

**UNIVERSITY OF TAMPERE**  
**School of Management Studies**

Chinese business managers' moral decision-making

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## Abstract

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The topic of this thesis is about moral decision-making, and the main objective of this study is to research the moral decision-making of Chinese business managers based on the analysis of data. The study adopts systematic literature of qualitative research method and is constructed by means of qualitative analysis of 64 data articles. The 64 data articles are the journals from the Database of Chinese Academic Journals, Journal of Business Ethics and other leading business journals from the year 1970 to 2010.

This study is mainly constructed with two phases of literature review. The first phase of literature review presents the definition, factors and models of moral decision-making. And the second phase of literature review is focus on the Chinese managers' moral decision-making by analyzing Chinese morality sources, research studies and individual factors which have impacts on Chinese business managers' moral decision-making.

The results demonstrate that moral decision-making research has flourished to help the business managers to enhance their business ethics and forming a better business environment in China. The research helps to provide a comprehensive understating of moral decision-making, especially the Chinese business managers' moral decision-making. However, there are still numerous areas of moral decision-making of Chinese business managers that require further exploration.

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# 1. INTRODUCTION

## 1.1 Background

During the past two decades of reform and opening, China's economy has achieved rapid development. Currently, China's real gross domestic product (GDP) grew at an average annual rate of nearly 10% (Morrison, 2009). China has been one of the world's fastest-growing economies and has emerged as a major economic and trade power (Lardy, 1995). Now, over 3,600,000 private enterprises all over China have taken 130,000,000 employees and their contribution has accounted for 65% of GDP as well as more than 50% of taxes (Liu, 2008). Obviously, private sector companies, especially, the trade and foreign investment companies have been major factors in China's economic growth and social stability (Liu, 2008).

However, with the fast development of the economic and the rapid transformation of ideology, a lot of problems and challenges, which have not been obvious before, are gradually exposing among the private sector companies, and have hindered the further development of China's economy. For example, the decision making of enterprise in business is the nucleus of business management, concerning the rise and fall, profit or loss of enterprises (Trevino, 1986). But for a long time, the decision making of an enterprise is regarded as a pure economic behavior and has little relationship with morality, which results in radical limitations in traditional decision making of enterprises (Liu, 2003). Due to the severe lack of concerns of morality among some enterprises when they are making decision in business, problems, such as the lack of honesty, market disorder, infringing upon laborers' rights, and environmental pollution have emerged more and more.

Accordingly, it is a necessity for China's private companies holding the scientific concept of development as well as to create a man-oriented social environment which calls for honesty-based management and green GDP (Liu, 2008). It is particularly importance for China's private enterprises taking up their moral-decision making and constructing their harmonious relations with employees, consumers, environment and society (Liu, 2008). China's private enterprises have become the mainstream of national economy, and they play a significant role in not only the sustainable development of enterprises themselves but also that of China's economy, environment, and society.

In the developed countries, an increasing amount of attention has been devoted to ethics in business in general and marketing in particular in the past decades (Manlhotra & Miller, 1998). However, in China, the class struggle was the principal activity before 1978; economic activities were neither the focal point of the government nor the central concern of the people. Business ethics as a discipline could not be heard let alone emerge. (Lu, 1997) The turning point was in 1978 when the economic reforms started, and focus moved to economic activity and moral issues occurred in the economic activities. Due to the late starting, business ethics as a new discipline and the moral issues research studies were not developed yet in China. Nowadays, even more attention has recently been paid to moral issues in private sector companies by the philosophers, scholars, governments and corporations. (Lu, 1997)

In the above macro context, research of the moral decision-making of Chinese business managers is meaningful, and may be able to solve practical problems in China. With the development of the studies in the moral decision-making in business will help Chinese private sector companies to hold the scientific concept of development as well as to create a man-oriented social environment (Liu, 2008).

## 1.2 Research questions

During periods of large-scale corporate scandals, it is easy to forget that business is essentially a moral enterprise—it is about working together to create value (Werhane & Moriarty, 2009). The limitations of traditional decision making in business is that when an analysis of decision is made, decision makers often only pay attention to the analysis of economy, technology and law while ignoring the necessary analysis of morality (Liu, 2003). However, now with the increasingly concerns of the moral issues of enterprises in the developed countries, moral decision-making of business managers is becoming the main focus in the moral business research. (Werhane & Moriarty, 2009)

Literatures and researches of the moral decision-making in business are plenty in the developed countries. The two main questions of moral decision-making in business are (1) how people make moral decisions, and (2) which factors influence moral decision-making in business (Li, Wang & Fu, 2007). The research and business practice on moral decision-making introduced abroad drive Chinese academia to enter into this research area. China has a long history and it is a developing country with special development experience. How's the moral decision-making and which factors influence moral decision-making of business managers in China may have its own characters. My research will focus on moral decision-making of Chinese business managers with Chinese characters. So, the research question for this study is as following:

RQ: What moral decision-making of business managers, especially the Chinese business managers is about?

There are four sub research questions for this study. Firstly, the theoretical part of



the moral decision-making should be learned.

Sub-RQ1, What is the definition and models of moral decision-making of business managers?

Sub-RQ2, Which factors influence moral decision-making of business managers?

Then, the moral decision-making of Chinese business managers with Chinese characters should be learned.

Sub-RQ3, What is moral decision-making of Chinese business managers?

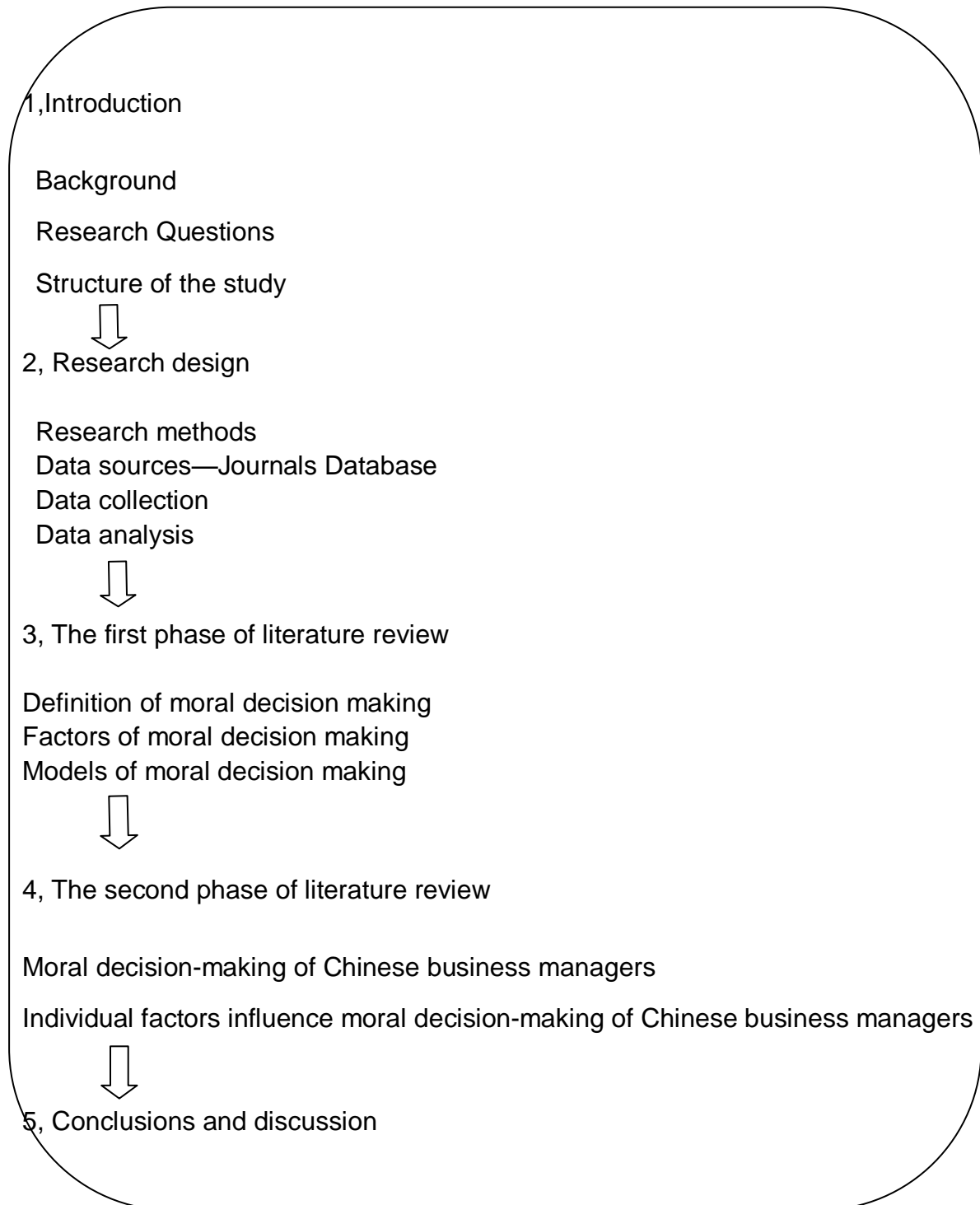
Sub-RQ4, Which individual factors influence moral decision making of Chinese business managers?

The focus of this study is on the discussion of moral decision-making of Chinese business managers in China with regard to its situation, factors and challenges. The purpose of the study is to contribute to a clearer understanding of moral decision-making of Chinese business managers in China.

### **1.3 Structure of the study**

The present thesis firstly presents a brief introduction of the topic by presenting the background and motivation of this study. Next the research methodology of the study is described. The systematic literature review of qualitative research methods is used to conduct the study. The data are the journal articles and seminal articles coming from the leading business Journals, such as Journal of Business Ethics, Chinese Academic Journals and International Journal of Business and Management. Then there are two phases of literature review. Firstly, the definitions, factors and models of moral decision-making are presented with a short review of literatures. Secondly, based on the data collecting and analyzing, research studies on moral decision-making of Chinese business managers in China are followed. There are introduction and analysis of the moral decision-making and individual factors influencing moral decision-making of

Chinese business managers in China. Finally, the conclusions and discussion of a comprehensive understanding of moral decision-making in China in the former studies are presented. (See Figure 1)



**Figure 1: Illustration of the structure of the study**

## **2. RESEARCH DESIGN**

### **2.1 Research method**

This study uses the qualitative research method to conduct the research. Qualitative research is all about exploring issues, understanding phenomena and answering questions. Qualitative research analyzes data from direct fieldwork observations, in-depth and open-ended interviews, and written documents. (Patton, 2002) Qualitative research aims at interpretation and understanding. It is concerned with developing explanations of social phenomena. That is to say, it aims to help people to understand the world in which they live and why things are the way they are. Then, qualitative research is concerned with finding the answers to questions which begin with: why? how? in what way?(Beverley, 2002)

Another main feature of qualitative of qualitative research is its description and the emphasis on the context. Qualitative studies are often full of detailed information about social world being examined, in other words, the behavior, values or whatever must be understood in context. People cannot understand the behavior of members of a social group other than in terms of the specific environment in which they operate (Bryman & Bell, 2003). Often, qualitative research provides a great deal of description details of what goes on in the setting being investigated and the description details provide an account of the context within which people's behavior takes place (Bryman & Bell, 2003).

My research concerns on the phenomena of moral decision-making of Chinese business managers, finding the answers to questions what moral decision- making

is in China, and which factors influence moral decision-making of Chinese business managers. The phenomena and the research questions of this study are examined under the context of Chinese economic and culture environment, and tradition and current situation as well. The phenomena and the research questions are answered thoroughly, and as detailed as possible based on the understanding of the nature and the aims of the qualitative research method.

