

**Regional Differences in Business Ethics in the People's Republic of China:
A Multi-Dimensional Approach to the Effects of Modernisation**

ABSTRACT

This paper investigates the influence of modernisation on the moral judgements of 211 managers in the People's Republic of China, based on their responses to a series of vignettes depicting potentially unethical behaviour in organisations. Since modernisation can take many forms, this paper takes a multi dimensional approach to examining levels of modernisation in different provinces in China. Three different measures are used, believed to represent different aspects of the modernisation process. These include the level of industrialisation of various provinces, the level of marketisation, or progress toward a market-based economy, and a new measure of Westernisation, or the extent to which individuals adopt aspects of Western lifestyle and materialism. This latter measure is developed and tested in the present study. Statistically significant associations between these three measures of modernisation and managers' moral judgements were observed and the implications of these findings are discussed.

KEY WORDS: Business ethics, China, Modernisation, Moral Judgements, Regional Differences

Introduction

Market reform and China's recent entry into the World Trade Organisation has stimulated much research into Chinese managerial values and decision making processes, with the aim of developing better understandings and practices for those doing business with the Chinese. Widespread political and economic reforms have seen the advent of a new era of modernisation for China. "Modernisation" in the Chinese context is associated with industrialisation, advanced technology, higher standards of living, and the influx of Western management ideas and techniques. In addition, it has been associated with a social transformation embodied by a proliferation of mobile phones and McDonald's stores (Robison and Goodman, 1996), luxury goods, Levi jeans and a desire to "get rich quick" (De Mente, 1994: 39). It has been suggested that modernisation in China is also associated with adaptation to "Western" values and a more "Western lifestyle" (Cheung, 1986) and that social and cultural changes in different Chinese societies may modify traditional cultural beliefs (Tan, 1981).

Economic and societal modernisation in the PRC has also stimulated new discussions and a raised public interest in issues surrounding corruptive business practices (The Economist, 2007). At the level of the organisation, there is increasing attention toward matters of social responsibility, bribery, product quality, employee exploitation, gender equality, employee rights and safety, and environmental pollution (Brand and Slater, 2003; Lu, 1997). There is much concern amongst the business ethics literature on the reportedly high levels of corruptive business practices in China

Westernisation

A number of scholars have begun to discuss the extent to which the adoption of aspects of Western behaviour and Western values is a by-product of the modernisation process, and whether "Westernisation" of behaviour is in any way associated with "Westernisation" of values. Ralston, Wang, Terpstra and He (1996) suggest that the modernisation of Chinese society has seen the emergence of a new profile of individual with a unique blend of Western and traditional Confucian values, while a number of classic studies by Yang and his associates in the seventies and eighties found support for growing individualism, increased flexibility and tolerance, higher levels of extroversion and need for achievement amongst the more modernised Chinese in Taiwan (see Hchu and Yang, 1972; Yang and Liang, 1973; Yang, 1981). A recent study by Chan, Zhang and Wang (2006) suggests that exposure to materialistic messages frequently found in television programmes and commercials from the West may be associated with the demise of traditional Chinese values amongst Chinese teenagers.

Robison and Goodman (1996) suggest that rapid industrialisation and growth in China has seen a new “middle class revolution”, epitomised by the popularity of Western icons such as McDonald’s, and consumer goods such as the mobile phone, which has emerged as a symbol of status in China. This view is supported by a more recent study by Mayers (2006) which found that exposure to Western lifestyle in Chinese urban populations had stimulated an unprecedented demand for Western clothing and shoes. This new class of wealthy, status-conscious Chinese appear to be adopting many elements of the materialistic Western lifestyle. These people are very fashion-conscious and display patterns of conformity derived from star television personalities and sports stars in the West (Goodman, 1996). Investments in material goods such as houses, televisions and luxury cars, also suggest the growing popularity of Western-style materialism. Sheridan (1999) observes this phenomenon in the streets of Beijing:

One night at JJ Disco Square I watched Beijing’s beautiful people - young men in suits, many others in bomber jackets (the informal uniform at that time in the computer industry), young women favouring short pants despite the freezing spring weather - bopping and jiving to the loudest music I have ever heard. This was disco mania, without any recognisably Chinese characteristics (p119).

Despite observances by Chan et al. (2006), Goodman (1996), Sheridan (1999), and others, of an increase in the adoption of Western-style materialism, seen through the popularity of such things as Western fashion, fast food and TV, there is little known as to the influence of these trends on traditional values in China. De Mente (1994: 39) refers to “Westernisation” as being associated with surface level symbols such as the Kentucky Fried Chicken Store in Tiananmen Square, but warns that this is not necessarily a reflection of the basic mentality or behaviour of the people. On the other hand, Allinson (1991:23) suggests that “modernisation” to a great extent is translated as “Westernisation”, in other words that Western ways of thinking will invariably result from modernisation, although this is not to say that all traditional values will be replaced. Jang (1999) also suggests that the “Westernisation” of values is equated with modernisation, but affirms that such trends are not necessarily the result of Western influence but are rather derived from the nature of human beings who, when exposed to the economic independence of urban society, tend to develop a strong sense of individualism and personal freedom.

There is some empirical evidence suggesting a relationship between the adoption of material aspects of Western lifestyle, and the replacement of some traditional values with more “Westernised” values. For example, Pan, Chaffee, Chu and Ju. (1994) examined value changes in China and concluded that exposure to imported Western films and TV programs contributed to the erosion of the traditional Confucian values and the increasing salience of individualistic values. In their study on traditional Chinese values in the Shanghai area, Chu and Ju (1993) showed that acceptance of frugality and family responsibilities is negatively related to exposure to Western content in the media, while Pan and Wei (1997), found that exposure to Western entertainment is strongly related to Western style hedonism. Rin, Chu and Lin (1966) found that modern life contact, including education, frequency of modern social and recreational activities and contact with modern knowledge through other people, was associated with less traditional and more Western values.

