated that coming from a collectivistic perspective, Chinese students focused on colleagues’ view and editors’ reactions, while coming from an individualistic perspective while American students emphasized new media’s need in a competitive market. Consequently, it is possible that business ethics and social responsibility are influenced by the culture of a society.

Christopher (1993) compared the performance of employees from China, Israel, and the U.S. Israel showed strong collectivism like China. The results indicated that the performance of individualists working in a group was lower, while the performance of collectivists working in a group was higher than working alone. Arnold, Bernardi, Neidermeyer, and Schmee, (2007) found that some cultural factors (individualism and masculinity) were significantly associated with perception of countries within the European Union. Christie, Kwon, Stoeberl, and Baumhart (2003) examined ethical attitude of business managers in India, Korea, and the U.S. The results indicated that some of the cultural factors (power distance and individualism) showed significant relationships with subjects’ ethical attitudes. Nevins, Bearden, Money (2006) examined the effect of some of features of long-term orientation on ethical values and found that a significant relationship between two of them.

**Relationship between ethics on escalation of commitment through agency effect.**

Ethics and social responsibility can affect escalation of commitment though agency effect. Regarding agency effect, Kulik (2005) argued that the problems within Enron stemmed from an organizational culture that emphasized strong agency effect with
“collectively non-complaint norms, a munificent rare-failure environment, and new hires with little business ethics training” (p.347). Kulik, O’Fallon, and Salimath (2008) put forth a theory in an attempt to explain unethical behaviors in business organizations. They claimed that a severe competitive environment can induce unethical behaviors and lead to agency problems. Since agents’ negative behaviors such as shirking and establishing information asymmetry can originate from not only self-interest but also lack of integrity, it is possible that agency effects can be influenced by ethics and social responsibility.

**Relationship between ethics and escalation of commitment through negative framing.**

Two research studies supported the relationship between ethics and escalation of commitment through framing. Cameron and Miller (2009) reported that a desire to avoid loss can justify and facilitate unethical behaviors. The unethical behaviors can occur in negative framing in that people perceive the discrepancy between what they earned and what they deserved. Ethical behaviors are not the same as negative escalation of commitment. However, since negative escalation of commitment overlaps in some behaviors such as shirking and utilizing information asymmetry, ethics can have an influence on the escalation of commitment through framing effects. Greenfield et al. (2008) measured the relationship between individual’s ethical ideology and level of professional commitment on the earning management decision to accomplish different purposes. The results revealed the significant relationship between ethical orientation and decision making. This finding means that, for example, an employee with a vulnerable
ethical orientation is prone to commit negative escalation, especially when in a negatively framed circumstance.

**Relationship between ethics and escalation of commitment.**

It is difficult to find research about the influence of ethics and social responsibility on escalation of commitment. However, Street and Street (2006) found that escalation of commitment significantly increases the likelihood of unethical decision making behaviors. The difference between their research and this investigation is that their research targets ethical behavior itself from an escalation of commitment standpoint, while study focuses on escalation of commitment from the value of ethics and social responsibility.

**Agency and Negative Framing Effect**

Agency effect and negative framing have been reported as two distinctive theories explaining negative escalation of commitment (Sharp & Salter, 1997, 2001). The assumption of agency theory, the tendency of agents’ decision making out of or against the best interests of shareholders is the most critical and prominent theory in accounting (Watts & Zimmerman, 1990). Framing effect stems from prospect theory affecting decision-making by framing the same information in a positive or negative way (Kahneman & Tversky, 1979). These two theories have been found to contribute most to the escalation of commitment. For each of these factors, the concept of the theory will be explained followed by theoretical and possible relationships with cultural factors and three antecedents. Finally, the relationship between escalation of commitment and each of the two factors will be explained.
Negative (Risky Choice) Framing Effect

In decision making processes, information explaining the same facts can be perceived differently based on how the information is ‘labeled’ or ‘framed’. For example, consumers tend to choose beef labeled with “lean meat 75%” rather than “fat 25%” (Levin & Gaeth, 1988). Meyerowitz and Chaiken (1987) found that negatively framed messages for breast self-examinations were more persuasive while Stoner (2009) found that messages directed towards seniors to promote prevention of skin cancer were positively framed.

There are typically three different types of framing effects; attribute framing, goal framing, and risk choice framing. Attribute (positive) framing occurs when the evaluation of a project or situation for decision making is more favorable because key attributes are framed positively. Goal framing occurs when the persuasive messages stress positive consequences or negative consequences (negative framing). Goal framing is more persuasive with negative messages. For example, people tend to get easily motivated to avoid loss rather than achieve gain. Another type of negative framing effect is about voluntarily electing risky options such as performing a risky medical procedure or continuing investments on risky or losing projects. This is called risky choice framing effect.

Indirect relationship between cultural factors and negative framing.

It is possible that cultural factors influence negative (risk choice) framing. Framing effect stems from prospect theory, which considers framing for decision making in terms of gains and losses (Kahnemann & Tversky, 1979). Hofstede (1980, 2001) found that the decision making of employees is related to cultural characteristics of society. For
example, decision making is affected by the sense of inequality between subordinate and boss, degree of uncertainty of future, and different styles of decision making. Since negative framing effect is one of several manipulated processes of decision making, it is theoretically possible to relate cultural factors and negative framing. Also, since there are significant differences between Chinese and American managers in terms of cultural factors, there can be different effects of cultural factors on negative framing.

One of the prevalent research areas using framing effect is advertising that focuses on consumer response to a framed message. Orth et al. (2007) summarized four reasons why consumer reactions for message framing are different from one country to another: (1) different marketing and tradition, (2) different practice of advertising appeals, presumably reflecting different national cultures, (3) contextual factors such as national culture that vary the effects of message frames (4) national culture and its effect on the processes of persuasion in general, and on patterns of emotions in particular (p. 330). Each of the reasons linking to business decision making processes can be explained as follows:

The first reason for differing consumer reactions is different marketing and advertising traditions. Several research studies reported significant differences among consumers of different national cultures toward advertising, which stemmed from marketing and advertising traditions (Andrew, Akhter, Durvasula, & Muehling, 1992; Gulyas, 2003; Taylor, Bonner, & Dolezal, 2002). If this applies to decision making in business, managers and employees can show different levels of decision making based on traditions of the business culture and the society.
The second reason is that the practice of advertising appeals differently across nations, presumably reflecting the different national cultures. Wong, Muderrisoglu, and Zinkan (1987) claimed that message framing in advertising is very pervasive in that the advertising reflects national culture. Several research studies showed that contents and values of advertising among different cultures have more differences than similarities (Cutler & Javalgi, 1992; Hornik, 1980; Lin, 1993; Mueller, 1987). This finding has implications for this research in that it suggests that the way contents for decision making are framed, can affect how managers and employees can react differently due to their cultural perspective.

The third and fourth reasons for the effects of various message framing under different national cultures is due to the effect of national culture on persuasion. Zhang and Buda (1999) examined customer reaction for particular framing effect and found a significant relationship between national culture and framing effect. In other words, in regard to this particular research study, the findings imply that national culture can affect message framing. Consequently, negative framing, which is one of the types of framing effects, can be influenced by national culture.

**Effect of negative framing on escalation of commitment.**

Framing, as was mentioned before, is the process of designing different ways of presenting the same facts. Based on the cultural characteristics of the employee, negative framing can increase or decrease the tendency of agency effect. For example, employees with high uncertainty avoidance can also have high levels of anxiety. The high anxiety level is found to lead to stress, confusion, and biased decision making (Lynn & Martin, 1995). Also, Salter and Sharp (2001) found that employees with higher individualism
tend to make adverse choices. Thus, it is possible that framing effects can influence agency effect.

The research regarding the effect of negative framing on a negative escalation of commitment has had mixed results. Framing effect is found to be related to agency effect and to negative escalation of commitment. Rutledge and Harrell (1993) and Whyte (1993) showed the significant effect of negative framing on escalation of commitment. Salter and Sharp (2001) examined the negative framing effect on the negative escalation of commitment between American and Canadian managers. The results did not show significant differences. This can be attributed to a similarity in culture between the two countries. Salter and Sharp (1997) examined the international generalizability of negative framing between American and Asian managers and found significant effects for both groups of managers. Thus, the effect can be significant between American and Chinese employees, revealing differences in all cultural factors.

Since escalation of commitment is one of several facets of decision making, the relationship between framing effect and escalation of commitment can be explained in terms of decision making. Levin, Gaeth, Albaum, and Schreiber (2001) examined the framing effects on decision making between Americans and Australians. The results indicated that negative framing effects were significant for the people in the two different countries. Curseu and Schruijer (2008) examined the effect of negative framing by using negotiation games. The results revealed that the group receiving the negatively framed information for the same facts established a more defensive strategy during negotiation. This result can be applied to the relationship between negative framing and escalation of commitment in that managers receiving negative framing will be more protective in
decision making and try to build information asymmetry (i.e. not sharing critical project information with shareholders) or shirk for their own sake (i.e. continuing the losing project for employee incentives).

**Agency Theory**

Private corporations and firms are managed and controlled based on agency relationships. Jensen and Meckling (1976) suggested that the definition and character of the firms are “simply one form of legal fiction which serves as a nexus for contracting relationships and which is also characterized by the existence of divisible residual claims on the assets and cash flows of the organization which can generally be sold without permission of the other contracting individuals” (p. 311). The relationship is established based on contracts between principal(s) and agent(s) which delegate decision making authority to the agents (Jensen & Meckling, 1976). If both parties are to be ‘utility maximizers’, the possibility of divergence of interest can be distinctive. Principals can minimize this divergence by establishing monitoring systems to prevent agents from aberrant activities, or by establishing compensating systems to ensure that agents act on principals’ interest. However, monitoring system requires substantial investment for principal(s) to monitor and control agent(s) decision making.

Agency theory was first developed in 1960 as an attempt to explain the relationship between principals (or shareholders) and agents. The relationship explains how the return of one party depends on the degree of acts on of the other (Jensen & Meckling, 1976; Pratt & Zeckhauser, 1991). In business, most of the relationships studied were in a firm that goes public and separates the function of ownership and management. In business, shareholders become owner and agents represent the owners. Even though
shareholders are owners of the company, it is the management (agents or board of directors as a group) that has virtual control of the firm and the situation often times leads to agency problems (Tosi & Gomez-Mejia, 1989). This separation of ownership and control establishes a business environment which causes agency problems.

**Assumptions of agency theory and applications.**

A basic presumption in agency theory is that human beings, by their nature, are self-interested and risk-averse (Eisenhardt, 1989). Jensen and Meckling (1976) argued that potential agents and shareholders often want different outcomes. Thus, one party can try to minimize their risk at the expense of the other (shirking). The other presumption in agency theory is asymmetry of information (Eisenhardt, 1989). It assumes that agents possess substantially much more information than principals and that the information is hard to access by principals (Jensen & Meckling, 1976).

These two assumptions cause two agency problems in agent and principal relationships. For shirking, agency problem arises when (1) the desires or goals of the principal and agent conflict in the presence of information asymmetry; (2) it is difficult or expensive for the principal to verify what the agent is actually doing (Eisenhardt, 1989, p. 58). To prevent these potential problems, a contract is established between agents and principals so that the two parties agree to their respective interests in making a business decision. A contract is a pact between principals and agents to delegate some of the principal’s decision making authority to agents (Fama, 1980; Jensen & Meckling, 1976). However, risk still exists in that it is almost impossible for principals to know everything about the decision-making behaviors of agents. This risk is called “agency cost.”
Previous research done for agency theory (finance area).

Empirical studies have proven the validity of agency theory (which stems from financial management) for its use in examining decision making processes in diverse finance areas. Amihud and Lev (1981) supported the agency problem relating to conglomerate mergers and diversification. Eisenhardt (1988) measured agency cost for salary versus commission by combining institutional theory. The results supported the effect of agency problem on compensation and salary systems. Wolfson (1985) examined the agency cost for incentive problems in oil and gas shelter programs and his results supported the effect of agency cost. Conlon and Parks (1988) examined the monitoring systems by combining institutional theory and found out the effect of agency cost for cost of equity. Barney (1988) measured the effect of agency costs on employee stock ownership and he also recognized the agency problem. Xiaorong and Rwegasira (2008) examined diversification and corporate performance under agency effect for Chinese managers. The results indicated that although agency theory was developed and empirically tested in a Western culture, it may be applicable to the Chinese business environment. Even though Perrow (1986) criticized agency theory (cost) for its empirical validity and for ignoring possible employee exploitation, it has shown its validity throughout a variety research studies.

Previous research done for agency theory (organization behavior area).

Agency theory is substantially related to human behavior (decision-making) in organizations. Academics arrived at agency theory from organizational behavior and it has been measured and examined. Fong and Tosi (2008) examined the moderating effect of consciousness on agency control and performance. The results indicated that less
conscious individuals put more effort on monitoring and alignment. Also, incentive alignment is more effective than monitoring. This suggests that motivating employees is the better way to increase employee performance rather than incurring monitoring (agency) cost. Azevedo and Akdere (2008) assumed that self-interest in economic behaviors result in agency problems. They claimed that organizations have to pay close attention from a physical and human resources perspective to resolve conflict between principals and agents. Kocabiyikoglu and Pepescu (2007) accessed agency problems from drivers of managerial motivation. The results revealed that an agent’s productivity, past performance, time to evaluate, as well as the firm’s capability is influenced by the agent’s level of risk aversion, aggressiveness, and prudence. Ekanayake (2004) supported agency theory in that agents did not always do their best with respect to organizational objectives. Thus, management control systems needed to be improved to align goals and objectives between principals and agents. Kosnik and Bettenhausen (1992) measured employee compensation systems in terms of agency theory. The results indicated that a fixed salary was positively related to and board control negatively related to managerial opportunism. The basic assumption of agency theory is that human beings are self-interested by nature. Thus, the more that managers are self-interested, the higher tendency they show for opportunistic behaviors.

**Link to this study.**

Even though agency theory originated from and proved its validity in the financial management area, some of the theories in organizational behavior share common understandings. For example, information processing theory and contingency theory (Chandler, 1962) are similar to agency theory in that they both assume individuals are
rationally bounded and that information asymmetry occurs throughout the organization. Agency theory is also similar to the political model in that both theories assume goal conflict at the organizational level (March, 1962). Thus, the extent of agency problems can be simple: from monitoring and compensation system, to enforcing or inducing agents’ interests matched with principals in the financial management area, to managing conflict or errors in decision-making in the area of organizational behavior. However, these simple examples can be made complicated when this agency cost/problem occurs within complex layers of the organization, SBUs and other multiple business units.

The complication can increase when firms in the two different cultures interact with each other and the firm establishes subsidiaries and branch offices managed and operated in different cultures with different values and ethics. For example, Murphy and Lacziak (1981) stated that firms in the U.S. may have a consistency in practicing business. However, when it comes to doing business in another culture with different values, ethics, and a legal system, the complexity from numerous layers of organizational hierarchies can extend to ethical problems and possible decision-making errors. Since the agency effects are assumed to be occurring in the situations of shirking and information asymmetry, different cultural environments can intensify or wither the effects. Salter and Sharp (2001) by comparing the U.S. and Canada found that agency effects were stronger in more individualistic countries. This difference in the level of agency effect can be extensive between the U.S. and China because they have significant differences in terms of individualism as well as other cultural factors. Gomez-Mejia, Wiseman, and Dykes (2005) claimed that agency theory has not been extensively scrutinized in different
cultures and needs further empirical application. Thus, it is necessary to apply and scrutinize agency theory in different cultural contexts.

The application of agency theory in this study can also be projected from an interdisciplinary approach. It is necessary to combine agency theory with others to get a more complete (or at least broader) picture of organizations. Eisenhardt (1989) claimed that agency theory only provides a partial view of organizations and also ignores ‘a good bit of the complexity of organization’ (p. 71). She recommended that by integrating agency theory with complementary theories from for example, sociology, additional perspectives can create an understanding of the complexity of organizations. Thus, by combining with cultural perspectives, antecedents, and escalation of commitment, agency theory can contribute to organizations being one step ahead in understanding the complexity of decision-making.