This study adopts the systematic literature review method of qualitative research to carry out the research. The systematic review is a literature review focused on a research question that tries to identify, appraise, select and synthesize all high quality research evidence relevant to that question. (Ader, Mellenbergh & Hand, 2008) A systematic review aims to provide an exhaustive summary of literature relevant to a research question. The first step of a systematic review is a thorough search of the literature for relevant papers. The methodology section of the review will list the databases and citation indexes searched, such as Web of Science, as well as any individual journals. Next, the titles and the abstracts of the identified articles are checked against pre-determined criteria for eligibility and relevance. (Cooper, 1998)

## **2.2 The data source—journal database**

The data are the journal articles mainly coming from the Journal of Business Ethics and the Database of Chinese Academic Journals. Also, journal articles coming from the Business and Professional Ethics Journal, Business Ethics Quarterly, along with seminal articles appearing in the leading business journals will be collected and analyzed.

The Journal of Business Ethics publishes only original articles from a wide variety of methodological and disciplinary perspectives concerning ethical issues related

to business, these presents new or unique to the discourse in their field. Contributors examine moral aspects of systems of production, consumption, marketing, advertising, social and economic accounting, labor relations, public relations and organizational behavior. This journal is one of the 40 journals used by the Financial Times in compiling the prestigious Business School research rank.<sup>1</sup> China Academic Journals (CAJ) is a full-text database covering approximately 6,600 journal titles from the People's Republic of China. CAJ is searchable in both Chinese and English. It provides over 8 million full-text and full-image periodical articles dealing with the humanities and social sciences published from 1994 to date.<sup>2</sup>

The aim of using journal databases to conduct this research is to summarize the current body of literature related to the research phenomenon. The structure of the research is determined by the content and key themes that reveal with a goal of providing a comprehensive summary.

### **2.3 Data collection**

In qualitative research, data samples are usually not collected through random selection but rather purposive reasoning, which is to say they are chosen for how well they typify the characteristics of a certain class (Patton, 2002). The researcher's role in data collection is more centralized in the qualitative approach than it is in quantitative methods, which ideally seek to make purely empirical observations devoid of perspective (Beverley, 2002). The data collection process of systematic literature review should follow a series of steps (Cooper, 1998).

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<sup>1</sup> Journal of Business Ethics

<http://www.springer.com/social+sciences/applied+ethics/journal/10551>

<sup>2</sup> Database of Chinese Academic Journals <http://china.eastview.com/kns50/>

### **First, posing general research questions**

Focusing the study and posing general research questions are best addressed in a developmental manner, relying on discussions of related literature to help frame and refine the specific topic (Marshall & Rossman, 1999). Often, the primary research goal is to discover those very questions that are probing and insightful. Most likely, the relevant concepts will be developed during the research process, but the research question will suggest themes, based on knowledge of the literature (Marshall & Rossman, 1999). The research questions will help the research to engage in systematic inquiry to bring about a better understanding of the phenomenon and, increasingly, to change problematic social circumstances (Cooper, 1998). The refined research questions at the beginning of this study help to achieve better data gathering procedure on this moral decision-making research.

### **Second, selecting relevant site and subject**

To conduct the research, the databases that relate to the research topic in the moral decision-making of business managers are quite important. Based on this, choosing the relevant sites and subjects that have appropriate databases is the next step for the data collection of the research. The databases of Chinese Academic Journals and Journals of Business Ethics are chosen as the main target data sources. Both of them contain large full-text journal databases. Moreover, they possess their own specific advantages. For example, the Chinese Academic Journals are journals mainly from China. This research's focus is Chinese managers' moral decision-making, so the viewpoints of the Chinese researchers within Chinese social, cultural and economic contexts are deemed to be important. Furthermore, Journals of Business Ethics concerning the ethical business issues is also explored.

### **Third, collecting relevant data**

The third phase consists of electing the relevant articles by keyword searching related to the research topic. The keywords used are: “moral”, “decision making”, “Chinese”. Meanwhile, the words which have the similar meanings to keywords were chosen to perform keyword searches, such as “ethics”, “China”.

After gaining the articles from keywords search process, the abstracts of the multiple articles are quickly reviewed in order to select most relevant articles according to my research questions. 26 articles (See Table 1) and 38 articles (See Table 2), which are most related to the research phenomenon for the first and second phase of literature review respectively are selected. And, the research year of the articles is taken into consideration at the same time when selecting the articles, the articles which are too old are not chosen. The articles are from 1970s to 2000s. Then, the main body of the selected articles is read and the contents related to my research questions are marked. The total pages will be analyzed from chosen articles of the first phase of literature review are 116 pages. And the total pages will be analyzed from chosen articles of the second phase of literature review are 120 pages.

**Table1: Selected articles at the first phase of the literature review**

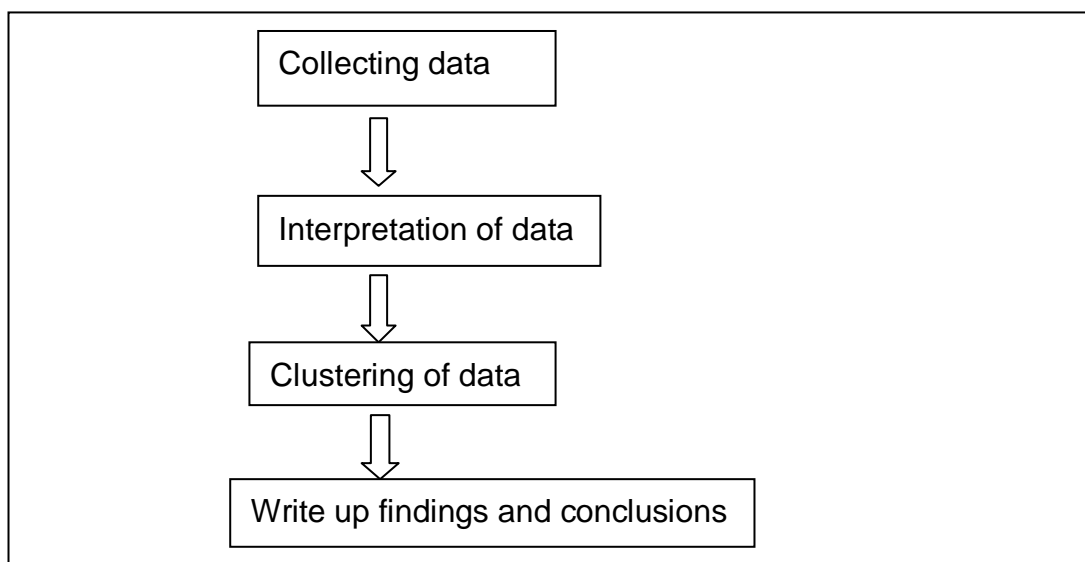
Year	The No. of journal articles	The No. of pages
1980s	6	39
1990s	7	43
2000s	13	33
The No. of journal articles in total	26	
The No. of pages analyzed in total	116	

**Table2: Selected articles at the second phase of literature review**

Year	The No. of journal articles	The No. of pages
1970s	1	5
1980s	6	17
1990s	13	46
2000s	16	49
The No. of journal articles in total	38	
The No. of pages analyzed in total	120	

## 2.4 Data analysis

Data analysis is a process of inspecting, cleaning, transforming, and modeling data with the goal of highlighting useful information, suggesting conclusions (Lewis-Beck, M. 1995). Data analysis is an essential step of linking one's findings with higher order concepts (Lewis-Beck, M. 1995). In addition, several phases can be distinguished in the data analysis process (See Figure 2).



**Figure 2: Data analysis process**



Firstly, interpreting of data (Lewis-Beck, M. 1995), the contents of each article is reviewed carefully in order to have a better understanding of the contents. A summary of each article of what are the viewpoints of each researcher is made. After that, the data analysis process turns to the stage of clustering (Lewis-Beck, M. 1995). In this stage, the viewpoints of each researcher are categorized based on the research questions. By clustering the data, the research questions are better answered and the research phenomenon is better understood. Finally, the last stage of data analysis process is to write up findings and conclusions. Themes and ideas from the data regarding to the moral decision-making are developed. Above is the figure for the illustration of the process of data analysis.

### **3. THE FIRST PHASE OF LITERATURE REVIEW**

At the present time, an increasing amount of attention has been devoted to ethics in business in general (Manlhotra & Miller, 1998). The corporate decision makers in their decision making, not only need to consider the technical and means feasibility, but also need to fully understand the important role of morality in their decision making. Corporate decision makers gather relevant information, and they must be mindful of the likely effects their decisions will have upon both the public's sense of corporate moral character and the company's ability to meet its other duties to shareholders, employees and consumers (Stoll, 2009). An understanding of moral decision-making in organizations is important to the development of organizational science (Trevino, 1986).

In this section, the concept of moral decision-making by means of acknowledging and debating the different definitions of moral decision-making and various factors which influence the moral decision-making are explored by analyzing 26 data articles (See Appendix 1).

#### **3.1 Definition of moral decision-making**

There are many definitions of moral decision-making. The literature review not only presents a list of definitions but also aims to synthesize the common perspective of definitions and discussions concerning these definitions of moral decision-making.

Firstly, many definitions exist, but most depend on using some standards of ethical

behavior from which to judge the individual's behavior. Any standard used is subjective and cultural in nature and subject to intensive debate (Scholl, 2008). Schulman (2002) defines moral decision-making as "*acts intended to produce kind and/or fair outcomes.*" This is similar to pro-social behavior or goal identification as a source of motivation in that the behavior is "labeled" moral if it is intended to produce a positive outcome for others. He argues that "moral motivation" is rooted in three moral systems: (1) empathy, (2) moral affiliations, and (3) principles. Moral decision-making is defined in terms of intention to help others (as opposed to egoistic motives) (Schulman, 2002).

Jones' (1991) definition of moral decision-making stated that, "*a moral decision-making is present where a person's action, when freely performed, may harm or benefit others*". Also, Jones (1991) wrote that "*an ethical decision is a decision that is both legally and morally acceptable to the larger community.*" This definition moves away from absolute standard of judgment to a social standard, based on cultural, organizational, or community standards. It still begs the issue to which standards to use when operating in overlapping reference groups (Scholl, 2008). And, Jones adds to concept of "legality" in his definition implying that "breaking the law" is by definition unethical or immoral. However, there are countless examples of individuals breaking the law and being very moral or ethical. According to Scholl (2008), a useful conceptualization of ethics has to differentiate between legal and ethical. In fact, these are two of the many social control mechanisms used to curtail unwanted social behavior. Laws and moral standards may coincide or reinforce each other, supplement each other, or conflict with one another.

Secondly, moral decision-making is a complex process contingent upon a number of factors. Moral decision-making is *also defined* as "a process that begins with individuals' recognition that a given action or situation has ethical content and continues as individuals evaluating the action's ethicality, forming behavioral intentions and engaging in actual behavior" (Dubnsky & Loken, 1989).