In another study by Bond and King (1985), it was found that 79 percent of students in a Hong Kong university said that they were “Westernised” in some respect. They identified being “Westernised” with external features of appearance such as the way they chose to dress, their level of English skills, and other psychological characteristics. The majority (71 percent) also believed that there was a distinction between modernisation and Westernisation, with the former involving “technology, behaviour and material progress” and the latter involving “values, thinking and traditions from the West (p357). Despite this, most students saw no conflict between Westernisation and Chinese culture in Hong Kong.

More recently, there has been a focus on examining value change or evolution with in countries which have embraced modernisation. Some researchers have observed differences in values across countries, and attributed observed differences to variations in the countries’ relative stages of modernisation. For example, Pearson and Entekin (2001) examined values across the Chinese populations of Malaysia, Hong Kong and Singapore, finding that some values did indeed converge toward more “Westernised” values in the more modernised countries, while other more fundamental ones remained constant. Priem, Love and Shaffer (2000), in a study comparing values in Hong Kong and Guangzhou, China, also found that some values were influenced by industrialisation and others were primarily influenced by culture.

In one of the few intra-country studies conducted on mainland China, Shi (2001) found that values associated with etiquette and rituals in business negotiations were more “Westernised” in the more

modernised provinces of China, while many of the fundamental values such as saving face and social harmony, were the same in all the provinces studied. A number of studies by Ralston and colleagues (see Ralston, Gustafson, Elsass, Cheung and Terpstra, 1992; Ralston, Gustafson, Terpstra and Holt, 1994; Ralston, Holt, Terpstra and Kai-Cheng, 1995; Ralston et al., 1996; Ralston, Egri, Stewart, Terpstra and Yu, 1999) have found support for a “crossvergence” of values amongst Chinese populations, whereby many management values appear to be more affected as a result of modernisation while others are highly resistant to change.

Ethical Decision Making in China

Much of the empirical literature to date examining the ethical decision making styles of the Chinese has consisted of comparative approaches which focus on identifying similarities and differences between Chinese (including overseas Chinese) and more “Western” cultures such as the United States, Australia or Canada. In these studies, the national unit is most often used as a substitute for culture, with purported differences between nation states assumed to be of a cultural nature. The limitations of ignoring variation within a given national group for the purpose of comparative management are well acknowledged in the literature (Adler, 1983; Hofstede, 1980; Huo and Randall, 1991; McDonald and Pak, 1996).

Most empirical studies exploring the value systems and ethical decision making styles of the Chinese have been conducted using Hong Kong, Taiwanese, Singaporean and South East Asian (Malaysia, Indonesia) samples. There are very few reported studies investigating values and business ethics in the People's Republic of China. This is perhaps due to the difficulties in accessing samples and collecting data in mainland China (Roy, Walters and Luk, 2001). While the overseas Chinese states of Hong Kong, Taiwan and Singapore share much in the way of moral philosophical foundations derived from Confucianism and Daoism, there is little dispute for the notion that the mainland Chinese business system is distinct (Antoniou and Whitman, 1995) and that the findings from overseas Chinese states should not be generalised to the situation in mainland China (Tung, 1988). However, given that these regions still retain much of their traditional Confucian heritage, despite their highly modernised and industrialised economic and political environments (Redding, 1993), it is anticipated that an understanding of moral values and approaches to business ethics in these regions may assist in offering some explanations for trends in value changes accompanying current reform and change in China.

In an intra-country study conducted by McDonald and Kan (1997), differences were found in the ethical perceptions of expatriate and local managers in Hong Kong. The study employed ethical vignettes representing a broad perspective of unethical business activity such as, international bribery, whistleblowing, nepotism, insider trading, sexual equality, and protection of a dishonest employee. The study found significant differences in responses to ethical dilemmas between local Hong Kong managers and expatriate (Australian, New Zealand, Canadian, American and British) personnel, with expatriate managers expressing lower levels of agreement to “unethical” action than the Hong Kong Chinese. When the Hong Kong Chinese group was examined at the level of subculture, it was found that responses from managers from mainland China were extremely similar to those from Hong Kong, with differences existing in only two of the vignettes. The Chinese from mainland China were more likely to endorse employee exploitation and use a third party to assist with bribery, than the Hong Kong managers. Whitcomb, Erdener and Li (1998) also found that Chinese subjects were much more likely than their American counterparts to indicate they would engage in behaviour involving the acceptance of a bribe to enter a foreign market.

Similarly, Nyaw and Ng (1994) found partial support for the hypothesis that Hong Kong respondents were more likely than respondents from Canada to tolerate “unethical” behaviour towards customers and suppliers. The study also found that both Taiwanese Chinese and Hong Kong Chinese subjects were more likely to discriminate against female employees than Canadian or Japanese subjects. In summary, from all the studies reviewed above, there does appear to be a consistent trend for respondents from more “Westernised” or “Modernised” regions to judge behaviours as depicted in vignettes as less ethical than those respondents from less modernised areas.

The Empirical Study

The study reported in this paper aims to examine how Chinese managers’ moral judgements of a series of vignettes depicting ethically questionable work related behaviours, vary with what will be termed “Modernisation.” To fulfil this main aim, a secondary aim is the development of questionnaire items to measure an individual’s general level of exposure to, and adoption of, aspects of a more Westernised lifestyle. Consistent with De Mente (1994: 39), we have used the term “Westernisation” to refer to these more surface level behaviours.

Very few studies in this area have been of a within-country nature. Rather, most studies have focused on differences between national groups, ignoring the issue of cultural variation within national groups. According to McDonald and Kan (1997) “pure intra-cultural comparison studies are extremely rare” (p1609). Given the wide regional variation within China in terms of culture, ethnicity and economic development (Goodman, 1997), the assumption of a single homogeneous set of Chinese cultural values and beliefs ignores an important area of research. The PRC is highly diverse, with numerous subcultures, thus it is inappropriate to use national political boundaries as proxies for culture due to internal heterogeneity (Priem et al., 2000). The present study focuses on this largely under studied issue by examining one national group for possible value shifts when exposed to the increasing effects of economic and societal modernisation.