**Effect of agency effects on escalation of commitment.**

It is possible that agency effects have explanatory power for negative escalation of commitment. Sharp and Salter (1997) argued:

> if escalating a losing project is in a manager’s (agent’s) self interest and if he/she has private information regarding the outcomes of the escalation of decision that the supervisor or firm owner (principal) does not have, then the manager/agent will rationally escalate the firm’s commitment to the decision, even if this is not in the firm’s best interest. Specifically, if escalation could recover losses already incurred and thereby preserve a manager’s reputation, if the senior management is not aware that the losses have been incurred, and if a successful escalation will
never be detected in the normal course of events, then the manager will have a strong rational incentive to escalate (p. 103).

In their study, agency effect was found to have strong explanatory power for North American managers but not for Asian managers. However, the study sample was from Hong Kong and Singapore not from mainland China. Also, the study model did not take cultural factors into account. Thus, the sample has its limitations as far as generalizing the findings to mainland China. Another study measured the influence of agency effects on escalation of commitment between American and Canadian managers (Salter & Sharp, 2001). However, the research model also did not include cultural factors. The model only mentioned differences in concepts of individualism between the two countries and measured the cultural effect from only one country.

Thus, these two research studies can be extended into empirical studies that account for the agency effect on escalation of commitment from a cultural perspective. Consequently, it is possible that the tendency of managers for adverse selection explains the behavior of negative escalation of commitment. In addition, the research did not have any antecedents to explain the conditions of agents’ shirking and information asymmetry. Since the antecedents have been shown to have explanatory power as well as being related to cultural factors, it is possible to divulge a certain relationship among the cultural factors, antecedents, and agency effects.

Desai and Chulkov (2009) supported agency problems from various factors affecting escalation of commitment. They suggested that agents (managers) have to be responsible for both kick-off and invested in the continuation of the process as a way to minimize potential agency problems. Brody, Lin, and Salter (2006) examined merit based
pay systems between Chinese-related countries and the U.S. The results indicated that countries with higher collectivism and higher escalation to pay both successful and unsuccessful performances. This result indicated that agent’s shirking (unsuccessful performance) can cause escalation of commitment of sunk cost.

**Indirect relationship between cultural factors and agency effect.**

Since the research model in this study includes potential indirect relationships between cultural factors and agency effect, it is necessary to explain research associated with the relationship between these two dimensions. Several studies have shown that cultural differences contribute to fundamental effects on agency problems (Brock, Shenkar, Shoham, and Siscovick, 2008; Hofstede, 1980; Sanford and Maddox, 1999). The research area demonstrating the impact of cross-cultural differences on agency control is for multinational companies. Since there is a cultural difference between host and home country, several research studies were examined regarding possible agency problems from perspective of cultural distance. Hofstede (1980) claimed that power distance, uncertainty avoidance, and individualism are the possible factors contributing to the headquarter control of agency in host country. Sanford and Maddox (1999) reported that cross-cultural differences and scarcity of marketing information in foreign countries increased the chance of agency problems. Brock, Shenkar, Shoham, and Siscovick (2008) supported the finding that power distance is the most prominent indicator for tighter control of agency in host country. In other words, the cross-cultural difference can increase the possibility of causing/contributing to agency problems.
Escalation of Commitment

Escalation of commitment is defined as “predicament where costs are suffered in a course of action, where there is an opportunity to withdraw or persist, and where the consequences of persistence and withdrawal are uncertain” (Staw & Ross, 1987, p. 40). This definition was first developed and used in empirical experiments by Staw (1976).

Some of the traits of escalation of commitment are:

“First, all of the situations entail some loss and costs that have resulted from an original course of action. Second, the predicaments involve some continuity over time. Third, they comprise the situations where simple withdrawal is not an obvious solution to the problem, either because withdrawal involves substantial costs or because persistence holds at least the prospect for eventual gain.” (Staw, 1976, p.40).

It is hard to think of any business organization that is free from re-evaluation of the prior step in the process of a project. In each step, one alternative is chosen over the others and resources invested can be increased or decreased based on the re-evaluation. It can be, for example, a burdensome issue to decide when managers choose to keep investing in a failing project or not. The same situations can occur at the individual level too when people are on hold for reservations on the phone, feel de-motivated at work, ponder whether to buy a new car or fix their used car. Some of the worst losses or turnarounds of a failing project can be due to continued input of resources. If a person chooses to commit to a failing project, the commitment is called negative escalation of commitment.
Variables related to this study

Staw and Ross (1987) ask a question regarding the on-going cycle of escalation of commitment: “Why then do escalation cycles appear to be so difficult to break, not only for individuals in their everyday lives but for organizations as they pursue their interests?” (p.44). They argued that the simple model of escalation cannot explain why managers, when the facts are bleak, hesitated to withdraw from economically poor options. Thus, they provided some possible determinants for escalation of commitment. Some of the variables were related to some of the dimensions of this study as psychological and social determinants: self-justification as psychological, norms and saving face as social determinants.

Psychological and social determinants.

One of the psychological determinants related to this study is self-justification. The logic for the effect of self-justification on escalation is that managers justify their escalation by increasing persistence. In other words, decision makers often try to justify their projects by increasing escalation of commitment. Some of the research supported this effect in terms of the effect of personal responsibility on commitment (Caldwell & O’Reilly, 1982; Bazerman, Beekman, & Schoorman, 1982; Staw & Ross, 1987) and ego-defensiveness (Wickland & Brehm, 1976). These results can be related to antecedents such as work experience and ethics based on various combinations of level of ethicality and work experience as well as the fact that employees can have different levels of responsibility for commitment. For example, employees that remained longer in a job can have more responsibility or ego orientations about decision making and consequently be led to escalation of commitment.
Staw and Ross (1987) suggested some of social determinants affecting escalation of commitment related to this research such as norms and “saving face,” which can be the part of the cultural factors imbedded in this research. Norms are important factors that shape the values of a society. For example, norms in a certain organization influence the perception of inequality and interaction based on the inequality between boss and subordinate (power distance). For uncertainty avoidance, the higher the uncertainty level, the more sophisticated norms the society or the organization can possess.

Saving face is related to cultural factors such as individualism, collectivism, and long/short-term orientations. One of the characteristics of a collectivistic organization or society is the higher tendency to try and save face. For long-term orientation, since Confucianism prescribes unequal relationships between members of societies and organizations, saving someone’s face is regarded as a virtue. The Chinese expression for saving face is “giving someone’s face” (Ho, 1976). Therefore, by applying the cultural factors integrated with social antecedents suggested by Staw and Ross (1987) it is possible to measure different effects of cultural factors and antecedents between American and Chinese managers.

Norms are strongly connected to cultural factors such as power distance, uncertainty avoidance, individualism/collectivism, and masculinity/femininity (Hofstede, 2001). Norms can be found in every possible official and personal organization. Thus, norms function as powerfully as laws; they function as invisible rules influencing a group and its members. Based on the norms in the organization, employees learn how to act according to the inequality they have with their bosses (power distance), cope with uncertainty of the future of their career (uncertainty avoidance), stick to the current
employer or put his/her interest as priority (individualism/collectivism), and keep his/her
behaviors and attitude as male/female worker (masculinity/femininity).

Besides relating those determinants to cultural factors, some of cultural factors
were found to be directly related to escalation of commitment. Harrison, Chow, Wu, and
Harrell (1999) examined the effect of cultural factors on negative escalation of
commitment between American and Chinese MBA students. The results indicated that: 1.
When information asymmetry is established, both national groups of students strongly
tended to continue with losing or declining projects. 2. Chinese students were less
inclined to continue unprofitable projects than the American students. Consequently,
cultural factors and the antecedents can affect escalation of commitment.

**Agency Effect and Negative Framing Effect on Escalation of Commitment.**

Negative escalation of commitment is influenced by agency effects. Negative
escalation of commitment is based on human nature. It has been found that when a person
faces negative consequences of his/her behavior, instead of correcting this behavior,
he/she can intentionally distort the negative consequences to positive ones. (Freeman,
1957, Weick, 1964). Thus, for example, when an agent effect occurs based on shirking
and information asymmetry, it is highly possible that he/she voluntarily or passively
committed to escalate the failing project. Therefore, different agency effects on negative
escalation of commitment can be examined for American and Chinese managers.
**Research Model and Hypotheses**

The relationships among cultural factors, antecedents of agency effects and escalation of commitment, agency effects, and escalation of commitment are depicted in Figure 2. This theoretical framework was the proverbial engine that drove this study.

The following directional research hypotheses among dimensions will be analyzed:

Hypothesis H₁: There are significant differences in terms of cultural factors between American and Chinese managers.

Hypothesis H₂: There are significant differences in terms of ethics and social responsibility between American and Chinese managers.

Hypothesis H₃: There are significant differences in terms of escalation of commitment between American and Chinese managers.

Hypothesis H₄: There are significant cross-cultural differences between American and Chinese managers for the effects of cultural factors on work experience, and ethics and social responsibility.

Hypothesis H₅: There are significant cross-cultural differences between American and Chinese managers for escalation of commitment through work experience, and ethics and social responsibility.

Hypothesis H₆: There are significant cross-cultural differences between American and Chinese managers for escalation of commitment through work experience, and ethics and social responsibility with agency and negative framing effect.
Figure 2. Relationships among Dimensions

Hypothesis H7: There are significant cross-cultural differences between American and Chinese managers for escalation of commitment with agency effect through work experience, and ethics and social responsibility.

Hypothesis H8: There are significant cross-cultural differences between American and Chinese managers for escalation of commitment with negative framing effect through work experience, and ethics and social responsibility.

Hypothesis H9: There are significant differences between American and Chinese managers of the effects of work experience, and ethics and social responsibility on escalation of commitment.

Hypothesis H10: There are significant differences between American and Chinese
managers of the effects of work experience, and ethics and social responsibility on escalation of commitment with agency and negative framing effect.

Hypothesis H₁₁: There are significant differences between American and Chinese managers of the effects of work experience, and ethics and social responsibility on escalation of commitment with agency effect.

Hypothesis H₁₂: There are significant differences between American and Chinese managers of the effects of work experience, and ethics and social responsibility on escalation of commitment with negative framing effect.

Hypothesis H₁₃: There are significant effects of cultural factors on work experience, nationality, and ethics and social responsibility.

Hypothesis H₁₄: There are significant effects of cultural factors on escalation of commitment.

Hypothesis H₁₅: There are significant effects of cultural factors on escalation of commitment with agency and negative framing effect.

Hypothesis H₁₆: There are significant effects of cultural factors on escalation of commitment with agency effect.

Hypothesis H₁₇: There are significant effects of cultural factors on escalation of commitment with negative framing effect.

Hypothesis H₁₈: There are significant effects of nationality, work experience, and ethics and social responsibility on escalation of commitment.

Hypothesis H₁₉: There are significant effects of nationality, work experience, and ethics and social responsibility on escalation of commitment with
agency and negative framing effect.

Hypothesis $H_{20}$: There are significant effects of nationality, work experience, and ethics and social responsibility on escalation of commitment with agency effect.

Hypothesis $H_{21}$: There are significant effects of nationality, work experience, and ethics and social responsibility on escalation of commitment with negative framing effect.
CHAPTER 3

METHODOLOGY

Introduction

The preceding chapters introduced, defined and developed the models for this research study. This chapter identifies the methodology used to apply the research model for this investigation. It begins with a summary of the directional hypotheses, followed by the design of the research questionnaires. The research questions and hypotheses are then restated and specified. Sample and data collection procedures are discussed. Finally, the chapter ends with the data analysis.

Summary of Research Questions and Hypotheses

Based on theoretical relationships among variables, research objective and literature review the following research questions are proposed for this study.

Research Question 1 (R1): Do cultural factors influence antecedents and escalation of commitment for American and Chinese managers in the hospitality industry?

Research Question 2(R2): Are there significant differences between American and Chinese managers in terms of cultural factors, ethics and social responsibility, and escalation of commitment?

Research Questions 3 (R3): Do American and Chinese hospitality industry managers show significant cross-cultural differences for the effects of cultural factors and antecedents on escalation of commitment?
Research Question 4 (R4): Do American and Chinese hospitality industry managers show significant cross-cultural differences for escalation of commitment under agency and negative framing effects and other antecedents?

These research questions can be specified as hypotheses as follows.

Hypothesis H1: There are significant differences in terms of cultural factors between American and Chinese managers.

Hypothesis H2: There are significant differences in terms of ethics and social responsibility between American and Chinese managers.

Hypothesis H3: There are significant differences in terms of escalation of commitment between American and Chinese managers.

Hypothesis H4: There are significant cross-cultural differences between American and Chinese managers for the effects of cultural factors on work experience, and ethics and social responsibility.

Hypothesis H5: There are significant cross-cultural differences between American and Chinese managers for escalation of commitment through work experience, and ethics and social responsibility.

Hypothesis H6: There are significant cross-cultural differences between American and Chinese managers for escalation of commitment through work experience, and ethics and social responsibility with agency and negative framing effect.

Hypothesis H7: There are significant cross-cultural differences between American and
Chinese managers for escalation of commitment with agency effect through work experience, and ethics and social responsibility.

Hypothesis H₈: There are significant cross-cultural differences between American and Chinese managers for escalation of commitment with negative framing effect through work experience, and ethics and social responsibility.

Hypothesis H₉: There are significant differences between American and Chinese managers of the effects of work experience, and ethics and social responsibility on escalation of commitment.

Hypothesis H₁₀: There are significant differences between American and Chinese managers of the effects of work experience, and ethics and social responsibility on escalation of commitment with agency and negative framing effect.

Hypothesis H₁₁: There are significant differences between American and Chinese managers of the effects of work experience, and ethics and social responsibility on escalation of commitment with agency effect.

Hypothesis H₁₂: There are significant differences between American and Chinese managers of the effects of work experience, and ethics and social responsibility on escalation of commitment with negative framing effect.

Hypothesis H₁₃: There are significant effects of cultural factors on work experience, nationality, and ethics and social responsibility.

Hypothesis H₁₄: There are significant effects of cultural factors on escalation of commitment.

Hypothesis H₁₅: There are significant effects of cultural factors on escalation of
commitment with agency and negative framing effect.

Hypothesis H_{16}: There are significant effects of cultural factors on escalation of commitment with agency effect.

Hypothesis H_{17}: There are significant effects of cultural factors on escalation of commitment with negative framing effect.

Hypothesis H_{18}: There are significant effects of nationality, work experience, and ethics and social responsibility on escalation of commitment.

Hypothesis H_{19}: There are significant effects of nationality, work experience, and ethics and social responsibility on escalation of commitment with agency and negative framing effect.

Hypothesis H_{20}: There are significant effects of nationality, work experience, and ethics and social responsibility on escalation of commitment with agency effect.

Hypothesis H_{21}: There are significant effects of nationality, work experience, and ethics and social responsibility on escalation of commitment with negative framing effect.

**Instrumentation**

The questionnaire was designed by compiling various survey questions from diverse research disciplines. First, cultural factors were developed by Hofstede (1980, 2001) in the area of sociology. Power distance, uncertainty avoidance, individualism and collectivism, and masculinity and femininity were first published in 1980 and short and long term orientation was added later in 2010. As was mentioned in the literature review,
orientation factor was added later as a Chinese Confucian value. The reason Hofstede (2001) added this factor is the fact that all four previously developed factors were developed by researchers in Western cultures with a distinct Western perspective. Thus, they have less explanatory power for Asian culture. All the survey items for cultural factors use 5 point Likert scale, 1= strongly disagree, 2= disagree, 3= neutral, 4= agree and 5= strongly agree.