Moral decision-making is a process that begins when an individual recognizes ethical dilemma. Subsequently, the individual makes a judgment and forms behavioral intentions, which are thought to be predictive of actual behavior. This process is affected by individual, situational and issue-contingent factors. (Barnett & Valentine, 2004)

From the definitions above, moral decision-making is known to be a process that is contingent upon a number of factors such as the moral criterion, motivation, resolution process, ethical outcomes. The process consists of (1) recognizing a practice situation that moral dilemma has competing values, obligations, or principles; and (2) considering an optimal approach, what is one that establishes the ethical facts, possible alternatives available, applies ethical theory and principles and considers consequences of different courses of action for resolution. (Reamer, 1997)

Finally, in this section, my own understanding of the definition of moral decision-making is presented. Moral decision-making is a process that begins when an individual recognizes ethical dilemma and continues as individuals evaluations, form the decisions that are *both legally and morally acceptable to the larger community*. There are several of evaluative components embedded in the process. The decisions are made based on the distinction between what is “right” and “wrong” according to different standards; individual differences specific to each other; the information people have concerning the situation; and additional contextual constraints. My own understanding of moral decision-making shows my preference for the definition of Johns’ and then integrates the definitions of others in order to make the definition of the moral decision-making more comprehensive.

## **3.2 Factors influencing moral decision making**

### **3.2.1 Individual factors**

Much of prior research on moral decision-making has focused on personal characteristics such as gender, education and level of moral development. Carol Gilligan (1982), a Harvard psychologist, has become widely recognized for her research suggesting that men and women differ in how they solve moral dilemmas. Men, she contends, are likely to consider moral issues in terms of justice rules, and individual rights. Women, on the other hand, tend to consider such issues in terms of relationships, caring, and compassion. Ford and Richardson (1994) reviewed the literature on business ethics studies and concluded that the influence of sex was reported more often than any other single variable. The role of gender in ethical decision making has received significant examination (twenty-six studies in business) (Loe, Ferrell & Mansfield, 2000). The bulk of studies either determined no significant gender differences or found that females tend to be more ethically sensitive than males (Loe, Ferrell & Mansfield, 2000).

Ethics education has been found to have a significant positive influence on moral confidence, moral action, and use of ethics resources by different professions in different working environment (Allmark 2005; Csikai & Raymer 2005). The process of moral decision-making is influenced by values, education, experience, prior ethics training and professional identification (Kathleen Boland, 2006). Ethics education can help professionals not only determine the extent to which problems they encounter in practice are ethical problems, but it can also help them to define their own ethical values and beliefs, and help them to develop tools and skills needed to tackle ethical problems (Allmark 2005; Csikai & Raymer 2005).

According to Kohlberg's (1976) theory of moral development, different people make different decisions in similar ethical situations because they are in different stages of cognitive moral development. The theory of moral development holds that moral reasoning, the basis for ethical behavior, has six identifiable developmental stages, each more adequate at responding to moral dilemmas than its predecessor. Kohlberg proposed that individuals develop through the following six stages generally grouped into three levels of two stages each: pre-conventional, conventional and post-conventional ethical concern. (See Table 3)

**Table 3: Kohlberg's theory of moral development**

Level 1 (pre-conventional)	1. Obedience and punishment orientation	How can I avoid punishment?
	2. self-interest orientation	What's in it for me?
Level 2 (Conventional)	3. Interpersonal accord and conformity	Social norms; the good boy / good girl attitude
	4. Authority and social-order maintaining orientation	Law and order morality
Level 3 (Post – conventional)	5. Social contract orientation	Principled conscience
	6. Universal ethical principles	

Initially, a person is concerned with his/her own immediate interests and with external rewards and punishments. At the second level, an individual defines right as conforming to the expectations of good behavior of the wider society. Finally, at the third level, an individual sees beyond the norms, laws, and authority of groups or individuals. (Kohlberg, 1976) Kohlberg's theory scale is about how people justify behaviors and the stages are not a method of ranking how moral someone behaves; however, the general hypothesis is that moral behavior is more

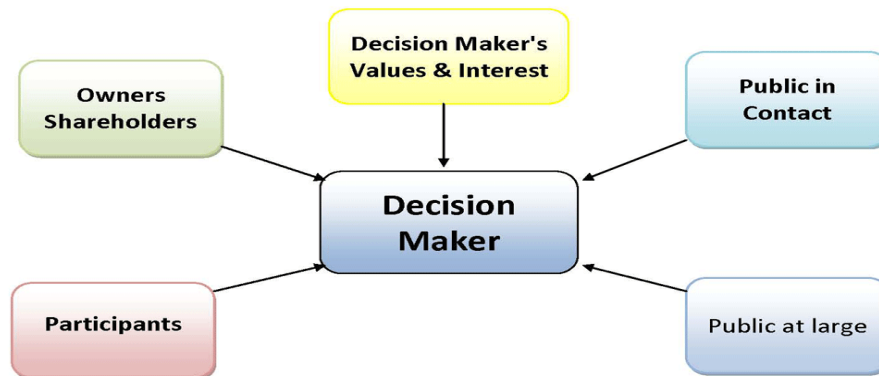
responsible, consistent and predictable from people at higher level (Crain, 1985).

### **3.2.2 Organizational factors**

Organizational factors, especially organizational culture include a set of values, beliefs, goals, norms, and ways to solve problems that members of an organization shared, have a great impact on the moral decision-making of managers (Chiu, 2000). The ethical climate of an organization is a component of the organizational culture. Whereas organizational culture involves norms that prescribe a wide range of behavior for members of the organization, the ethical climate component of organizational culture can be thought of as the character or decision processes used to determine whether dilemmas are moral or immoral (De George, 1990). Factors such as codes of ethics, ethical policies are all captured by the ethical climate concept. Organizational culture and its ethical climate may be directly related to the recognition of ethical dimensions of decisions and the generation of alternatives (De George, 1990). In a number of studies, the perceived ethicalness of the immediate work group has been found to be a major factor influencing ethical behavior. The more ethical perceived culture of the organization, the less likely it is that unethical decision making will occur (Cunningham & Ferrell, 1993).

Also, significant others in the organization can influence the moral decision making (Scholl, 1981). Decision makers turn to significant others in the organization that can provide information to help resolve an ethical dilemma. Significant others offer help in the form of advice, information, comments and remarks in discussions. As Scholl (1981, p. 274) said: "It is hard for me to image an organizational decision that does not impact on others. So why then have a special model for ethical decision making distinct from a model of organizational decision making? For this reason, I think a unified model of organizational decision

is essential, completing with the impact of public, participants, shareholders and decision makers' values and interest on the decision maker". (See Figure 3)



**Figure 3: Macro model of an organizations' moral decision-making (Scholl, 1981)**

This stakeholder-based model (Scholl, 1981) is based on the belief that organizational decisions that bring harm to one or more stakeholders are unethical. A more rigid standard in this category holds that decision makers should not only avoid doing harm to others, but even more they should work to help others. Decision makers base organizational decisions on the way in which these decisions impact claimants of all the stakeholders to the decision. The approach used is that the relative power of each claimant over the decision maker determines the degree to which the decision maker attempts to satisfy this demand (Scholl, 1981).



### **3.2.3 National factors**

Philosophers, social scientists and other academics have attempted to explain the moral decision-making process by examining national moral philosophy, codes of ethics, or the influence of national culture (Vitell, Nwachukwu & Barnes, 1993). Ethical behavior is acting in ways consistent with one's personal values and the commonly held values of society (Nelson & Quick, 2008). There are certain values in different regions that may shape the way an individual view a decision as either moral or immoral. Values vary from country to country. Take the value of loyalty, for example. In Japan, loyalty means “compassionate overtime.” Even though one has no work to do, he/she should stay late to give moral support to his/her peers who are working late. In contrast, Koreans value loyalty to the person for whom one works. In the United States, family and other personal loyalties are more highly valued than is loyalty to the company or one’ supervisor. (Nelson & Quick, 2008)

The ethics theory posited by Hunt & Vitell (1986) highlights the role of national culture on an individual’s evaluations while making decision involving ethical dilemmas. For example, some societies value a teleological approach known as utilitarianism in which individuals make decisions that are beneficial for the majority of the members of society. In other societies, individuals may tend to think of personal benefits, compared with benefits for majority, as more important. (Vitell & Patwardhan, 2008)

### **3.2.4 Summary of the factors influencing moral decision making**

Prior research on moral decision making has begun to identify a number of important factors that influence moral decision-making. In conclusion, the most identified and discussed factors are individual factors (Kohlberg 1976; Gilligan

1982; Ford & Richardson 1994; Allmark 2005; Csikai & Raymer 2005), organizational factors (De George 1990; Cunningham & Ferrell 1993; Scholl 1981), and national factors (Vitell, Nwachukwu & Barnes, 1993; Nelson & Quick 2008; Hunt & Vitell 1986) that influence moral decision-making. (See Table 4)

**Table 4: Summary of factors influencing moral decision-making**

<b>Factors</b>	<b>Explanations</b>	<b>Key Reference</b>
<b>Individual factors</b>	<ul style="list-style-type: none"> <li>* Different people make different decisions in similar ethical situations because they are in different stages of cognitive moral development</li> <li>* Gender difference in moral decision-making in the work environment</li> <li>* Ethic education has a significant positive influence on moral decision making</li> </ul>	Kohlberg 1976; Gilligan 1982; Ford & Richardson 1994; Allmark 2005; Csikai & Raymer 2005
<b>Organizational factors</b>	<ul style="list-style-type: none"> <li>* Organizational culture involves norms that prescribe a wide range of behavior for members of the organization</li> <li>* The more ethical the perceived culture of the organization, the less likely it is that unethical decision making will occur</li> <li>* Significant others in the organization can influence the moral decision making</li> </ul>	De George 1990; Cunningham & Ferrell 1993; Scholl 1981;
<b>National factors</b>	<ul style="list-style-type: none"> <li>* National moral philosophy, codes of ethics, or national culture influence moral decision-making are examined</li> <li>* Different religions shape the way an individual view a decision as either moral or immoral</li> <li>* The role of national culture on an individual's evaluations while making decision involving ethical dilemmas is important</li> </ul>	Vitell, Nwachukwu & Barnes, 1993 Nelson & Quick 2008 Hunt & Vitell 1986

The key components of the framework include individual factors such as cognitive

moral development; gender difference and ethic education have a significant influence on moral decision making. Organizational factors include organizational culture and significant others under which business is conducted can affect the moral decision making. National factors such as national moral philosophy, codes of ethics, or the influencing of national culture may shape the way people view a decision as either moral or immoral. These factors are all interrelated, and they influence ethics evaluations and intentions that result in moral or immoral behavior.

