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Is theft considered less serious when the victim is a foreign company?[1]

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Main Message: The moral judgement of a theft against a company is related to the company origin, but all origins are not created equal.

Key Points: Foreign companies are not systematically disadvantaged compared to domestic ones. Foreign companies from in-group origins could be at an advantage compared to similar foreign companies from out-group origins. A theft is judged more leniently when the victim is a company from the out-group than one from the in-group.

[1] JEL classification codes: F23 and C91.

Introduction

Foreign companies operating in host countries are frequently disadvantaged when compared to domestic ones. This disadvantage can correspond to a variety of factors such as extra challenges and costs compared to domestic companies to deal with regulations, social norms, language or discrimination (Zaheer, 1995; Nachum, 2013). In this note, we empirically examine another overlooked dimension of such a foreignness toll, namely whether a wrongdoing harming a company is judged differently by domestic onlookers according to the domestic versus foreign origin of the harmed company. While the fairness and equity principles prevalent in most justice systems prescribe that similar offences must receive the same judgment and punishment regardless of the victim's origin, we argue that an offender who commits a similar crime against companies from different origins will be judged differently according to the origin of the considered company. This argument adds content to the literature and extends the liability-of-foreignness (LOF) reasoning to the moral domain by positing that foreign companies may be disadvantaged compared to their domestic counterparts, through a more lenient judgment when they are victims of an equivalent wrongdoing.

We use data from an experimental survey conducted in Algeria (North-Africa), which contributes to study human judgements and decisions by avoiding the conventional WEIRD (Western, educated, industrialized, rich and democratic) countries bias (Azar, 2010; Heinrich and others, 2010). We also enrich the LOF literature by considering an unusual combination of a host country (that is, a developing country) and foreign countries (a developing country origin and a developed country origin) (see also George and others, 2016). Moreover, and unfortunately, misconducts are pervasive in many domains in Algeria, ensuring a high level of realism for onlookers asked to judge such misconducts (Cheriet, 2013; Henley, 2018).

The remainder of this note is organized as follows. The following section overviews the literature and draws two testable hypotheses. Section 3 describes the experimental design. Results are provided and discussed in Section 4. Section 5 concludes and indicates some directions for further research.

Literature and main hypotheses

The effect of company origin on the judgment of a misdeed against companies can be analyzed through the lens of the social intuitionist framework (Haidt, 2001). Unlike the rationalist framework that describes moral judgments as emanating from slow, controlled, effortful and conscious deliberation, the social intuitionist approach posits that moral judgments result more from quick, automatic, intuitive, and affective processes. These intuition-driven judgments are strongly influenced by social, cultural factors and contextual parameters, that can be quite irrelevant or incidental to the situation being judged (Haidt, 2001, Reich and others, 2020) such as the victim morality or the environment in which the judgement is solicited. For instance, stealing a drug addict can be judged as less serious than stealing another more conventional and less stigmatized individual (see Reich and others, 2020; Dib-Slamani and others, 2021). Interestingly, moral reasoning is assumed to occur *ex post* in order to rationalize these *ex ante* intuitions.

Moreover, although some recent contributions argue that some foreign firms, under some specific circumstances, may be able to benefit from their foreign status (e.g., Edman, 2016; Taussig, 2017; see also Dib-Slamani and others, 2021), a considerable literature provides convincing support that firms doing business abroad are at a disadvantage relative to domestic firms (for example, Zaheer, 1995; Eden and Miller, 2001). Interestingly, the social identity theory assumes that individuals and entities belong to social groups and people seek out to positively differentiate their "in-group" from the "out-groups" (Tajfel and Turner, 1986). A natural social identity marker is the national identity. A consequence of this categorization is that in-group entities tend to downplay the misdeeds of fellow group members and to exaggerate the misdeeds of out-group members. Based on the preceding discussion, we formulate our main hypothesis:

Hypothesis 1: Onlookers will judge more leniently a wrongdoer that harms a foreign company compared to a domestic company.

Nevertheless, all foreign origins are not equivalent. Ma and others (2012) argued, on empirical ground, that in-group favoritism can be extended to out-group members who share a similar culture. In their words, "consumers project their national identity to the similar nations" that can be described as "semi in-group" members, unlike culturally different countries who are treated as out-group members. Consequently, we formulate the following hypothesis:

Hypothesis 2: Onlookers will judge more leniently a wrongdoer that harms a foreign company from an out-group compared to a foreign company from a semi in-group.

Experimental design

In order to test our hypotheses, we designed a simple experimental survey with a short questionnaire regarding the following scenario: a computer scientist stealing DZD 10,000,000 (merely € 70,000) from a company's bank account thanks to a malicious software. After reading the scenario, respondents were asked to judge the morality of this theft on a 7-point Likert scale, ranging from 1 (completely moral) to 7 (completely immoral). In other words, a lower number means a more favorable judgment.

