Ethical Attitudes of Business Professionals in China and the United States: Same or Different?

By Leslie E. Palich, Mitchell J. Neubert and Joseph A. McKinney*

With rapid globalization, Asian economies account for a greater proportion of world output and provide important investment opportunities. Thus understanding differences in ethical attitudes between business professionals in these countries and in the West is imperative. This cross-cultural comparison of the ethical attitudes of business professionals found that ethical attitudes of Chinese respondents were more permissive toward ethically questionable situations than were those in the United States. Additionally, in a test of explanations for ethical attitudes, the associations across cultures differed by moral foundations, formal and informal organizational characteristics, and moral issue characteristics. Implications for doing business cross-culturally are discussed.

Keywords: Ethics, Comparative Systems, China, Business Professionals, Attitudes

JEL Classification: K4, P2, P3, P5

I. Introduction

One of the more significant developments in the global economy in recent decades has been the rise of the Chinese economy. Throughout much of its long history, China was among the world’s more advanced civilizations and its more sophisticated economies. As recently as 1820, China is estimated to have accounted for one-third of total world output (Hale and Hale, 2003). However, due to inner turmoil, China was largely bypassed by the Industrial Revolution that so dramatically increased living standards in the West. During the post-World War II era, when a number of Asian economies began to progress rapidly, China largely isolated itself from the world economy. Economic progress in China was stifled by this isolation, by the inefficiencies of a planned economic system, and by traumatic disruptions such as the Cultural Revolution.

Beginning in 1978, under the influence of Communist Party head Deng Xiaoping, China embarked on a process of economic reforms and opening to the world that would have a most dramatic effect. In the thirty-year period between 1980 and 2010, the Chinese economy grew in real terms at almost ten percent per annum, doubling in size approximately every seven years. Because of China’s very large population, this rapid growth has had an unprecedented impact upon the world economy. Goldman Sachs projects that the size of the Chinese economy will surpass that of the United States by 2027, but the research group of The Economist magazine predicts that this could occur as soon as 2019 (Rachman, 2011).

*Leslie E. Palich, corresponding author, Professor of Management and Entrepreneurship, Baylor University. Phone: (254) 710-6194. Email: Les_Palich@baylor.edu. Mitchell J. Neubert, Professor of Management and Business Ethics, Baylor University. Phone: (254) 710-4092. Email: Mitchell_Neubert@baylor.edu. Joseph A. McKinney, Professor of International Economics, Baylor University. Phone: (254) 710-6141, fax: (254) 710-6142. Email: Joe_McKinney@baylor.edu.
As a result of its economic progress, China is becoming increasingly integrated into the global economy as more and more companies from the West are doing business in China through both trade and investment. To achieve success in China, these firms are recognizing the importance of understanding the business environment there, which can present potential complications from a wide range of concerns, including intellectual property violations, insider trading, environmental degradation, and unsafe workplace conditions, to name just a few. Because legal standards and ethical perspectives can vary so greatly between countries, decision makers need to be aware of these differences.

The purpose of this paper is to shed greater light on differences in the attitudes of business professionals in the United States and China when it comes to ethically questionable situations, as well as exploring the individual, moral, and organizational foundations that support them. While ethical perceptions and practices have been widely studied in the United States, far less is known about such standards in non-English-speaking countries (Vitell and Paolillo, 2004)—many of which present the most promising markets for business growth. Even less is known about the generalizability of US-based theories of ethics to other country contexts. We attempt to bridge this gap by testing in China the theoretical formulations that have been widely studied in the United States, which permits us to compare findings using a parallel US sample. This approach allows us to assess in China the applicability of recognized ethical theories and the potential usefulness of these frameworks for western managers doing business there. Furthermore, because ethical decision making is more complex than most empirical tests would imply, we heeded recommendations from a meta-analysis conducted by Kish-Gephart et al. (2010) and pursued a more comprehensive conceptualization. Their analysis revealed that studies of ethical behavior may be incomplete if the underlying models tested do not include individual, organizational, and moral dimensions. Our study expands upon this work by testing the prescribed multidimensional model using samples of practicing business managers in China and the United States. Finally, we go beyond approaches typically followed in ethics research by exploring ethical attitudes in these countries across a relatively comprehensive set of issues by basing our study on a set of 16 vignettes representing a broad range of situations that practicing managers are likely to face in the United States and China. These features of our investigation enhance and expand its contributions to business ethics research.

II. Differences in Ethical Attitudes Between China and the United States

China and the United States differ across several dimensions that might potentially influence the ethical climate in the two countries. Despite its recent progress, China has a much lower per capita income than the United States ($13,216 compared to $54,629 in 2014 purchasing-power-parity terms) (World Bank, 2014). Both as an economically less developed economy and as a relatively recent participant in the global economy, China’s institutional structure is less well developed than that of the United States. Through more than two centuries of free market capitalism, the United States has gradually put in place a highly developed legal, regulatory, and institutional structure within which business operations take place. Ethical standards have in many instances been codified, both in the legal structure of the country and in the codes of ethics in professional organizations and in business enterprises.

While business ethics research has focused primarily on industrially advanced countries, some studies have investigated ethical attitudes and practices in less developed countries (for example, see Abratt and Penman, 2002; Al-Khatib et al., 2004). A few studies have compared the
ethical attitudes of managers in such countries with those of more industrially advanced countries (e.g., Beekun et al., 2003; Cooper et al., 2000; Furrer et al., 2010). These studies found significant differences in ethical attitudes and perceptions between less developed countries and more developed countries, with generally higher levels of ethical sensitivity in the more developed countries.

In addition to being economically less developed, the Chinese economy is a transition economy, still in the process of transformation from a planned and state-directed economy to a free enterprise economy. Several studies have explored business ethics in transition economies (Bucar et al., 2003; Deshpande et al., 2000; Fuxman, 1997; Hisrich and Gratchev, 2001; Kennedy and Lawton, 1996; Vynoslavska et al., 2005). Those that have made direct comparisons between transition economies and mature market economies (Bucar et al., 2003; Hisrich and Gratchev, 2001; Vynoslavska et al., 2005) have found statistically significant differences in ethical attitudes of business managers between these types of economies, with more approving attitudes toward ethically questionable situations in the transition economies.

A third way in which American and Chinese business systems differ is in their underlying philosophical frameworks. United States culture, including business culture, is strongly influenced by Judeo-Christian religious teaching, principles, and traditions. Research exploring ethical judgments has demonstrated that if a person’s religion is practiced as an end in itself, instead of for instrumental means such as to meet social needs, it is associated with being less accepting of unethical behavior (Walker et al., 2012). The business culture is also shaped by the economic system of free enterprise capitalism that has been associated with religious motivations in the country since its origins (Weber, 2010). In contrast, the cultural roots of China stretch back more than two thousand years to the teachings of Confucius, who developed a system of practical ethics drawing lessons from Chinese history but devoid of religious content (Hofstede and Bond, 1988). In its recent history China has had superimposed upon the underlying Confucian system other influences: first Chinese communist teaching rooted in Marxism/Leninism, then Maoism during the Cultural Revolution of the 1960s that consciously attempted to root out Confucian thought, and most recently exposure to Western thought and business practices through participation by Chinese business firms in the global economy. However, scholars have noted that the underlying Confucian values and attitudes remain strong in China (Bedford, 2011; Hofstede and Bond, 1988; Steidlmeier, 1999), although some evolution of traditional Chinese attitudes has been noted as a result of exposure to the international economy (Millington et al., 2006).