### **3.3 Models of moral decision-making**

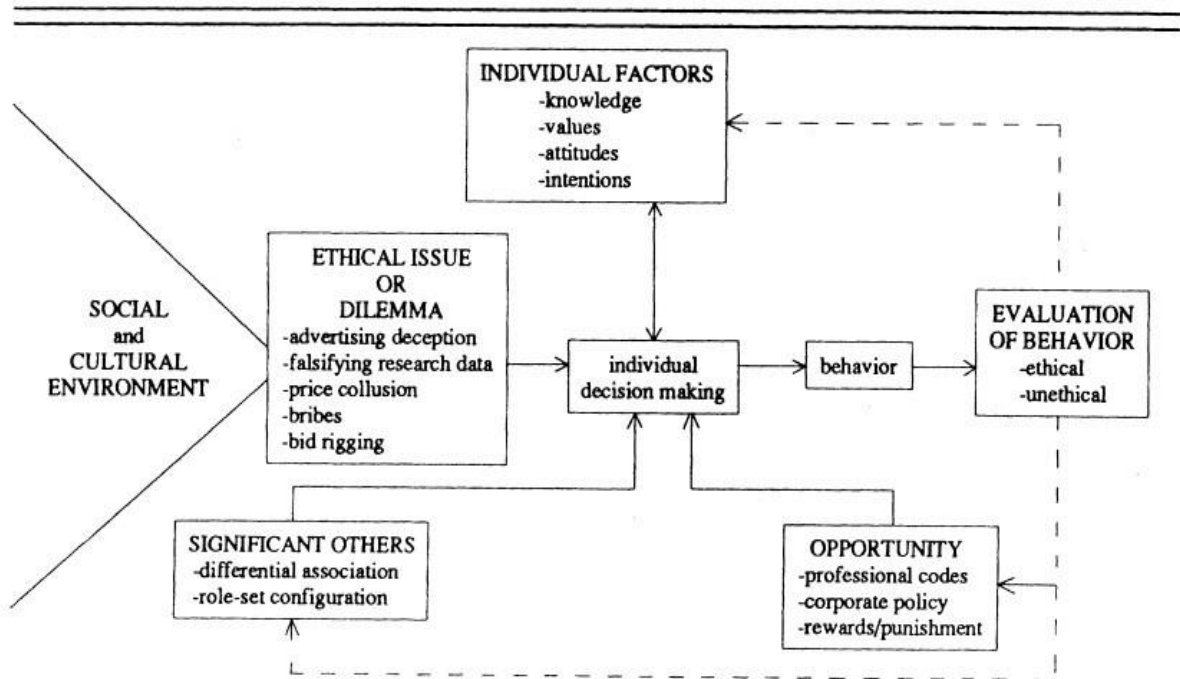
Which factors lead to immoral behavior? How can we promote moral decisions through adjusting factors? They are very important practical and theoretical questions. Since there are various factors influence the moral decision-making and it is impossible to agree on normative judgments about what is moral, ethics scholars developing descriptive models have focused on regularities in decision making and the various phenomena that interact in a dynamic environment to produce predictable behavioral patterns.

In the last twenty years, varying perspectives have been set forth both in the conduct of empirical research and the subsequent construction of descriptive model in the area of moral decision-making. Many moral decision-making models have been developed. There are four well-known and widely cited models—Ferrell and Gresham's contingency framework for understanding ethical decision making in marketing, Hunt and Vitell's general theory of making ethics, Trevino's person-situation interactionist model, and Jones's issue-contingent model (Li, Wang & Fu, 2007). These models generally built on Rest's(1986) original

framework, which views moral decision-making as involving four basic components of steps---identifying the moral nature of an issue, making a moral judgment, establishing moral intent, and engaging in moral action (O' Fallon & Butterfield, 2005). Researchers have since proposed and tested a wide variety of constructs that influence this four-step process (O' Fallon & Butterfield, 2005).

Ferrell and Gresham's (1985) Contingency Framework (See Figure 4) is a multistage contingency model which clarified and synthesized the multiple variables that explain how marketers make ethical/unethical decisions (Ferrell & Gresham, 1985). The framework is based on the assumption that the behavioral outcome of an ethical dilemma is related to first order interaction between the nature of the ethical situation and characteristics associated with the individual (cognitive factor), significant others, and opportunity. The contingency framework is process oriented, with events in a sequence causally associated or interrelated. The contingency variables represent situational variables to the marketing decision-maker (Ferrell & Gresham, 1985).

**Figure 4: A contingency model of ethical decision-making  
in a marketing organization (Ferrell & Gresham,1985)**

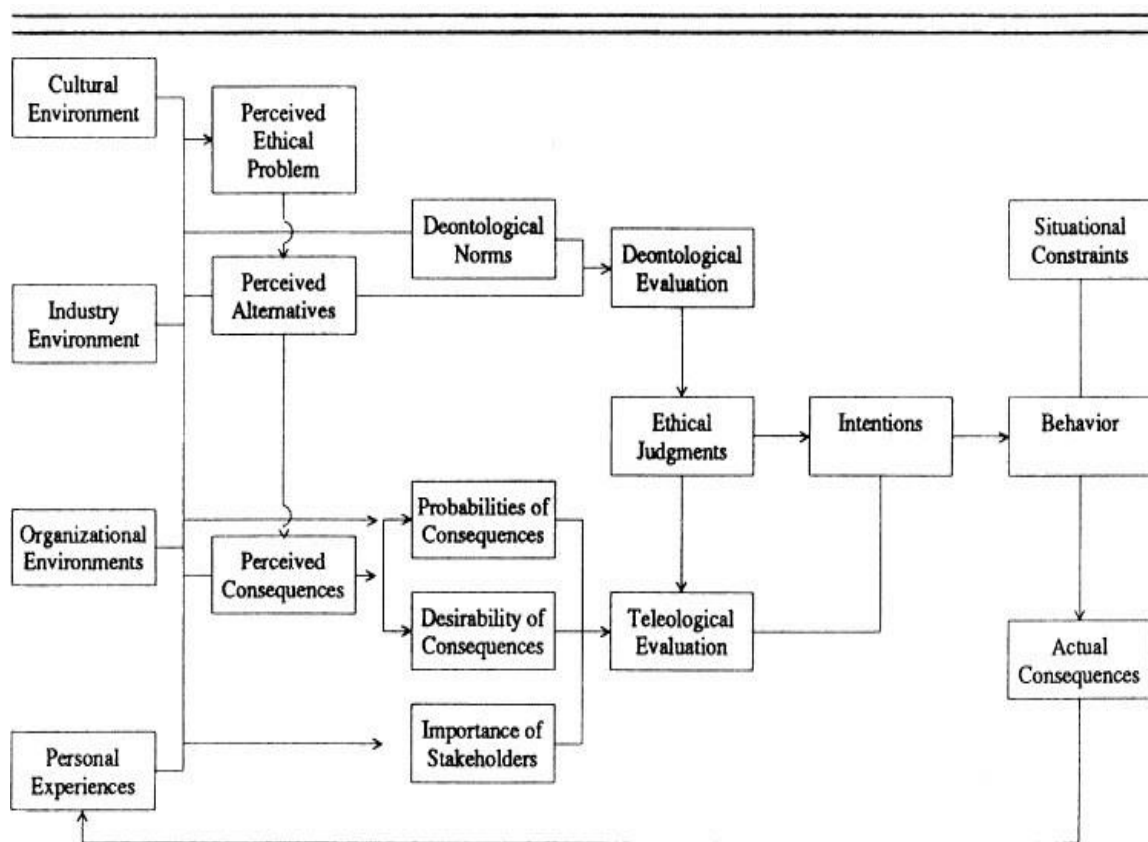


The model's variables fall in to two categories: individual and organizational contingencies. These interdependent factors distinguish the contexts in which decisions are made, and causally affect the dependent variable, un/ethical marketing behavior. These individual and organizational contingencies are considered external to the decision-making process. Even personal attributes, including the specific individual factors that comprise an individual's cognitive structure in the framework—knowledge, values, attitudes and intentions—are considered external to personal decision-making. Individual factors interact with organizational factors, which include “significant others” and “opportunity.” Significant others are specifically defined by “differential association” and “role set configuration”; opportunity is explicitly constrained by “professional codes”, “corporate policy” and “rewards & punishment.” (Ferrell & Gresham, 1985)

Ferrell and Gresham proposed that the social and culture environment plays a large part in the process of moral decision-making. (Ferrell & Gresham, 1985) As indicated, the societal and environmental criteria via which the content of ethics and the value of any given purpose are defined are considered to lie beyond the scope of the model.

Hunt and Vitell (1986) developed the model explaining individual decisions concerning ethical issues in marketing (See Figure 5). According to this model, perception of an ethical problem situation triggers the decision making process, and the decision maker identifies alternatives qualified to resolve the ethical problem as well as the consequence of these moral obligations or duties (Hunt & Vitell, 1986).

**Figure 5: A General theory of marketing ethics (Hunt & Vitell ,1986)**



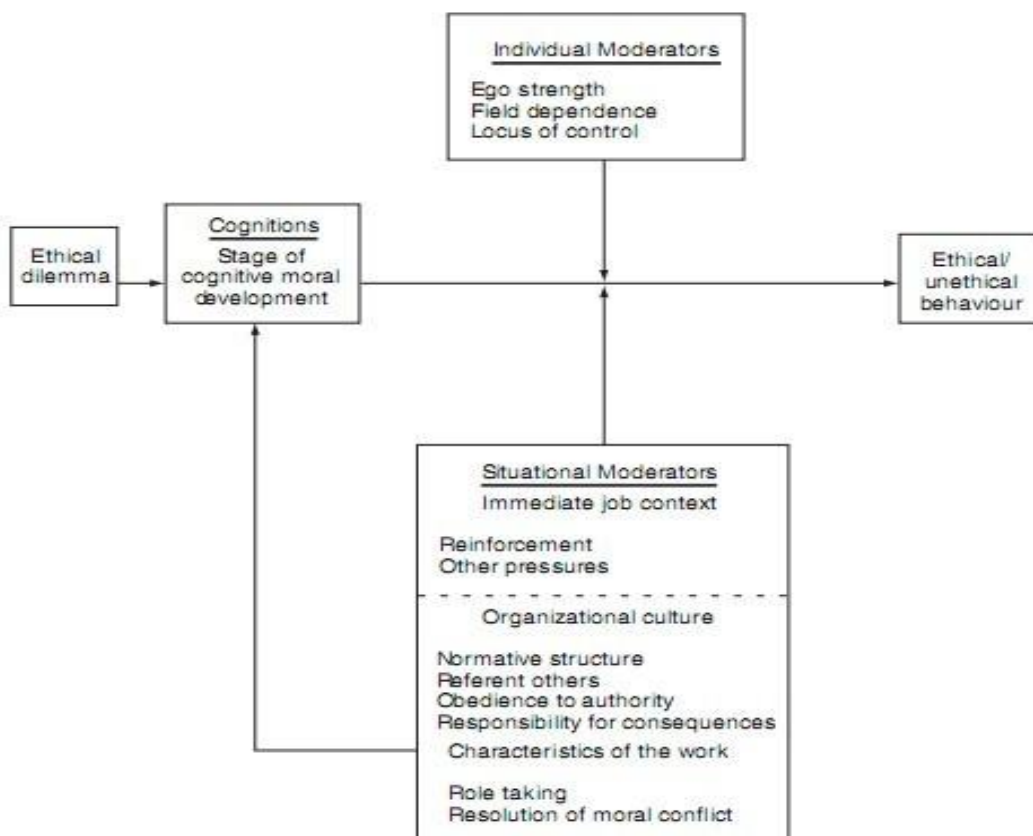
The decision model proceeds in sequential stages: (1) perception of ethical content; to (2) perception of various possible alternatives; to (3) deontological evaluation and teleological evaluation; to (4) formulation of an ethical judgment (which is a function of the deontological evaluation and the teleological evaluation); to (5) formulation of an intention; to (6) behavior (which is moderated by situational factors); to (7) evaluation of the actual consequences of action; to (8) feedback into personal experiences.

The factors affect the perceived ethical situations include personal, organizational, industrial and cultural norms. The purported “heart of the model” is the ethical judgment phase in which the choice of a particular alternative is selected as the most ethical one. The phase depends upon the individual’s deontological evaluation, that is, the alternative which best satisfies norms; and his teleological evaluation, that is, the alternative offering the greatest sum total of outcome “goodness”. (Hunt & Vitell, 1986) Then, ethical judgment is hypothesized to impact behavior through the intervening variable of intention. Hunt & Vitell characterized the intention construct as “the likelihood that any particular alternative will be chosen” (Hunt & Vitell, 1986).