In this paper, Modernisation will be investigated in three main ways. First, is the examination of how managers’ responses to the vignettes vary with the measures of Westernisation, as defined above. The second is to examine regional variation in the measures derived from the questionnaire, based on two regional categories representing provinces of varying degrees of industrialisation as evaluated using a range of economic and societal indicators. For the purposes of this paper, the term “Industrialisation” will be used to describe this form of regional variation. The third approach is to examine the association between dimensions derived from the questionnaire and a “Marketisation” score, developed by Gang, Wang and Zhang (2001), a comprehensive score that measures the extent of a province’s progress towards a market economy.

The debate regarding whether or not value systems and ideologies of individuals exposed to new and different environments will be retained or will evolve toward that of the new environment, has been conceptualised through the theories of “convergence and divergence”. Proponents of the *convergence* theory believe that ideology drives values and that as nations, particularly underdeveloped nations, embrace capitalism, their value systems will evolve toward those of the Western capitalistic economies (Neghandi, 1975). Vertinsky, Tse, Wehrung and Lee (1990) found that traditional Chinese values were stronger in the People’s Republic of China than in the more industrialised and westernised Hong Kong. Huo and Randall (1991) found values to be more individualistic and masculine in the industrialised areas of Hong Kong and Wuhan, China than in Beijing. Thus, industrialisation is thought to be a primary influence on individual values and behaviours (Ralston et al., 1992, 1995, 1996; Priem et al., 2000).

A more recent perspective, labelled *crossvergence*, argues that work ideology and national culture interact to create a unique value system based on both cultural and ideological influences (Ralston et al., 1995). This perspective suggests that culture and industrialisation interact to produce a new value system (Priem et al., 2000). Such principles have given rise to a new East Asian industrial civilisation whereby the economies of Japan, Singapore and South Korea have adopted ideas from both ancient Chinese philosophy (Confucianism) and Western scientific management for current conditions (Jacobs, Guopei and Herbig, 1995).

Given the findings of Huo and Randall (1991), Ralston et al. (1992, 1995, 1996) and others described above, it is anticipated that that individual values and behaviours in the People's Republic of China will be influenced by the modernisation process. Hence the following hypothesis is proposed:

H1: There is a positive association between the Modernisation variables (Industrialisation, Marketisation and Westernisation) and Chinese managers' ratings of the extent to which the behaviour described in the vignettes is considered unethical.

Sample

Questionnaire responses were obtained from 211 native managers in the People's Republic of China, residing in 21 different provinces, autonomous regions and municipalities. The sample ranged in age from 21 to 66, with a mean age of 35. Sixty seven percent of subjects were male, and 33 percent female. The sample was highly educated, with 69 percent of subjects holding a Bachelors' degree or above. Despite their management positions, 83.1 percent of subjects held educational qualifications in non-business fields. Subjects worked in a variety of industries, with the largest number from the Engineering and Manufacturing field (30 percent). The majority of the sample worked for State Owned Enterprises (60 percent), with a smaller number working in Private and Joint-Venture firms. Most organisations (69 percent) employed less than 200 people. The average number of years spent full time employment was 11.9.

Measures

Vignettes

The questionnaire contained a series of six hypothetical scenarios, or “vignettes” depicting work related behaviours that might raise issues of an ethical nature. Managers were asked to provide an overall moral evaluation of the behaviour depicted in each of the vignettes. That is, they were asked to rate the extent to which they personally believe the behaviours to be “wrong” or unethical. The six vignettes or scenarios used in this study were developed and tested in previous empirical studies, and encompass a broad spectrum of work related behaviour that might raise issues of an ethical nature. The vignettes chosen describe behaviours relating to bribery, social responsibility, nepotism, whistleblowing, environmental pollution, and gender. In this study, gender refers to difference in biological sex.

The vignette methodology has found much support in the business ethics literature as a valid and reliable measure of ethical perception (Alexander and Becker, 1978; McDonald and Pak, 1996; Nosanchuk, 1972). It provides a method of studying some of the variables which have been found in social psychology to influence the behaviour of individuals, such as their values, judgements, perceptions and attitudes. While the precise relationship between ethical perceptions and ethical behaviour is unclear, there is evidence that links moral judgement to moral action, that is, that what people say and how they perceive events, is related to what they do (Blasi, 1980; Trevino, 1992).

According to Cavanagh and Fritzsche (1985), social scientists generally agree that an estimate of the behaviour of others tends to reduce the tendency of the subject to respond in an “acceptable” fashion. For this reason, it was decided that it might be more appropriate to present the vignettes as observations of the behaviour of a third party and to ask subjects to rate their level of agreement with the behaviour, rather than ask them what they would personally do in each situation. Hence, the original versions of the vignettes as found in previous research were slightly altered to represent a completed “scenario” depicting the behaviour of a third person. In addition, the fictitious names of individuals and companies used in the original (English) version of the vignettes were changed in the translated version to reflect names more culturally appropriate for a Chinese sample.