Given the differences between China and the United States noted above, we offer the following hypothesis:

**Hypothesis 1**: Ethical attitudes of Chinese and American business professionals are significantly different, with Chinese professionals being more comfortable with ethically questionable behaviors.
III. Bad Apples, Bad Barrels, and Bad Cases

Beyond a straightforward comparison of the ethical attitudes of Chinese and American business professionals, we delve further into the possible determinants of ethical attitudes and behavior. In their attempt to find what contributes to ethical attitudes and behavior, Kish-Gephart et al. (2010) explored the influence of bad apples (i.e., individual characteristics), bad barrels (i.e., organizational characteristics), and bad cases (i.e., characteristics of the issue). Using meta-analysis, they were able to demonstrate that individual characteristics of moral development and Machiavellianism were associated with unethical intentions and behavior. Machiavellianism was likely to promote unethical intentions and behavior, while moral development was likely to prevent them. The organizational characteristics of having a benevolent or principled climate and a code of ethics were negatively related to unethical intentions and behavior. Finally, moral issue characteristics that influenced unethical intentions were related to perceiving the consequences to be focused on only a few people, the probability of harm being low, a lack of social consensus that the action is wrong, and perceiving harm to occur only to people who are distant from the actor in proximity or characteristics.

Our investigation builds on the findings of Kish-Gephart et al.’s (2010) study by exploring the degree to which ethical attitudes are influenced by the specific moral values that individuals hold as foundations for ethics, the informal and formal organizational characteristics of organizations in which respondents work, and the particular characteristics of the issue. We examine the degree to which these relationships differ across a range of ethical scenarios that have been used in past research.

A. Individual Characteristics (Bad Apples)

Demographic factors are often regarded as significant determinants of ethical conduct; in fact, these are among the most studied individual-level variables in behavioral ethics research (O’Fallon and Butterfield, 2005). But the results of these studies have been inconsistent, and the theories positing their role in shaping behavior are limited. For this reason, when constructing their meta-analysis of research on unethical decisions in the work setting, Kish-Gephart et al. (2010) only tentatively included demographics (i.e., age, gender, and education level), and their analyses found weak or null relationships with ethical choices. Indeed their results indicated that focusing on moral and psychological factors may provide a more promising research direction for studies of the individual-level determinants of ethical intentions and behavior.

Our approach to the study of the individual-level determinants of ethical attitudes and conduct is based on the work of social and cultural psychologists Jonathan Haidt and colleagues (e.g., Graham et al., 2011; Haidt, 2007; Haidt and Graham, 2007; Haidt and Joseph, 2004), who have attempted to explain the considerable variability of moral standards across cultures despite the similarities and recurrent themes that are also evident in those cultures. Previous researchers (e.g., Rokeach, 1973; Schwartz, 1992) attempted to transform the broad array of human values into a smaller and more manageable set of constructs or dimensions based on their understanding of human social and biological needs. In developing their moral foundations theory, Haidt and his colleagues also set out to formulate a simplifying model of values, but they took a very different approach. This was as reported by Graham et al. (2009, p. 1030):

We began not by measuring moral values and factor analyzing them but by searching for the best links between anthropological and evolutionary accounts of
morality. Our idea was that moral intuitions derive from innate psychological mechanisms that co-evolved with cultural institutions and practices (Richerson and Boyd, 2005). These innate but modifiable mechanisms (Marcus, 2004) provide parents and other socializing agents the moral “foundations” to build on as they teach their local values, vices, and moral practices.

Because of its emphasis on the psychological mechanisms that shape moral assumptions and beliefs, especially as these vary across cultures, moral foundations theory offers a highly suitable framework for our study of differences in the ethical views of American and Chinese managers.

The moral foundations specified by the model are present in all or nearly all societies, but Koleva et al. (2012) stress that their relative emphasis varies across individuals. For example, the notions buttressing two of their moral foundations—Care (interest in looking after and protecting others) and Fairness (concern for justice according to shared values or rules)—are well supported in the literatures explicating the formation of empathy (e.g., de Waal, 2008) and attachment (e.g., Bowlby, 1969). Perhaps more important, they also correspond to Kohlberg’s (1969) “ethic of justice” and Gilligan’s (1982) “ethic of care,” which play a role in shaping the moral judgment of individuals within a society (Graham et al., 2009). As revealed by Kish-Gephart et al. (2010), frameworks that capture the essence of such psychological and moral development theories can be especially useful in understanding ethical decision making.

These foundations are important to the protection of individuals, but Graham et al. (2009) also posit that societies propagate moral values that reinforce what Shweder et al. (1997) call the “ethic of community.” For Graham et al., these include the following two “binding foundations”: Ingroup (commitment to group, family, or nation) and Authority (submission to legitimate authority and respect for traditions). The Ingroup foundation derives from the need to establish and maintain mutually beneficial coalitions that can guard against outside threats and help to ensure continuity and progress. This orientation is particularly strong in collectivist cultures, in which individuals are closely linked and tend to think of themselves primarily as members of the group with which they most closely identify, be it a tribe, a village, or even an organization or company. Thus the needs of the ingroup are given great regard, while the interests of all others (the outgroup) tend to be discounted or ignored (Triandis, 1995). Parallel to the Ingroup foundation, Authority is necessary for the support of hierarchies that help to preserve social order. When these foundations are combined with others, they form “moral systems,” which Graham et al. (2009, p. 1031) define as “interlocking sets of values, practices, institutions, and evolved psychological mechanisms that function to suppress selfishness.” Responses to ethical predicaments will clearly be influenced by the moral inclinations that rest upon “individualizing foundations” (Care and Fairness) and/or “binding foundations” (Ingroup and Authority) in any given situation.

Though Graham et al. (2009) also offer the foundation of Purity (sensitivity to what is disgusting or impure), we reason that the foundations of Care, Fairness, Ingroup, and Authority are most relevant to our research, and we expect each to be negatively related to acceptance of unethical behavior. Values that are important or salient to one’s identity are more likely to sway judgments and behavior (Weaver and Agle, 2002). When personal moral values are important and accepted as absolutes (idealism), this moral orientation has been demonstrated to be associated with ethical intentions across cultures (Marta et al., 2012). Similarly, when a moral value is indicated as important to a person, we expect it to guide ethical judgments. Specifically, we expect Care, Fairness, and Authority values to be negatively related to the acceptability of all scenarios, while the Ingroup value will be negatively associated with acceptability for harm to stakeholders
within the organization but positively associated with acceptability if the harm done is to stakeholders outside the organization.

Thus, we formulate the following hypotheses:

**Hypothesis 2a**: The individual values of Care, Fairness, and Authority will prompt business professionals to be less comfortable with questionable behaviors for all ethical scenarios across both cultures.

**Hypothesis 2b**: The individual value of loyalty toward the group (Ingroup) will prompt business professionals to be less comfortable with questionable behaviors for ethical scenarios involving internal stakeholders but more comfortable with questionable attitudes for ethical scenarios involving external stakeholders across both cultures.

**B. Organizational Characteristics (Bad Barrels)**

The organizational characteristics of interest to us were the informal and formal components of the ethical infrastructure that are likely to deter unethical or counterproductive behavior and that promote ethical or productive behavior (Tenbrunsel et al., 2003; Weaver et al., 1999). The informal components include an organization’s ethical climate and culture (Treviño et al., 1998). We focused on the latter component (culture), conceptualized as “a broad system of assumptions and deeply held shared meanings,” which theoretically can be discerned in the attitudes organizational members feel and the behaviors they express (Schaubroeck et al., 2012, p. 1054).