Second, the survey questionnaires for antecedents are mainly from the business area. The questionnaire for ethics and social responsibility were developed by Singhapakdi, Vitell, Rallapalli, and Kraft (1996). The underlying concept that came out of the study is referred to as the Perceived Role of Ethics and Social Responsibility (PRESOR). It is composed of two categories: shareholder’s view and stakeholder’s view. Since this study measures the perceptions of ethics and social responsibility of managers in the hospitality industry, the stakeholder’s view will be adopted. All the survey items for ethics and social responsibility use 5 point Likert scale, 1= strongly disagree, 2= disagree, 3= neutral, 4= agree and 5= strongly agree. Other antecedents of work experience and nationality were measured by asking direct questions. For work experience, the question is “How long have you been working in the hotel (restaurant) industry as a manager?” For nationality, the question is “What is your nationality?” To verify the respondent’s familiarity with the culture, length of residence was asked too. For example, if a Chinese respondent lived in a European country for the half of his or her life time, he or she was excluded.

Third, the questionnaire to measure escalation of commitment under agency and negative framing effects was developed by Sharp and Salter (1997). Respondents were
presented with four different combinations of effect of agency and negative framing (i.e. agency effect and negative framing, no agency effect and negative framing, agency effect and neutral framing, and no agency effect and neutral framing) with the same scenario. Subjects were asked to mark their preference for further investment within 10 point scale. The score 1 is ‘not to make the investment’ and 10 is ‘to make the decision’. Based on the preference of the respondents, the degree of escalation of commitment was measured. The section of the survey integrated questions to check demographic profiles such as gender, age, job category and rank.

**Research Method**

The survey was first translated to Chinese from English and translated back to English to confirm the wording. See Appendix A for a complete copy of the survey. Data collection was done for the hotel and restaurant managers in the U.S. and China. For the SEM data analysis, more than 150 complete responses were needed from each country. The questionnaire was distributed to four different cities in China: Tianjin, Shanghai, Beijing, and Anjou. The hardcopy questionnaire was distributed with a letter explaining the objective of this study. In the U.S., responses were performed on-line at Zoomerang. Zoomerang is an on-line survey company located in San Francisco. The data base of managers working in the hotel and restaurant industry nation-wide was used for the survey. More detailed information of the research method for this study is explained in terms of sampling, data collection and data analysis in the appropriate sections.
Sample and Data Collection

The targeted sample for this research study was managers working in the hotel and restaurant industry. In China, the hotel and restaurant firms were randomly selected from the several tourist information websites. Chinese subjects were recruited by contacting each firm in Tianjin, Shanghai, Beijing, and Anjou. While the data collection in China was done by contacting each firm and distributing hard copies, data collection in the U.S. was done online. The reason for choosing different data collection methods was limited time and non-reliable data collection agencies in China. Some hotels and restaurant firms were contacted by sending letters to explain the purpose of the study and get the approval for the survey. Some of the possible intervening variables for this study are age, exposure to different cultures, and the presence of a researcher on the scene. For age, a possible generation gap could potentially influence the outcome of the survey. For exposure to different cultures, for example, Chinese managers who lived in the Western countries for several years and came back might have different attitudes and perceptions for those cultural factors. The presence of researchers can have a negative influence, especially for Chinese managers. Since the perception of saving face is stronger among Chinese, the presence of researcher(s) can affect the outcome of the survey (Hofstede, 2001). Thus, data collection at the scene in China was done by normally directors of the department.

Since the data collection in the U.S. was done online, it was done in relatively shorter amount of time than in China. Some of the strongest advantages of data collecting online are that it is relatively efficient enabling researchers to reach the sample quickly.
and inexpensively, easily revising the survey design when necessary. Another advantage is a simple data entry (Zikmund, 2003).

Normally, since SEM (structural equation modeling) is based on covariance, it requires a large sample size. Also, parameters and chi-square used in SEM are sensitive to sample size. Although SEM is a large sample size technique, Bentler and Yuan (1999) developed a method allowing estimation of models with as few as 60 participants. Normally, since chi-square is sensitive to the sample size, SEM can be stable with at least over 200 sample size. Hair, Black, Babin, Anderson, and Tatham (2006) mentioned that sample size should be decided based on a set of factors. They claimed that the model with multiple constructs of any modest communalities between .45-.55 or containing constructs with fewer than three items is required to be more than 200. Ding, Velicer, and Harlow (1995) claimed that sample size of SEM with maximum likelihood (ML) method should be between 100 and 150. In this study, since validity and reliability of the items were proven in the previous study (Hofstede, 1980, 2001) and ML method was used in data analysis, this study requires more than 150 samples for SEM analysis.

**Data Analysis**

SEM is a statistical method utilized to prove the relationships among constructs and variables. Tabachnick and Fidell (2007) defined SEM as “a collection of statistical techniques that allow a set of relationships between one or more independent variables, either continuous or discrete, and one or more dependent variables, either continuous or discrete, to be examined” (p.676). Exogenous latent variables include the five cultural factors (power distance, uncertainty avoidance, individualism/collectivism, masculinity/
femininity, short/long term orientation). Endogenous latent variables are antecedents (work experience, nationality, and ethics and social responsibility), agency and negative framing effects, and escalation of commitment).

Some of the distinctive characteristics of SEM are properly applicable to this study. First, SEM provides confirmatory rather than exploratory analysis. Thus, SEM can do well for inferential purpose for the previously specified inter-variable relations. Second, SEM offers prevalent estimates of measurement error variance. Other statistical methods rooted in regression presumed that error in the explanatory variables are removed by itself (Hair et al, 2006). Thus, especially when the error is sizable, applying explanatory (independent) variables is the same as ignoring the error. Third, there is no widely used alternative statistical method other than SEM to incorporate unobserved (latent factors) and observed variables. Consequently, by incorporating all the variables in the model, SEM analysis was the best method to examine the hypotheses.

**Measurement of Validity and Reliability**

Some of the statistical measures will be applied to examine the reliability and validity of this study. Reliability will be evaluated by Cronbach’s alpha which normally should be over .6 at least (Hair et al., 2006). Construct validity of the instrument will be measured by evaluating both of convergent and discriminant validity of inter-measurement correlation and factor analysis. The confirmatory factor analysis (CFA) was performed to examine validity of latent variables by establishing measurement model (five cultural factors, work experience and ethics and social responsibility). Other variables such as nationality and four responses for escalation of commitment were excluded from the measurement model because they are indicator variables. If items
measuring the same construct (factor) showing higher factor loading on a single component, this suggests adequate convergent and discriminant validity of the measurement.

**Summary**

This chapter projects diverse aspects of research methodology utilized in this dissertation. The research process involves adopting and connecting diverse variables of theories from various disciplines. The methodology of this study is explained in terms of research questions and hypotheses, instrumentation, research methods, data collection and sample, and data analysis. The results of the application of these methods are discussed in the next chapter.
CHAPTER 4
ANALYSIS AND RESULTS

Introduction

Data analysis and results of this study are presented in this chapter. The data were analyzed to examine whether effects exist from five cultural factors and mediator variables (nationality, work experience, and ethics and social responsibility) to four different types of escalation of commitment and cultural factors to mediator variables. Meaningful information is provided in terms of comparisons of observed and demographic variables between American and Chinese managers. The research hypotheses were tested and discussed using structural equation modeling. Path coefficients were examined and analyzed for combined (American and Chinese managers) and individual groups sampled to explore which factors influence escalation of commitment.

Descriptive Statistics

A total of 377 complete questionnaires were collected from the U.S. and China. A total of 204 responses were completed in the United States through an on-line data collection agency. Three of them were found to be out of the research category; non-managerial position (employees), minor, and business owner. Of the 250 questionnaires distributed, 190 were completed and returned (76 percent response rate). Of the total 190 completed responses from China, 14 were excluded because the respondents were either not in managerial positions or non-Chinese.

The respondents’ American-to-Chinese ratio was approximately 1.42:1. Chinese manager age was between 21 to 30, and covers approximately 51 percent, while
American managers cover 10 percent. Most of the Chinese managers in their 20’s are at the assistant manager’s level (about 80 percent). The survey asked respondents the length of residence in their country to check the origination of the culture. For example, respondents who have Chinese nationality but have lived in Western countries most of their lives should be excluded. All the respondents showed similar years of residence at their age in each of their countries. In the job category, approximately 42 percent of American managers work in the marketing area while the largest portion of Chinese managers work in the operations area. Almost 70 percent of Chinese managers work in the restaurant industry while a majority portion of American managers sample work in the hotel industry. See Table 2 for more details.

**Mean differences**

Several cultural factor items showed significant differences between American and Chinese managers as presented in Table 3. For power distance (PD), the item score of “Employees are often afraid to express disagreement with their managers.” was reversely coded because this item measured the managers’ perception of how their employees might perceive in expressing disagreement. The more the managers are concerned about whether employees are afraid to disagree with managers for the concern of power distance, they will try to encourage the employees to show disagreement without concern for PD. In other words, managers care more about an environment in which employees can freely express their ideas, opinion, and disagreement without concern for power distance so to speak lower behavior of lower power distance. For uncertainty avoidance (UA), Chinese managers showed a significant higher tendency in terms of “I’m reluctant
Table 2

*Demographic Characteristics of the Study Sample (Total N=377)*

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<tr>
<td>Male</td>
<td>94</td>
<td>122</td>
<td>52.8</td>
<td>60.2</td>
</tr>
<tr>
<td>Female</td>
<td>82</td>
<td>80</td>
<td>47.2</td>
<td>39.8</td>
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<td>21-30</td>
<td>91</td>
<td>21</td>
<td>51.7</td>
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<tr>
<td>31-40</td>
<td>49</td>
<td>47</td>
<td>27.8</td>
<td>23.4</td>
</tr>
<tr>
<td>41-50</td>
<td>23</td>
<td>67</td>
<td>13.1</td>
<td>33.3</td>
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<tr>
<td>Over 50</td>
<td>13</td>
<td>67</td>
<td>7.4</td>
<td>33.3</td>
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<td>Residence</td>
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<td>21-30</td>
<td>104</td>
<td>36</td>
<td>59.1</td>
<td>17.9</td>
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<tr>
<td>31-40</td>
<td>47</td>
<td>42</td>
<td>26.7</td>
<td>20.4</td>
</tr>
<tr>
<td>41-50</td>
<td>16</td>
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<td>30.8</td>
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<tr>
<td>Over 50</td>
<td>9</td>
<td>62</td>
<td>5.1</td>
<td>30.8</td>
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<td>Marketing</td>
<td>12</td>
<td>86</td>
<td>6.8</td>
<td>42.8</td>
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<td>Operation</td>
<td>58</td>
<td>52</td>
<td>33.0</td>
<td>25.9</td>
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<td>Sales</td>
<td>22</td>
<td>43</td>
<td>12.5</td>
<td>21.4</td>
</tr>
<tr>
<td>Finance</td>
<td>23</td>
<td>7</td>
<td>13.1</td>
<td>3.5</td>
</tr>
<tr>
<td>Human Resource</td>
<td>31</td>
<td>12</td>
<td>17.6</td>
<td>6.0</td>
</tr>
<tr>
<td>Characteristics</td>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
</tr>
<tr>
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<td>----</td>
<td>------</td>
</tr>
<tr>
<td></td>
<td>Chinese</td>
<td>American</td>
<td>Chinese</td>
<td>American</td>
</tr>
<tr>
<td>Others</td>
<td>30</td>
<td>2</td>
<td>17.0</td>
<td>0.5</td>
</tr>
<tr>
<td>Industry</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hotel</td>
<td>54</td>
<td>165</td>
<td>30.7</td>
<td>82.1</td>
</tr>
<tr>
<td>Restaurant</td>
<td>122</td>
<td>36</td>
<td>69.3</td>
<td>17.9</td>
</tr>
</tbody>
</table>

*Notes: Sample size: American =201 (46.5%), Chinese =176 (52.3%)

to make important decisions without sufficient information.” For individualism and collectivism (INDCOL), Chinese managers showed higher collectivism. The item “Having interesting work to do is just as important to most people as having high earning”, higher score means higher individualism. Thus, this item was reversely coded for structural equation modeling. For the other two items, higher scores mean higher collectivism. Chinese managers showed higher collectivism for “It is more important to pursue success of my organization than my own success, especially when the two are not consistent.” All the items for masculinity and femininity (MASFEM) and Orientation (ORI) showed significant difference between American and Chinese managers. For MASFEM, higher mean score indicates close to masculinity. The higher scores the survey item “For getting ahead in the industry, knowing influential people is usually more important than ability” mean higher femininity, the item was reversely coded. Except for this item, Chinese managers showed a higher tendency for masculinity. For ORI, Chinese managers showed higher scores for orientation. The results for ORI were expected because the ORI items were adopted from Chinese values. In summary, there
were significant differences between American and Chinese managers for several cultural factors supporting hypothesis H$_1$.

### Table 3

*T-test for Individual Items*

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Individual Items</th>
<th>Mean</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>American</td>
<td>Chinese</td>
<td></td>
</tr>
<tr>
<td>Power Distance (PD)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PD1</td>
<td>It is natural that some people in the society are more powerful than others.</td>
<td>3.21</td>
<td>3.23</td>
<td></td>
</tr>
<tr>
<td>PD2</td>
<td>Employees are often afraid to express disagreement with their managers$^1$.</td>
<td>2.04**</td>
<td>2.47**</td>
<td></td>
</tr>
<tr>
<td>PD3</td>
<td>A manager’s use of authority and power is often necessary to assure work is done efficiently.</td>
<td>3.82*</td>
<td>4.02*</td>
<td></td>
</tr>
<tr>
<td>Uncertainty Avoidance (UA)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UA1</td>
<td>I feel stress very frequently.</td>
<td>3.50</td>
<td>3.64</td>
<td></td>
</tr>
<tr>
<td>UA2</td>
<td>Company rule should not be broken— even when the employee thinks it is in the best company’s best interest.</td>
<td>3.27</td>
<td>3.23</td>
<td></td>
</tr>
<tr>
<td>UA3</td>
<td>I’m reluctant to make important decisions without sufficient information.</td>
<td>3.69*</td>
<td>3.95*</td>
<td></td>
</tr>
<tr>
<td>Individualism &amp; Collectivism (INDCOL)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INDCOL1</td>
<td>Having interesting work to do is just as important to most people as having high earning.$^2$</td>
<td>3.79*</td>
<td>3.59*</td>
<td></td>
</tr>
<tr>
<td>INDCOL2</td>
<td>It is more important to pursue success of my organization than my own success, especially when the two are not consistent.</td>
<td>2.82**</td>
<td>3.64**</td>
<td></td>
</tr>
<tr>
<td>INDCOL3</td>
<td>Staying with one company for a long time is usually the best way to get ahead in business.</td>
<td>3.16</td>
<td>3.20</td>
<td></td>
</tr>
<tr>
<td>Characteristics</td>
<td>Individual Items</td>
<td>Mean</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>American</td>
<td>Chinese</td>
<td></td>
</tr>
<tr>
<td>Masculinity &amp; Femininity (MASFEM)</td>
<td>In general, men can perform certain duties better than women; the same is true for women</td>
<td>3.36**</td>
<td>4.06**</td>
<td></td>
</tr>
<tr>
<td>MASFEM1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>For getting ahead in industry, knowing influential people is usually more important than ability.³</td>
<td>2.62**</td>
<td>2.16**</td>
<td></td>
</tr>
<tr>
<td>MASFEM2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Having challenging work to do is the way that I can get my personal sense of accomplishment.</td>
<td>3.78**</td>
<td>4.18**</td>
<td></td>
</tr>
<tr>
<td>MASFEM3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orientation (ORI)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ORI1</td>
<td>It is important for a good manager to have a stable family because family problem can distract a manager from work.</td>
<td>3.56**</td>
<td>4.27**</td>
<td></td>
</tr>
<tr>
<td>ORI2</td>
<td>I always try to help those who helped us, expect others to do the same. Family is the prototype of all social organizations, that is, everyone has a role to play and has to beat the responsibility.</td>
<td>4.00*</td>
<td>4.17*</td>
<td></td>
</tr>
<tr>
<td>ORI3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethics &amp; Social Responsibility (ES)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ES1</td>
<td>Being ethical and socially responsible is the most important thing a firm can do. The ethics and social responsibility of a firm is essential to its long-term profitability.</td>
<td>4.03</td>
<td>4.07</td>
<td></td>
</tr>
<tr>
<td>ES2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ES3</td>
<td>The overall effectiveness of a business can be determined to a great extent by the degree to which it is ethical and socially responsible. Business ethics and social responsibility are critical to the survival of a business enterprise.</td>
<td>3.90</td>
<td>3.88</td>
<td></td>
</tr>
<tr>
<td>ES4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ES5</td>
<td>A firm’s first priority should be employee morale.</td>
<td>3.69**</td>
<td>4.19**</td>
<td></td>
</tr>
<tr>
<td>ES6</td>
<td>Business has a social responsibility beyond making a profit.</td>
<td>4.05**</td>
<td>3.59**</td>
<td></td>
</tr>
<tr>
<td>Characteristics</td>
<td>Individual Items</td>
<td>Mean</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>-------</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>American</td>
<td>Chinese</td>
<td></td>
</tr>
<tr>
<td>ES7</td>
<td>Social responsibility and profitability can be compatible.</td>
<td>4.12</td>
<td>4.01</td>
<td></td>
</tr>
<tr>
<td>ES8</td>
<td>Good ethics is often good business.</td>
<td>4.27**</td>
<td>3.74**</td>
<td></td>
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<tr>
<td>Escalation of Commitment (EOC)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EOC1</td>
<td>Scenario with no agency effect/ no negative framing</td>
<td>5.00</td>
<td>4.46</td>
<td></td>
</tr>
<tr>
<td>EOC2</td>
<td>Scenario with no agency effect/ negative framing</td>
<td>5.24</td>
<td>5.38</td>
<td></td>
</tr>
<tr>
<td>EOC3</td>
<td>Scenario with agency effect/ negative framing</td>
<td>5.30**</td>
<td>3.67**</td>
<td></td>
</tr>
<tr>
<td>EOC4</td>
<td>Scenario with agency effect/ no negative framing</td>
<td>4.99**</td>
<td>2.64**</td>
<td></td>
</tr>
</tbody>
</table>