The first vignette (“Bribery”) was developed by Fritzsche and Becker (1984). It describes a situation whereby the manager of a bicycle company makes a very large payment (around \$5 million) to a foreign country businessman in order to gain access to the foreign country’s market. The second vignette (“Social Responsibility”) was also developed by Fritzsche and Becker (1984). It describes an editor who wants to publish an authoritative account of the history of the atomic bomb, but who is

unable to persuade the author to omit the final chapter containing a detailed description of how a bomb is made. The editor proceeds to publish the book. The third vignette (“Nepotism”) was developed and tested by McDonald and Kan (1997) and describes the employment of a less qualified immediate relative in favour of a more experienced long term employee. The fourth vignette (“Pollution”) developed by Fritzsche and Becker (1984) concerns a management decision to use a new milling process that will give the company an edge on competitors but will also exceed legal limits on air pollution. The process is used at night, such that the excess pollution is released into the air at a time when it is least likely to be detected. The fifth vignette (“Gender”) was developed by Waters et al. (1986) and modified by Miller (1991). It concerns a decision by management not to increase the salary of a female workers to equal that of the male workers performing the same job. The sixth vignette (“Whistleblowing”) was developed and tested by McDonald and Pak (1996) and describes a situation where products produced by the firm and known to be defective and unsafe are not reported to external authorities. For each of the above vignettes, “Moral Judgement” scores were obtained from subjects’ ratings, on a scale from 1 to 7, of how “unethical” or “wrong” they considered the behaviour described in each vignette to be.

While it could be argued that the three vignettes taken from Fritzsche and Becker (1984) are reliant upon Western constructs of ethical conduct in organisations, it was considered that these vignettes represented ethical issues of universal concern (Bribery or control, Pollution and Social Responsibility) and would be of particular interest in a Chinese sample. In addition the vignettes have been well tested in previous research.

Modernisation

In this paper, the influence of modernisation on moral judgements of managers in the PRC, are examined. It is well acknowledged in the literature that the different provinces, or regions of China are culturally, politically and historically diverse (Goodman, 1997; Ralston et al., 1996; Tung, 1988). This, along with the economic reforms of the past three decades which have favoured some regions over others, has meant that China’s regions represent varying degrees of industrialisation and progress toward a market economy. Thus, two ways in which modernisation is observed in this paper pertain to the relative levels of industrialisation in the various provinces, and the extent to which the provinces have adopted aspects of a free market economy. In addition, given that the process of modernisation in China has seen the Chinese people become more exposed to “Western” influences and lifestyle, such as

through an increase in opportunities for foreign travel, and exposure to “Western” fashion, television, movies and fast food (Robison and Goodman, 1996), it is of interest to examine the extent to which these more “surface level” behaviours are related to aspects of Chinese personality. Therefore, a third measure of modernisation, related to an individual’s adoption of, and exposure to, Western lifestyle practices, is developed and tested in this paper.

As this study is interested in the influence of various aspects of Modernisation on Chinese values and approaches to business ethics, three methods were employed to measure Modernisation at individual and group levels. These included:-

- a. “*Westernisation*” : A series of questionnaire items developed by the author to measure an aspect of Modernisation which relates to an individual’s level of exposure to, and adoption of, “Western lifestyle” practices. These items were constructed with the intention of forming one or more Westernisation composite scales or factors. This scale has not been used in previous research, and its use is thus largely exploratory in nature.
- b. “*Industrialisation*” : this dimension is based on a comparison across two regional groupings of “low” and “high” industrialisation, as measured through the coastal (high industrialisation) and inland (low industrialisation) classification (Yang, 1997). These two regions represent significant diversity in relation to a number of dimensions of economic and societal Modernisation.
- c. “*Marketisation*” : a provincial marketisation score developed by Gang et al. (2001), which represents a composite measure of a province’s relative position in the progress toward a market economy based on 19 different indicators.

Each of these three measures of modernisation will now be discussed in more detail.

Westernisation

Yang (1986) suggests that one useful approach to examining the influence of Modernisation on Chinese personality change is the use of a tool that assesses the degree of Modernisation at the individual level. There is some empirical support for the notion that individual differences in values can be partly attributed to differences in individual modernity, or exposure to a more “Westernised”

lifestyle (Bond and King, 1985; Chu and Ju, 1993; Pan and Wei, 1997; Pan et al., 1994; Rin et al., 1966).

The questionnaire in the present study included 13 items designed to measure an individual's general level of exposure to, and adoption of, aspects of a more "Westernised" lifestyle. These items were included in the questionnaire as measures of one aspect of Modernisation. Subjects were asked to rate, on a scale from one to seven, their level of spoken English, level of written English, and the extent to which they engaged in Western lifestyle practices including watching Western movies and television programs, adopted Western style clothing and fashion, and eating or cooked Western food. In addition, subjects were asked whether they had ever travelled outside of China, to which countries and the amount of time spent in each. Subjects were also asked to indicate the number of Westerners known to them personally and whether the way in which these Westerners were known to them (e.g. as friends or business colleagues, or both). Finally, the questionnaire contained an item which requested subjects to self-evaluate, on a seven point scale, the extent to which their own values could be described as "strict and traditional" Chinese.

Industrialisation

In the current study, a regional dichotomous categorisation will be employed as one of the measures of Modernisation. While the classification of the two regional groups represents diversity on a number of dimensions of economic and social Modernisation, for brevity we have called the dimension "Industrialisation". The two categories of "high" and "low" industrialisation relate to Yang's (1997) coastal-inland classification of regions, whereby the coastal provinces are thought to be more highly industrialised and developed, and the inland provinces less industrialised and developed (p4).

The grouping of regions for comparative purposes is commonly employed in studies examining changing dimensions of Chinese values (Boiset and Child, 1996; Ralston et al., 1996). Yang (1997) suggests that for the purposes of comparison, regional groupings are not necessarily defined by geographical boundaries, but rather "may be divided into a variety of abstract divisions depending on the criteria used" (p4). Regional classifications are often adopted by economists and social scientists in order to achieve an appraisal of regional disparities. For example, the contrasts between Northern and Southern China, and between the coast and the interior are useful classifications (Yang, 1997). The coastal areas of China, including Guangdong, Fujian and Shanghai, are known to be significantly more

advanced than the inland areas of the country in relation to their level of economic and societal modernisation, and have been historically more exposed to the influx of new technology, people and ideas from the West (Ralston et al., 1996; Yang, 1997). Mackerras, Taneja and Young (2000) propose that “the southeast of China, and above all the special economic zones, continue to advance very much faster than the rest of the country, while progress in parts of the Western regions has been very much slower” (p240). Coastal areas began to industrialise before the Communist Revolution of 1949 and enjoy the highest industrial output, GDP and levels of foreign investment in the country (China State Statistical Bureau, 1999; Ralston et al., 1996; Yang, 1997). Thus the disparity between coast and inland can be considered synonymous with “high” and “low” levels of industrialisation.