Social learning theory suggests that salient role models, in this case organizational leaders, can influence the ethical attitudes and behaviors of observers (employees) to the extent to which they model the same (Bandura, 1986). Applications of social learning theory to ethics have supported the influential role of leaders as trickling down throughout their organizations’ ethical leadership, which has been logically and empirically associated with ethical behavior (e.g., Brown and Treviño, 2006) and levels of workplace deviance (Mayer et al., 2009). However, the paths of these trickle-down influences can follow more than one influence vector. Schein (2010) posits that leaders at all levels of an organization play a role in forming its culture, typically through the norms, standards, sanctions, and rewards that shape the (un)ethical conduct of its members. The shared cultural elements that result from these negotiated influences represent the informal organizational characteristic of greatest interest in our study, one that has not been thoroughly tested in studies of Chinese managers and their ethical perceptions.

The culture of an organization can greatly influence the ethical conduct of its members, and it is likely to be internalized over time so that decisions are largely made instinctively, based on an instilled sense of right and wrong. For example, a salesperson may choose not to lie to a customer simply because “that’s not the way we do things around here” (Treviño et al., 2014). But this informal sense of appropriate behavior can be shaped very deliberately by means of formal mechanisms, which we also considered.

The formal components of ethical infrastructure may include a variety of structures or systems related to ethics (Tenbrunsel et al., 2003). We focused the second part of our assessment of organizational characteristics (i.e., bad barrels) on the existence of an ethics code, ethics training, and a reporting system for ethical violations. Each characteristic, if present in the respondent’s organization, should either constrain unethical behavior due to the possibility of punishments, or should promote positive ethical judgments through the signaling of appropriate
behavior (Gibbs, 1975; McKinney et al., 2010). Though these components have been far more widely tested in the US than in China, theory and previous findings suggest that these informal (ethical culture) and formal (ethical structure) characteristics of an organization’s ethical infrastructure will be negatively related to the acceptability of unethical behavior in both countries.

Thus, we formulate the following hypotheses:

**Hypothesis 3a:** Informal characteristics (ethical culture) of an organization’s ethical infrastructure will prompt business professionals to be less comfortable with all questionable ethical scenarios across both cultures.

**Hypothesis 3b:** Formal characteristics (ethical structures) of an organization’s ethical infrastructure will prompt business professionals to be less comfortable with all questionable ethical scenarios across both cultures.

C. **Moral Characteristics (Bad Cases)**

The final component of Kish-Gephart et al.’s (2010) model relates to the moral issue characteristics (bad cases) that might influence ethical attitudes and behaviors. Across the 16 ethical scenarios in this research, we posit that the moral issue characteristics could vary in terms of magnitude and concentration of consequences for people (the scale of harm produced and the number of people impacted, respectively); probability that harm will be caused; degree of social consensus regarding its ethicality; amount of time that will pass before the harmful consequences will take effect (i.e., “temporal immediacy”); and the cultural, physical, psychological, and social proximity of the actor to those who face the consequences. Jones (1991) describes these issue characteristics as contributing to the moral intensity of an ethical situation. If a moral issue characteristic is salient in a situation, the moral intensity of the situation increases as the sense of personal responsibility for the consequences to others shifts psychologically to the actor. That is, as moral intensity increases, the likelihood of unethical intentions and behaviors falls. Kish-Gephart et al. (2010) illustrate this phenomenon via the case of dumping toxic waste into a river. If the people drinking the water are very likely to get sick and the wrongdoer is close to those who are harmed (perhaps even knowing them personally), the moral intensity of the situation is high and the temptation to pollute will thereby decrease. Indeed, vignette-based studies such as ours have shown at least some support for Jones’ hypotheses using domestic (e.g., May and Pauli, 2002; Paolillo and Vitell, 2002) and international (e.g., Nill and Schibrowsky, 2005) samples.

In this research, we focus our attention on the issue characteristics that Kish-Gephart and colleagues found to be significantly related to unethical intentions—that is, concentration of consequences, probability of harm, social consensus, and proximity. Though it is possible that the salience of the moral issue characteristics in any situation also may differ by culture, there is no clear theoretical direction to suggest that the relative importance of these characteristics in shaping ethical attitudes will vary from country to country. Thus, while we attempt to test the moral intensity formulation in the United States and China, we have no justification to postulate cultural differences in its effects. We therefore offer the following hypothesis:
Hypothesis 4: The moral intensity of an issue related to concentration, probability, consensus, and proximity will prompt business professionals to be less comfortable with all questionable ethical scenarios across both cultures.

IV. Methods

A. Sample

The United States data were collected by mailing a survey to a random sample of addresses of 10,000 business persons who had been identified as business leaders by a major publisher of business periodicals. This was followed by a reminder postcard six weeks after the initial mailing. Approximately 600 surveys were returned due to inaccurate addresses. We received 454 usable surveys for a response rate of 4.8 percent. The Chinese sample resulted from a convenience sampling process with contacts in China conducting business seminars. The survey instrument was translated from English into Mandarin in China. The Chinese version was then back translated and refined for consistency with the English version by a native Chinese speaker who is also fluent in English. It was further checked by a bilingual professor of business to be sure that linguistic equivalence and transparency had been attained. We received 248 usable surveys from Chinese business persons. After filtering out retirees from both samples, we were able to use 270 American respondents and 238 Chinese respondents.

Table 1 provides a profile of respondents for the US and Chinese samples. Respondents were presented with sixteen vignettes describing ethically charged situations (see Appendix). The set of sixteen vignettes has been used extensively in business ethics research in the United States (e.g., Walker et al., 2012; Weeks et al., 1999; Wood et al., 1988). Respondents were asked to indicate the degree to which they found the behavior described in the scenarios acceptable according to a seven-point Likert-type scale, ranging from 1 - “never acceptable” on one end to 7 - “always acceptable” on the other.

<table>
<thead>
<tr>
<th>Organization Size</th>
<th>U.S.</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;20</td>
<td>19.4%</td>
<td>17.0%</td>
</tr>
<tr>
<td>20-49</td>
<td>5.2%</td>
<td>11.3%</td>
</tr>
<tr>
<td>50-99</td>
<td>6.7%</td>
<td>30.9%</td>
</tr>
<tr>
<td>100-249</td>
<td>7.5%</td>
<td>14.3%</td>
</tr>
<tr>
<td>250-499</td>
<td>11.6%</td>
<td>7.8%</td>
</tr>
<tr>
<td>500-749</td>
<td>4.1%</td>
<td>4.8%</td>
</tr>
<tr>
<td>750-999</td>
<td>3.0%</td>
<td>3.5%</td>
</tr>
<tr>
<td>1,000-10,000</td>
<td>23.9%</td>
<td>8.7%</td>
</tr>
<tr>
<td>&gt;10,000</td>
<td>18.7%</td>
<td>1.7%</td>
</tr>
</tbody>
</table>
Table 1: Demographic Comparisons Across Samples: Continues

<table>
<thead>
<tr>
<th>Gender</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Males</td>
<td>77.0%</td>
<td>77.0%</td>
</tr>
<tr>
<td>Females</td>
<td>23.0%</td>
<td>23.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age</th>
<th>U.S.</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;20</td>
<td>0.0%</td>
<td>9.0%</td>
</tr>
<tr>
<td>21-30</td>
<td>3.7%</td>
<td>45.7%</td>
</tr>
<tr>
<td>31-40</td>
<td>10.8%</td>
<td>41.9%</td>
</tr>
<tr>
<td>41-50</td>
<td>29.7%</td>
<td>9.8%</td>
</tr>
<tr>
<td>51-60</td>
<td>33.1%</td>
<td>1.7%</td>
</tr>
<tr>
<td>61-70</td>
<td>17.5%</td>
<td></td>
</tr>
<tr>
<td>&gt;70</td>
<td></td>
<td>5.2%</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Position</th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Top Management</td>
<td>25.9%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Middle Management</td>
<td>30.0%</td>
<td>21.4%</td>
</tr>
<tr>
<td>Lower Management</td>
<td>10.7%</td>
<td>32.4%</td>
</tr>
<tr>
<td>Non- Management</td>
<td>33.3%</td>
<td>36.6%</td>
</tr>
<tr>
<td>No Designation</td>
<td></td>
<td>2.6%</td>
</tr>
</tbody>
</table>

Notes: Organizational size [1 – (under 20 employees), 2 – (20-49), 3 – (50-99), 4 – (100-249), 5 – (250-499), 6 – (500-749), 7 – (750-999), 8 – (1,000-10,000), 9 – (over 10,000 employees)] was included as an organizational characteristic control, and age [1 – (20 or less years of age), 2 – (21-30), 3 – (31-40), 4 – (41-50), 5 – (51-60), 6 – (61-70), 7 – (over 70 years of age)] and gender (male =1, female=0) were included as individual characteristic controls.