The major learning construct in the model derives from evaluation of the actual consequences of behavior (Hunt & Vitell, 1986). These actual consequences feed back to a personal experiences construct. Hunt & Vitell claim empirical support for its learning assumption that individuals can be conditioned by rewards and punishments to behave unethically. Finally, in the model, the environmental constructs (organization, industry and culture) combined with personal experiences operate as a form and source of spontaneous motivation given in any moral situation, to engage in the evaluation processes.

Trevino (1986) proposed the Person-Situation Interactionist Model. The model (See Figure 6) proposes that moral decision-making is the result of an interaction between individual variables and factors of the specific situation. This model emphasized the cognition-behavior relationship, suggesting that “individual variables”, the “broader organizational culture”, “characteristics of the work”, as well as the “immediate job context” moderate the relationship between moral cognitions and behavior (Trevino, 1986).

**Figure 6: A person-situation interactionist model for ethical decision-making in organizations (Trevino, 1986)**



Trevino's model begins with the perception of an ethical dilemma. The individual then reacts with cognitions, which explain an individual's level of cognitive moral



development strongly influences the person's decision regarding what is right or wrong; the rights, duties, and obligations involved in a particular ethical dilemma (Trevino, 1986). This part of the model is furnished by Lawrence Kohlberg's model of cognitive moral development and constitutes Trevino's main contribution to the literature of moral decision-making models.

Before cognitions can influence un/ethical behavior, they are interacted with by individual variables, such as: (1) ego strength; (2) field dependence and (3) locus of control. By ego strength Trevino means a construct related to strength of conviction or self-regulating skills that enables individuals to resist impulses and follow their convictions. Consequently, ego strength enables people to be more consistent in the moral cognition/moral action relationship. They are more likely to do what they think is right. (Trevino, 1986) Field dependence maintains that when the situation is ambiguous, and referents provide information that helps remove the ambiguity, field dependent individuals make greater use of external social referents to guide their behavior. (Trevino, 1986) Locus of control is another personality characteristic. Internal and external scales measure an individual's perception of his control over life events, with internals believing they control their lives and externals believing that fate, luck, destiny, and the like. Trevino proposes that managers whose locus of control is internal will exhibit more consistency between moral judgment and moral action than managers whose locus of control is external. (Trevino, 1986)

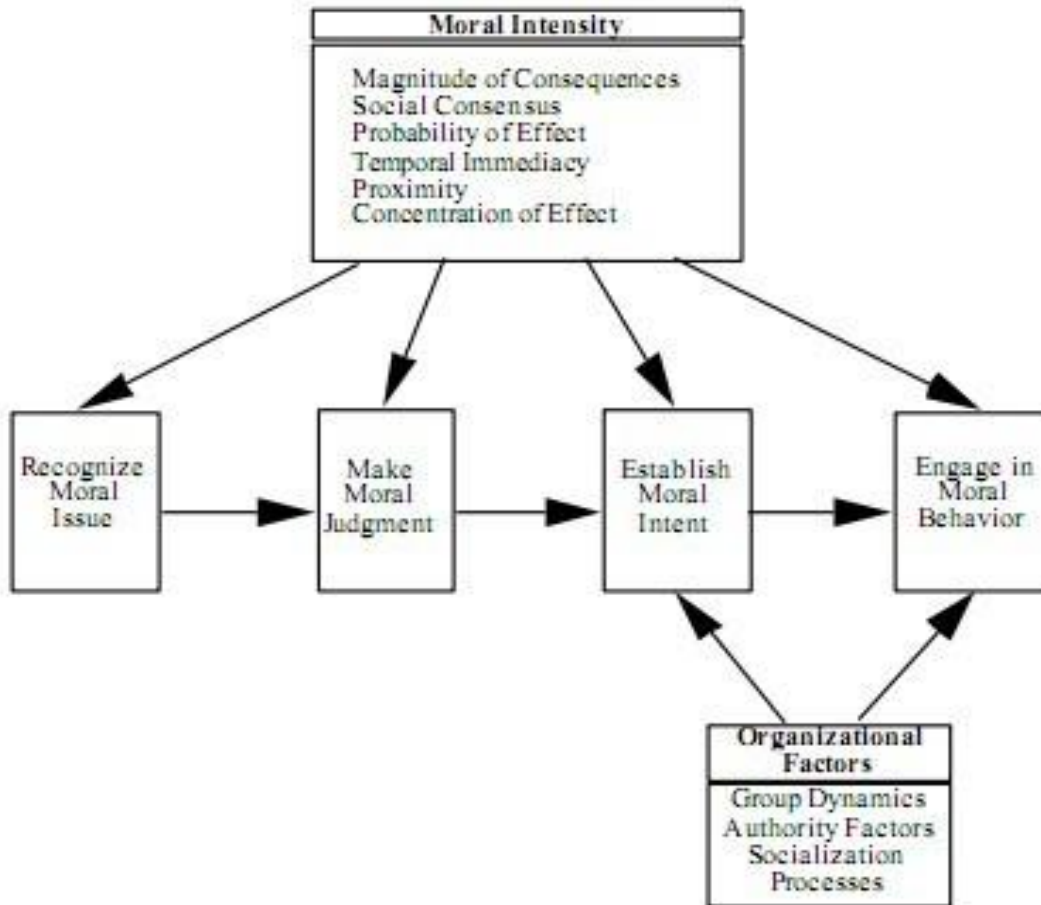
The situational variables/ moderators are also posted to feed back and impact cognition, thereby determining cognitive moral development. Situational variables include (1) immediate job context; (2) organizational culture; and (3) characteristics of the work itself. (Trevino, 1986) Trevino holds that since moral

action takes place in a social context, un/ethical behavior in a given situation results from the interaction between an individual of fixed characteristics and the situation in which he encounters himself. Since individuals at the conventional level are situationally influenced, Trevino's model posits that situational effects influence moral development through work experience via: (1) characteristics of the job itself; and (2) organizational culture. (Trevino, 1986)

The person-situation interactionist model for ethical decision-making in organizations posits interaction between individual and situational components to explain ethical decision-making in organizations. The model highlights the cognition stage of moral reasoning along the lines furnished by Lawrence Kohlberg's model of cognitive moral development. Trevino discounts the dependability of normative philosophy as a causal variable of behavior, despite adhering to psychological approach pregnant with modern ethical theory.

Jones (1991) offered an Issue-Contingent Model of ethical decision making (See Figure 7). The model integrated existing theoretical models (Ferrell and Gresham, 1985; Hunt and Vitell, 1986; Rest, 1986; Trevino, 1986) of individual decision making, but also extends them. The model incorporated moral intensity into it. It identified six characteristics of an issue, which collectively labeled moral intensity that must be considered in an ethical decision (Jones, 1991). Jones argued that moral issues vary in terms of their moral intensity and that an issue-contingent model of ethical decision-making and behavior can add significantly to the understanding of moral processes.

**Figure 7: An issue-contingent model of ethical decision-making in organizations (Jones,1991)**



Moral intensity is a construct that captures the extent of issue-related moral imperative in a situation. It is multidimensional, and its component parts are characteristics of the moral issue such as magnitude of consequences, social consensus, and probability of effect, temporal immediacy, proximity and concentration of effect. Moral intensity focuses on the moral issue, not on the moral agent or the organizational context. (Jones, 1991) Generally, Jones claims support for his moral intensity construct and its components from various sources: intuition, logic, common sense understandings, observation of human behavior, and some empirically derived evidence.

Issue-Contingent Model of Ethical Decision-making posits the overarching influence of the moral issue on ethical decision-making. The primary contribution to the literature is to introduce a set of variables collectively entitled moral intensity.

Based on the above models of moral decision-making, factors have been incorporated into descriptive models of the moral decision making process (Wyld & Jones, 1997). These models have examined a wide variety of factors which could be classified under the umbrella of “individual factors”, “organizational factors”, and “national factors”. In table 5 below, four models of moral decision making by individuals in business are compared.

**Table 5: Comparison of moral decision-making models in Business**

Factors	Models			
	Ferrell and Gresham (1985)	Hunt and Vitell (1986)	Trevino (1986)	Jones (1991)
	(1)	(2)	(3)	(4)
<b>Individual factors:</b>				
Cognitive moral development	--	--	I	I
Gender	I	I	I	I
Education	I	I	I	I
<b>Organizational factors:</b>				
Organizational culture	I	I	I	I
Significant others	I	--	--	I
<b>National factors:</b>				
National moral philosophy	--	I	I	I
Codes of ethics	I	I	I	I
National culture	I	I	I	I

Keys to table:

Models	Factors
(1) Ferrell and Gresham (1985)	( I ) Included in model
(2) Hunt and Vitell (1986)	(-- ) Not included in model
(3) Trevino (1986)	
(4) Jones (1991)	

Generally, the models show that the various framers of the models recognized individual, the atmosphere of the organization and national factors as being an important contextual influence on individual decision. They have suggested that a number of individual, organizational, and societal factors influence ethical/unethical decision making. The contingency framework of Ferrell and Grisham (1985) takes a more macro orientation but does not incorporate the moral development process or list the moral philosophical components unique to ethics (Ferrell, Gresham & Fraedrich, 1989). However, it includes the significant others component which is different from other models. The general theory of ethics of Hunt and Vitell (1986) includes personal, organizational, industry and cultural factors. And Hunt and Vitell provide a detailed description of how individuals' ethical judgments are a function of both deontological and teleological evaluation (Ferrell, Gresham & Fraedrich, 1989). In the Trevino's (1986) situational- individual model includes individual, job and organization factors. And a major component of the model is based on Kohlberg's cognitive moral development model. Jones' (1991) issue-contingent model incorporates the factors postulated to influence ethical or unethical decision-making noted in the previously mentioned models and moreover posits that moral decisions are not just individual decisions, but are determined by moral intensity of an issue in the organization (Jones, 1991).

### 3.4 Conclusion

Moral decision making is a process that begins when an individual recognizes ethical dilemma and continues as individuals evaluations, form the decisions that are *both legally and morally acceptable to the larger community*. There are a variety of factors influencing moral decision making. It should be noted that moral decision making within an organization does not rely strictly on individual factors. Organizations take on an ethical climate of their own and may have a significant influence on ethical behavior within their industry. The national culture also plays an important role in influencing the moral decision making.

During the mid 1980s and early 1990s, the field of moral decision making was advanced by a number of well-known and widely cited theoretical models to produce predictable behavioral patterns. The four well-known and widely cited models are Ferrell and Gresham's contingency framework for understanding ethical decision making in marketing, Hunt and Vitell's general theory of making ethics, Trevino's person-situation interactionist model, and Jones's issue-contingent model. These models generally built on Rest's (1986) original framework, and proposed and tested a wide variety of factors that have been incorporated into the models of the moral decision making process.

Although this literature review does not moralize by what to do in a specific situation, it does provide an overview of what is moral decision-making, what factors that influence moral decision-making. This part is intended to provide insights and knowledge about the concept of moral decision-making. The theoretical origins of the concept of moral decision-making give hints and

guidance for this research in the second phase of literature. The moral decision-making of Chinese business managers and factors that influence moral decision making of Chinese business managers in China as well are examined in the study in the second phase of literature review.

