A COMPARATIVE ANALYSIS OF U.S. AND CHINESE BUSINESS STUDENT ETHICAL PERCEPTIONS

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ABSTRACT

As global business becomes a reality for an increasing number of firms, the business-world continues to shrink. Businesses face many challenges operating internationally, but one of the major areas of difficulty is often described as being attributable to culture, as the firm engaging in international business discovers the cultural norms applicable in the home country no longer are applicable in the host country. Ethical challenges arising as a result of these cultural differences may prove to be very significant. Ethical expectations may provide the basis for much of the exchange that occurs in the U.S. However, when operating internationally, business executives are likely to discover that their international counterparts are operating with different rules and standards. For U.S. businesspeople, engaging in business interactions with Chinese business executives is becoming more frequent. Knowing the ethical perceptions and standards of these individuals might help preclude errors that could have significant long-term economic ramifications for both U.S. and Chinese business executives. Based on this perception, research was conducted to compare the ethical perceptions of U.S. business students with those of Chinese business students. The comparisons focused on the students’ perceptions as they relate to whether the practice of ethics is a profitable business practice and whether
they as consumers feel alienated from the marketplace. The results indicate that comparative differences exist between Chinese and U.S. business students on each of these dimensions. These findings suggest that U.S. business executives working with their Chinese counterparts should be aware of ethical differences which might impact working relationships in business operations.

INTRODUCTION

Businesses in many cultures have rather contentious relationships with their numerous stakeholders. In some cases, one could contend that these relationships are negative, resulting in increased challenges for enterprise existence, operation and ultimately profitability. As a result of scandals such as Madoff’s, Siemens, Chinese toys, Toyota, Wall-Street and more, businesses are operating in a climate in which their actions are suspect (Wartzman 2010). When business activities are regarded with skepticism, many firms discover their ‘costs of doing business’ often increase (Lantos 1999; Mantel 2005; Trease, et al. 1994). Costs which increase might include expenditures directed toward improving businesses’ images (past ethical lapses), coping with increased regulation, engaging in additional lobbying activities to preempt additional regulations, legal activities and more. Thus, some contend that the practice of good ethics is good business (Herndon, Fraedrich and Yeh 2001).

Yet, the public’s perceptions of businesspeople are generally quite negative. For example, research has found that the images of business executives are among the lowest-rated of professionals (Lantos 1999; Luther, DiBattista and Gautchi 1997; Wulfson 1998). In fact, it has been reported that only 17% of Americans trust business leaders (Sales and Marketing Management 2005). These images help create lasting challenges for businesses and their leaders.

However, one may wonder how ethical attitudes are affected when businesses operate in different cultures. Ethical challenges that may arise as businesses operate internationally can occur on numerous levels, including employment issues such as hiring and relocation (Stevenson and Bodkin 1998). According to the research, culture has been identified as one of the critical determinants of ethical behavior across nations (Phau and Kea 2007). As Beekun, et al. (2008) point out, the process of analyzing ethics of different cultures can aid in the identification of alternative behavioral standards. Others have pointed out that as businesses increasingly operate internationally, challenges exist in determining how to respond to ethical issues because no one national standard exists (Burnaz, et al. 2010) and because the potential for problems increases when interacting internationally (Sims and Gegez 2004). Stevenson and Bodkin (1998) state “As the globalization of markets continues, marketing professionals need to be more concerned with ethics in a cross-national context (p. 52).” Thus, it appears that understanding ethical standards in different cultures is a critical task for businesses expanding into international activities (Jamali, Sidani and El-Asmar 2008; Phau and Kea 2007; Robertson, et al. 2008; Stevenson and Bodkin 1998). As Beekun, et al. (2008, p. 602) state, “The predominance of national culture as a primary guiding influence independent of which ethical criterion is used when making decisions cannot be overstated.”
One might assume that attitudes regarding the importance of ethics might affect one’s behaviors. For example, if an individual perceived that ethical behaviors were profitable for businesses, then it might be suggested that ethical behaviors pay dividends. Such attitudes may relate to future ethical behaviors. Consumer attitudes may be affected by perceptions of business ethics. Thus, situations in which consumers feel estranged from business might relate to perceptions of business ethicality. Based on these assumptions, this research is designed to assess the degree to which business students perceive ethics to be important to an enterprise’s long-term success and the degree to which these students may feel estranged from the marketplace. The specific dimensions evaluated include their perceptions of whether good ethics is good business and whether they feel alienated as consumers. Since international issues are so prevalent, the focus of this research effort will entail a comparison of U.S. student ethical perceptions with Chinese student ethical perceptions. This research will provide insights into issues that may exist when U.S. and Chinese businesses and negotiators interact. Additionally, the research could show areas where differences exist between the two nations in terms of their attitudes toward ethical issues and these differences can then be addressed through training and organizational communications. Finally, the study will address an issue which was identified by Lee, et al. (2009) who contend that a relatively small volume of research pertaining to ethics has been conducted internationally.