B. Measures

Organizational size was included as an organizational characteristic control. Age and gender (male =1, female=0) were included as individual characteristics controls.

**Individual Moral Foundations.** Drawing on Moral Foundations Theory, we used items from Graham *et al.* (2009) to measure the moral/psychological foundations of study participants. We included one item to represent each of the following five foundations of Care, Fairness, Ingroup, Authority, and Purity. All three of the authors independently rated the appropriateness of each moral foundation for the scenarios under consideration and were unanimous in agreeing that the concept of moral disgust was not relevant. As such, we did not use Purity in the analysis. The items included, as defined by Graham *et al.* (2009), were thus as follows:

- **Care:** “Compassion for those who are suffering or disadvantaged is the most crucial virtue.”
- **Fairness:** “Justice, fairness, and equality are the most important requirements for a society.”
- **Ingroup:** “Loyalty to one’s group is more important than one’s individual concerns.”
- **Authority:** “Respect for authority is something everyone needs to learn.”
Study participants responded on a scale from 1-7, with 1 being labeled “Never Acceptable” and 7 being labeled “Always Acceptable.”

**Ethical Culture.** This seven-item measure of ethical culture is found in Treviño et al. (1998). It includes the following questions with a response scale of Always, Often, Seldom, or Never:
- Is ethical behavior the norm in this organization?
- Is ethical behavior rewarded in your organization?
- Are penalties for unethical behavior strictly enforced in your organization?
- Is unethical behavior punished in your organization?
- Are people of integrity rewarded in your organization?
- Do the top managers in your organization show that they care about ethics?
- Do the top managers of your organization demonstrate high ethical standards?

**Ethical Structure.** Ethical structure was assessed by three questions, with a response scale of Yes, No, or Uncertain. In the analyses, No and Uncertain were combined. The questions were as follows:
- Does your organization have a written code of ethics?
- Does your organization require ethics training?
- Does your organization have procedures for reporting unethical behavior?

**Moral Issue Characteristics.** The scenarios were independently coded by the authors as to whether a moral characteristic was clearly evident in the scenario. The coding response scale was Yes, No, or Uncertain. After comparing the coding, areas of disagreement were discussed and a final rating was decided.
- Scenarios C, J, and M were rated as salient in proximity.
- Scenarios C, J, M, and P were rated as salient in concentration of effect.
- Scenarios C, F, G, J, M, O, and P were rated as salient in probability of effect.
- Scenarios A, B, D, E, G, I, K, O, and P were rated as salient in social consensus.

**V. Results**

The means, standard deviations, and correlations for the focal variables are included in Table 2. The fact that the mean responses were significantly different between Chinese and American respondents for every scenario, and that in every case Chinese respondents indicated a more accepting attitude toward unethical behavior, provides support for Hypothesis 1. Comparing these means via ANOVA showed that all differences were significant at p<.001.
Table 2: Correlations and Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>US Mean</th>
<th>US SD</th>
<th>China Mean</th>
<th>China SD</th>
<th>Org size</th>
<th>Ethical Structure</th>
<th>Ethical Culture</th>
<th>Age</th>
<th>Gender</th>
<th>Care</th>
<th>Fairness</th>
<th>Ingroup</th>
<th>Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Org size</td>
<td>5.42</td>
<td>3.011</td>
<td>3.67</td>
<td>2.146</td>
<td>1.06</td>
<td>.62**</td>
<td>-.10</td>
<td>-.04</td>
<td>.09</td>
<td>-.09</td>
<td>.04</td>
<td>-.08</td>
<td>.04</td>
</tr>
<tr>
<td>Ethical Structure</td>
<td>.6610</td>
<td>.2359</td>
<td>.2549</td>
<td>.35361</td>
<td>.19**</td>
<td>1.16**</td>
<td>.03</td>
<td>.03</td>
<td>.09</td>
<td>.08</td>
<td>.09</td>
<td>-.09</td>
<td>.01</td>
</tr>
<tr>
<td>Ethical Culture</td>
<td>2.9367</td>
<td>.70928</td>
<td>2.5601</td>
<td>6.1953</td>
<td>.111</td>
<td>.47**</td>
<td>1.10</td>
<td>-.06</td>
<td>.13**</td>
<td>.04</td>
<td>.17**</td>
<td>.04</td>
<td>.06</td>
</tr>
<tr>
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Note: US sample is in the top right portion of the matrix; the Chinese sample is in the lower left. Significance values are as follows: † = p-value of <.10, * = <.05, ** = <.01.
Table 3 lists the regression results when individual characteristics are organizational characteristics and analyzed simultaneously. The results indicate that individual and organizational characteristics influencing ethical attitudes vary by scenario.

- For scenario A (padding an expense account), in the US acceptability of unethical behavior is negatively associated with Organizational Size, Ethical Culture, and Care. In other words, as these variables increase, acceptability of unethical behavior decreases. In the Chinese sample, however, no factors are significant at the .05 level or below.
- For scenario B (exceeding the legal limit of pollution), in the US acceptability of unethical behavior is negatively associated with Fairness, whereas in China it is negatively related to Ethical Culture.
- For scenario C (recommending a bad investment), acceptability of unethical behavior is not associated with any variables in the US, whereas in China it is negatively related to Ethical Culture.
- For scenario D (underreporting taxable income), acceptability of unethical behavior is not associated with any variables in the US, but in China it is negatively related to Care.
- For scenario E (bribing a foreign official), in both the US and China the acceptability of unethical behavior is positively associated with Gender, with men more accepting of this than women. In China, acceptability of this unethical behavior is negatively associated with Fairness.
- For scenario F (hiring an employee to get secret information), acceptability of unethical behavior is positively associated with Gender and negatively associated with Age in the US, whereas in China it is negatively related to Care.
- For scenario G (collusion to reduce competition), acceptability of unethical behavior is positively associated with Ethical Structure and negatively associated with Fairness in the US, whereas in China it is positively related to Organization Size and Ingroup.
- For scenario H (bribing purchasing agents), acceptability of unethical behavior is positively associated with Gender and negatively associated with Ethical Culture in the US, whereas in China it is positively related to Organization Size.
- For scenario I (using inside information), acceptability of unethical behavior is negatively associated with Organization Size, Ethical Culture, and Age in the US, whereas in China it is negatively related to Care.
- For scenario J (preference shown to friend in hiring decision), acceptability of unethical behavior is positively associated with Gender and negatively associated with Fairness in the US, whereas in China it is positively related to Organization Size.
- For scenario K (failure to reveal dangerous design flaw), acceptability of unethical behavior is positively associated with Organization Size in the US, whereas in China it is positively related to Gender and negatively related to Fairness.
- For scenario L (concealing embarrassing financial facts), acceptability of unethical behavior is not associated with any variables in the US, whereas in China it is negatively related to Ethical Structure.
- For scenario M (preferential hiring on basis of gender), acceptability of unethical behavior is negatively associated with Fairness in the US, whereas in China it is positively related to Ingroup.
- For scenario N (deceptive advertising), acceptability of unethical behavior is negatively associated with Ethical Culture and Age in the US, whereas in China it is negatively related to Ethical Culture.
• For scenario O (misleading health information), acceptability of unethical behavior is positively associated with Gender and negatively associated with Age in the US, whereas in China it is negatively related to Ethical Structure.
• For scenario P (copyright violation), acceptability of unethical behavior is not associated with any variables in the US, whereas in China it is negatively related to Age and Care.