## **4. THE SECOND PHASE OF LITERATURE REVIEW**

### **4.1 Moral decision-making in China**

Since late 1970s, moral decision-making in China has emerged and developed mainly as a response to the Chinese economic reforms. One reason for this might be that the research and business practice on moral decision-making introduced abroad drive Chinese academia. Moreover, since the reform and opening up along with sustained and rapid economic development, a number of social problems caused by Chinese enterprises have arisen and this arouses Chinese scholars' concern about the connection of business decision-making with morality. The discussions have been developed, broadened and continued up to now. It is from these discussions that moral decision making has emerged in the research area of Chinese academic world. In this section in order to discuss the moral decision-making of Chinese business managers in China, firstly, the source of Chinese morality and the researches on moral decision-making in China that has been discussed in 38 articles are presented. After that the individual factors that influence the moral decision-making in China also from 38 data articles are discussed. (See appendix 2)

#### **4.1.1 The source of Chinese morality**

Among 38 data articles addressing Chinese moral decision-making, almost each article gives its own explanation and implication of the moral decision-making in China. The analysis of the data articles manifests that an examination of moral



decision-making of Chinese business managers in China is particularly important for a number of reasons: (1) the philosophical foundations of Chinese culture differ substantially from Western philosophical traditions; (2) comparative management studies have noted significant differences in the work values of East Asian and Western cultures; and (3) China's rapid economic growth and increase involvement in international trade and investment makes a broader understanding of Chinese perspectives relevant to business ethics more important than before. (Whitcomb, Erdener & Li, 1998) Therefore, Chinese business managers' moral decision may have its own characters. Firstly, the moralities in business are driven by its characteristic sources. (See appendix, data article 2, 4, 6, 10, 14, 18, 23, 24, 26, 29, 33, and 36)

According to Lu (1997), Chinese moralities in business world are driven by three sources: (1) the inheritance of Chinese traditional ethics; (2) the reflections on the economic reform; and (3) the influence of business ethics from abroad. (Lu, 1997)

#### **4.1.1.1 The inheritance of Chinese traditional ethics**

China has a long history of traditional business ethics. Confucianism<sup>3</sup> is the most profound and dynamic thought system in traditional Chinese culture. The Confucianism has dominated a feudal society that has lasted 2000 years and for that reason its influence over the economy, politics and culture cannot be overlooked. The traditional Chinese business ethics was deeply associated with Confucianism.

Hofstede and Bond (1988) summarized Confucian teaching into four key principles: (1) the stability of society is based on unequal relationships between

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<sup>3</sup> Confucius Insitiute Online.

[http://www.chinese.cn/cul/en/article/2010-05/11/content\\_131439.htm](http://www.chinese.cn/cul/en/article/2010-05/11/content_131439.htm)

people – ruler/subject, father/son, older brother/younger brother, husband/wife, and older friend/younger friend; (2) the family is the prototype of all social organizations; (3) virtuous behavior toward others lies in reciprocity; (4) virtuous behavior includes self-improvement through education, diligence, perseverance, and moderation in all things. (Hofstede & Bond, 1988) In Confucianism, human beings are teachable, improvable and perfectible through personal and communal endeavor, especially including self-cultivation and self-creation. (Hofstede & Bond, 1988) Humanity is core in Confucianism. A simple way to appreciate Confucian thought is to consider as being based on varying levels of honesty, and a simple way to understand Confucian thought is to examine the world by using the logic of humanity. (Chen & Chung, 1994) There are also other important elements of Confucianism, such as righteousness, ritual, loyalty and integrity.

China's Confucian heritage has provided an enduring foundation for Chinese values, despite the economic and political upheavals of the nineteenth and twentieth centuries, and Maoist thought blended aspects of Confucianism with Marxism (Tu, 1976; Shenkar & Ronen, 1987, Su, 2004). The Confucian ethical tradition appears to influence Chinese decisions in morally complex situations (Whitcomb, Erdener & Li, 1998). The Confucian conception of "person" is important to understanding the way people resolve moral dilemmas of practical issues in contemporary Chinese society (Su, 2004). Confucian-based societies in Asia have been characterized by rapid economic development in recent decades, and comparative management studies have attempted to link these economic activities success with Confucian values (Chinese Culture Connection, 1987; Hofstede & Bond, 1988).

#### **4.1.1.2 The reflections on the economic reform**

Among the three stimuli for business ethics in the last nearly twenty years, the

driving force of the economic reforms is certainly the strongest one (Lu, 1997). Reforms initiated in 1978 to transform China's centrally planned economy into a market economy have led to fundamental changes in Chinese society (Whitcomb, Erdener & Li, 1998). In shortly, economic reforms occurred in two stages. The first stage, in the late 1970s and early 1980s, involved the decollectivization of agriculture, the opening up of the country to foreign investment, and permission for entrepreneurs to start up businesses. The second stage of reform, in the late 1980s and 1990s, involved the privatization and contracting out of much state-owned industry and the lifting of price controls, protectionist policies, and regulations, although state monopolies in sectors such as banking and petroleum remained. (Bettetheim, 1988) The economic of China entered a new stage. People enjoy more economic freedom and individual wealth growing at a very rapid rate among certain groups.

In the economic reform, Premier Deng Xiaoping's famous proclamation: "To get rich is glorious" and "Whether a cat is black or white makes no difference—as long as it catches mice, it is a good cat" encapsulated pragmatic market enterprise values, while transformation of the Chinese mainland's economic system into network capitalism has thus entailed further moral upheaval, some Confucian values persist. (Snell & Tseng, 2001) In the economic market value, profit is viewed as the primary, overriding goal (Whitcomb, Erdener & Li, 1998). New goals for economic productivity increasing by an overhaul of the entire system of incentives, that is the moral suasion was replaced by material rewards to improve motivation and enterprise performance (Snell & Tseng, 2001). As people enjoy more economic freedom and witness individual wealth growing fast, this new market value, which contrasts starkly with Confucian values, has become increasingly spreading in China.

However, divided economic interests, new business laws and rules, an increased number of unemployed labor and serious environmental issue all call for moral

discussion, whether one approves the reforms or not. (Lu, 1997) In the course of the economic reforms, its related concepts became the questions of “efficiency” and “fairness,” “material desire” and “moral or spiritual ideal requirement.” Moreover, these topics have evolved into multiple issues at both the practical and theoretical level. (Lu, 1997) Some old ethical ideas or norms are being replaced by new ones. These changes will take a long time and influence the whole Chinese moral culture (Liao, 1995).

#### **4.1.1.3 The influence of business ethics from abroad**

On the way to market-oriented reforms, China has chosen its Characteristic Chinese Way which differs from that of developed countries, developing countries, and former socialist countries as well (Lu, 1997). Nevertheless, China still learns a great deal from other countries, not only from their experiences and achievements in the markets but also from their work in business ethics (Whitcomb, Erdener & Li, 1998). From the vast business ethics literatures and much more concerns of the business ethic abroad, Chinese business managers, philosophers and scholars learn about taking seriously the ethical dimension of business, defining and bearing various responsibilities to improve the ethical quality of business, also strategies and methods to analyze the ethical dimension of decision making in business as well to develop business ethics on the ground of the country’s own traditional culture combine with business culture from abroad.(Lu, 1997)

##### **(1) Taking seriously the ethical dimension of business**

Business is not a morally neutral activity. According to Zhang (1989), the goal of business has been profit, but profit making is not a morally neutral activity. Traditionally, it is encouraged business to pursue profits because it is believed that profit seeking violates no rights and is best for society as a whole. In the past two

decades, however, the belief that business makes an entirely positive contribution to the general welfare has been challenged. (Zhang. 1989) China achieved great and rapid success in its economic development; however, there are many serious problems in China along with the economic development. Chinese should not merely consider the impact of the market economy on morality and their mutual relationship. Rather, they should also examine business itself from the ethical perspective, i.e., the moral dimension of business which is not added from outside, but is an internal, constitutive component of business. They should care about the ethical way to profitability. (Lu, 1997)

(2) Defining and bearing various responsibilities to improve the ethical quality of business

Each economic actor has, and operates in, its own space of decision-making and action, which is limited by numerous conditions. One should not push off one's own responsibility to other actors, nor should the responsibility be dismissed from one level to another. (Lu, 1997) As Enderle (1994) wrote, enterprises are the basic units of production and becoming independent economic actors, corporate ethics too is gaining importance. The fundamental question of enterprises' business managers should not be what other individuals, companies and national economies ought to do. But rather what should they personally do, and what should the company and the national economy to which they belong do in order to perceive and carry out ethical responsibility at the different levels of action? (Enderle, 1994)

(3) Learning strategies and methods to concretely analyze the ethical dimension of decision making in business

Because issues in business ethics mostly are concrete and specific, tools of analysis are to be developed to cope with these often complex issues. (Lu, 1997)

The business ethics literature offers many interesting approaches from abroad, such as Rest's four steps of moral decision-making and various moral decision-making models (Ferrell & Gresham, 1985; Hunt & Vitell, 1986; Trevino, 1986; Jones, 1991) mentioned before in the first phase of literature review.

(4) Developing business ethics on the ground of the Chinese own traditional culture combined with business culture from abroad

The field of business ethics, which relies heavily on Western philosophical principles as its theoretical foundation, suggests that perceptions of right and wrong are fundamentally alike (Whitcomb, Erdener & Li, 1998). Five domains of principles from Western philosophies relevant to moral decisions are (a) Deontology, which is concerned with one's duty to follow ethical rules; (b) Utilitarianism, which involves acting in a manner that will provide the greatest good for the greatest number; (c) Relativism, which is based on the idea that no universal ethical rules exist; (d) Egoism, which is concerned with promoting an individual's long-term self-interests; and (e) Justice, which is based on the Aristotelian notion that equals should be treated equally. (Reidenbach & Robin, 1988, 1990) Chinese scholars seek out ways to apply principles from Western philosophies, such as utilitarianism, deontology, relativism, egoism, or theory of justice, to moral questions faced by Chinese business managers. These principles are increasingly appealed to moral discussions in business in China.

#### **4.1.2 The research of moral decision-making in China**

The researches on moral decision-making in China has been emerged and flourished since the late 1970s. From the 38 article data analysis, the research of moral decision-making in China can be grouped into three ways. They are research on the link between the Confucian and the Chinese economic success,

research on the impact of economic reforms on Chinese management behavior, and research on differences in values cross-culturally in management behavior. (See appendix, data article 1, 3, 7, 10, 14, 18, 22, 26, 29, 31 and 33)

#### **4.1.2.1 Research on the link between the Confucian and the Chinese economic success**

Confucianism provides the philosophical basis for the collectivist and power distance values prevalent in East Asia (Whitcomb, Erdener & Li, 1998). Although the Confucian classification of society, into the classes of scholar, administrator, farmer, artisan, and merchant, ranked business at the lowest level, Confucian based societies in Asia have been characterized by rapid economic development in recent decades, and comparative management studies have attempted to link these economic activities success with Confucian values. (Hofstede, & Bond, 1988) There are various researches on Confucian influences on the ethical judgments and decision-making. For example, 'The Confucius Connection: From Cultural Roots to Economic Growth' (Hofstede & Bond, 1988); 'Confucianism: Symbol and Sub- Stance in Recent Times' (Tu, 1976); 'The impact of Confucianism on organizational communication' (Chen & Chung, 1994). These papers examined the relationship of Confucian teachings with economic development in Asia. They have labeled the cultures of the Asian countries is neo-Confucian, that is, rooted in the teachings of Confucius. (Hofstede & Bond, 1988; Tu, 1976; Chen & Chung, 1994) The Confucian hypothesis is that the countries of Asia have common cultural roots going far back into history, and that under the world-market conditions of the past 30 years this cultural inheritance has constituted a competitive advantage for successful business activity. (Hofstede & Bond, 1988; Tu, 1976; Chen & Chung, 1994) Cultural inheritances are not genetically transferred; they can in principle be acquired by any human being who is at the right place at the right time (Hofstede & Bond, 1988). Confucianism has

been identified as the major cultural factor that explains the economic success of the Asian countries. The impact of Confucianism on management behaviors and communication in the organization in these nations based on the four key principles of Confucian teaching: the hierarchical relationship, the family system, "Ren" (benevolence), and the emphasis on education. (Tu, 1976; Chen & Chung, 1994)