In order to test the effect of origin on moral judgment of the considered theft, we used a between-subjects design (Table 1). Each treatment corresponds to a specific origin that has been selected because it offers a high degree of realism in the country where we conducted the study (Weber, 1992). We used four treatments: a control or neutral treatment (T0) without any mention of the company's origin, a domestic treatment (T1) mentioning the Algerian origin of the company, a foreign treatment (T2a) mentioning a semi in-group origin (Tunisian), and a foreign treatment (T2b) mentioning an out-group origin (French). The Tunisian and French foreign origins are highly realistic to Algerian onlookers, given that these two nationalities are among the top 5 nationalities of foreign companies in Algeria. Tunisia shares borders, a common language, a close culture, and religion with Algeria while the French origin is more distant on various dimensions (for example, geography, religion, culture) and negatively connoted because Algeria was a former French colony that acquired its independence in 1962 thanks to a deadly Liberation War.

[Insert Table 1 around here]

We also designed the scenario to avoid evoking dimensions other than the company's origin (for example, no violence or physical contact between the company staff/employees and the offender). All questionnaires were rigorously identical, except regarding the indication of the company origin that is victim of the theft. This origin is mentioned only once in the questionnaire. Moreover, we explicitly stipulated that individuals and companies involved in our hypothetical scenario are located in Algeria. Each participant participates in one treatment only and faces consequently a unique company origin.

We pretested the scenario on a small convenience sample of Algerian acquaintances not included in the final sample to improve its understanding and readability. We administered the pen and paper questionnaires in June 2019 on a random basis to bystanders in the Algiers metropolitan area (Algeria). 240 individuals (60 per treatment, gender-balanced, and with an average age of around 30 years old) completed the questionnaire on a voluntary basis and without receiving any monetary compensation.

Results and implications

The mean individual responses for theft judgment by treatment are presented in Table 2.

[Insert Table 2 around here]

In relation to our hypotheses, two main results can be drawn from Table 2. First, our hypothesis H1 is not supported. On one hand, we did not find that onlookers judge more leniently the theft against foreign companies compared to a domestic one. Surprisingly, the wrongdoing affecting a company with a French origin is judged as severely as it is for the domestic company. On the other hand, the result is opposite to our prediction regarding a theft of a foreign company from a semi in-group. Indeed, a theft is judged by our participants as significantly less moral when made against a Tunisian company (treatment T2a; 6.5), compared to a domestic one (treatment T1; 5.86). It is possible that Tunisian companies benefit from a privileged status for Algerians due to several factors (for example, financial help of the Algerian government to Tunisia, Tunisia is the 1st touristic destination of Algerians thanks to open borders, Tunisia served as a rear base during the Liberation War). Second, our hypothesis H2 is supported. A theft is, indeed, judged significantly more leniently when the victim is a company from the out-group (treatment T2b; 5.88) than a one from the semi in-group (treatment T2a; 6.50).

Moreover, in order to go further, we report in Table 3 the results of an ordered probit estimation of the effect of company origin on the judgment of the theft while controlling for individuals' age, gender and monthly income.

[Insert Table 3 around here]

Our estimation suggests that only the Tunisian (semi in-group) origin matters. Similar to what is reported in Table 2, our hypothesis H1 is not supported. In other words, foreign companies are not found to be systematically disadvantaged compared to domestic ones.

When the foreign company originates from a semi in-group country, it may even be advantaged. Moreover, using the French origin as a reference (not reported in Table 3 but available upon request) suggests that our hypothesis H2 is again supported (Coef.: 0.717; p-value: 0.002). In other words, foreign companies from the out-group are disadvantaged compared to foreign companies from the semi in-group.

Conclusion

In the moral domain, all foreign companies are not created equal, at least in Algeria. Foreign companies are not systematically disadvantaged, even if they are from an out-group. Surprisingly, our results indicate that the theft against a Tunisian company implemented in Algeria elicited a more severe judgement from Algerian onlookers while the same judgment was more lenient when the victim was a French company (but comparable to the judgment of the same wrongdoing harming an Algerian company). These findings are good news and provide preliminary support that moral-related discrimination against foreign companies that are victims of misdeeds is not systematic.

This study has some limitations that can provide insights for future extensions. First, investigating other combinations of host and foreign countries would allow to check the robustness of our findings. Second, other methods such as archival studies can be considered to reinforce the external validity of our results. Third, considering other kinds of wrongdoings such as sabotage, attempted bribery, embezzlement can enrich the analysis.

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Authors biography

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