RELATED RESEARCH

From a managerial perspective, ethical factors are often of considerable importance. Ethical behaviors and perceptions are important from societal perspectives and have both business and economic implications. Thus, ethical behaviors and perceptions of businesses are critical to management and management should have an important role in making certain ethical behaviors continually improve (Chonko, Wotruba and Loe 2002; Hunt and Chonko 1987).

Ethical issues have been evaluated in numerous studies which focused on the Chinese market. For example, one study examined consumer’s support of socially responsible business and their evaluation of corporate socially responsible behaviors (Ramasamy and Yeung 2009). Their research revealed that Chinese customers were able to differentiate between China’s business activities and their ethical activities. Further, the research indicated that Chinese customers felt that businesses were more “friendly, trustworthy, caring, generous and powerful and less deceitful, arrogant and greedy than their European counterparts (Ramasamy and Yeung 2009, p. 127).”

Other comparative analyses of ethics have concluded that students surveyed in Singapore and Hong Kong were more ethical than were students in Australia (Phau and Kea 2007). The research contended that these differences might be attributable to the shared values of Singapore and Hong Kong students, based on their cultural and religious backgrounds. However, other research indicates that the East/West differences were opposite. In a study comparing the ethical levels of graduate students from the U.S., Australia and Turkey, the findings indicated that Turkish respondents were the least ethical (Sims and Gegez 2004). The authors concluded that the rationale
for the differences could be attributed to the alternative cultures operating in these countries. In other research, Burnaz, et al. (2010) found that the U.S. sample had a greater level of awareness of ethical issues and gave more importance to ethics than did the respondents from Thailand or Turkey.

Research comparing Chinese ethics with those found in Peru found that Chinese respondents provided less ethical responses than did the Peruvian respondents. On the dimensions of relativism, idealism and willingness to sacrifice ethical standards for financial gain, Chinese respondents tended to indicate lower levels of ethics (Robertson, et al. 2008). Other research has indicated that Chinese ethical standards as they pertained to personal selling activities were inferior to those provided by Western respondents (Lee, et al. 2009). This research suggests that the findings are more attributable to the focus on profit and competition in the Chinese market, which created a shift from traditional Chinese principles. This research is consistent with earlier findings which suggest that certain unethical actions in China may be justified based upon the Chinese focus on enterprise profitability (Whitcomb, Erdener and Li 1998).

It has been argued that individuals may perceive outcomes in unique fashions based on their cultures and experiences (Pettijohn, et al. 2008; Volkema and Fleury 2002). These perceptions and experiences may be multifaceted. Thus, one’s ethical predispositions might be based on that individual’s attitudes as a consumer, employee and citizen. In one case, it can be suggested that people have beliefs regarding businesses’ roles in society. For example, some may believe business exists for the sole purpose of earning a profit and other activities are unnecessary (e.g. Friedman’s shareholder wealth proposition). Individuals with such attitudes might perceive that businesses would make misleading product claims, sell harmful products, engage in misleading financial practices, etc. On the opposite end of the theoretical continuum would be those that believe that the practice of good ethics is a worthwhile economic endeavor, as good ethics is good business. To these individuals, businesses might focus on maintaining a strong society and satisfying customers, and by engaging in these activities businesses would earn greater profits over the long-term.

Correspondingly, people might believe that their managers operate in ways designed primarily to enhance their personal and business well-being. Such an attitude might be reflected by an individual’s attitude which contends that his/her manager will do whatever it takes to make a profit, earn a promotion, etc. On the other hand, some might perceive that managers are focused on maintaining a positive ethical environment for their firms. These individuals might believe that their managers will enforce ethical behaviors and work toward improving ethical standards in the firm.

Finally, some consumers might feel alienated from the marketplace in which they live. These consumers might believe that they are merely pawns in society and as such they are manipulated and abused by businesses that they patronize. The opposite perspective might be one of engagement in which the consumer sees him/herself as determining their own destiny and as working with businesses to identify products and services that best meet their needs.