The sample in the “high” industrialisation category were from the coastal regions of Guangdong, Fujian, Hubei, Anhui, Guangxi, Hainan, Shandong, Shanghai and Zhejiang. These regions are all situated along the Eastern coast of China. These provinces have enjoyed the many benefits of economic reform in China, and due to their coastal location, have been open to foreigners and foreign ideas for a long time. They are also all situated in the top half of the Marketisation ranking provided by Gang et al. (2001), a ranking which covers nineteen dimensions of a provinces’ progress toward a market economy.

The sample in the “low” industrialisation category came from Shanxi, Beijing, Chongqing, Gansu, Hebei, Heilongjiang, Hunan, Jilin, Liaoning, Sichuan, Tianjin and Xinjiang. These areas are the inland provinces of China which have been slower to embrace reform and modernisation than the coastal areas. Economic advancement, such as increases in GDP and industrial output, has been insignificant (see Mackerras et al., 2000; Ralston et al., 1996; Yang 1997), with the exception of Beijing, which has enjoyed relative economic success in recent years. However, despite rapid economic growth during the 1990’s, Beijing has not succumbed to commercialism on the scale of Shanghai or Guangdong (Hutchings, 2001). Unlike the coastal areas of Guangdong, Shanghai, Fujian etc., Beijing did not open its doors to foreigners after the 1840 Opium War, has not been a foreign commercial and trading centre over the past century and was not one of the open cities targeted for economic reform in the 1980’s (Ralston et al., 1996). Industrialisation in Beijing did not commence until after the Communist revolution of 1949, and the increase in output per capita over the past decades (1980-1990) have been only moderate (Hutchings, 2001; Ralston et al., 1996). In fact, according to Wei (2000), from 1978 to

1990, the growth rates in Beijing were among the lowest in the nation. Thus it was decided that Beijing should be included in the “low” industrialisation category.

Marketisation

The next measure of Modernisation employed in the study was a Marketisation score which measures a score for each province representing that province’s progress towards a marketised economy. This score was developed by the National Economic Research Institute of the China Reform Foundation (Gang et al., 2001) and is based on 19 indicators of institutional arrangements and policies in 5 major areas :

- (i) Size of the government in the regional economy;
- (ii) Economic structure, mainly concerning the growth of the non-state sector and the reform of the state enterprises;
- (iii) Inter-regional trade barriers, including price control;
- (iv) Factor-market development, related to the development of mechanisms of allocation of resources such as capital and labour
- (v) Legal frameworks, such as for property rights protection and contract enforcement

Each province or autonomous region in China was allocated a score on 19 indicators within the five areas described above. This data was then used to create an overall Marketisation score for each province or autonomous region. For example, Guangdong province was ranked highest in Marketisation, with a Marketisation score of 8.33. This suggests that the province of Guangdong is the closest in China to a market-style economy.

Procedure

Managers were contacted through academics and research assistants in the People’s Republic of China. One of the authors spent considerable time residing in China and had a sound grasp of the Mandarin language and familiarity with Chinese culture. This experience was considered an invaluable component of the study, as it allowed the author to gain sample data not generally accessible to Western researchers. In addition, it was through exposure to the country’s language, culture and environment that a deeper understanding of issues related to the research findings could be achieved.

The questionnaire was translated into Chinese by a native speaker fluent in English and Mandarin. To ensure accuracy of meaning, the questionnaire was also back translated into English by a professional translator.

The questionnaire was self-administered by managers and distributed and collected by research assistants in the relevant province. Given the strong emphasis on *guanxi* or connections and relationships in China, a mail survey would have proved futile. The difficulties associated with mail surveys when conducting research in China is well documented in the literature (Adair, 1995; Roy et al., 2001). Shi (2001) suggests that a relationship network is essential to conduct research in Asia, while Goodman (1997:1) observes the fundamental problem of “lack of access to or information about the range of experience in provincial China”.

Analysis

The data was analysed using the SPSS statistical software, Version 10.0. Factor analysis was carried out to examine the factor structure of subjects' responses to the Westernisation questionnaire items, and factor scores obtained from these analyses were used for further statistical analyses. The Principal Axis method was used for factor extraction, and factors were rotated to simple structure using the Oblimin procedure as implemented in the SPSS statistical program. Factor scores were obtained from the above analyses using the Regression method, and these scores used for further data analyses. Correlational analyses were used to examine the associations of the Marketisation and Westernisation variables with subjects' moral judgements of the vignettes. Multiple correlation coefficients (R) were obtained to evaluate the combined effect of all Modernisation variables on the Moral Judgements of the vignettes. T-tests were used to examine differences between responses from regions of high and low levels of industrialisation for mean scores of the Moral Judgements.

Following the recommendation of McDonald (2000), responses from each of the six vignettes were analysed separately. The use of aggregate or total scenario scores when using vignette methodologies was suggested to be inappropriate as individuals will approach each situation depicted in the various vignettes differently.