Notes: *p < .05, **p < .001, Total N=377, EOC= 10 scale, All other variables = 5 Likert Scale (See Appendix A) 1, 2, and 3- reversely coded.

For ethics and social responsibility (ES) some of the items include: “A firm’s first priority should be employee morale”; “Business has a social responsibility beyond making a profit”; “Social responsibility and profitability can be compatible”; and “Good ethics is often good business.” between American and Chinese managers. Thus, hypothesis H2 is partially supported.

For four different scenarios for escalation of commitment, scenario with agency and negative framing effect and (EOC3) and agency and no negative framing effect (EOC4) showed significant differences between American and Chinese managers. Thus, hypothesis H3 is partially supported. More detail comparisons are presented in Table 3.
Structural Equation Modeling (SEM)

An assessment of the hypothetical model of this research study was conducted with structural equation modeling (SEM) using AMOS18 statistical package. Simply, SEM provides answers for the questions involved with multiple regression analyses of factors (Tabachnick & Fidell, 2007). In other words, SEM is used to examine whether the proposed model efficiently explains links (paths) among latent variables. The proposed model of this study was examined for overall goodness-of-fit and paths between latent variables to test the hypotheses of this research study. Various fit indices are used as indicators to examine the goodness-of-fit of proposed models. McDonald and Ho (2002) summarized some of commonly used fit indices (see Table 4). The indices summarized were used in this study.

Table 4

*Fit Indices*

<table>
<thead>
<tr>
<th>Indices</th>
<th>Good Fit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square</td>
<td>$p &gt; .05^*$</td>
</tr>
<tr>
<td>CFI (comparative fit index)</td>
<td>$&gt; .90$</td>
</tr>
<tr>
<td>RMSEA (root mean square error of approximation)</td>
<td>$&lt; .05$</td>
</tr>
<tr>
<td>GFI (goodness-of-fit index)</td>
<td>$&gt; .09$</td>
</tr>
<tr>
<td>AGFI (adjusted goodness-of-fit index)</td>
<td>$&gt; .09$</td>
</tr>
</tbody>
</table>

*Note: Chi-square is sensitive to sample size in most cases especially when the sample size is more than 200*
Validity and Reliability

Reliability and validity with the entire sample were examined. First, reliability was evaluated with Cronbach’s alpha: The values of the observed variables are ranged between .458 to .791 (Table 5). Usually, generally agreed is a low limit of the alpha level is .7. However, the level can decrease to .6 or even .5 in exploratory research (Hair et al., 2006). Kline (1999) notes that even though the cut-off point of .8 is appropriate for cognitive tests such as intelligence and ability test, values below .7 can be expected because of the diversity of constructs being measured. In this study, especially low Cronbach’s alpha for PD (.458) and INDCOL (.471) can be a limitation.

Second, since the each latent variable should be psychometrically sound, measurement model validity and construct validity were evaluated with confirmatory factor analysis (CFA). The CFA procedure evaluates the goodness-of-fit, the magnitude of relationship among factors and variables and hypothesized paths. Overall fit of the model was assessed with $\chi^2$ statistics. The larger $\chi^2$, the less the model fits. However, $\chi^2$ statistics are sensitive to sample size (Hair et al., 2006). Thus, alternative fit indication of the $\chi^2$ statistics is the ratio of the chi-square to the degrees of freedom. It is acceptable if it is lower than 3. Other measures such as comparative fit index (CFI), root mean square error of approximation (RMSEA), goodness-of-fit index (GFI), and adjusted goodness-of-fit index (AGFI) are most frequently reported ones to examine the goodness-of-fit of the hypothesized model (Tabachnick & Fidell, 2007).

Some of the variables in the model were excluded in initial CFA analysis. Nationality, and four different responses for escalation of commitment were excluded because they are indicator (i.e. level of escalation of commitment) and binary variables
(i.e. 0= American and 1 = Chinese). The endogenous variable, ‘escalation of commitment’ (EOC), was excluded in CFA analysis because it is composed of four responses for four different responses. In other words, responses of EOC are indicators, not observed variables. Thus, each answer was examined individually as an indicator variable in the model.

The initial maximum likelihood (ML) estimation of 15 items of cultural factor items, 8 items of ethics and social responsibility, and 2 items of work experience revealed that the initial hypothesized model didn’t fit to the data. Thus, some of the observed variables were deleted by assessing modification indices (MI) tests in AMOS of regression weights and error covariance and standardized residual covariances: one each item from power distance (PD2), individualism and collectivism (INDCOL1), two items from masculinity and femininity (MASFEM2 & 3) and five items from ethics and social responsibility (ES4 to 8). After deleting those items, the model fits to the data well: $\chi^2 (85, N= 377) = 148.527, \ p < .05, \text{CFI} = .93 \text{ and RMSEA} = .04 \ (CI = .03\sim .05)$. Other fit indices also indicate a good model fit: GFI = .95 and AGFI= .93. Overall, the proposed structural model of cultural factors shows good fit indices (see Table 5).

Consequently, statistically valid indicator variables were applied as a part of the proposed model. Some the indicator variables showed less than .4 factor loading. However, since they are all critical elements of theories in the model, they were all included.

After running CFA of constructs, the full model measured in this study composed of five exogenous latent variables (PD, UA, INDCOL, MASFEM, and ORI), three mediator variables (nationality, work experience, ES) and four endogenous variables.
(EOC1, EOC2, EOC3, and EOCD4). The full model can be modified from the originally proposed model from figure 2 as shown in figure 3. Since MASFEM was measured with one indicator variable (MASFEM1), the measurement error was assigned as \((1-\alpha)s^2\) and factor loading as 1 to get an unbiased estimate. In this case, the measurement error for MASFEM1 was .392.

Table 5.

*Confirmatory Factor Analysis*

<table>
<thead>
<tr>
<th>Factor</th>
<th>Observed Variables</th>
<th>Factor Loading</th>
<th>Cronbach’s (\alpha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Distance (PD)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PD1</td>
<td>It is natural that some people in the society are more powerful than others.</td>
<td>.428</td>
<td>.458</td>
</tr>
<tr>
<td>PD3</td>
<td>A manager’s use of authority and power is often necessary to assure work is done efficiently.</td>
<td>.509</td>
<td></td>
</tr>
<tr>
<td>Uncertainty Avoidance (UA)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UA1</td>
<td>I feel stress very frequently.</td>
<td>.396</td>
<td></td>
</tr>
<tr>
<td>UA2</td>
<td>Company rule should not be broken-even when the employee thinks it is in the best company’s best interest.</td>
<td>.316</td>
<td>.542</td>
</tr>
<tr>
<td>UA3</td>
<td>I’m reluctant to make important decisions without sufficient information.</td>
<td>.434</td>
<td></td>
</tr>
<tr>
<td>Individualism &amp; Collectivism (INDCOL)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INDCOL2</td>
<td>It is more important to pursue success of my organization than my own success, especially when the two are not consistent.</td>
<td>.585</td>
<td>.471</td>
</tr>
<tr>
<td>INDCOL3</td>
<td>Staying with one company for a long time is usually the best way to get ahead in business.</td>
<td>.372</td>
<td></td>
</tr>
<tr>
<td>Factor</td>
<td>Observed Variables</td>
<td>Factor Loading</td>
<td>Cronbach’s α</td>
</tr>
<tr>
<td>-------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------</td>
<td>----------------</td>
<td>--------------</td>
</tr>
<tr>
<td><strong>Masculinity &amp; Femininity (MASFEM)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MAS</td>
<td>In general, men can perform certain duties better than women; the same is true for women</td>
<td>.548</td>
<td></td>
</tr>
<tr>
<td>FEM1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Orientation (ORI)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ORI1</td>
<td>It is important for a good manager to have a stable family because family problem can distract a manager from work.</td>
<td>.625</td>
<td></td>
</tr>
<tr>
<td>ORI2</td>
<td>I always try to help those who helped us, expect others to do the same.</td>
<td>.475</td>
<td>.586</td>
</tr>
<tr>
<td>ORI3</td>
<td>Family is the prototype of all social organizations, that is, everyone has a role to play and has to beat the responsibility.</td>
<td>.584</td>
<td></td>
</tr>
<tr>
<td><strong>Ethics &amp; Social Responsibility (ES)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ES1</td>
<td>Being ethical and socially responsible is the most important thing a firm can do.</td>
<td>.706</td>
<td></td>
</tr>
<tr>
<td>ES2</td>
<td>The ethics and social responsibility of a firm is essential to its long-term profitability.</td>
<td>.836</td>
<td>.791</td>
</tr>
<tr>
<td>ES3</td>
<td>The overall effectiveness of a business can be determined to a great extent by the degree to which it is ethical and socially responsible.</td>
<td>.726</td>
<td></td>
</tr>
<tr>
<td><strong>Work Experience</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tenure</td>
<td>How long have you worked as a manager in hotel/restaurant industry?</td>
<td>.998</td>
<td>.751</td>
</tr>
<tr>
<td>Fulltime</td>
<td>How long have you been working at your full-time job?</td>
<td>.571</td>
<td></td>
</tr>
<tr>
<td><strong>Fit Statistics</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$\chi^2$ (85, N= 377) = 148.527, $p &lt; .05$, CFI = .93, RMSEA = .04 (CI = .03~ .05), GFI = .95, and AGFI = .93</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note: $\chi^2$ (85, N= 377) = 148.527, $p < .05$, CFI = .93, RMSEA = .04 (CI = .03~ .05), GFI = .95, and AGFI = .93*
Figure 3. Modified Full Model
**Structural Model with the Entire Sample**

After running CFA for validity assessment of the constructs, the model modification was made to improve the model fit to the data. The normality and outliers were checked with kurtosis estimates and Mahalanobis distance. After eliminating a couple of outliers and linking error covariance among four different EOCs (ECO1, EOC2, EOC3, and EOC4) based on MI test in AMOS, the model fits the data well: $\chi^2 (160, N=375) = 294.198, \ p < .05$, CFI=.92, RMSEA = .04 (CI = .04-.06), GFI = .93, and AGFI=.91. Adding error covariance was expected because they share the same scenario with different combination of agency and negative framing effect. Table 6 presents the path coefficients ($\beta$) between cultural factors and mediator variables and their significance of impact for four each different scenarios of EOC.

**Influential factors on mediator variables.**

Some of the cultural factors were found to have significant direct impact on mediator variables. PD was found to have significant direct impact on work experience ($\beta = .60$, $\beta$ indicates the estimated standardized coefficients.). This means as a whole for both American and Chinese managers, the longer work experience managers have, the higher tendency of PD they show. INDCOL was found to have significant direct impact on all three mediator variables: nationality ($\beta=.14$), work experience ($\beta =-.60$) and ES ($\beta =-.55$). For nationality, since the nationality coded as binary variable (0= US and China = 1), Chinese managers tend toward collectivism. For work experience, the result means that the more work experience the manager has, the more he or she tends toward individualism. For ES, managers with longer work experience can show less commitment for company’s ethics and social responsibility. ORI was found have a direct influence on
Table 6

*Influence of Cultural Factors, Nationality, Work Experience, and Ethics and Social Responsibility on Escalation of Commitments*

<table>
<thead>
<tr>
<th></th>
<th>EOC1</th>
<th>EOC2</th>
<th>EOC3</th>
<th>EOC4</th>
<th>Nationality</th>
<th>Work Experience</th>
<th>ES</th>
<th>EOC1</th>
<th>EOC2</th>
<th>EOC3</th>
<th>EOC4</th>
</tr>
</thead>
<tbody>
<tr>
<td>PD</td>
<td>-.10</td>
<td>.60*</td>
<td>.10</td>
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<td>.28*</td>
<td>.46*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UA</td>
<td>.60</td>
<td>-.32</td>
<td>.20</td>
<td>-.41</td>
<td>.04</td>
<td>-.14*</td>
<td>-.24*</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>INDCOL</td>
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<td>-.60*</td>
<td>-.55*</td>
<td>-.07</td>
<td>-.03</td>
<td>-.30*</td>
<td>-.48*</td>
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<tr>
<td>MASFEM</td>
<td>-.05</td>
<td>.04</td>
<td>-.22</td>
<td>.00</td>
<td>-.03</td>
<td>-.00</td>
<td>.01</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ORI</td>
<td>.24</td>
<td>-.02</td>
<td>.76*</td>
<td>-.03</td>
<td>.94</td>
<td>-.04</td>
<td>-.07</td>
<td></td>
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<tr>
<td>Nationality</td>
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<td>-.01</td>
<td>-.31*</td>
<td>-.44*</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Work Experience</td>
<td>.08</td>
<td>-.08</td>
<td>-.11*</td>
<td>-.04</td>
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<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ES</td>
<td>-.01</td>
<td>.12*</td>
<td>.04</td>
<td>-.03</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

*Note. * p < .05, N=375, β indicates the estimated standardized path coefficient.*
ES (β = .76). This result is interesting in that moral value of Confucianism is significantly related to company’s ES. Consequently, the results partially support hypothesis H13. In summary, among 15 causal paths specified in the hypothesized model, 5 were found to be statistically significant. These paths include (1) PD on work experience, (2) INCOL on nationality, (3) INDCOL on work experience, (4) INDCOL on ES, (5) ORI on ES. In the model, 74 percent of variances (R²) work experience were attributed to PD and INDCOL, 30.1 percent of ES to INDCOL and ORI, and 16.1 percent of nationality to INDCOL.

Influential factors on escalation of commitment.