While it is rather obvious that China has become an economic powerhouse, numerous factors lead to interest in the ethical climate in China. First, assessments of ethical issues, as they pertain to the Chinese culture, have
been of considerable interest in the management literature (Robertson, et al. 2008). Perhaps this interest is partially based on the differences between the Chinese culture and Western cultural philosophically, or perhaps due to China’s rapid growth or the fact that studies have noted differences in values between Eastern Asian and Western cultures (Whitcomb, Erdener and Li 1998). In addition to these factors, Chinese behaviors have also warranted additional focus on ethical standards in China. For example, Pei (2006, p. 32) states the following: “Western investors hail China’s strong economic fundamentals – notably a high savings rate, huge labor pool, and powerful work ethic – and willingly gloss over its imperfections.” Pei contends that the result is “crony capitalism, rampant corruption, and widening inequality.”

The review of the literature indicates that cultural differences in ethics exist. The research also seems to lead to the conclusion that these differences may have meaningful repercussions to businesses attempting to adapt to local circumstances and attempting to engage in business relationships with executives from other cultures. The research also indicates that in many cases, the ethical sensitivity levels found in the U.S. exceed the sensitivity levels found in other countries. Based on these findings, the following hypotheses were tested.

H1: Perceptions of the importance of business ethics will be greater in the U.S. than in China.

H2: Perceptions of the degree to which consumers are alienated from the marketplace will be greater in China than in the U.S.

MEASURES

It was determined that students enrolled in the basic marketing course located in the U.S. and China would represent the sample. Many previous studies have used students as their sampling base. For example, one study compared student ethics using business students enrolled in an Australian University operating on three campuses (Australia; Singapore; and Hong Kong) (Phau and Kea 2007). Other similar studies include the comparison of students from the U.S., Malaysia and the Ukraine (Axinn, et al. 2004); Australia and the U.S. (Stevenson and Bodkin 1998); Finland and the U.S. (Grunbaum 1997); Thailand, Turky and the U.S. (Burnaz, et al. 2010); Egypt and the U.S. (Beekun, et al. 2008); China and Peru (Robertson, et al. 2008); and China and the U.S. (Sims and Gegez 2004; Whitcomb, Erdener and Li 1998).

Students have been used in studies of ethics for numerous reasons. First, they are often identified as ‘tomorrow’s business leaders’ (Grunbaum 1997; Persons 2009; Phau and Kea 2007; Smyth, Davis and Kroncke 2009). Another reason students are the focus of this type of study is because they are currently enrolled in courses during a period in which interest in business ethics is high (Phau and Kea 2007). Finally, it seems that an understanding of students’ ethical predispositions is important because identification of these attitudes may provide direction to companies in the development of their training programs (Stevenson and Bodkin 1998).

The survey was administered to students enrolled in marketing courses at a university located in the Midwest which is accredited at all levels by the AACSB, and has approximately 23,000 students and 4,500 business majors.
The university operates a home campus in the U.S. and has a branch campus located in a city in China with a population of over 6 million. Each student was pursuing a degree in business from the home university located in the U.S. and each was enrolled in the same course (Introductory Marketing). The survey itself was administered to 120 U.S. students and 175 Chinese students during class time. While completion of the survey was voluntary, class time was allocated for the completion of the survey.

Measurement of student attitudes pertaining to general business ethics was facilitated by the use of a scale developed by Singhapakdi, et al. (1995). This scale was derived from a scale developed by Kraft and Jauch (1992), and was named the “Good Ethics is Good Business” scale. High scores on the scale indicate that the respondent believes that positive ethical behavior has a positive effect on the business’ profitability. The original scale consisted of seven items which are measured using a nine-point Likert-type scale. Singhapakdi, et al.’s. (1995) research reported an alpha coefficient of .72 for the scale. Other research reports an alpha coefficient of .91 (Pettijohn, Pettijohn and Taylor 2008). This scale (or portions of it) has been used in other research designed to assess ethics (cf. Burnaz, et al. 2010). The scale is quite similar to the scale used in other research (Ramasamy and Yeung 2009) which measured the degree to which consumers supported corporate social responsibility.

The students’ attitudes as consumers were measured using the “Alienation: Consumer Alienation from the Marketplace” scale developed by Allison (1978). The scale consists of 35 items designed to assess the degree to which consumers perceive that they are estranged from the market. Subjects responded to each of these items using a five point Likert-type scale. Subsequent research identified three subscales consisting of a business ethics (5 items), informed choice (5 items) and personal norm (5 items). The scales had coefficient alpha measures of .84 (full-scale) .83 (business ethics), .67 (informed choice) and .61 (personal norm) (Bearden, Lichtenstein and Teel 1983). Other research using the complete scale had an alpha coefficient of .85 (Pettijohn, Pettijohn and Taylor 2008).