#### **4.1.2.2 Research on the impact of economic reforms on Chinese management behavior**

Meanwhile, the economic reforms also provoked the interest of the scholars. In the first stage of economic reform, the research is about bringing order out of chaos and setting wrong things right (Lu, 1997). The relationship between business and ethics was just discussed at the levels of philosophy and professional ethics, the relation between the economy activities and morality and their mutual impact, such as the study and education of professional morality for commerce, taxation, financial affairs and accounting. (Brugha, 2000) As for the business world, the stage of "bringing order out of chaos" initiated the establishment of moral rules and norms for workers. Although there was no concept of business ethics at that stage, the conditions were set up so that business ethics could develop later on a central concern of the people for business and economic life, the orientation of ethical studies towards economic activities, the establishment of moral norms in many professions, increasing importance of moral rather than political standards for the society, enterprises and individuals, and move away from the previous indifference about civic virtues and morality. (Lu, 2008)

In the second stage of economic reform, the world of philosophy, ethics, and economics left behind the stage of "setting wrong things right" and began to study new issues in the practice of reforms. (Lu, 1997) Under the slogan of



“strengthening the construction of socialist spiritual civilization,” the discussions on business and ethics moved to an issue-oriented approach. (Lu, 1997) Topics of the research on the moral issues of Chinese business managers in China can be grouped into three categories: (1) to get an idea of the moral status quo of Chinese business managers; (2) to explore the mechanism that the ethicality of Chinese business managers affects the ethical behavior of the entire enterprise; (3) to explore the mechanism to improve on the moral status of Chinese business managers. Compared to the other two problems, the third problem is relatively short of research. (Wang, 2005)

The following topics were discussed: commodity and moral development; economic reforms and moral changes; economic reforms and moral development; economic reforms and traditional ethics; ethics and modernization; material civilization and spiritual civilization; commodity economy and moral education; economic structure and moral structure in the present stage; the challenges of the commodity economy and the moral way to deal with them; economic regulation and moral regulation; reforms and the interests of groups; unfairness in social distribution (Lu, 1997; Shen & Jiang, 1986). The topics were often provoked by urgent issues brought up by the reforms and then approached by multiple disciplines (not only by philosophy). (Shen & Jiang, 1986)

The economic system literature, comparing centrally planned and market systems, was an important part of early studies. The literature concerning the impact of the institutional environment upon management behavior is very broad-based, covering numerous disciplines (Whitcomb, Erdener & Li, 1998). Reforms in centrally planned economics sharply redefine corporate sources of legitimacy. Different inter organizational norms, particularly differences in mode of interaction between business and government, would be expected to strongly influence moral decision-making. (Whitcomb, Erdener & Li, 1998) Research on the impact of economic reforms on Chinese management behavior includes Byrd (1992) and

Lee (1991). And there are seminal publications such as *Ethics in Management* (Weng, 1988); *Ethics in Business* (Liu, 1994); *Ethical Issues in Economics* (Li, 1995).

Although business ethics as a new discipline and the moral issues research were not developed yet in China, the field of business ethics actually was gradually approached from the ethical perspective in a comprehensive way that includes all business and economics activities: economics, business, and management. With more knowledge about how the decision process works, Chinese business managers will be better prepared to critically analyze ethical dilemmas and to provide better moral decision-making in their organization.

#### **4.1.2.3 Research on differences in values cross-culturally in management behavior**

Moreover, researches of comparative management focus on differences in values cross-culturally and the need for managers to adjust to different cultures suggests that moral decisions may be different also (Whitcomb, Erdener & Li, 1998). Researches focus on comparing the dynamic relationship between individual behaviors and the environmental context of China and other countries. In comparing these relationships across many countries, comparative management focuses on the influence of two national characteristics on managerial behavior: culture and institutions. Both are relevant to business moral decision-making, which encompasses the values embedded in personal belief systems as well as those encoded institutionally as law. (Whitcomb, Erdener & Li, 1998)

Until recently, comparative management studies used measures of culture from Taiwan and Hong Kong as proxies for determining how China compared with the rest of the world (Hofstede & Bond, 1988). Surveys measuring managerial values

in mainland of China have often proven difficult to carry out in a meaningful way. Results could be bimodal and hard to interpret (Adler et al., 1989). Among the most important recent studies on this subject are those by Ralston et al. (1993); Whitcomb, Erdener & Li, (1998); and Chinta (2007) comparing managerial values in China, Hong Kong, and the U.S. In Ralston et al.'s (1993) study of convergence/divergence of managerial values, four Western-developed measures (Machiavellianism, locus of control, intolerance of ambiguity and dogmatism) and the four dimensions of the Eastern-developed Chinese Value Survey (Confucian dynamism, human-heartedness, integration, and moral discipline) were the measures used. The findings indicate that often times both culture and the business environment interact to create a unique set of managerial values in a country. (Ralston et al., 1993) The survey was conducted by Whitcomb, Erdener & Li (1998) in China and the U.S. by using five business scenarios. Survey results show similarities between the Chinese and American decision choices for three out of five scenarios. However, the results reveal significant differences in rationales, even for similar decisions. (Whitcomb, Erdener & Li, 1998) Chinta (2007) examined the differences in managerial values between US and Chinese managers based on survey responses from 1741 US and 982 Chinese managers. The findings indicate that significant cultural differences exist between the two samples. Results show that US managers are more individualistic than their Chinese counterparts. The managerial values of the US sample are also characterized by lower power distance, uncertainty avoidance, and work ethics than Chinese sample. (Chinta, 2007)

As for the publications issued, some articles appeared on the development of business ethics in the West along with some translations of Western business ethics, as did a few efforts to develop a framework for business ethics from Chinese perspectives. (Lu, 1994) Chinese scholars applied principles from Western philosophies, such as utilitarianism, universalism, rights theory, or theory of justice, to moral questions faced by business managers.

## **4.2 Individual factors affect the moral decision-making of Chinese business managers**

From the above analysis of the sources of Chinese morality and the research of moral decision-making in China, it is obviously to see that only late, the studies done abroad, has come and formed the new source and factors of Chinese morality. At the beginning Chinese moralities in business was not influenced by the studies of business ethics abroad. It is the Chinese traditional morality, and especially the issues in economic reforms that have made people focus their attentions on the connection between business and ethics. These two factors have been playing their important roles in all sources. (Lu, 1997) In this section, these two individual factors affect the moral decision-making of Chinese business managers are explained and discussed in detail.

### **4.2.1 Moral principles based on Confucianism**

Confucianism is recognized as the dominant influence on values in China, and it differs substantially from Western philosophical approaches to ethics. It is not a utilitarian philosophy: material profit is viewed as often in direct conflict with 'the dictates of virtue' (Chinese Culture Connection, 1987). Confucius saw the concept of profits as having both positive and negative aspects. On the downside, Confucius' disciple made it clear that it was immoral for rulers to concentrate on profits for their respective states. However, on the upside, merchants were socially useful because their risk-taking trading activities could help supply the people's diverse needs. In an effort to remedy this contradiction, ethics was integrated into business activities. (Weber, 2009) As a result, it was insisted that merchants base

their behavior on moral principles, which held that righteousness outweighs profits and that collective benefits and spiritual values outweigh individual benefits and material values respectively. (Weber, 2009)

Confucianism consists of principles for appropriate behavior so as to retain harmonious interaction among people. It includes an emphasis on preference for in-groups (in which there is a degree of trust) over out-groups as well as the role of loyalty by subordinated to superiors in hierarchical relationships. (Whitcomb, Erdener & Li, 1998) These moral principles could provide a set of useful rules and guidelines for business activities as well (Ralston et al. 1993). The following are the three main moral principles from Confucianism: Ren, Li, Xin.

#### (1) Ren—Humanity

The central principle of Confucianism, Ren, which means goodness, benevolence, humanity, and kind-heartedness, occupied a prominent role in balancing ethics with the pursuit of profits (Confucius Institute, 2010). Using “Ren”, people sought to eliminate excessive profits by preventing such activities as cheating, manipulating supply and demand to bring about higher prices, and corrupting public officials. (Confucius Institute, 2010)

#### (2) Li—Propriety

In Confucian thought, Li, another principle meaning propriety, also exerted great influences on business activities. Li was helpful in directing people to behave ethically and politely. It has played an indispensable role even in modern business activities where quality services and politeness to customers are priorities. (Confucius Institute, 2010)

### (3) Xin—Trustworthiness

In addition to Ren and Li, Xin, another principle means honesty and trustworthiness, was also important in directing business activities. Thus, the Confucian view was that only when ethical integrity was highlighted could justice be practiced and could harmony be achieved in the business community. The idea that honesty and trustworthiness could lead to a harmonious and benign society found many followers among Chinese businesspeople. (Confucius Institute, 2010)

Romar (2002) stated that Confucian moral principles, such as benevolence, tolerance, propriety and trustworthiness are important values for business. Confucianism could indeed provide an applicable guideline for organizational behavior. For example, (1) Morality is considered as a critical part of every decision and the foundation of individual behavior, therefore a moral role model is essential. In the case of an organization this means management should lead by example: leaders should not act selfishly, but in the interest of their subordinates. (2) Confucianism recognizes that collective success consists of individual contributions by dependent agents and accordingly calls for moral autonomy and individual responsibility. The willingness of each individual to carry out the assigned tasks and responsibilities is vital to collective success. These human interdependencies in turn constitute the idea of community. In this context means an organization should take in to consideration by assigning roles and duties to certain positions. In this context of restricted individuality, independence and adaption to roles, collective success is emphasized, instead of individual success. (Romar, 2002) (3) Li (Propriety) make the contribution to an overall improved organizational behavior. This term implies fundamental knowledge regarding appropriate use of language in social settings or adequate forms of addressing someone for instance had been described in Confucius' books. Profound knowledge in respects mentioned is vital for organizations. For management this

issue should be of high priority, because it is essential in order to succeed. (Romar, 2002)

#### **4.2.2 Moral principles evolved from business ethic of the market economic**

To determine whether a particular morality should become the modern moral standards of business managers should have good reason, and make a reasonable argument. (Meng, 2000) The arguments of the moral standards are mostly based on two morality perspectives. One is based on the inner mechanism of economic market; the other one is relied heavily on Western philosophical ethic theories, such as egoism, utilitarianism, deontology and relativism. (Meng, 2000) The literatures come from western countries are based on the second one to discuss the morality of a decision-making. However, in China, the current studies of moral standers with the second base are rare. The market moral principles are coming from the market's inner logic and operation to best guarantees progress and distributive justice.