Some of the cultural factors were found to have indirect significant relationships with four different scenarios of EOC (See Table 6). Significance of indirect impacts was assessed with Bootstrapping with AMOS18. For EOC1 (no agency / no negative framing effect) and EOC2 (no agency / negative framing effect), none of the cultural factor were found to have influence on. Thus, H14 and H17 were rejected. For EOC3 (agency / negative framing effect) and EOC 4 (agency / no negative framing effect), PD, UA and INDCOL were found to have significant impacts on. PD has a significant influence on EOC3 (β = .28) and EOC4 (β = .46), UA on EOC3 (β = .14) and EOC4 (β = -.24), and INDCOL on EOC3 (β = -.30) and EOC4 (β = -.48). For PD on EOC3 and 4, the results mean that higher tendency of PD increases the manager’s escalation of commitment under agency and no negative framing effect, and agency and negative framing effect. For UA on EOC3 and 4, the results mean that higher tendency avoiding uncertainty decreases the manager’s escalation of commitment under agency and no negative framing effect, and agency and negative framing effect. For INDCOL on EOC3 and 4, the results mean that higher tendency toward individualism increases the manager’s escalation of
commitment under agency and no negative framing effect, and agency and negative framing effect. Considering that agency effect applied for both of EOC3 and EOC4 and no significant impact of PD, UA, and INDCOL on EOC2 (only with negative framing effect), agency effect can be the only effect for the influence of PD, UA, and INDCOL on EOC. Thus, H₁₅ and H₁₆ were partially accepted. In summary, cultural factors don’t have significant impacts on escalation of commitment and escalation of commitment with negative framing effect (reject H₁₄ and H₁₇). However, PD, UA, and INDCOL have influence on EOC with agency effect (support H₁₆) and combining effect of agency and negative framing effect (support H₁₅). The more details are presented in Table 5. Since agency effect was applied to EOC3 and 4 and negative framing effect was found not to be influenced by cultural factors, agency effect is the only valid factor influenced by cultural factors.

Some of mediator variables were found to have significant direct impact on EOCs. First, nationality was found to have a significant direct impact on EOC1 ($\beta = -0.11$, no agency /no negative framing effect), 3 ($\beta = -0.31$, agency /negative framing effect), and 4 ($\beta = -0.44$, agency / no negative framing effect). Considering that nationality doesn’t have a significant impact on EOC2 (no agency effect / negative framing), negative framing is not a valid factor for escalation of commitment. Since nationality is a binary variable (0 = US and 1 = China), the results mean that American managers have higher tendency toward escalation of commitment itself and EOC with agency effect. Work experience was found to have a significant direct impact on EOC3 ($\beta = -0.12$). This means that as managers increase their work experiences their tendency of EOC with agency and negative framing effect decrease. ES was shown to have significant direct impact on
EOC2 (β = .12, no agency/ negative framing effect). This means the higher ethics and social responsibility value the managers have, the more tendency toward EOC with negative framing effect. Thus, the significant influences of nationality on EOC1, 3, and 4 and ES on EOC4 partially support H18, H19, H20, and H21. In summary, among twelve path coefficient paths, five of them were found to be significant. They include (1) nationality on EOC1,3, and 4 (2) work experience on EOC3, and (3) ES on EOC2; and

34.1 percent variances (R2) of EOC1 were accounted by nationality, 21.3 percent of EOC2 by ES, 42.8 percent of EOC3 by work experience and nationality and 18.2 percent of EOC4 by nationality.

**Structural Model: American vs. Chinese Managers**

Multi-group invariance was performed with AMOS 18 to assess whether two groups of managers respond to the items in the same way so that we may compare ratings obtained from different groups in a meaningful way. After removing five outliers (two from Chinese managers and three from American managers), the models fit the data well:

\[ \chi^2 (98, N= 173) = 132.948, \quad p < .05, \ CFI= .93, \ RMSEA = .04 \ (CI = .03~ .06), \ GFI = .91, \] and \( AGFI= .87 \) for Chinese manager group; \[ \chi^2 (98, N= 197) = 151.467, \quad p < .05, \] CFI= .91, RMSEA = .05 (CI = .03~ .06), GFI = .92, and AGFI= .87 for American manager group. Since the MASFEM is measured with single indicator variable (MASFEM1) measurement error was assigned with as \( (1-\alpha) \sigma^2 \) and factor loading as 1 to get an unbiased estimate (American=.452, Chinese=.243). Nationality was excluded since the model was assessed for each country manager group. Figure 4 showed the model examined with adding error covariance among four EOCs.
Influential factors on mediator variables.

Some of the cultural factors were found to have significant direct impacts on mediator variables. Table 7 shows the path coefficients for each group of managers. For work experience, PD was found to have an inverse relationship with for both American and Chinese manager groups (American: $\beta = -.79$ and Chinese: $\beta = -.65$, $\beta$ indicates estimated standardized path coefficient.) ORI was found to have a direct significant impact on work experience on American managers but not for Chinese managers (American managers: $\beta = .68$). Other cultural factors were found to have non-significant impacts for both groups. A couple of cultural factors were found to significantly influence on ES. PD was found to have a significant direct influence on ES for Chinese manager group ($\beta = .44$). PD of Chinese manager group has positive relationship with ES. For the direct impact of ORI on ES, the significance was found only in American manager group ($\beta = .10$). Overall, these results partially support hypothesis H4.
In summary, in the American managers’ model, 42.4 percent of variances ($R^2$) for work experience were attributed to PD and ORI, 28.4 percent of $R^2$ for ES attributed to PD and ORI. In the Chinese managers’ model, 52.6 percent of variances ($R^2$) of work experience were attributed to PD and 18.4 percent of $R^2$ of ES attributed to PD.
Table 7

*Difference between American and Chinese Managers in Effect of Cultural Factors, Nationality, Work Experience, and Ethics and Social Responsibility on Escalation of Commitments*

<table>
<thead>
<tr>
<th>Category</th>
<th>American</th>
<th>Chinese</th>
<th>Diff</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Direct(β)</td>
<td>Indirect(β)</td>
<td>Direct(β)</td>
</tr>
<tr>
<td>On EOC1</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>PD</td>
<td>-.03*</td>
<td>.15*</td>
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</tr>
<tr>
<td>UA</td>
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<td>-.11*</td>
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</tr>
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<td>INDCOL</td>
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<td>-.17*</td>
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<tr>
<td>MASFEM</td>
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<td>-.04</td>
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<td>ORI</td>
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<tr>
<td>Work Exp.</td>
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<td>ES</td>
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<td>-.05</td>
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<td>On EOC2</td>
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<tr>
<td>PD</td>
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<td>.17*</td>
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<td>-.08*</td>
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</tr>
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<td>.14</td>
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<td>.29*</td>
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<tr>
<td>ORI</td>
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<td>.20</td>
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</tr>
<tr>
<td>Work Exp.</td>
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<td>-.28*</td>
<td></td>
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<tr>
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<td>.02</td>
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</tr>
<tr>
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<td>Chinese</td>
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<tr>
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<td>----------</td>
<td>---------</td>
<td>------</td>
</tr>
<tr>
<td>On Work Exp.</td>
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<td></td>
<td></td>
</tr>
<tr>
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<td>-.65*</td>
<td></td>
</tr>
<tr>
<td>UA</td>
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</tr>
<tr>
<td>INDCOL</td>
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<td>Diff</td>
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</tr>
<tr>
<td>ORI</td>
<td>.10*</td>
<td>.00</td>
<td>Diff</td>
</tr>
</tbody>
</table>

Note: *p < .05, N=370, β - estimated standardized path coefficient.

Influential factors on escalation of commitment.

Some of the cultural factors were found to have significant indirect impacts on four different scenarios of EOC. For EOC1 (no agency/no negative framing), PD, UA, and INDCOL were found to have significant influence on for both American and Chinese manager groups. Interestingly, PD of American manager group has a significant negative relationship with EOC1 (β = -.03) while Chinese manager group positive (β = .15). For impact of UA and IND on EOC1, both group showed opposite direction of relationships (UA on EOC1: American managers, β = .05, Chinese managers β =-.11; INDCOL on EOC1: American managers, β = .04, Chinese managers, β = -.17). Thus, H₅ is partially supported. For the influence of indirect impacts of cultural factors on EOC2 (no agency/negative framing) like the case of EOC1, PD, UA, and INDCOL were found to have significant impacts on EOC2. PD showed significant negative impact for EOC2.
in American manger group ($\beta = -0.42$) while positive in Chinese manger group ($\beta = 0.17$). For the impact of UA on EOC2, only American manager group showed significance ($\beta = 0.31$). Thus, H8 is partially supported. PD and INDCOL were found to have significant impacts on impact on EOC3 (agency/ negative framing). PD have an inverse relationship with EOC3 in American manager group ($\beta = -0.12$) while positive in Chinese manager group ($\beta = 0.29$). Impact of INDCOL on EOC3 was found to be positive significant for American managers ($\beta = 0.10$) while negative significant for Chinese managers ($\beta = -0.22$). Thus, H6 is partially supported.

For the influence of the cultural factors on EOC4 (agency/ no negative framing), PD, UA, and INDCOL were found to have significant indirect impacts on for both group of managers. For PD on EOC4, both groups of managers have positive impact on (American managers: $\beta = 0.50$, Chinese managers: $\beta = 0.19$). For UA and INDCOL on EOC4, they all showed negative impacts on (UA on EOC4: American- $\beta = -0.32$, Chinese managers- $\beta = -0.08$; INDCOL on EOC4: American managers- $\beta = -0.49$, Chinese managers- $\beta = -0.15$).

Since, both group of manager showed the same directions of impact of EOC4, H7 is rejected. In summary, the significant differences of impact between American and Chinese manager for the impact of cultural factors on EOC 1,2, and 3 support hypothesis H5, H6, and H8 and the non-significant differences of impact reject H7.

Some of the mediator variables were shown to have significant impacts on EOCs. For American managers, ES was found to have significant impacts on EOC2 (no agency/ negative framing). This means that American managers with ethics and social responsibility are prone to commit escalation behavior under negative framing effect. Also, work experience has a positive relationship with EOC4. This means that the more
work experience the manager has, the more tendency exists toward risk taking with agency effect. For the Chinese manager group, work experience was found to have an inverse influence for all four EOCs. This finding is interesting because for EOC4 American manager showed higher tendency to risk taking as their work experience increase while Chinese managers showed less tendency to take risk. In summary, significant differences of impact of work experience on EOC1, 2, and 3 partially support H₉, H₁₀, H₁₁ and impacts of work experience and ES on EOC4 support H₁₂. Consequently, in the American managers model 18.5% of variances (R²) of EOC2 were attributed to ES and 23.1% of EOC4 to work experience. In the model of Chinese manager 38.0% variances (R²) of EOC1, 31.1% of EOC2, 35.1% of EOC3 and 18.5% of EOC4 were explained by work experience.

In summary, majority of hypotheses were found to be significantly or partially accepted (see Table 8). The three hypotheses in mean differences (H₁, H₂, and H₃) were all supported by showing significant differences in cultural factors, ethics and social responsibility (ES), and escalation of commitment (EOC). Majority of the nine hypotheses (H₁₃ to H₂₁) in the structural model with the entire sample were found to be partially supported: all were partially accepted except H₁₄ (rejected) and H₁₇ (rejected). Another nine hypotheses in the structural model of group invariance (H₄ to H₁₂) were found to be all partially supported except H₇ (rejected).
Table 8

*Summary of Hypotheses Analysis*

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Accepted / Rejected</th>
<th>Specification (Significant difference/effect)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mean Differences</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H₁: There are significant differences in terms of cultural factors between American and Chinese managers.</td>
<td>Accepted</td>
<td>Total 15 items (3 items for each factor) PD2,3,UA3,INDCOL1,2, MASFEM1,2, 3, ORI1,2,3 showed significant differences</td>
</tr>
<tr>
<td>H₂: There are significant differences in terms of ethics and social responsibility between American and Chinese managers.</td>
<td>Accepted</td>
<td>Total 8 items ES5,6,8 showed significant differences</td>
</tr>
<tr>
<td>H₃: There are significant differences in terms of escalation of commitment between American and Chinese managers.</td>
<td>Accepted</td>
<td>Total 4 EOC scenarios EOC1- no effect EOC2-negative framing EOC3-agency/negative framing EOC4 -agency ECO3,4 showed significant differences</td>
</tr>
<tr>
<td><strong>Group Invariance Model</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H₄: There are significant cross-cultural differences between American and Chinese managers for the effects of cultural factors on work experience, and ethics and social responsibility.</td>
<td>Partially Accepted</td>
<td>Cultural factors on ES - PD → ES American- β = -.82 Chinese- β = -.44* -ORI → ES American- β = .10* Chinese- β = .00 Cultural factors on work experience American- β = .68* Chinese- β = -.73</td>
</tr>
<tr>
<td>Hypotheses</td>
<td>Accepted / Rejected</td>
<td>Specification (Significant difference/effect)</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>---------------------</td>
<td>-------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>H5: There are significant cross-cultural differences between American and Chinese managers for escalation of commitment through work experience, and ethics and social responsibility.</td>
<td>Partially Accepted</td>
<td>Cultural factors on EOC1&lt;br&gt;-PD → EOC1&lt;br&gt;American- $\beta = -0.03^<em>$&lt;br&gt;Chinese- $\beta = -0.15^</em>$&lt;br&gt;-UA → EOC1&lt;br&gt;American- $\beta = 0.05^<em>$&lt;br&gt;Chinese- $\beta = -0.11^</em>$&lt;br&gt;-INDCOL → EOC1&lt;br&gt;American- $\beta = 0.04^<em>$&lt;br&gt;Chinese- $\beta = -0.17^</em>$</td>
</tr>
<tr>
<td>H6: There are significant cross-cultural differences between American and Chinese managers for escalation of commitment through work experience, and ethics and social responsibility with agency and negative framing effect.</td>
<td>Partially Accepted</td>
<td>Cultural factors on EOC3&lt;br&gt;-PD → EOC3&lt;br&gt;American- $\beta = -0.12^<em>$&lt;br&gt;Chinese- $\beta = 0.29^</em>$&lt;br&gt;-INDCOL → EOC3&lt;br&gt;American- $\beta = 0.10^<em>$&lt;br&gt;Chinese- $\beta = -0.22^</em>$</td>
</tr>
<tr>
<td>H7: There are significant cross-cultural differences between American and Chinese managers for escalation of commitment with agency effect through work experience, and ethics and social responsibility.</td>
<td>Rejected</td>
<td>Cultural factors on EOC4&lt;br&gt;-No different effect found</td>
</tr>
<tr>
<td>H8: There are significant cross-cultural differences between American and Chinese managers for escalation of commitment with negative framing effect through work experience, and ethics and social responsibility.</td>
<td>Partially Accepted</td>
<td>Cultural factors on EOC2&lt;br&gt;-PD → EOC2&lt;br&gt;American- $\beta = 0.42^<em>$&lt;br&gt;Chinese- $\beta = 0.17^</em>$&lt;br&gt;-UA → EOC2&lt;br&gt;American- $\beta = 0.31^<em>$&lt;br&gt;Chinese - $\beta = -0.01^</em>$&lt;br&gt;-INDCOL → EOC2&lt;br&gt;American- $\beta = 0.36^<em>$&lt;br&gt;Chinese- $\beta = -0.08^</em>$</td>
</tr>
<tr>
<td>Hypotheses</td>
<td>Accepted / Rejected</td>
<td>Specification (Significant difference/effect)</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>---------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>H₀: There are significant differences between American and Chinese managers of the effects of work experience, and ethics and social responsibility on escalation of commitment.</td>
<td>Partially Accepted</td>
<td>Mediator variables on EOC1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- work experience→EOC1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>American- $\beta$ =-.05</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chinese- $\beta$ =-.27*</td>
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<tr>
<td>H₁₀: There are significant differences between American and Chinese managers of the effects of work experience, and ethics and social responsibility on escalation of commitment with agency and negative framing effect.</td>
<td>Partially Accepted</td>
<td>Mediator variables on EOC3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- work experience→EOC3</td>
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<td></td>
<td></td>
<td>American- $\beta$ =-.02</td>
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<td></td>
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<td>Chinese - $\beta$ =-.39*</td>
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<td>H₁₁: There are significant differences between American and Chinese managers of the effects of work experience, and ethics and social responsibility on escalation of commitment with agency effect.</td>
<td>Partially Accepted</td>
<td>Mediator variables on EOC4</td>
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<tr>
<td></td>
<td></td>
<td>- work experience→EOC4</td>
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<td></td>
<td></td>
<td>American- $\beta$ =.10*</td>
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<td></td>
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<td>Chinese- $\beta$ =-.28*</td>
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</tr>
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<td></td>
<td></td>
<td>- work experience→EOC2</td>
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<tr>
<td></td>
<td></td>
<td>American- $\beta$ =-.08</td>
</tr>
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<td></td>
<td></td>
<td>Chinese- $\beta$ =-.20*</td>
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<td></td>
<td>- ES→EOC2</td>
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<td></td>
<td></td>
<td>American- $\beta$ =.13*</td>
</tr>
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<td></td>
<td></td>
<td>Chinese- $\beta$ =.10</td>
</tr>
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<td><strong>General Model</strong></td>
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<td>Cultural factors on mediator variables</td>
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<td>-PD → work experience</td>
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<tr>
<td></td>
<td></td>
<td>- INDCOL → nationality</td>
</tr>
<tr>
<td></td>
<td></td>
<td>work experience and ES</td>
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<tr>
<td></td>
<td></td>
<td>- ORI on ES found significant</td>
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<td>Hypotheses</td>
<td>Accepted / Rejected</td>
<td>Specification (Significant difference/effect)</td>
</tr>
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<td>---------------------------------------------------------------------------</td>
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</tr>
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<td><strong>H_{14}</strong>: There are significant effects of cultural factors on escalation of commitment.</td>
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</tr>
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<td></td>
<td></td>
<td>-No significant impact</td>
</tr>
<tr>
<td><strong>H_{15}</strong>: There are significant effects of cultural factors on escalation of commitment with agency and negative framing effect.</td>
<td>Partially Accepted</td>
<td>Cultural factors on EOC3</td>
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<td></td>
<td>-Significant effects of PD, UA, and INDCOL</td>
</tr>
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<td>Cultural factors on EOC4</td>
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<td></td>
<td>-Significant effects of PD, UA, and INDCOL</td>
</tr>
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<td>Rejected</td>
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<td></td>
<td>-No significant impact</td>
</tr>
<tr>
<td><strong>H_{18}</strong>: There are significant effects of nationality, work experience, and ethics and social responsibility on escalation of commitment.</td>
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<td>Mediator variables on EOC1</td>
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<td></td>
<td></td>
<td>-Significant effect of Nationality</td>
</tr>
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<td><strong>H_{19}</strong>: There are significant effects of nationality, work experience, and ethics and social responsibility on escalation of commitment with agency and negative framing effect.</td>
<td>Partially Accepted</td>
<td>Mediator variables on EOC3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-Significant effect of nationality and work experience</td>
</tr>
<tr>
<td><strong>H_{20}</strong>: There are significant effects of nationality, work experience, and ethics and social responsibility on escalation of commitment with agency effect.</td>
<td>Partially Accepted</td>
<td>Mediator variables on EOC4</td>
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<tr>
<td></td>
<td></td>
<td>-Significant effect of nationality</td>
</tr>
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<td><strong>H_{21}</strong>: There are significant effects of nationality, work experience, and ethics and social responsibility on escalation of commitment with negative framing effect.</td>
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<td>Mediator variables on EOC2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-Significant effect of ES</td>
</tr>
</tbody>
</table>