FINDINGS

The demographic characteristics of the participants are provided in Table 1. As shown in the table, the majority of the respondents were between the ages of 18 and 24, and had over 60 hours of college credit. For the U.S. sample, the majority of respondents were male, for the Chinese respondents the sample consisted primarily of females (77%).

| TABLE 1 DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS |
|----------------------------------|-----------------|-----------------|-----------------|
| Demographic Characteristic      | USA Students    | Chinese Students |
| Gender                          | Number | Percent | Number | Percent |
| Male                            | 62   | 53.5%   | 37   | 23.3%   |
| Female                          | 54   | 46.5%   | 122  | 76.7%   |
| Age                             |        |         |      |         |
| 18-24                           | 98   | 83.8%   | 154  | 96.9%   |
| 25-50                           | 19   | 16.2%   | 5    | 3.1%    |
Credit Hours Earned:

<table>
<thead>
<tr>
<th>Hours</th>
<th>USA</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>60 or less</td>
<td>6</td>
<td>18</td>
</tr>
<tr>
<td>61-80</td>
<td>38</td>
<td>64</td>
</tr>
<tr>
<td>81-100</td>
<td>26</td>
<td>55</td>
</tr>
<tr>
<td>101-124</td>
<td>35</td>
<td>12</td>
</tr>
<tr>
<td>Over 124</td>
<td>9</td>
<td>10</td>
</tr>
</tbody>
</table>

The students’ perceptions pertaining to ethics were measured using the scales discussed in the methodology. To establish some degree of uniformity, student responses were obtained using a seven point Likert-type scale (1 = strongly disagree; 7 = strongly agree). Each of the scale items is provided in the Appendix. Scale means, standard deviations and Cronbach (1960) alpha coefficients are provided in Table 2.

As indicated in the table, the Good Ethics is Good Business scale had a mean of 36.1 for the U.S. sample (.89 alpha coefficient) and a mean of 32.1 (.95 alpha coefficient) for the Chinese sample. The Consumer Alienation scale had mean values of 130.5 and 146.5 for the U.S. and Chinese students, with .81 and .90 alpha coefficient scores. The results pertaining to the subscales of the Consumer Alienation scale are also provided in the table. Overall, it appears that each of the scales have alpha coefficients which exceed the .70 level recommended by Nunnally (1978). However, it should be noted that the subscales generally have considerably lower alpha coefficient levels.

**TABLE 2 SCALE MEANS AND ALPHA COEFFICIENTS**

<table>
<thead>
<tr>
<th>SCALE:</th>
<th>USA Students</th>
<th></th>
<th>Chinese Students</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Good Ethics is Good Business</td>
<td>36.1 (6.2)</td>
<td>.89</td>
<td>32.1 (9.2)</td>
<td>.95</td>
</tr>
<tr>
<td>Consumer Alienation (CA):</td>
<td>130.5 (20.8)</td>
<td>.81</td>
<td>146.5 (25.9)</td>
<td>.90</td>
</tr>
<tr>
<td>C.A. – Business Ethics</td>
<td>45.5 (7.8)</td>
<td>.63</td>
<td>50.3 (7.7)</td>
<td>.60</td>
</tr>
<tr>
<td>C.A. – Personal Norms</td>
<td>15.8 (4.8)</td>
<td>.43</td>
<td>20.1 (5.7)</td>
<td>.72</td>
</tr>
<tr>
<td>C.A. – Informed Choice</td>
<td>21.2 (5.3)</td>
<td>.61</td>
<td>22.8 (5.9)</td>
<td>.76</td>
</tr>
</tbody>
</table>

The findings indicate considerable support for the hypotheses. As shown in Table 3, the results of t-tests comparing the mean scores on the scales indicate significant differences between the responses provided by U.S. and Chinese students. The first hypothesis held that U.S. students would believe that the linkage between ethical practice and business results would be significantly higher than would Chinese students. As indicated in the table, based on the responses to the Good Ethics is Good Business scale, the findings indicate the U.S. students are significantly more likely to believe that the practice of ethical behaviors is likely to result in positive returns for businesses. As shown, the mean score for Chinese students on this scale is 32.1, compared with U.S. students who have a mean score of 36.1. Based on this finding, hypothesis one is supported.
The second hypothesis contended that Chinese students were more likely to feel alienated as consumers than were U.S. students. The findings indicate that this hypothesis was also supported with a mean score for Chinese students on the alienation scale of 146.5, compared to the 130.5 mean score obtained from U.S. students.