As these results show, in most every scenario ethical attitudes were affected by different individual and organizational characteristics, depending on whether the respondents were from the United States or from China. Across the scenarios there is partial support for Hypothesis 2a (p<.05), regarding the influence of the individual characteristics of valuing Care and Fairness, but not Authority. Care was significantly negatively related to acceptability in 22 percent of the 32 regressions. Fairness was significantly negatively related to acceptability in 31 percent of the 32 regressions. Hypothesis 2b regarding the influence of Ingroup value only received support in scenarios G and M, but the positive association was consistent with the hypothesis that unethical behavior toward external stakeholders would be acceptable for those with strong Ingroup values. Support for hypotheses 3a and 3b also varied by scenario, with 22 percent of the 32 regressions resulting in significant associations (p<.05) with ethical culture and 10 percent with ethical structures.
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Notes: Standardized Betas and total R-squared are reported in the final step of the regression. Significance values are as follows: † = p-value of <.10, * = <.05, ** = <.01.
The analytic approach to testing Hypothesis 4 involved simple comparisons of means based on moral issue characteristics. Table 4 reports the results of these comparisons. There was no significant difference between scenarios with a high concentration of harmful effects and scenarios with a low concentration of effects. There is a marginally significant difference (p=.05) between scenarios with a high proximity to those who are harmed in comparison to a low proximity, with high proximity being less acceptable. This is consistent with the assertion in Hypothesis 4 that moral intensity will be related to lower acceptability. There is a significant difference between scenarios with a high probability of harm to those with a low probability of harm, with high probability being more acceptable. This is opposite the assertion in Hypothesis 4 that moral intensity will be related to lower acceptability. There is a significant difference between scenarios with a high social consensus to those with low social consensus, with high social consensus being less acceptable. This is consistent with the assertion in Hypothesis 4 that moral intensity will be related to lower acceptability.

In exploratory analyses across cultures, there is no difference in acceptability for scenarios differing on concentration or proximity in the US, but in the Chinese sample, a high concentration of harmful effects is associated with greater acceptability, while high proximity is related to lower acceptability. The former finding is contrary to Hypothesis 4, while the latter is consistent with its prediction that moral intensity will be related to lower acceptability. In both samples, a high probability of harm occurring is related to higher acceptability, which is contrary to Hypothesis 4; however, high social consensus is related to lower acceptability, which is consistent with its assertion. Overall, the findings for Hypothesis 4 are mixed.

### Table 4: Moral Issue Characteristics Comparisons

<table>
<thead>
<tr>
<th>Moral Issue Characteristics Comparisons</th>
<th>Total Sample</th>
<th>US Sample</th>
<th>China Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Std. Dev.</td>
<td>t</td>
</tr>
<tr>
<td>Pair 1: High Concentration</td>
<td>2.98</td>
<td>1.36</td>
<td>0.94</td>
</tr>
<tr>
<td>Low Concentration</td>
<td>2.95</td>
<td>1.23</td>
<td></td>
</tr>
<tr>
<td>Pair 2: High Proximity</td>
<td>2.89</td>
<td>1.38</td>
<td>-1.95</td>
</tr>
<tr>
<td>Low Proximity</td>
<td>2.97</td>
<td>1.24</td>
<td></td>
</tr>
<tr>
<td>Pair 3: High Probability</td>
<td>3.22</td>
<td>1.27</td>
<td>13.65</td>
</tr>
<tr>
<td>Low Probability</td>
<td>2.75</td>
<td>1.27</td>
<td></td>
</tr>
<tr>
<td>Pair 4: High Consensus</td>
<td>2.74</td>
<td>1.30</td>
<td>-12.97</td>
</tr>
<tr>
<td>Low Consensus</td>
<td>3.22</td>
<td>1.26</td>
<td></td>
</tr>
</tbody>
</table>

VI. Discussion

Our cross-cultural comparison of the ethical attitudes of business professionals in China and the United States has revealed that there are stark differences between the two cultures. As revealed in Table 1, we found that in every instance the ethical attitudes of Chinese respondents overall were more permissive toward ethically questionable situations than were those of US respondents, thus providing very strong support for Hypothesis 1. In line with our reasoning and in light of the
findings of a number of previous studies of business ethics across North America and China that have found American managers to be more ethical in their perspectives and decision making (e.g., Danon-Leva et al., 2010; Ma, 2010), this is not surprising.

It is widely believed that a positive relationship exists between the levels of economic development across countries and their general embrace of ethical values, which may help to explain our findings. Many scholars (e.g., Inglehart and Baker, 2000) have commented that individuals who live in wealthy countries are more likely to exhibit “post-materialist” values (e.g., emphasizing subjective well-being, quality of life, environmental concern) than those who live in less developed countries where self-interested values are more likely to prevail and ethical expectations tend to be more lax. As home to one of the world’s most advanced economies, where ethical behavior is more likely to be the norm, the United States is supported by high levels of education, technology development, and economic security. While China has shown remarkable economic performance over the past few decades, this may not be influencing ethical attitudes and practices there in a broad way because the wealth created is relatively new and is not widely distributed, and it is still considered to be a developing economy by IMF standards (International Monetary Fund, 2014). For this reason, it seems reasonable to expect Chinese managers to exhibit at least somewhat less ethical attitudes and behaviors.

But high GDP and other measures of country wealth may not tell the full story when it comes to explaining standards of ethical behavior; economic growth may provide additional insight. For example, there is evidence to suggest that ethical attitudes may be more permissive in countries that are experiencing either significant economic growth or decline. Bageac et al. (2011) observe that individuals in high-growth countries are more inclined to focus on personal economic self-interest, whereas stable economies lead to more muted business aspirations and increased attention on other considerations. On the other hand, when economic conditions fall into decline, the need for adjustments for the sake of economic well-being (often to ensure survival) understandably become paramount concerns that drive out many others. Kemmelmeier et al. (2002) use this argument to explain why ethical commitments to environmental protection so often are pushed aside during periods of economic decline, and it fits with the documented negative relationship between corruption and economic growth (Mauro, 1995) and the greater emphasis on both environmental and social responsibility in Europe in those countries that have lower rates of economic growth (Reynaud et al., 2008). By this reasoning, the United States may fall within an “economic sweet spot” where decision making is most likely to be shaped by high ethical standards. In China, on the other hand, the spectacular economic growth since 1978 may be creating conditions under which ethics receive less emphasis as economic self-interest becomes the overarching preoccupation, thereby pushing ethical considerations closer to the decision-making fringe.