*Note.* *p* < .05; $\beta$ indicates the estimated standardized path coefficient
Conclusions

This chapter presents data analysis and results of the mean difference of the variables and SEM research models. Mean comparisons involved with comparing mean differences in terms of cultural factors, mediator variables and four different scenarios of escalation of commitment between American and Chinese manager group. All the hypotheses related to mean comparisons were found to be supported. SEM research models involved with the model explaining the relationships between cultural factors and mediator variables, mediator variables and escalation of commitment, and cultural factors and escalation of commitment in the overall sample and each manager group. Majority of the hypotheses were found to be supported by the research model in this study. The managerial implications, discussion, limitations, and recommendations for future research are discussed in the next chapter.
CHAPTER 5
SUMMARY AND CONCLUSION

Introduction

This chapter includes a discussion of the results, implications, and recommendations for future research. In addition this section attempts to take an objective look at some of the limitations of this research study based on a variety of factors including the data analysis. The major findings in the data analysis are discussed from a managerial perspective. Based on the discussion of the findings, the possible implications for the hotel and restaurant industry and contributions to the hospitality literature are provided. Also, recommendations for the possible future research and limitations are discussed.

Discussion and Implications

Some of the findings of this research study propose meaningful contributions and managerial implications for the hospitality industry. After Hofstede first developed the cultural factors which were unveiled in his research in the early 1980’s, they have been utilized by other scholars in various areas of academia. Because of the inter-disciplinary approach, some of the research has evolved creating links between cultural factors and decision making behaviors. However, the model assessing managers’ decision making behavior in a risky business environment has not been analyzed creating a gap in the literature. Salter and Sharp (2001) tried to measure the relationship between cultural factors and escalation of commitment as a risky decision making behavior. However, the model didn’t explain how those independent variables other than cultural factors should
be positioned between cultural factors and escalation of commitment putting all the variables in a single dimension. Theoretically, the variables should be explained and measured based on a cultural foundation. Thus, they have to be positioned in a different dimension from the cultural factors. Consequently, the endeavor and elaboration to develop a more efficient and theoretically sound framework has led to this examination proposing a new model incorporating these overlooked factors.

This research model examined four main research questions. First, are American and Chinese managers working in the hotel and restaurant industry different in terms of cultural factors, antecedents of escalation, and escalation of commitment? Second, are the antecedents of escalation of commitment efficient moderators between cultural factors and escalation of commitment? Third, does the model explain the risk in decision making behaviors of American and Chinese managers effectively? Fourth, are American and Chinese managers working in the hotel and restaurant industry significantly different in terms of escalation of commitment with or without agency and negative framing effect? This research study focuses on assessing the new model, explaining managers’ risk decision making behavior and group difference between American and Chinese managers for risk decision making. The efficiency of the model and group difference were measured and compared with different determinants of the model in each dimension (β difference). Several critical findings from the data analysis and their managerial implication can be addressed as follows.

**Comparison of Variables in Each Dimension (Mean Difference)**

This study has its meaning in that mean differences can help understand the difference between two groups of managers and provide different solution of managerial
efficiency. Especially, this study first examined mean differences in terms of escalation of commitment for American and Chinese managers working in the hotel and restaurant industry.

By examining the variables in the model, it is possible to see which individual variables show significant differences between American and Chinese managers. For cultural factors, significant differences were found between American and Chinese managers in all of the five factors; power distance, uncertainty avoidance, individualism and collectivism, masculinity and femininity, and orientation. When first cultural factors were developed by Hofstede (1980), China was not included. The only possible approximation was suggested based on the level of cultural factors of China related countries (i.e. Hong Kong, Singapore, and Taiwan). The later cultural factors (Hofstede, 2001) included orientation based upon Chinese Confucian moral values wide spread among Asian countries. Still, all five cultural factors, including orientation, showed significant differences between managers of the two countries. However, some of the items didn’t show a significant difference. For example, questionnaire items in power distance (PD) “It is natural that some people in the society are more powerful than others”, in uncertainty avoidance “I feel stress very frequently” and “Company rule should not be broken even when the employee thinks it is the company’s best interest”, and in individualism vs. collectivism “Staying with one company for a long time is usually the best way to get ahead in business”, didn’t show significance at all.

This might be attributed to the transition of cultures between the time from when the cultural factors were first developed by Hofstede (1980) and applied to develop a new model for this study. McCoy et al. (2005) argued that because Hofstede’s cultural factors
are outdated (used more than 30 years) they should not be used for individual models of
behaviors or technology acceptance. However, the analysis of individual behaviors
(escalation of commitment) in this study showed the validity of cultural factors. Thus, the
study of McCoy et al. (2005) need to be more elaborated and expanded on diverse aspects
of behavioral studies. The fast growing Chinese economy under capitalism also could
have been a critical influence for the cultural transition. This will be addressed in-depth
in the limitations and recommendations for future research section.

Still, significant differences do exist in the all five cultural factors and these
differences have to be considered as a part of the managers’ training and managing
employees. For power distance, Chinese managers and their employees have to be
encouraged to express their ideas and disagreement freely. Varela et al. (2008) found that
peers in high power distance group can have similar characteristics or mindset. This
suggests a lack of diverse opinions, creativity, and disagreements which can be
detrimental for the company’s prosperity. Thus, by rewarding employee comments by
management (i.e. best opinion for a new marketing and PR plan), managers can give
clear signs that the company does value employees’ diverse opinions and disagreements.

For uncertainty avoidance (UA), Chinese manager showed significant higher
scores as depicted in the item “I’m reluctant to make important decision without
sufficient information.” These results mean that Chinese managers opt to take relatively
sure and safe options rather than risky ones. Atuahene-Gima et al. (2002) suggested that
the level of UA and supervisors’ trust can improve employee performance in China. Thus,
management of international hospitality companies needs to provide a well structured
information sharing system so that Chinese managers don’t have to delay making critical decisions.

For individualism and collectivism (INDCOL), American managers showed higher individualism for “Having interesting work to do is just as important to most people as having high earnings.” and, “It is more important to pursue success of my organization than my own success, especially when the two are not consistent.” The results mean that the managers’ perspective about their job should be considered in assigning their jobs and positions especially in international hospitality companies. Koch et al. (2007) found that Chinese with higher individualism scores are more cooperative. Thus, jobs required to have teamwork can be assigned to Chinese employees with higher individualism score rather than collectivistic. Overall, employees valuing to have interesting work will be more easily motivated once they are interested in their work.

For all items in masculinity and femininity (MASFEM) and orientation (ORI), significant differences exist. For masculinity and femininity, Chinese managers showed higher score in the item “In general, men can perform certain duties better than women, the same is true for women.” This result suggests possible stereotypes for certain jobs, less equal chance for both genders and consequently possible gender discrimination. Thus, international hospitality operations have to especially train Chinese employees to eliminate those possible stereotypes. A similar study done in a joint venture company also found significant differences between managers from China and the U.S. (Baird, Lyles, & Wharton, 1990). As mentioned earlier, although some of the items of cultural factors were not significantly different between the two groups of managers when
compared to study of Hofstede (1980), a majority of the items were still found to result in significant differences between the managers of two countries.

For ethics and social responsibility, three questionnaire items showed significant differences between American and Chinese managers: “A firm’s first priority should be employee morale”, “Business has a social responsibility beyond making profits” and “Good ethics is often good business.” Chinese managers showed higher means for the first item and lower in other two. This result means that Chinese managers more likely to rely on employee morale while American managers expect to have an emphasis on overall managerial morale. This difference pretty much conforms to the general notion of different levels of emphasis on societal moral values between the U.S. and China. After Enron’s financial fraud case, the overall part of every U.S. society emphasizes the morality of business more than ever before. Even though Chinese society has its own moral values passed through generations for thousand years, these still can be in conflict with the current communism regime. When compared to the previous study done by Shafer, Fukukawa, and Lee (2007) which found about five significant differences between American and Chinese group managers in business industry, this study found three items showing significance. This difference might be attributed to different industry characteristics and the fact that almost half of the hotels operated in China are government owned.

For escalation of commitment, two items showed significance between two groups of managers: escalation of commitment 3 (scenario with agency effect/ negative framing effect) and escalation of commitment 4 (scenario with agency effect/ no negative framing effect). American managers showed higher scores of risk decision making
(escalation of commitment) than Chinese managers in all two items. The results denote that American managers relatively more opt to take risk in decision making when there is agency effect (i.e. information asymmetry). Comparing escalation of commitment 3 (agency/ negative framing effect) with significant difference and escalation of commitment 2 (no agency/ negative framing effect) with non-significance, negative framing effect appears to be making non-significant difference between the two groups.

These findings imply that American managers’ risk taking tendency toward information asymmetry is higher than that of Chinese managers’. Thus, management needs to establish a well-structured monitoring systems to prevent managers from pursuing their own interest while damaging their company’s finance and reputation. A previous study done by Salter and Sharp (1997) didn’t show significant differences in escalation of commitment of managers based on job category. In this study, as the first measurement of escalation of commitment for the managers working in the hospitality industry, escalation of commitment 3 and 4 were found to be significantly different between the managers of two countries. Thus, this study contributed to the body of literature in that escalation of commitment (EOC) can be applicable to hospitality managers working in the U.S. as well as China while EOC for managers in the different industry didn’t show any significant differences.

**General Model**

**Direct Impact of Cultural Factors on Mediator Variables.**

The general model was examined to identify the model applicability to entire samples of American and Chinese managers. The study done by Salter et al (1997, 2001) placed cultural factors and mediator variables in a single dimension. Theoretically and
statistically, placing all the factors in a single dimension can’t be an efficient way to measure the relationship among them. The individual work experience, level of ethics and social responsibility and escalation of commitment as individual behaviors should be practiced and expressed based on cultural foundation and difference in each country. This study contributed to the body of literature in that it tried to explain the relationships among factors by placing them in theoretically valid places.

Some of managerial implications can be provided based on the findings in the general model with the entire sample. First, regarding the relationships between cultural factors and mediator variables, power distance, individualism vs. collectivism, and orientation were found to have influence on the mediator variables. Power distance (PD) has a positive influence on work experience. This finding is consistent with the study done by Romm et al. (2002). This result may mean when the work experience increases managers are more influenced by power distance. For example, a manager may be more concerned about an existing power imbalance with his or her boss, colleagues, even with employees as his or her job experience increases. Being concerned or flexible in dealing with power distance can be helpful for an individual career. However, too much can sometimes backfire politically, hampering companies that are innovative and efficient. Thus, global hospitality companies with multiracial composition should try to minimize the political backfire while dealing with pursuing organizational efficiency.

Individualism vs. collectivism (INDCOL) was found to have significant impact on all three mediator variables. Individualism vs. collectivism has a positive impact on nationality. Since the nationality was a binary variable (0= U.S. and 1 = China), the result means that Chinese nationality has a positive relationship with collectivism (higher score
higher collectivism). This finding is consistent with the general findings of Hofstede (1980) and also with the finding of the mean comparison in this study. Individualism vs. collectivism has a negative impacts work experience and ethics and social responsibility. The results mean that managers with work experience could have more individualism mindset in doing their jobs, and managers with higher ethics and social responsibility values opt to be close to individualism. This finding is consistent with the study of Beekun et al. (2008) in that level of individualism is significantly related to ethical decision making behaviors. This finding is also consistent with the mean comparisons that American managers with higher individualism showed higher ethics and social responsibility scores. A managerial recommendation can be made from this finding, that being managers with lower indices surrounding individualism may require more ethics training. Even though the positive influence of orientation on ethics and social responsibility was expected, it is interesting that emphasizing family value in fact have a positive influence on managers’ ethics and social responsibility. Thus, hospitality companies need to establish and implement diverse polices to encourage family value (i.e. maternity leave for male as well as female employees).

**Direct Impact of Mediator Variables on Escalation of Commitments.**

Some of the mediator variables were found to have significant impacts on four different escalation of commitment. Nationality was especially found to have negative relationships with escalation of commitment 1, 3, and 4. As mentioned before, nationality was a binary variables. Thus, the results suggest that American managers showed greater tendency toward escalation of commitment 1 (no effect), escalation of commitment 3 (agency/ negative framing) and escalation of commitment 4 (agency/ no negative
framing). This finding is not consistent with the study by Salter et al. (1997) no significant impact of agency effect in escalation of commitment was found. Thus, as mentioned before the application of escalation of commitment can be expanded to diverse areas of the hospitality industry based on the findings in this study.