According to Cui (2001), there are four moral principles: Justice, Equivalence, Mutual Benefit, and Contract /Law in the market economy. The moral principles evolved from business ethic of the market economic are principles like keeping justice; maintain fairness, gaining mutual benefit and following the contract / law. (Cui, 2001)

##### **(1) Keep justice**

In all pre-modem societies, moral judgment was based on the fundamental criteria of selfishness and altruism. But in the modern society with market economy, moral judgment is based on the sense of justice which somewhat balances selfishness

and altruism. (Cui, 2001) The theory of Adam Smith, starting from the inner mechanism of market economy, argues that the ethical principle of market economy is justice, or what he called "sense of propriety", Smith explains that the meaning and requirement of sense of justice is to view and restrain selfishness from the angle of the impartial spectator. (Cui, 2001)

## (2) Maintain fairness

Trustworthiness and diligence were principles of "old China" which need to be restored. Competition under an economic market does not mean that everyone tries to cheat or outwit the other. As we improve the consciousness of competition and competitive ability, we should also give equal attention to the principles of unity and fair co-operation. (Harvey, 1999) The principle of fairness states that whenever persons or groups of persons voluntarily accept the benefits of a mutually beneficial scheme of co-operation requiring sacrifice or contribution on the parts of the participants and there exists the possibility of free-riding, there exist obligations of fairness on the part of these persons or groups to co-operate in proportion to the benefits accepted. (Phillips, 1997)

## (3) Gain mutual benefit

The principle of gain mutual benefit can be stated as a standard formulation, which reads: invest in social cooperation for mutual advantage. To be more precise, the thought of morality comes into effect because this investment refers not only to self-benefits, but to the eventual mutual betterment of everyone. It concerns cooperation towards this mutual advantage. Thus it becomes evident that indeed not every form of self-interest is morally acceptable, but only the ones which orient themselves to our own and simultaneously to the general betterment. (Suchanek, 2008) This statement can be viewed as an economic rewording of the moral standard that is considered to be universal: the Golden Rule. This rule can be



found in all major religions and teachings of wisdom. It expresses the idea of reciprocity. This normative logic of reciprocity can even be found in today's management lingo: strive for win-win situations! (Suchanek, 2008)

#### (4) Follow the contract / law

A market economy needs legal regulation to keep the competitive environment in order (Jia, 2006). Since the legal infrastructure of China's market economy is incomplete, there are 'grey areas' apparent in related legal rules and procedures, causing the use of non-legitimate business operations. (Zheng, 2008) Due to a prevalent social culture in favor of trust and personal relationships('Guanxi')<sup>4</sup>, private entrepreneurs tend to ignore legitimacy in business operation and instead, try to find 'short-cut' ways to success, such as 'the use of bribery'. There is a strong belief that informal business relationship is greater than legal and contractual processes. Such values direct their behavior to manage their businesses in non-legitimate ways, which may contravene legal frameworks. (Zheng, 2008) China has drafted a series of laws and regulations that work in accordance with the market rules. The awareness of "rule of law" is becoming a consensus among intellectuals and the common Chinese and has been injected into the legislative actions of business. (Jia, 2006)

### **4.2.3 Summary of the individual factors influencing moral decision-making of Chinese business managers**

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- <sup>4</sup> Ying Fan. 2002. "Questioning Guanxi: Definition, Classification and Implications", *International Business Review*, 11(5), 543-561. available at <http://bura.brunel.ac.uk/handle/2438/1279>

China is a country with brilliant culture and history. Confucianism is the most profound and dynamic thought system in traditional Chinese culture. However, Reforms initiated in 1978 has led to fundamental changes in Chinese society. The most two important factors affect the moral decision-making of Chinese business managers are Confucianism's moral principles (Chinese Culture Connection, 1987; Weber, 2009; Whitcomb, Erdener & Li, 1988; Ralston et al., 1993; Romar, 2002) and the market economic moral principles (Meng, 2000; Cui, 2001; Harvey, 1999; Phillips, 1997; Suchaned, 2008; Zheng, 2008; Jia, 2006). (See Table 6)

**Table 6: Summary of the individual factors influencing moral decision-making of Chinese business managers**

Factors(National factors)	Explanations	Key Reference
Moral principles based on Confucianism	<ul style="list-style-type: none"> <li>*Confucianism is recognized as the dominate influence on values in China.</li> <li>*Confucianism consists of principles for appropriate behavior so as to retain harmonious interaction among people.</li> <li>*Confucian main moral principles:               <ol style="list-style-type: none"> <li>(1) Ren-Humanity</li> <li>(2) Li-Propriety</li> <li>(3)Xin-Trustworthiness</li> </ol> </li> </ul>	Chinese Culture Connection, 1987 Weber, 2009 Whitcomb, Erdener&Li,1988, Ralston et al.,1993 Romar,2002

<p>Moral principles evolved from business ethic of the market economic</p>	<p>*The market moral principles are coming from the market's inner mechanism to best guarantee progress and distributive justice.</p> <p>*Market economic moral principles are:</p> <ul style="list-style-type: none"> <li>(1) Keep justice</li> <li>(2) Maintain fairness</li> <li>(3) Gain mutual benefit</li> <li>(4) Follow the contract/Law</li> </ul>	<p>Meng, 2000  Cui, 2001  Harvey, 1999  Phillips, 1997  Suchaned, 2008  Zheng, 2008  Jia, 2006</p>
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Moral principles based on Confucianism have dominating impacts on values in China. They consist of principles, such as humanity, propriety, trustworthiness, to retain harmonious interaction among people. Moral principles of market economic originated from the market's inner mechanism. They are principles, like keeping justice which somewhat balances selfishness and altruism; maintaining fairness means fair co-operation between each other; gaining mutual benefit which strive for win-win situations; and following the contract/law means keeping awareness of rule of law, avoiding Chinese traditional culture of personal relationships influence.

## **5. CONCLUSIONS AND DISCUSSION**

### **5.1. Conclusion of a comprehensive understanding of moral decision-making in China in former studies**

Within the 30 years of development, moral decision-making research in China has flourished, and the research results help the corporate to enhance their business ethics and forming a better business environment. Among 38 data articles analysis in the second phase of literature review addressing Chinese business managers' moral decision-making, firstly the explanation and implication of the moral decision-making in China is generated. Chinese philosophical foundations differ substantially from western philosophical traditions and the economic reform of China drive its rapid economic growth makes a particularly importance of a broader understanding of Chinese perspectives relevant to moral decision-making. The Chinese moralities in business world are driven by 1) the inheritance of Chinese traditional ethics of Confucianism. 2) the reflection on the economic reform of new market value, such as profit is viewed as the primary, values of efficiency and fairness, material desire and moral or spiritual ideal requirement . 3) the influence of business ethics from abroad, including learning about taking seriously the ethical dimension of business through taking care about the ethical way to profitability; defining and bearing various responsibilities to improve the ethical quality of business improvement; also strategies and methods to analyze the ethical dimension of decision making in business as well to develop business ethics on the ground of the country's own traditional culture combine with business culture from abroad.

Secondly, the data articles discuss the research of moral decision-making in China.

Researches on moral decision-making in China are categorized into three ways. There are researches on the link between the Chinese market economic success and Confucian values. Meanwhile, economic reforms also provoked the interest of the scholars. There has been a plethora of researches on the moral issues in the market reform. Moreover, researches of comparative management focus on differences in values cross-culturally and differences in moral decisions between China and other countries.

Then, the 38 articles also discuss two most important individual factors affecting the moral decision-making. They are the moral principles from Confucianism and the moral principles evolved from business ethics of the market economic. On one hand, Confucian moral principles were deeply incorporated into business activities. Business managers' behaviors are governed by the moral principles, which held that righteousness outweighs profits and that collective benefits and spiritual values outweigh individual benefits and material values respectively. Also, other Confucian values, such as benevolence, kindness, tolerance, propriety and trustworthiness are important values for business. On the other hand, there are market moral principles coming from the economic market's inner mechanism to best guarantee progress and distributive justice. The moral principles evolved from business ethic of the market economic are principles like keeping justice; maintain fairness, gaining mutual benefit and following the contract / law.

## **5.2. The ways for developing studies of moral decision-making in business in China**

Numerous researchers have contributed to the knowledge in the area of moral decision-making of Chinese business managers in China. The researches published over the past have improved the understanding of the moral decision-making process. However, it is still strong demanding to actively explore

research area of moral decision-making of Chinese business manager with Chinese characteristics. Upon the review of the literatures, there are numerous areas of moral decision-making research in China that require further exploration or modification. The following suggestions are not intended to be exhaustive. Rather, the intent is to surface trends and offer recommendations regarding issues that are common to research articles.

Firstly, research on the Confucianism link with the market economic activities success. Due to the Confucian's culture in favor of trust and personal relationship (Guanxi), private entrepreneurs have a strong belief that informal business relationship is greater than legal and contractual processes. And such values direct their behavior to manage their businesses. The phenomenon of guanxi in business and organizations has attracted attention across various disciplines. However, studies on guanxi in the field of ethics have tended to focus on its perceived function and impact on economic and organizational efficiency. The centrality of Confucian-centred, guanxi-linked, and relationally oriented moral tradition in delineating what might be regarded as acceptable ethical behavior in modern organizations remains largely overlooked. (Tan & Snell, 2002) It is needed to seek to address this omission by examining what guanxi related morality means to managers of Chinese.

Guanxi describes the basic dynamic in personalized networks of influence, and is a central idea in Chinese society. In Western media, the Pinyin Romanization of this Chinese word is becoming more widely used instead of the two common translations—"connections" and "relationships"—as neither of those terms sufficiently reflects the wide cultural implications that Guan xi describes. In the viewpoints from western countries, "Guan xi" is immoral, and it has been synonymous with bribery which leads to corruption and injustice. However, from Chinese traditional viewpoints, "Guan xi" has little to do with morality. It is only a more efficient way to carry out business activities by enhancing the feelings of

trust and building strong relationship. With the development of reform & opening and the enrichment of legal system, people have begun to change their minds from the traditional concepts. So how Chinese business managers evaluate the morality of “Guan Xi” and how does this evaluation affect corporation’s moral decision-making? These are also the research areas worth to explore.

Secondly, research on the social transformation impact the moral decision-making. The most important reality of present day China is transformation to a market economy. Transformation from a unitary planned economy to a market economy implies a cardinal change in the economic system which causes radical changes in law, morality and other ideological areas. For example, under the system of a market economy, what regulates the relation between individual and individual, individual and organization, enterprise and enterprise, enterprise and State, is not the traditional organizational principle of subordination, but the law of value. The moral norms relevant to these relations certainly must be changed, too. In the social transformation, People’s moral values are influenced by several factors. Such as the stressed on traditional moral values; the attached importance on chairman Mao’s thoughts of responsibility of country and people, and the prime minister Deng’s theory of economic effects. It is necessary to study more deeply the features of a market economy with a Chinese style and its moral challenges. The main topics of moral research should be those caused by this transformation.

Thirdly, research on further develop the empirical comparative study of the moral decision-making in China. Organizational moral decision-making theory needs to be empirically tested to further our knowledge in the area of business ethics. Moreover, research on practical moral problems in China needs to be paid closer attention. One of the important tendencies of Western ethical research, from early utilitarianism to pragmatism, is to place the moral questions of practical life in the

first place for research. The Western researchers' empirical studies of moral decision-making in the direction of practical questions and the positive achievement of their research seem to be worthy points of reference for Chinese scholars. The Chinese most urgent task in the ethical realm at present may be precisely to study the practical moral questions which arise in the process of transforming to a market economy. Chinese should study and draw lessons from pragmatic and other Western ethical theories; Chinese should learn more from the developed countries' research methods by testing or revising their already developed questionnaires based on Chinese situation. Eventually, these will help to provide the research theoretical foundation and methodology support for Chinese moral decision-making research.



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