Economic ideologies also may have played a role in shaping the ethical perspectives of US and Chinese managers in our study. The two primary models of interest are capitalism, which highlights self-interest and the power of the market, and socialism, which shifts decision making and control from the individual to the state. Transitioning between the two—from a planned to a market-based economy—is far from straightforward. It takes time and resources to develop the institutional framework that is supportive of high standards of business ethics, and China has had more than its share of problems on its path to transition (Chandler, 2004; Tam, 2002). This should be a warning to firms that are increasingly engaging in trade and investment in China. That is, China is a very different environment, so assumptions typically made concerning ethical issues in the West may not transfer readily to the Chinese setting.
Finally, we acknowledge the cultural influences that have shaped the ethical responses in our study. For example, individualism (high in American culture) and collectivism (the norm in China) are linked to the perceived locus of control, with the former being more internal and the latter more external. Spector et al. (2002 p. 454-5) explain that members of individualist cultures:

… are taught to value independence and achievement through their own actions. They view themselves and others as having direct control over various aspects of life. Members of collectivist cultures are taught to value harmony and solidarity with others (Markus and Kitayama, 1991). Because they accept subordination of individual to group interests, they view the group as having legitimate control over their actions.

Relating this understanding to research on ethical behavior, the meta-analysis conducted by Kish-Gephart et al. (2010) found that individuals high in internal locus of control are likely to be more concerned about the consequences of their behavior on others and therefore are less prone to behaving unethically. This is only one of a number of plausible culture-based explanations for the overall patterns of ethical choices that we observed in our study.

Drilling down further, we found evidence to show that ethical attitudes were affected in one way or another and for nearly every scenario by differing individual and organizational characteristics in the two societies. Beginning with the person-specific moral foundations that shade individuals’ ethical judgments and behavior (which can create “bad apples,”” to use the language of Kish-Gephart et al., 2010), we hypothesized that American and Chinese managers placing greater importance on the moral considerations of (1) caring for and not harming others, (2) acting with fairness and appropriate reciprocity, and (3) respecting authority would also find questionable ethical scenarios less acceptable (Hypothesis 2a). Similarly, we posited that those managers who valued loyalty to the group highly would find scenarios depicting harm to stakeholders inside the firm or organization less acceptable, while assessing those indicating harm to outside stakeholders more favorably (Hypothesis 2b). Our results, reported in Table 3, provided partial support for Hypothesis 2a, with supportive findings for 22 percent of the tests for Caring and 31 percent for Fairness, though we did not find significant effects on any scenario for those managers indicating a strong commitment to the moral foundation of authority. Hypothesis 2b was also partially supported for those with strong Ingroup values, but only for scenarios G (contractor collusion) and M (unfair selection of a male job candidate over a more qualified female candidate).

One of the important trends to note in these findings is the pattern of results. Of the 16 scenarios in our study, responses to most (12) were significantly influenced by one or more of the moral values measured by our questionnaire. This indicates that these foundations appear to be active at some level in the shaping of responses to ethical situations. But when comparing the ethical reactions of American and Chinese managers, it is interesting to note the considerable differences in patterns of responses. Our tests found significant relationships between moral values and ethical assessments from both sets of managers (for one or more of the values included in the study) for only five of the 16 scenarios, and their responses to those five scenarios were opposite to one another in two of these. Interestingly, the agreement came in situations involving the sacrifice of pollution standards for the sake of profit, promoting a loyal friend over a more qualified candidate, and not reporting a design flaw that could compromise quality. The two groups had opposing responses to scenarios representing contractor collusion and gender discrimination in hiring, with the Chinese managers indicating more assenting responses to these ethically questionable practices in both cases. While a precise explanation is not evident from our data, we note that this is consistent with numerous reports indicating that such practices are common in China (Steinfeld, 2014; Zhang and Round, 2011).
We also addressed the question of whether informal components of a firm’s ethical infrastructure (ethical culture) or the formal elements of the same (efforts to establish an ethics code, an ethics training program, and a reporting system for ethical misconduct) would discourage unethical perceptions and decisions. This is the “bad barrels” element that Kish-Gephart et al. (2010) mention, which focuses on a firm’s organizational environment. We hypothesized that the components identified above would be associated with more ethical outcomes (hypotheses 3a and 3b, respectively) and found partial or mixed support for these assertions (see Table 3). For informal components, our regression tests found that ethical culture orientations led to more ethical responses to 38 percent of our scenarios (six out of 16) when American and Chinese responses are considered together (50 percent if a significance level of p<.10 were used). But for only one of these scenarios (using a “new and improved” advertising campaign to promote an essentially unchanged product) did managers from both countries indicate more ethical responses. Perhaps this practice is so widespread in both countries that only those who work in companies with an ethical culture that discourages the use of such promotional strategies would respond negatively. Interestingly, recent neuroimaging research has shown that subjects exhibit much greater brain activity when they are exposed to advertising claims that are moderately deceptive than when they review claims that are either high or low in deceptiveness (Craig et al., 2012). Because the neural reaction to less deceptive campaigns, like the one depicted in our scenario, tends to be limited, perhaps only those who are sensitized to such practices by their firm’s ethical culture will be primed to recognize the problem and then react negatively.

Our expectation that formal components of a firm’s ethical infrastructure would lead to more ethical decisions received very limited support in our findings for Chinese managers. That is, our regression analyses indicated that the use of ethics codes, training, and reporting systems may have prepared Chinese participants to respond more ethically to only 13 percent of our scenarios (two out of 16). This is not encouraging, but the results for American managers were even worse! Contrary to the hypothesis, US managers who indicated that their firms provided higher levels of formal ethics support actually responded significantly less ethically to the scenario depicting contractor collusion, while the remainder of their responses were nonsignificant.

What is to be made of these unpredicted findings? It is unthinkable that a firm would draft an ethics code or provide training and reporting systems to encourage collusion in the form of bid rigging, which is illegal under nearly all circumstances (Federal Trade Commission, 2014). The fact that these formal arrangements failed to promote ethical behavior overall suggests that more research is needed. In line with our findings, Kish-Gephart et al. (2010) found that while strong ethical climates and cultures tend to be associated with fewer unethical decisions in the workplace (Treviño, 1990), having a code of conduct often does not lead to more ethical thinking and behavior. This is consistent with the mixed results reported in the literature (O’Fallon and Butterfield, 2005). As Kish-Gephart et al. observe, ethics codes have little chance to change behavior if (a) they have become so common that no one notices them, (b) they are merely window dressing that allows business to go on as usual, or (c) they are poorly communicated or enforced. The same could be said about ethics training and reporting systems. It is one thing to have these programs in place and quite another to manage and use them well.

Finally, we tested Kish-Gephart et al.’s (2010) assertion that “bad cases” (the ethical dimensions of the issue itself) can play an important role in shaping ethical decision making. They posited that the greater the moral intensity of an issue, the more likely an actor will make ethical choices, recognizing that the consequences of his or her actions will have greater impact on others. According to Jones (1991), the moral intensity of an ethical issue comprises six distinct elements,
but we adapted his framework by including only the four issue characteristics that Kish-Gephart et al. found to be significantly related to ethical intentions in their meta-analysis: *Concentration* of effect (the number of people impacted), *probability* that the act will cause harm, *social consensus* (peer agreement that an action is wrong), and *proximity* (sensed agent-victim closeness in social, psychological, cultural, and physical terms). Although previous vignette-based research has shown some support for Jones’ framework (e.g., May and Pauli, 2002; Nill and Schibrowsky, 2005; Paolillo and Vitell, 2002), these tests did not examine the separate effects of the individual dimensions of moral intensity. Our study takes this next step.

In Hypothesis 4 we predicted that managers would make more ethical assessments when moral intensity is high, and our tests provided mixed support for this notion. Our regression results for a combined US and Chinese sample (see Table 4) did not find effect concentration to significantly influence ethical assessments. However, consensus and probability demonstrated significant associations with ethical perceptions, though the direction of the relationship for the latter ran counter to our hypothesis. Finally, proximity showed a marginally significant (p=.052) association with ethical judgment, with high proximity deemed more acceptable, as anticipated.