These results imply that American managers opt to take risk decisions with or without agency effect. Since no significance was found for escalation of commitment 2 (no agency/ negative framing), it is difficult to say that the negative framing effect has any significant relationship with nationality. Work experience was found to have an inverse impact on escalation of commitment 3 (agency/ negative framing). This means that as work experience increases, risky decision making (escalation of commitments) with agency effect and negative framing decreases. Consequently, managers with more job experience are less influenced by agency and negative framing effects. Managerial implications can be made for the findings regarding the direct relationships between mediator variables and escalation of commitments. Since American managers tend to make riskier decisions, they need to be assigned to jobs with more risk. Also, considering stronger individualism and being prone to take risky decisions making under agency effect, American managers need to be rotated for more innovative and challenging jobs. In the previous study done by Salter et al. (1997), agency effect didn’t show significant differences between American and Asian managers.

**Indirect Impact of Cultural Factors on Escalation of Commitments.**

Indirect significant cultural factors on escalation of commitments through mediator variables were found. Salter et al. (2001) measured direct effect of national culture on escalation of commitment between the U.S. and Canada. The study results
indicated that different levels of individualism between two countries doesn’t significantly influence on escalation of commitment. However, in this study, by placing cultural factors indirectly from escalation of commitment, three cultural factors were found to have significant impacts on escalation of commitment.

This different conceptualization of the effect of cultural factors on escalation of commitment can be meaningful because the model measured the relationship based on foundational theories. Culture should be the foundation of any values, ethics and behaviors of the society. Thus, any mediator variables and decision making behaviors should be examined based on different cultural identity of the society. This study has its meaning in that it first tried to measure the relationships among variables following theoretical conceptualization of the culture, value, ethics and behaviors.

In this study, power distance, uncertainty avoidance, and individualism vs. collectivism were especially found to have significant impacts on escalation of commitment 3 and 4. Power distance has positive impacts on escalation of commitment 3 and 4. This finding suggests that there is a higher concern for power inequality which can make managers show risky decision making behaviors under an agency effect.

Considering that the scenario of agency effect was about a loan manager having an executive job offer from different companies adopted from study of Salter et al. (1997), showing more risky decision making behaviors with agency effect under higher concern for power inequality makes sense. For example, if a manager feel a great deal of stress from elements surrounding power distance (i.e. I cannot freely express my opinions or disagree with my boss.) can motivate the manager thinking about moving to different companies. Uncertainty avoidance and individualism vs. collectivism were found to have
a significant indirect negative impact on escalation of commitment 3 and 4. This finding suggests that managers with higher uncertainty avoidance and collectivism showed less risky decision making behaviors under agency effect.

Overall, the findings regarding the relationships between cultural factors and escalation of commitment suggests meaningful managerial implications: (1) Companies with high PD need to reduce it so that managers can show less tendency for acting out of self-interest or damaging company values (i.e. giving loans to companies with bad credit for the short-term profit benefit). Lowering the level of power distance in organizations can be achieved with policies such as establishing an employee monitoring system, and rewarding whistle blowers and liberal employee commentary systems for diverse company policies. (2) Managers with high individualism and low uncertainty avoidance need to be assigned to more challenging job to satisfy their risk decision making behaviors. In addition, the managers need to be monitored to prevent them from act on agency effect (i.e. information asymmetry).

**American vs. Chinese Managers Model**

Regarding the effects of cultural factors on mediator variables, American managers’ ethics and social responsibility was positively influenced by orientation while Chinese managers’ ethics and social responsibility was positively influenced by power distance. This result means that American managers valuing family values have higher standard of ethics and social reasonability while Chinese manager concern for power distance (i.e. penalty or punishment for unethical behaviors) can increase their morale mindset. This difference implies that managerial implications in American managers’ level of ethics and social responsibility can increase by emphasizing family values (i.e.**
maternity leave for both males and females, employees’ family picnic) while Chinese managers’ ethics and social responsibility level can be enforced by establishing clear guidelines for company’s policy for ethics and social responsibility.

Regarding the direct impacts of mediator variables on escalation of commitments, Chinese managers’ work experience has a direct negative impact on all of escalation of commitments while American managers’ work experience positive influence on escalation of commitment 4. This result implies that Chinese managers’ increased work experience generally reduces the risky decision making behaviors while American managers’ increased work experience positively impacts risky decision making behaviors under agency effect. This finding suggests a managerial implication that since American managers’ risky decision making behavior with agency effect can be leveled up as their work experience increases. Thus, to prevent the mangers from acting on risky decision making management needs to, for example, invest in a well-established monitoring system. Establishing employee monitoring system was suggested by various studies regarding agency effect (Salter et al. 1997, 2001).

Different indirect impacts of cultural factors on escalation of commitments were found too. American managers’ escalation of commitment 2 (no agency/ negative framing) was positively influenced by uncertainty avoidance while Chinese managers’ escalation of commitment 2 was not. This means that American managers show more risky decision making behaviors under negative framing effects in highly uncertain situations. Risky decision making in highly uncertain situations can be bold. It should be based on years of experience and insight. Thus, hospitality companies need to establish well-structured information technology systems.
Limitations and Recommendations for Future Research

Recommendations for future research are provided based on the limitations of this research study. Overall, even though the model fits the data well, statistically some of the limitations were found in terms of reliability, variance, model for group invariance, and sampling methods. Also, theoretically the conceptualization of ‘nationality’ in and of itself can be a limitation for this research study.

First, the reliability of some of the factors can be a limitation. Cronbach’s Alpha values for cultural factors and escalation of commitment are lower than .6. In the process of accommodating constructs, the scenario of escalation of commitment was lengthy. Thus, observed variables were limited to three for each factor as a way not to construct a lengthy survey. Even though the items were selected based on factor loadings in Hofstede’s study (1981, 2001), the alpha levels were still not satisfactory. In future research, more possible constructs should be added to increase the reliability.

Next, the structural models didn’t explain the cause and effect well. Even though the model fits data very well, the variance ($R^2$) was ranged from 18 to 73 percent. This means that either there is a limitation in conceptualizing the model, or that base theories and different factors should be added to increase the variance. Thus, in the future research, other factors or variables should be examined. This would also provide a more complete mosaic of management particularly as it intersects with elements of culture. Obviously as the world becomes smaller this is becoming a more interesting riddle to solve.

The data collection methods for each survey group of managers can also be a limitation. While data collection for American managers was done online and nationwide, for Chinese managers, this was done on-site in four different cities China (Tianjin,
Shanghai, Beijing, and Anjou). The sample of the hotel and restaurant managers in those specific cities cannot represent Chinese culture. Thus, in future research, condition of data collection should be broadened or more representative of the entire nation. This is often the case with research of this kind. This methodological approach merely provides us with a snapshot of a more complex, layered dynamic.

Comparing American and Chinese managers solely based on nationality can also be a part of limitations of this research study. Tan and Chow (2008) argued that without cultural identity, nationality can be a meaningless measure to examine a person’s cultural orientation. In other words, a person’s cultural orientation should not be measured just based on nationality and length of residence. It has been found that the cultural identity of second generation, Chinese-Americans is closer to Chinese culture rather than American culture (Tan & Chow, 2008). This finding means that Chinese or Chinese-American managers or employees living and working in the U.S. for years are still culturally rooted in China. Thus, more constructs should be developed and added to measure respondent’s cultural identity based on qualitative research (i.e. in-depth or focus group interview).

Hence in the future research, the overall model needs to be re-conceptualized. Considering the limitations of reliability and variance, addition and deletion of each factor should be done based on thorough re-examination one by one.

The scenario measuring escalation of commitment might not be a perfect fit with respect to the population of the hospitality industry. Because the scenario was adopted from different industry (story of loan officer in an investment bank) the story might not be entirely well understood by the managers working in the hotel and restaurant industry. Even though the scenario was proven to be valid in a different research study (Salter &
Sharp, 1997, 2001), it may not be adaptable to managers working in a different industry. Hence, for future research, an adaptable realistic scenario for the hospitality industry should be developed and applied in the model.

**Conclusions**

This chapter presented discussion and managerial implications based on findings from chapter 4, and limitation and recommendation for future research throughout the entire chapters. The discussion was based on the findings from mean comparisons and suggested the implications based on variables showing significant differences. The discussion and implication of structural models with the entire sample and American vs. Chinese manager group involved with the influence of cultural factors on mediator variables, mediator variables on escalation of commitments, and cultural factors on escalation of commitments. Limitations were discussed based the theoretical model and statistical weakness found and recommendations for future research provided based on the limitation.

**Summary of Contribution to the Body of Literature**

This research study contributed to the body of literature in that it first applied cultural factors on decision making behavior (escalation of commitment) through three possible antecedents (nationality, work experience, and ethics and social responsibility). This application of the model was explained by three categories: mean differences, general model and group invariance model. In terms of mean differences, some of items in each factor didn’t significantly differentiate between Chinese and American managers. This finding has to be considered in the future research. Regarding ethics and social
responsibility and escalation of commitment, the significant differences between American and Chinese managers provides meaningful empirical implications for the hospitality industry. Also, the significant differences for escalation of commitment 3 (agency and negative framing effect) and 4 (agency effect) showed that unlike the study done by Salter and Sharp (1997) agency effect can be theoretically applicable to the Asian countries.

The general model and group invariance contributed to the body of literature in that the model not only provides useful applications for the industry but also validates effects of cultural factors on escalation of commitment. Even though a previous study done by Salter and Sharp (1997, 2001) showed possible effect of cultural differences on escalation of commitment, there is a lack of theoretical foundation in applying the factors. Based on conceptualizing the factors in three dimensions which are theoretically solid, the model found validity of the effects of cultural factors on escalation of commitment. Especially, the group invariance model confirmed the different effects of cultural factors on antecedents (mediator variables) and escalation of commitment. These findings contributed the body of literature in that the model opens the door of more diverse application and development of the model.
APPENDIX A

SURVEY COVER LETTER AND QUESTIONNAIRE (ENGLISH VERSION)

Structural model of effect of cultural factors on escalation of commitment through antecedents, agency, and negative framing effects

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April 2010

Dear Hospitality Managers:

Managers are so important for hotel/restaurant operation. You work hard to provide the quality service to your customers by managing your staff efficiently. Managers often experience difficulties in making decisions. We are conducting this study to provide guidance and information of how cultural differences influence managers’ decision making.

Your participation is voluntary and your responses will remain completely anonymous. It should be emphasized that your individual answers are for research purposes only and they will be kept strictly confidential by the researcher. Under no circumstances will your individual responses be reported to anyone in the organization. Your answers positive, neutral or negative will in no way affect you. Remember, that your responses will remain confidential at all times.

It will take 10 to 15 minutes to complete. Upon completion of the questionnaire, please submit the questionnaire to the distributor. If you have any concerns about the confidentiality of the process or questions in general, please discuss your concerns with the distributor of this survey questionnaire. He should be able to answer any of your questions. We would prefer to talk further with you about these concerns rather than miss the opportunity for your cooperation. Your responses are important to us.

Thank you for your help. Please contact us at (U.S.:702-895-5406/ 702-895-1265) if you have any questions regarding this study. If you have any questions regarding the rights of research subjects, please contact Office of the Protection of Research Subjects at 702-895-2794.

Sincerely,

Danny Choi
M.S. / ABD
choi6@unlv.nevada.edu

Carola Raab, Ph.D.
Associate Professor
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Kurt Stahura Ph.D.
Associate Professor
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Instructions: Please read the following statements and indicate how much you agree with each statement using the following scale: SD=Strongly Disagree, D=Disagree, N=Neutral, A=Agree, SA=Strongly Agree

<table>
<thead>
<tr>
<th>Questions</th>
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<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>a1. It is natural that some people in the society are more powerful than others. Those in less powerful positions should respect the authority.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>a2. Employees are often afraid to express disagreement with their managers.</td>
<td>1</td>
<td>2</td>
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<td>5</td>
</tr>
<tr>
<td>a3. A manager’s use of authority and power is often necessary to assure work is done efficiently.</td>
<td>1</td>
<td>2</td>
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<td>4</td>
<td>5</td>
</tr>
<tr>
<td>a4. I feel stress very frequently.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>a5. Company rule should not be broken-even when the employee thinks it is in the company’s best interest.</td>
<td>1</td>
<td>2</td>
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<td>4</td>
<td>5</td>
</tr>
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<td>a6. I’m reluctant to make important decisions without sufficient information.</td>
<td>1</td>
<td>2</td>
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<td>5</td>
</tr>
<tr>
<td>a7. Having interesting work to do is just as important to most people as having high earning.</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<td>5</td>
</tr>
<tr>
<td>a8. It is more important to pursue success of my organization than my own success, especially when the two are not consistent.</td>
<td>1</td>
<td>2</td>
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<td>5</td>
</tr>
<tr>
<td>a9. Staying with one company for a long time is usually the best way to get ahead in business.</td>
<td>1</td>
<td>2</td>
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<td>4</td>
<td>5</td>
</tr>
<tr>
<td>a10. In general, men can perform certain duties better than women; the same is true for women.</td>
<td>1</td>
<td>2</td>
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<td>5</td>
</tr>
<tr>
<td>a11. For getting ahead in industry, knowing influential people is usually more important than ability.</td>
<td>1</td>
<td>2</td>
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<td>4</td>
<td>5</td>
</tr>
<tr>
<td>a12. Having challenging work to do is the way that I can get my personal sense of accomplishment.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>a13. It is important for a good manager to have a stable family because family problem can distract a manager from work.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>a14. I always try to help those who helped us, expect others to do the same.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>a15. Family is the prototype of all social organizations, that is, everyone has a role to play and has to beat the responsibility.</td>
<td>1</td>
<td>2</td>
<td>3</td>
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*Continued on the next page*
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<tr>
<td>b1. Being ethical and socially responsible is the most important thing a firm can do.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>b2. The ethics and social responsibility of a firm is essential to its long-term profitability.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>b3. The overall effectiveness of a business can be determined to a great extent by the degree to which it is ethical and socially responsible.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>b4. Business ethics and social responsibility are critical to the survival of a business enterprise.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>b5. A firm’s first priority should be employee morale.</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<td>5</td>
</tr>
<tr>
<td>b6. Business has a social responsibility beyond making a profit.</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<td>5</td>
</tr>
<tr>
<td>b7 Social responsibility and profitability can be compatible.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>b8. Good ethics is often good business.</td>
<td>1</td>
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Continued on the next page
The bank loan background (A-1)
You are a senior loan officer in the London, England, subsidiary of an international bank. It is 7 August 1995, and it looks like today will be interesting. You have to reach a decision on a $500,000 loan to The industrial Fastening Company, a medium-sized company listed on the local stock exchange which manufactures nuts and bolts for a variety of industrial and domestic applications. You have full authority to make the loan, but like all loans, a copy will be included in the daily loan report to head office. Details of the loan are in the briefing note below.

Briefing note on Industrial Fastening Company
Some years ago, you approved a loan to The Industrial Fastening Company, $1 million of which is still outstanding and overdue. However, in accordance with bank’s conservative accounting policy, all of this amount has already been written off internally over the last three years and had not significant impact on bank’s profitability. Because of various tax credits, the bank pays no income taxes at the present time, so loan write-offs have no tax effect.

The Industrial Fastening Company is now in a very precarious financial position and if you do not make the loan will cease trading before year-end. The company’s present precarious financial position is caused by a lack of up-to-date machinery in one important process, which has caused the company to become uncompetitive. If you lend the $500,000 to purchase the new machine, provided that the economy does not decline, The Industrial Fastening Company will quickly generate cash flow in excess of $1.5 million, allowing the repayment of both the loans and interest in full. If, however, the economy declines, the company will likely survive into 1996, but will inevitably be bankrupt and unable to repay any loans, and since the machine is highly customized, the bank will recover nothing. The bank’s economic forecasting section estimates a 2/3 profitability of economic decline.