Results

The questionnaire contained 13 items, devised by the authors to measure Westernisation, that obtain information on an individual's level of spoken English, level of written English, time spent travelling outside of China, the extent of and time travelled within Asia, and abroad to "Western" English-speaking countries, Europe, Africa and "other" places, engagement in "Western" lifestyle practices such as movies and TV, clothing and fashion, eating and cooking food, number of "Western" friends and colleagues, and a self evaluation of the compatibility of an individual's values with "traditional Chinese" values. This last item was recoded such that higher scores represent less compatibility with traditional Chinese values. Also, responses to the item "number of Western friends" was found to be highly skewed, with a mean of 5.6 but with a small proportion indicating a much larger number of friends. In order to reduce the influence of these relatively few outliers on correlations with other variables, this item was recoded to form a 5 point scale (0= no friends; 1= 1 to 5 friends; 2= 6 to 10 friends; 3= 11-20 friends; 4= over 20 friends).

Responses to the above Westernisation items were factor analysed, using Principal axis extraction and the Oblimin procedure to rotate factors to simple structure. Missing values were replaced with the mean for each item. Root-one criteria, and an inspection of the plot of eigenvalues using the scree test, suggested a three-factor solution, and this solution is shown in Table 1. Items loading above 0.4 on each factor are shown in bold face type.

As can be seen in Table 1, the first factor contains items that relate to the individual's exposure to Western culture through the English language and socialisation with Western friends. This factor has been named "Socialisation". The second factor contains items relating to an individual's travel experiences, including time spent outside of China and destinations travelled to. This factor has been called "Travel". The third factor contains items measuring an individual's adoption of "Western" cultural lifestyle patterns, namely clothes and fashion, movies and TV, and food. This factor has been called "Lifestyle".

INSERT TABLE ONE HERE

In addition to the three-factor solution described above, an overall measure of Westernisation was obtained using the one-factor solution for the same variables. This factor has been called "Overall Westernisation". Table 2 shows the factor pattern loadings and communalities for the individual items

in this factor. Here it can be seen that the variables most strongly defining the overall level of “Westernisation” relate to the having of Western friends and colleagues, facility in the English language, and travel outside China. It is interesting to note that, as in the previous factor analysis, the item relating to the extent to which they feel they hold traditional Chinese values was not related to any of the Westernisation factors.

INSERT TABLE 2 HERE

Results relating to the relationship between the Modernisation variables and Moral Judgement of the vignettes will be presented next. Firstly, results pertaining to the relationship of Industrialisation, as measured by differences between the two regional groups, to Moral Judgement will be presented, followed by those relating to Marketisation, Westernisation and Moral Judgement. A summary of the major findings and conclusions relating to the research hypotheses will then be provided and discussed.

Industrialisation and Moral Judgement

A series of t-tests were used to examine the differences in means across the two regional groups, in relation to manager’s ratings of the extent to which the behaviours in the vignettes are unethical (Moral Judgement). Table 3 lists the means, standard deviations and t-test results for the six vignettes across the two regional groups, coastal (“high” industrialisation) and inland (“low” industrialisation). As can be seen in Table 3, results show that for all six vignettes, managers in the highly industrialised region gave harsher Moral Judgements, that is, rated the behaviour as more unethical, than managers in the less industrialised region. These differences were statistically significant in three of the six vignettes: Social Responsibility, Nepotism and Pollution. The differences for the Bribery, Gender and Whistleblowing vignettes, while in the right direction, were not statistically significant.

INSERT TABLE 3 HERE

Marketisation, Westernisation and Moral Judgement

In order to examine the association between the Modernisation variables, Westernisation and Marketisation, and managers’ moral judgements of the vignettes, bi-variate correlations were calculated. Factor scores for the three Westernisation factors and the overall Westernisation factor, obtained from the factor analysis of the Westernisation items (see Tables 1 and 2), were used for this

analysis. Table 4 reports the correlations of the Moral Judgement variables for the six vignettes with each of the Westernisation factors (Socialisation, Travel, Lifestyle and the overall Westernisation factor), and with the Marketisation score. The multiple correlation (R) of the three Westernisation factors with Moral Judgement for each vignette is also shown in the Table.

INSERT TABLE 4 HERE

As can be seen in Table 4, there was a small but significant positive association between Marketisation and the Moral Judgement variable in five out of six vignettes, Bribery ($r = .18, p \leq .05$), Social Responsibility ($r = .21, p \leq .01$), Nepotism ($r = .18, p \leq .05$), Pollution ($r = .19, p \leq .01$) and Whistleblowing ($r = .23, p \leq .01$). In other words, managers in areas that are more highly “marketised” rated the vignette behaviours as more unethical than those in less “marketised” areas. The correlation between Marketisation and the Moral Judgement measure for the Gender vignette, while in a similar positive direction, was not significant.

In relation to Westernisation, Table 4 shows a significant positive association between the Westernisation factor scores and the Moral Judgement variable in three of the six vignettes, Nepotism, Pollution and Whistleblowing. This is demonstrated by the statistically significant correlations with the general Westernisation factor (r 's = .13, .18, .17, respectively; $p \leq .05$) and the multiple R 's for the Westernisation variables (R 's = .21, .18, .17, respectively; $p \leq .05$). Specifically, Western lifestyle was positively related to the Moral Judgement variable for the Nepotism vignette ($r = .20, p \leq .01$), suggesting that those managers who engage in more Westernised lifestyle practices were more likely to view practices of nepotism in organisation as unethical. The Socialisation factor was positively related to the Moral Judgement variable for the Nepotism ($r = .13, p \leq .05$), Pollution ($r = .14, p \leq .05$), and Whistleblowing ($r = .17, p \leq .05$) vignettes. This suggests that managers who socialise frequently with Westerners were more likely to perceive vignettes relating to nepotism, environmental pollution and failure by management to report product defects to authorities, as unethical.

These results suggest that there is a small positive association between Chinese managers' exposure to, and adoption of, some aspects of Western lifestyle, and the extent to which they perceive vignettes relating to Nepotism, Pollution and Whistleblowing, as unethical. There were no significant

correlations between the Westernisation variables and the Moral Judgement variable for the Bribery, Social Responsibility and Gender vignettes.