Comparisons of mean scores on the three subscales of the alienation scale provided results which were also consistent with expectations. As shown in the table, Chinese students were significantly more likely to perceive that business ethics, personal norms and informed choice levels were significantly less than were those scores provided by the U.S. student sample.

Discussion and Managerial Implications

The findings of this study indicate that Chinese students’ perceptions of the ethical climate existing in China is significantly more negative than are the perceptions of U.S. students of the ethical climate existing in the U.S. What are the implications of this finding? As stated previously, firms operating internationally must cope with different cultural norms and correspondingly with differing ethical standards. The results of this research indicate that firms operating in China are likely to discover that ethical norms are different than in the U.S. For example, the perception that ethical behavior is rewarded positively in the business world is a concept that is less consistent with Chinese expectations than with U.S. expectations. In the U.S., business leaders may justify the desire to behave ethically from the position that ethical behavior is both the right thing to do and the profitable thing to do. However, this feeling does not seem to be as predominant in China as it is the U.S. This indicates that the perception that a U.S. businessperson’s Chinese counterparts will behave ethically because it is believed to be profitable may not be as valid.
as it could be in the U.S. Such a difference may require an awareness that U.S. ethical standards may not apply in Chinese situations.

The research also indicates that Chinese students feel more estranged from the market than do their U.S. counterparts. This finding indicates that Chinese students are more likely to feel that their goals are not being addressed by businesses functioning in China. Such feelings of alienation lead one to the conclusion that Chinese students believe that they must be defensive as they react to businesses’ stimuli. Thus, while U.S. consumers may feel that some degree of trust exists between themselves and business (e.g., a social contract), a similar feeling is not held by Chinese consumers. Thus, the expectation that U.S. businesses may have regarding accepting requirements, promises, and agreements may not be held to the same degree by Chinese businesses. Consequently, absent trust and positive expectations, firms may come to rely upon stringently worded contracts which specify required behaviors from both parties. The necessity of strict contracts and other legalistic behaviors may then lead to strained relationships, additional expenditures on legal experts and greater record-keeping and enforcement activities.

**CONCLUSIONS AND SUGGESTIONS FOR FUTURE RESEARCH**

Firms operating internationally must cope with numerous challenges. Different exchange rates, different tastes, different perceptions and perhaps most importantly different cultural norms are but a few of the challenges with which organizations must cope as they engage in international business. One of the greatest cultural challenges may be derived from differences existing with regard to ethical standards and norms of behaviors. Individuals and organizations interact based upon a perceived set of rules, standards and norms that govern behavior. However, when the rules, standards and norms are unknown, challenges arise. In many cases, these differences manifest themselves in legal actions, difficult negotiations, and many time-consuming activities that threaten long-term relationships. Thus, an understanding of the ethical standards which prevail in countries of interest is imperative to facilitate a healthy and productive exchange of products, services and other items of value. This research was designed to compare ethical standards existing between students majoring in business in China and the U.S. The findings suggest that ethical differences exist between the two countries. These differences should guide businesses as they interact in these countries, because an awareness of the perceptions and norms of one’s counterpart in another country can help establish standards and expectations of behavior. Thus, the knowledge that business ethics are perceived differently in China than they are in the U.S. should lead business decision-makers to alter their behaviors as they interact in Chinese business settings.

While the research does provide information regarding an important dimension of behavior, it does have its limitations and these limitations lead to suggestions for future research. Foremost among the limitations is the sample used in the research. While it was noted that numerous previous researchers have used students as a sampling base and while it was also noted that students are an appropriate sample for ethics research, their frame of reference may not be indicative of business ethics as they are currently practiced. Their
perceptions may be affected by a variety of factors including their educational experiences (where ethical issues are discussed in virtually every business course), their work experiences and their life experiences. Thus, future research should address differences as they exist between practicing businesspeople in both China and the U.S.

In conclusion, while the research does have its limitations, it does provide a basis for future research comparing ethics across cultures. Such ethics should provide insights into anticipated behaviors and norms that can lead to better decisions for each business counterpart. While no culture has a monopoly on ethical behavior and while no one behavior is valid for all nations, a recognition of different norms and ethical standards may assist businesses as they adapt to engaging in business in alternative nations and cultures.
REFERENCES