Alternatives
Based on the above, you summarize your choices as follows:
1. If you do not grant the loan, you will save $500,000.
2. If you grant the loan, there is a 2/3 profitability that no money will be saved (recovered) and a 1/3 profitability that $1.5 million will be saved (recovered).

Decision
Please choose one of the following: 1. Do not grant the loan ________
2. Grant the loan _________

Please indicate the strength of your preference for the choice you made by marking an ‘X’ at the appropriate point on the scale:

I definitely preferred 1

I definitely preferred 2

Continued on the next page
The bank loan background (A-2)

You are a senior loan officer in the London, England, subsidiary of an international bank. It is 7 August 1995, and it looks like today will be interesting. You have to reach a decision on a $500,000 loan to The industrial Fastening Company, a medium-sized company listed on the local stock exchange which manufactures nuts and bolts for a variety of industrial and domestic applications. You have full authority to make the loan, but like all loans, a copy will be included in the daily loan report to head office. Details of the loan are in the briefing note below.

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The Industrial Fastening Company is now in a very precarious financial position and if you do not make the loan will cease trading before year-end. The company’s present precarious financial position is caused by a lack of up-to-date machinery in one important process, which has caused the company to become uncompetitive. If you lend the $500,000 to purchase the new machine, provided that the economy does not decline, The Industrial Fastening Company will quickly generate cash flow in excess of $1.5 million, allowing the repayment of both the loans and interest in full. If, however, the economy declines, the company will likely survive into 1996, but will inevitably be bankrupt and unable to repay any loans, and since the machine is highly customized, the bank will recover nothing. The bank’s economic forecasting section estimates a 2/3 profitability of economic decline.

Alternatives

Based on the above, you summarize your choices as follows:

1. If you do not grant the loan, the loss will definitely be $1 million.

2. If you grant the loan, there is a 2/3 profitability that the loss will be $1.5 million, and a 1/3 profitability that the loss will be zero.

Decision

Please choose one of the following:

1. Do not grant the loan

2. Grant the loan

Please indicate the strength of your preference for the choice you made by marking an ‘X’ at the appropriate point on the scale:

I definitely preferred 1

I definitely preferred 2

Continued on the next page
The bank loan background (B-1)
You are a senior loan officer in the London, England, subsidiary of an international bank. It is 7 August 1995, and it looks like today will be interesting. First, you have to reach a decision on a $500,000 loan to The Industrial Fastening Company, a medium-sized company listed on the local stock exchange which manufactures nuts and bolts for a variety of industrial and domestic applications. You have full authority to make the loan, but like all loans, a copy will be included in the daily loan report to head office. Detail of the loan in the briefing note below.
Second, you have just received a phone call from a director of a private, very prestigious successful but conservative Swiss bank. He has indicated that he is very impressed with your record as a profitable but prudent banker with no client bankruptcies, and would like you to be a candidate for their Managing Director and CEO position when the current CEO retires on December 31, 1995. The prestige, location and opportunity are all very attractive to you.

Briefing note on Industrial Fastening Company
Some years ago, you approved a loan to The Industrial Fastening Company, $1 million of which is still outstanding and overdue. However, in accordance with bank’s conservative accounting policy, all of this amount has already been written off internally over the last three years and had not significant impact on bank’s profitability. Because of various tax credits, the bank pays no income taxes at the present time, so loan write-offs have no tax effect.

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Decision
Please choose one of the following: 1. Do not grant the loan ________
2. Grant the loan____________
Please indicate the strength of your preference for the choice you made by marking an ‘X’ at the appropriate point on the scale:

I definitely preferred 1
________________________
I definitely preferred 2
________________________

Continued on the next page
The bank loan background (B-2)
You are a senior loan officer in the London, England, subsidiary of an international bank. It is 7 August 1995, and it looks like today will be interesting.

First, you have to reach a decision on a $500,000 loan to The Industrial Fastening Company, a medium-sized company listed on the local stock exchange which manufactures nuts and bolts for a variety of industrial and domestic applications. You have full authority to make the loan, but like all loans, a copy will be included in the daily loan report to head office. Detail of the loan in the briefing note below.

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Decision
Please choose one of the following: 1. Do not grant the loan ________
2. Grant the loan__________

Please indicate the strength of your preference for the choice you made by marking an ‘X’ at the appropriate point on the scale:

I definitely preferred 1

I definitely preferred 2

Continued on the next page
Demographics. Please circle the response that best describes you.

c1. What is your gender?  
a. Female  
b. Male

c2. What is your nationality?  
a. U.S.A  
b. China  
c. Other (please specify)_________

c3. How long have you lived in the U.S.(China)? ___________ years

c4. What is your current age?

c5. What is your job category?  
a. Marketing  
b. Sales  
c. Operation  
d. Finance  
e. Others_________

c6. How long have you worked as a manager in hotel/ restaurant industry? _____year(s)

c7. How long have you been working at your full-time job? ______year(s)

c8. What industry are you in? ________

a. Hotel  
b. Restaurant  
c. Others (please specify_________________ )

Thank you for participating in the study
经由过去的错误决策、代理问题及负面情绪框架效应下，文化差异因素对于承诺续扩的影响模式

William F. Harrah 酒店管理学院

酒店管理系
4505 Maryland Parkway
Las Vegas, NV 89154-6021
(702) 895-5406
2010年04月

亲爱的酒店经理：

经理在酒店运营中扮演着重要的角色。您通过有效的管理您的队伍从而为顾客提供高质量的服务。然而您在与不同文化背景的下属、同事、上级共事的过程中，可能也遇到过一些困难。我们此次问卷调查的目的是研究不同文化背景的管理哲学。

您的参与是自愿和匿名的。您的回答仅限于研究之用，研究者会对您的问卷绝对保密。我们绝对不会将您的问卷透露给您的企业，所以您的回答绝对不会影响您。我们绝对保证您问卷的保密性。

此次调查将占用您10-15分钟的时间。在您完成问卷后请将其递交给调查者。如果您对这份问卷的保密性有疑问，或者有其他问题，也请与调查者沟通。他（她）将解答您的疑问。我们非常乐意与您沟通，协助您完成此次调查。您的参与对我们至关重要。

非常感谢您的协助。如果您对此次研究有任何问题，请致电给我们进行沟通（美国：001-702-895-5406/702-895-1265）。如果您对此次研究课题的权利有任何疑问，请致电研究课题保护办公室，电话为001-702-895-2794。

此致

敬礼

Danny Choi
M.S. / ABD
choiw6@unlv.nevada.edu

Carola Raab, Ph.D.
Associate Professor
carola.raab@unlv.edu

Kurt Stahura
Associate Professor
kurt.stahura@unlv.edu
说明：请阅读下面关于您的个人管理哲学的阐述。标出您对该问题的同意程度， SD = 非常不同意， D = 不同意， N = 无所谓， A = 同意， SA = 非常同意。

<table>
<thead>
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<tr>
<td>a1. 在现实社会中，总是有一些人比较有权势。那些社会背景处于弱势的人则必须尊重这些位高权重者。</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<td>5</td>
</tr>
<tr>
<td>a2. 被雇用者害怕表达与管理者不同的意见。</td>
<td>1</td>
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<td>5</td>
</tr>
<tr>
<td>a3. 为了让工作更有效率的完成，管理者运用他的职权通常是必要的</td>
<td>1</td>
<td>2</td>
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<td>5</td>
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<tr>
<td>a4. 我常常觉得有压力。</td>
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<td>5</td>
</tr>
<tr>
<td>a5. 既使被雇用者认为那样是对公司最有利的，公司规定不应该轻易违反</td>
<td>1</td>
<td>2</td>
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<td>5</td>
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<tr>
<td>a6. 当我没有充分的数据时，我不愿做出重要决策</td>
<td>1</td>
<td>2</td>
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<td>4</td>
<td>5</td>
</tr>
<tr>
<td>a7. 对大多数人而言，做自己感兴趣的工作和做一份高收入的工作一样重要。</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<tr>
<td>a8. 追求组织（学校，公司，工作单位等）的成功比个人的成功还要重要，尤其是两者无法一致时</td>
<td>1</td>
<td>2</td>
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<td>5</td>
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<tr>
<td>a9. 长期待在同一家公司通常是升迁最好的方法</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>a10. 一般来说，某些工作男性会表现的比女性出色；相对的，女性在某些工作上会表现的比男性出色。</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<td>5</td>
</tr>
<tr>
<td>a11. 不论工作能力的好坏，认识有影响力的人较容易在事业上出人头地</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>a12. 做具有挑战性的工作可以让我获得成就感。</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>a13. 身为一个好的主管，家庭的稳定性是很重要的，因为家庭问题会使主管在工作上分心</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>a14. 我总是帮助那些帮助过我们的人，并期望他人也是如此</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>a15. 家庭是典型的社会组织，每个人都有自己所扮演的角色与责任</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
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请翻至下一页
说明：请阅读下面关于酒店行业一名优秀主管应该具备的行为特质。标明您对这些阐述的同意程度：SD＝非常不同意，D＝不同意，N＝无所谓，A＝同意，SA＝非常同意。

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<tbody>
<tr>
<td>b1. 道德与社会责任对于一间企业而言是 最重要的一件事</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>b2. 道德与社会责任对于公司或企业的长期收益是关键的</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>b3. 企业的整体效益与绩效取决于其商业道德与社会责任</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>b4. 商业道德和社会责任是永续经营的重要关键</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>b5. 保持良好的员工士气是企业的首要任务</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>b6. 企业的社会责任比赚取利润更重要</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>b7. 社会责任和盈利能力，可以兼容</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>b8. 具有良好的企业道德通常就是良好的企业。</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

请翻至下一页
银行贷款背景 (A-1)

你是个在英国伦敦一家国际银行的子公司工作的资深贷款人员。今天是 1995 年 8 月 7 日，看来今天应该会发生一些有趣的事情。

你必须要做出决定是否批准一笔 50 万美元的贷款给一家螺丝公司，此公司是一家在本地有上市股票的中等规模公司，主要是制造各种工业和家庭的螺母和螺栓。你有全权批准是否办理此贷款。如果你批准此贷款申请后，此贷款也和其它贷款操作方式相同，需将每日贷款报告传送至总部。详细的贷款说明如下。

关于螺丝公司
几年前，你核准过螺丝公司 100 万美元的贷款申请，至今此公司仍有逾期且尚未缴清借款。然而，根据银行的会计政策，所有未偿还额已在过去三年内地注销，而这些注销的款项并没有显著地影响到银行收入。加上政府的各种税收减免，银行不需支付所得税，因此贷款注销也无税金的考虑。

这间螺丝公司目前的财政状况非常不稳定，如果你不批准这笔贷款，在今年年底之前这间公司将会面临终止交易的窘境。该公司财政状况不稳定的原因是在重要的制造过程中缺乏最新型的机械，也因此无法与其它同业竞争。如果你批准贷款 50 万美元购买新机器，只要经济环境不再恶化，他们的业务预估将会迅速成长，营业额将超过 150 万美元，足以连本带利的偿还全部的贷款金额和利息。但是，如果经济大环境继续恶化，该公司推测自己只能经营到 1996 年，而且显然会因为破产而无法偿还贷款，加上贷款 50 万美元的新机器是特别订制的，所以银行将无法兑换任何金额。根据该银行的预测，估计公司三分之二的盈利会因经济衰退而损失。

请翻至下一页

选择:
根据上述情况，总结的选择如下:

1. 如果不批准此贷款，将可替公司省下$500,000
2. 如果批准此贷款，公司将会有一半的营利 (机会) 损失三百万美元，而三分之一的营利 (机会)损失一百五十万美元

决策
请选择其一: 1. 不批准此贷款
2. 批准此贷款
请选出下列您认为的最佳解决方式，并在选项标识一个 X:

决策 1        决策 2

1 2 3 4 5 6 7 7 8 9 10

请翻至下一页
银行贷款背景 (A-2)

你是个在英国伦敦一家国际银行的子公司工作的资深贷款人员。今天是 1995 年 8 月 7 日，看来今天应该会发生一些有趣的事情。

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请翻至下一页
1. 如果不批准此贷款，公司将会损失一百万美元
2. 如果批准此贷款，公司将会有一点三之二的机会损失约一百五十万美元，而三分之一的机会将不会有任何损失

决策
请选择其一：1. 不批准此贷款
   2. 批准此贷款

请选出下列您认为的最佳解决方式，并在选项标识一个 X:

决策 1  决策 2

1 2 3 4 5 6 7 8 9 10

请翻至下一页
银行贷款背景 (B-1)

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其次，你刚刚才和非常著名、成功但保守的瑞士银行董事长通过电话。他表示，他非常欣赏你的业务营运绩效，且至今尚无客户破产过，称赞你是一个非常谨慎的银行业者。由于瑞士银行的现任 CEO 将于 1995 年 12 月 31 日退休，因此他希望你能成为董事总经理兼行政总裁职位的候选人。此公司的信誉、工作地点和工作机会都非常吸引你。

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请翻至下一页

1. 如果不批准此贷款，公司将会损失一百万美元

2. 如果批准此贷款，公司将会有限三分之二的机会损失约一百五十万美元，而三分之一的机会将不会有任何损失

决策

请选择其中: 1. 不批准此贷款

2. 批准此贷款

请选出下列您认为的最佳解决方式，并在选项标识一个 X:

决策 1 决策 2

1 2 3 4 5 6 7 8 9 10

请翻至下一页
银行贷款背景 (B-2)

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1. 如果不批准此贷款，将可替公司省下$500,000
2. 如果批准此贷款，公司会有三分之二的营利 (机会) 损失三百万美元，而三分之一的营利 (机会) 损失一百五十万美元

请选出下列您认为的最佳解决方式，并在选项标识一个 X:

决策 1
1  2  3  4  5  6  7  8  9  10

决策 2

请翻至下一页
请圈出符合您情况的选项

c1. 您的性别？
   a. 女性  b. 男性

   c2. 您的国籍？
      a. 美国  b. 中国

      c. 其他 (请注明)_________

   c3. 您在中国居住了多少年？__________

   c4. 您现在的年龄？ ____________

   c5. 你的工作类别
      a. 营销
      b. 财务
      c. 人力资源
      d. 业务销售
      e. 餐饮营运
      f. 其它

   c6. 在餐馆业或者酒店业里，您担任经理的职位有多久了？(______________ 年)

   c7. 请问您从事这份全职工作已有多长时间？______________年

   c8. 您在哪个行业工作？

      a. 酒店业 b. 餐馆业 c. 其他 ____________ (请说明)

   感谢您的参与！
REFERENCES


VITA

Graduate College
University of Nevada, Las Vegas

Woo-Sik Danny Choi

Degrees:
Bachelor of Hospitality Management, 2008
Sejong University, Seoul, Korea

Master of Science in Hotel, Restaurant, and Institution Management, 2001
Iowa State University, Ames, Iowa

Special Award:
UNLV Access Scholarship, Fall 2007

Publications:


Certificate:
Certified Hospitality Educator (CHE) acquired in August 10, 2010

Conference Proceedings:

Choi, W. S., & Erdem, M. (2008). Exploratory study about the effect of cultural factors to affective work outcomes in job characteristics model (JCM) for Hispanic employees in restaurant industry, Submitted to Conference on Graduate Education and Graduate Students Research, Orlando, Florida.
Dissertation Title: Structural model of effects of cultural factors on escalation of commitment through antecedents, agency, and negative framing effects

Dissertation Examination Committee:
Chairpersons, Dr. Kurt Stahura, Dr. Carola Raab
Committee Member, Dr. Hyun-Kyoung Chatfield
Committee Member, Dr. Ashok Singh
Graduate Faculty Representative, Dr. Robert Chatfield