Examining separately the moral intensity-shaped responses of American and Chinese managers revealed some interesting findings. The regression test for concentration of harmful effects was not significant for the combined sample, but individual tests on each group were significant for the Chinese sample (albeit opposite to our prediction) and marginally significant (p<.10) for the American sample. It is possible that the subject of these scenarios had something to do with the responses. The nature of the issues depicted (recommending a bad investment, promoting a loyal friend over other more qualified employees, hiring an equally qualified male job candidate over a female prospect, saving money by buying pirated software) are representative of very common practices in China, and these decisions may be seen as serving the broader good of the organization and thus as wise. Also, in three of the four involved scenarios, the decision maker (a corporate executive, an employer, and a small firm owner) is a very authoritative figure in the organization, and in the fourth situation the actor (a stockbroker) is responding to pressure from his firm. Since employees in high power distance countries like China tend to take their ethical cues from their superiors (Pan et al., 2010)—especially when the institutional environment is underdeveloped and often fails to stand as a legal bulwark against such behavior, as in China—the Chinese managers in our study may have interpreted these acts as acceptable, even though they were, in fact, less ethical (Curtis et al., 2012; Danon-Leva et al., 2010). The Confucian foundation of China’s culture, with its emphasis on authority and hierarchy, further reinforces this inclination (Pan et al., 2010). Additionally, three of these four scenarios depicted victims who were company outsiders (likely outgroup members), which is an important consideration in a collectivist society like China’s. When Ma (2010) investigated the negotiation strategies recommended by Chinese and Canadian graduate and undergraduate students, he found that the Chinese participants were significantly more likely to offer false promises, attack an opponent’s network, employ distortion, and engage in inappropriate information gathering. Where individualists tend to treat all negotiating opponents the same (Pan et al., 2010), collectivists are more likely to feel solidarity only toward ingroup members and thus use more inappropriate negotiating strategies when dealing with outgroup members (Jackson, 2001; Rivers and Lytle, 2007; Ma, 2010) and are more competitive toward these counterparts (Espinoza and Garza, 1985).

The individualism-collectivism explanation may also be germane to making sense of our findings regarding discerned proximity. For American managers, ethical perceptions did not appear to form based on this factor, but tests of differences in Chinese participants’ assessments
were significant, and exactly as predicted. Why this dissimilarity? Since high proximity suggests more likely ingroup status, perhaps Chinese managers found this element more salient and then were primed to respond with greater ethical sensitivity (Ma, 2010; Pan et al., 2010).

The most baffling of the findings in this study may be those stemming from the probability dimension of moral intensity. Managers should be more inclined to consider an action unethical if it had a high probability of doing harm to victims. Our tests of this association were all highly significant (p<.01), but the relationship is opposite to the one hypothesized—that is, more probable scenarios were assessed as more ethical. Perhaps respondents rationalized away harm and focused on potential benefits to themselves or others. Grant and Campbell (2007) found that the relationship between employees’ harmful behavior and attitudes toward their work were moderated by perceived benefits of the harmful behavior to others, so that more perceived benefits reduced the influence of perceived harm on work attitudes. Similarly, managers in our study could be focusing attention on the benefits to others, thereby attenuating the influence of probable harm to others in weighing the acceptability of the scenarios. It is also possible that this result was an artifact of the way we set up our analysis. Given the exploratory nature of our research on bases of moral intensity and ethical choices, we tested these dimensions individually. Though this is in keeping with accepted practice, Kish-Gephart et al. (2010, p. 20) found four of Jones’ (1991) six dimensions to be highly interrelated and suggested that there may be reason to combine this set of components into one, interpreting them as being associated with “aspects of the potentially risky consequences to the victim.” Two of the dimensions that we included, based on Kish-Gephart et al.’s (2010) findings (i.e., concentration and probability of effect) turned out to be the most problematic in our test. Our results might have been different if these had been added to our analysis as representing a cluster and not as individual dimensions of moral intensity. This issue will have to be explored in future research.

The fact that both American and Chinese managers considered unethical those scenarios that social consensus deemed inappropriate is completely in line with Jones’ moral intensity theory. Vitell and Patwardhan (2008) assert that this should be especially true in a collectivist culture like China’s where the emphasis on harmony within the ingroup is great, and indeed their findings bear this out. But the power of social consensus to shape behavior in the US and elsewhere has been extensively documented in various other streams of research as well (e.g., social influence: Cialdini, 2008) and is difficult to question.

VII. Study Limitations and Future Research Directions

The underpinnings of ethical decision making are not nearly as simple or straightforward as most research approaches would imply, as suggested by Kish-Gephart et al. (2010 p. 17):

[O]ur findings reveal a high degree of underlying complexity in unethical choices. That is, such choices cannot be explained by one or two dominant antecedents. Rather, they are multidetermined, with substrates spread widely, even within the distinct realms of individual, moral issue, and organizational environment characteristics. In that regard, it is time for behavioral ethics researchers to empirically integrate these multiple sets of predictors (studying bad apples, cases, and barrels simultaneously) to fully understand this complicated phenomenon.

We have attempted to follow this prescription by including all three of these sets of predictors in our study. And while our approach could not be as expansive as their detailed meta-analysis, it is
certainly more inclusive than most of the ethics research published to date. Nonetheless, no study is without its limitations, and we outline here some of those that apply to our research.

Scenario-based ethics studies like ours have their drawbacks, especially if such decisions are typically less deliberative than is often assumed. As Messick (2009, p. 74) says of ethical decision making, “Our brains … make ‘judgments’ outside of consciousness.” However, while the processes underlying some ethical decisions are more automatic, others tend to be quite calculated (e.g., deciding whether to accept a bribe). Moreover, responses to scenarios may have less social desirability bias than answering questions about actual unethical behavior (Walker et al., 2012). As such, we think scenario-based approaches are appropriate for ethics research.

As reflected in the Profile of Respondents (see Table 1), the American managers in our study are older and more experienced than the Chinese managers, and this presents another potential complication. However, from their massive review of the ethical decision making literature, O’Fallon and Butterfield (2005) found that the research on age has produced mixed and inconsistent results at best. Kish-Gephart et al.’s (2010) meta-analysis backed up these conclusions by showing weak and nonsignificant relationships with both unethical intentions and behavior, suggesting that the age imbalance is not an issue. Factoring in culture does not change this conclusion. Because the Chinese managers were younger, they were most likely among the more westernized members of their society. This is suggested by Pan et al. (2010), who found that even though the younger Chinese managers in their study exhibited aspects of Confucianism, they were still significantly more individualistic than the generation that preceded them. When considered along with gender (where the breakdowns between men and women were almost perfectly identical), it appears that differences in demographics were not a problem in this study. Moreover, follow-up tests showed that there were no significant differences (p<.05) in responses to the acceptability of the scenarios across organizational size and managerial level for the US sample, taken separately, nor were there differences in acceptability across organizational size, managerial level, and age for our sample of Chinese respondents. The only significant difference on acceptability was found on age in the United States. However, since no such differences exist across the age ranges for Chinese managers, a more parallel sample would likely have produced the same results. Taken together, this suggests that imbalances between our country samples do not seem to explain our findings.