The previous section of results concerned the relationships of Modernisation, as measured through the three measures, Industrialisation, Marketisation and Westernisation, to Chinese managers' moral judgements of the vignettes. Following is a summary of the overall findings in terms of the combined effects of the three Modernisation measures.

Table 5 presents the multiple R's resulting from a series of regression analyses with the three Modernisation variables, Industrialisation, Modernisation and the overall Westernisation factor included as independent variables. The dependent variables used in the analyses were the Moral Judgement variables relating to the six vignettes. The results in Table 5 show that the combined effect of the three Modernisation variables on the Moral Judgement variable for the vignettes was statistically significant in five out of six vignettes. Results presented earlier suggest that the relationship between the Modernisation measures and the Moral Judgement variable is a positive one, that is, as Modernisation increases, ratings of the extent to which the behaviours in the vignettes are considered unethical also increases. There was no statistically significant relationship between Modernisation and the Moral Judgement variable for the vignette describing gender inequality ('Gender'). One explanation for this is that, with the exception of the Gender vignette, it could be argued that all other vignettes described behaviour that required a very subjective response from subjects, relying more on their individual moral value systems than on some compliance with any 'objective' organisational or national law. The issue of sex discrimination and other forms of workplace discrimination has been a hot topic in China for many years, since the release of China's new Labour Law in 1994 prohibiting such discrimination. It is possible that respondents in both low and high industrialised areas were strongly influenced by this legislation and the accompanying Party doctrine, whether or not the law is actually enforced in practice. This would explain the high scores of 'unethicality' on this vignette and the lack of a statistically significant difference between the more and less modernised regions.

INSERT TABLE 5 HERE

Discussion and Conclusions

The main aim of this paper was to investigate the influence of aspects of societal and economic modernisation on the moral judgements of Chinese managers. In this study, the moral judgements related to issues of bribery, social responsibility, nepotism, gender inequality, environmental pollution and whistleblowing in organisations, as depicted in a series of short vignettes. Results suggest that there are indeed significant associations between aspects of economic and societal modernisation, and the ethical perceptions, or judgements, of managers in relation to these issues. The combined effect of the three modernisation measures used in this study, Industrialisation, Marketisation and Westernisation, significantly predicted managers' moral judgements in five of the six of the vignettes. Managers found to be more "modernised", perceived the behaviours depicted in the vignettes as more unethical than less "modernised" managers.

The three measures chosen to examine aspects of modernisation in China each had similar, but not identical effects on managers' moral judgements of the vignettes, where all statistically significant associations found were in the same direction. The measure labelled Industrialisation represented a contrast between two regional groups, the highly industrialised, coastal regions and the less industrialised, inland regions (Yang, 1997). This dimension was found to be positively related to managers' perceptions of the extent to which the behaviour in the vignettes relating to social responsibility, nepotism and pollution, was considered unethical. The second modernisation measure, was called Marketisation which consisted of a composite score measuring each province's level of progress toward a marketised **economy**. Marketisation was found to be positively associated with managers' perceptions of the extent to which the behaviour in the vignettes was unethical for all vignettes, with the exception of that relating to gender inequality. Interestingly, there were no associations between managers' moral judgements of this vignette and any of the three modernisation measures, with managers on average tending to agree that the gender inequality depicted in the vignette was unethical. The third measure, labelled Westernisation, examined an individual's level of exposure to, and adoption of, various Western lifestyle practices, such as overseas travel, levels of written and spoken English, cooking and eating of Western food, adoption of Western fashion, socialising with Western friends, and so on. This measure was found to be positively related to managers' evaluations of the extent to which the behaviours were unethical in three of the vignettes, nepotism, pollution and whistleblowing.

The results described above lend partial support for the hypothesis. That is, that with increasing modernization, values and behaviour converge toward those consistent with the more modernised and advanced Western economies. These results are consistent with those of many studies examining the influence of modernisation on *values* (Neghandi, 1975; Vertinsky et al., 1990; Ralston et al., 1992, 1995; Priem et al., 2000) in regions that have begun to embrace aspects of capitalism and market economy. It could be argued that such convergence would be expected in the particular areas of focus in this study, such as bribery and nepotism, as the values which underpin such unethical behaviour would not be consistent with success in a more modernised Chinese world. If the behaviours and underlying values appeared more consistent with success in a modern market economy, but were nevertheless traditional Chinese, one may have seen a more crossvergent result, with these values being retained. An example might be behaviour which emphasizes social connections or *guanxi*.

This paper contributes to the literature investigating cross-cultural business ethics and values by addressing issues relating to the use of “Western” scales and measures in “Eastern” contexts (Boiset and Child, 1996; Roy et al., 2001). In a recent review of published studies of business research conducted in China, Roy et al. (2001) observed that “just as theoretical paradigms that make sense in the West may have limited relevance, research methodologies developed elsewhere may also not be applicable or viable when studying many managerial and other issues in China” (p204). The study in this paper addressed this issue in a number of ways. The scenarios or “vignettes” representing work related behaviours, while adopted from previous studies, were modified for cultural appropriateness. Second, measures of an individual’s adoption of, and exposure to, Western lifestyle practices were developed by the writer with the assistance of experts in Chinese culture. Finally, the translation of the English components of the questionnaire was undertaken with the assistance of professional translators, and was finalised only after back translation and lengthy discussions between the researcher, the translators and other “experts” to ensure equivalency of meaning.