Our research improves upon many studies of ethical decision making by moving beyond the use of student samples. To ensure generalizability, we analyzed practicing managers in the United States and China. Nonetheless, our country samples were not drawn in such a way as to assure that they accurately represented the populations from which they were taken, and the data were not collected in the same way for each country. Consistent with the multi-decade research program led by Longenecker and his colleagues (e.g., Longenecker et al., 1988; Vynoslavska et al., 2005; Weeks et al., 1999; Wood et al., 1988), data from American managers were collected via a survey mailed to a random sample of 10,000 business leaders. Our Chinese data, on the other hand, were gathered from managers as they attended business seminars in China. The sample sizes are relatively balanced (270 from the US and 238 from China), but we offer no guarantees that the samples are truly representative of these countries. This is a common problem—affecting even very large-scale sampling efforts (cf. Nosek et al., 2007)—that should be considered in future ethics research. However, our samples generated mixed to strong support for frameworks corroborated by previous research (cf. Kish-Gephart et al., 2010), suggesting that we captured at least some of the important features of ethical decision making for the two country populations.
VIII. Implications and Conclusions

Given the rapid rise of the Chinese economy and the escalating impact it will have on the economies of other countries, it is increasingly important to understand the conduct of business there. This would include the nature of decision making processes and the ethical attitudes and inclinations that underlie them. As Ma (2010) has asserted, ethics research in China can provide “a powerful test of … western theory on business ethics because Chinese culture is unique [in that] there are a number of cultural barriers that make it very difficult or even impossible to implement western standards and ethical codes” (p. 124). We endeavor to compare reactions of American and Chinese managers to descriptions of unethical acts and to help explain differences between the two. Knowing of and understanding these differences will help global business leaders make better and more ethically acceptable decisions while in one country or the other.

Our findings reveal that Chinese and American business professionals differ significantly in their ethical attitudes (with unethical situations being more acceptable to the former), and the explanations for these attitudes differ by individual moral foundations, formal and informal organizational characteristics, and moral issue characteristics. That is, though ethical sensitivities differ between the two countries, western theory using the logic of bad apples, bad barrels, and bad cases to explain differences (see Kish-Gephart et al., 2010) applies to some degree in China, too—though not always in the same way. This suggests that ethical decision-making phenomena may represent a variform universal; that is to say, though foundations supporting these decisions may be shared across cultures, country-specific factors naturally lead to differences in the way these principles are enacted (Resick et al., 2006). It is certainly true that the cultural frame of reference is distinctly different between the United States and China. China is still a developing economy, which has been shown to affect ethical environment. And China is still in transition from a planned economy with state ownership of industries to a private enterprise economy, which involves profound changes in how business is conducted. Much more research will be necessary to determine the precise nature of these dissimilarities.

In the final analysis, the value of ethics research is determined by the practical usefulness of its findings. Our study certainly leads to actionable recommendations. First, it indicates that global business professionals should not expect reactions in China to ethics-laden situations to be the same as in the United States. This is no surprise, given findings from previous research (e.g., Danon-Leva et al., 2010; Ma, 2010), but awareness of bad apples, bad barrels, and bad cases may help managers understand why and predict when this may be so. We did not find managers with high levels of respect for authority to be inclined to make more ethical assessments, but those indicating higher levels of care for others and fairness in dealings made decisions that were significantly more ethical. Finally, greater ingroup loyalty affected the decisions of Chinese managers, leading to less ethical choices toward firm outsiders, as predicted. These findings indicate that selecting employees with these moral foundations in mind may lead to more ethical behavior at work. Fortunately, both care and fairness led to positive effects, so testing for these foundations can take a similar direction whether selecting managers in China or the United States. This should make selection processes for a multinational firm easier to design and manage.

As for bad barrels, our study found that ethical culture orientations led to more ethical decision making under many of the conditions described in our scenarios. This is encouraging, suggesting that firms doing business in China or the US can influence managers to make more ethical choices by establishing a supportive ethical culture. Relying on a formal ethics infrastructure (i.e., written codes, training programs, and reporting systems) appears to be less
effective—in fact, our data show that it may lead to less ethical responses among American managers. Of course, our findings may reflect the poor implementation of these components in firms. For example, if a code of ethics is poorly written or inadequately communicated or a reporting system is difficult to access, these infrastructure features would be ineffective (Kish-Gephart et al., 2010). We can offer no further insights on this, since our respondents were unable to comment on the quality of these formal components as established in their firms.

Finally, the results for bad cases also offer important insights. As theorized, the moral intensity of an issue appears to play a role in shaping ethical assessments of that issue, though our findings are mixed. When the number of individuals affected by the act is low, the victim is perceived to be close to the act, or society considers the act to be wrong, one or both of the nationalities in our study judged it more ethically unacceptable. (Contrary to theory, unethical acts deemed highly likely to cause harm were judged as more acceptable by both American and Chinese participants.) Kish-Gephart et al. (2010) contend that such insights can be used to reduce unethical behavior in the workplace by “sharpening the edges” of dilemmas. That is, firms might discourage undesirable behaviors by highlighting the features of moral intensity to which decision makers are most sensitive. For example, as suggested by our findings, decision makers will be more likely to reject unethical behaviors if it is made clear to them that social consensus deems them inappropriate. When such behavioral norms are defined more intentionally and communicated throughout the organization, employees will be less inclined to commit the unacceptable acts that they discourage.

Viewed as a whole, the results of this study provide evidence to show that the catalyst that promotes unethical behavior in the United States and China is multifaceted. Though the optimal application will vary some between countries, examining workplace ethics in terms of bad apples, bad barrels, and bad cases can lead to improved management practice. The results of this study may help to make the best path forward just a little easier to see and follow.

References


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Appendix: Ethics Scenarios

A. An executive earning $200,000 a year padded his expense account by about $6000 a year.

B. In order to increase profits, a general manager used a production process which exceeded legal limits for environmental pollution.

C. Because of pressure from his brokerage firm, a stockbroker recommended a type of bond which he did not consider a good investment.

D. A small business received one-fourth of its gross revenue in the form of cash. The owner reported only one-half of the cash receipts for income tax purposes.

E. A company paid a $350,000 “consulting” fee to an official of a foreign country. In return, the official promised assistance in obtaining a contract which should produce $10 million profit for the contracting company.

F. A company president found that a competitor had made an important scientific discovery which would sharply reduce the profits of his own company. He then hired a key employee of the competitor in an attempt to learn the details of the discovery.

G. A highway building contractor deplored the chaotic bidding situation and cutthroat competition. He therefore reached an understanding with other major contractors to permit bidding which would provide a reasonable profit.

H. A company president recognized that sending expensive Christmas gifts to purchasing agents might compromise their positions. However, he continued the policy since it was common practice and changing it might result in loss of business.

I. A corporate director learned that his company intended to announce a stock split and increase its dividend. On the basis of this information, he bought additional shares and sold them at a gain following the announcement.

J. A corporate executive promoted a loyal friend and competent manager to the position of divisional vice president in preference to a better qualified manager with whom he had no close ties.

K. An engineer discovered what he perceived to be a product design flaw which constituted a safety hazard. His company declined to correct the flaw. The engineer decided to keep quiet, rather than taking his complaint outside the company.

L. A controller selected a legal method of financial reporting which concealed some embarrassing financial facts which would otherwise become public knowledge.

M. An employer received applications for a supervisor’s position from two equally qualified applicants but hired the male applicant because he thought that some employees might resent being supervised by a female.
N. As part of the marketing strategy for a product, the producer changed its color and marketed it as “new and improved,” even though its other characteristics were unchanged.

O. A cigarette manufacturer launched a publicity campaign challenging new evidence from the Surgeon General’s office that cigarette smoking is harmful to the smoker’s health.

P. An owner of a small firm obtained a free copy of a copyrighted computer software program from a business friend rather than spending $500 to obtain his own program from the software dealer.