The study reported in this paper contributes to a relatively new area of the literature on international organisational behaviour. The investigation of the influences of societal and economic change, through modernisation, on managerial values and ethical decision making in the workplace, is still very much in its infancy. Some researchers have observed differences in values across countries, and attributed observed differences to variations in the countries’ relative stages of modernisation (e.g. Pearson and Entekin, 2001; Ralston et al., 1992). Others have adopted a similar approach, but at a more sub-

cultural level, observing differences across regions in the same country (e.g. Huo and Randall, 1991; Priem et al., 2000; Ralston et al., 1996), while a few studies have attempted a longitudinal approach to investigating the influence of modernisation on managerial values (e.g. Ralston et al., 1994, 1999). This study has found significant differences in the ethical perceptions, or moral judgements, of managers from different regions in the PRC. Furthermore, the results of this study suggest that there are differences in the moral judgements of managers with different levels of exposure to societal and economic modernisation, and that modernisation might be best viewed as a multi-dimensional construct. A new measure of an individual's exposure to, and adoption of, Western lifestyle practices was developed and tested. A number of significant associations were found between these "Westernisation" variables and managers' moral judgements. Thus, it is expected that these findings will contribute to the existing literature in the area of modernisation and the evolution of values and organisational behaviour in China.

The limitations of the study highlight areas of possible focus for future studies in this area. Firstly, while some of the vignettes were taken from studies using Hong Kong samples, it could be argued that others relied on Western perceptions of ethical issues in organisations. While some effort was taken in the current study to change names of actors to make the vignettes more 'Chinese', future studies should attempt to develop and test these vignettes in the Chinese context or develop new vignettes specific to the Chinese business arena.

Secondly, while the "Westernisation" measure developed by the writer in this thesis was largely exploratory in nature, it did provide predictive effects on a number of key variables over and above that provided by the modernisation measures derived from provincial data. Indeed, in some cases the Westernisation measure acted in different directions to the other modernisation measures. As observed by Bond and King (1985) in Hong Kong, many "Westernised" Chinese identify strongly with traditional values and beliefs, while others have embraced ideas and values from the West. Of interest is the extent to which "superficial" or observable changes in individual behaviour and lifestyle, are accompanied by changes in the underlying values and attitudes of these individuals. The results of this study appear to suggest there is some relationship between an individual's adoption of, and exposure to, some aspects of "Western" lifestyle, and their values and approaches to business ethics issues. The scale used in this study relied on a number of self-assessments such as English level and adherence to

traditional values. Future research should attempt to refine and more accurately measure items relating to individual levels of Westernisation.

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TABLE 1
Factor Analysis of Westernisation Items

<i>Items</i>	<i>Socialisation</i>	<i>Travel</i>	<i>Lifestyle</i>	<i>h²</i>
Level of written English	.83	-.12	.17	.76
Level of spoken English	.76	-.07	.23	.72
Having “Western” colleagues and friends	.73	.12	-.11	.54
Number of “Western” friends	.66	.23	-.08	.54
Self-evaluation of traditional Chinese values	.19	-.03	-.07	.15
Travel outside of China	.01	.92	-.04	.85
Time spent travelling abroad	.22	.80	-.09	.76
Travel - “Western” English sp. countries	.28	.58	-.05	.50
Travel - other Asian countries	-.13	.56	.06	.29
Travel - European countries	.00	.40	.09	.17
Interest in eating/cooking “Western” food	-.06	.18	.76	.60
Interest in “Western” fashion & clothes	.06	.02	.71	.54
Interest in “Western” movies & TV	.07	-.05	.62	.41

Items with pattern loadings above .40 appear in bold.

Percent of variance explained = 52%

TABLE 2
Single Factor Solution for Overall Westernisation

<i>Items</i>	<i>Overall Westernisation</i>	<i>h²</i>
Number of “Western” friends	.69	.48
Level of spoken English	.68	.47
Level of written English	.66	.44
Time spent travelling abroad	.66	.43
Having “Western” colleagues and friends	.64	.42
Travel - “Western” English sp. countries	.62	.39
Travel outside of China	.56	.32
Interest in eating/cooking “Western” food	.42	.18
Interest in “Western” fashion & clothes	.39	.15
Travel - European countries	.32	.11
Interest in “Western” movies & TV	.31	.10
Travel - other Asian countries	.30	.09
Self-evaluation of traditional Chinese values	.22	.05

Items with pattern loadings above .40 appear in bold.

Percent of variance explained = 28%

TABLE 3
Differences in Moral Judgement by Industrialisation

	T-value	Mean Score (Standard Deviation)	
		<i>Industrialisation</i>	
		Low	High
<i>Moral Judgement</i>			
Bribery	0.63	3.66 (1.74)	3.82 (2.04)
Social Responsibility	2.55**	4.93 (1.87)	5.56 (1.59)
Nepotism	2.00*	4.08 (1.77)	4.57 (1.72)
Pollution	2.01*	5.11 (1.42)	5.51 (1.43)
Gender	0.92	5.35 (1.34)	5.53 (1.35)
Whistleblowing	1.03	4.70 (1.77)	5.0 (1.86)

*p ≤ .05, ** p ≤ .01; degrees of freedom for t-test = 204

TABLE 4

Correlations of Westernisation and Marketisation with Moral Judgement

	Westernisation Factors					Marketisation
	<i>Social'n</i>	<i>Travel</i>	<i>Lifestyle</i>	<i>Overall</i>	<i>Multiple</i>	
				<i>W. Factor</i>	<i>R</i>	
<i>Moral Judgement</i>						
Bribery	-.01	.05	-.04	.01	.07	.18*
Social Responsibility	-.03	.01	.02	-.01	.05	.21**
Nepotism	.13*	-.01	.20**	.13*	.21*	.18*
Pollution	.14*	.13*	.07	.18*	.18*	.19**
Gender	.03	.05	.07	.08	.09	.13
Whistleblowing	.17*	.05	.08	.17*	.17*	.23**

*p≤ .05, **p≤ .01

TABLE 5.

Multiple Correlations of the Three Modernisation Measures with Moral Judgement

	Multiple R
	All Modernisation Measures
Moral Judgement (Vignettes)	
<i>Bribery</i>	.19*
<i>Social Responsibility</i>	.23**
<i>Nepotism</i>	.21*
<i>Pollution</i>	.25**
<i>Gender</i>	.14
<i>Whistleblowing</i>	.27**
