The Influence of Industrialisation on Ethical Ideology of Managers in the People's Republic of China

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Abstract

An individual's ethical ideology has been identified as one of the key components influencing ethical decision making in organisations. The Ethics Position Questionnaire (Forsyth, 1980) is designed to measure ethical ideology in relation to two dimensions, namely Idealism and Relativism. This study investigates the factor structure of this measure in a sample of Chinese managers, and compares the dimensions found to those found in the original study. In addition, a regional comparison is undertaken and results show that there are significant differences in ethical ideology across different regions in China. These results are discussed and suggestions for future research are made.

Introduction

There is much empirical support for the notion that an individual's ethical beliefs or ethical ideology influences their approach to ethical judgements and decision making (Davis, Johnson and Ohmer, 1998; Barnett, Bass and Brown,1994; Barnett, Bass, Brown and Herbert, 1998; Forsyth, 1980, 1981; Glover, Bumpus, Logan and Ciesla, 1997; Jackson, David, Deshpande, Jones et al., 2000, etc.). In addition, review of the literature in the area of cross cultural business ethics appears to suggest that some aspects of individual ethical ideology vary across countries or cultures (Jackson et al., 2000; Lee and Sirgy, 1999; McDonald and Pak, 1996; Singhapakdi, Vitell and Leelakulthanit, 1994; Singhapakdi, Vitell and Franke, 1999 etc.). However, to date there have been few published studies investigating the ethical ideologies of managers in the People's Republic of China. Given China's recent entry into the World Trade Organisation, and increasing the need for managers in the West to better understand Chinese business practices, it is of interest to investigate the ethical ideologies of the Chinese, and whether these differ across different regions of China.

The Ethics Position Questionnaire

During the 1970's, a number of researchers in personality and social psychology began to develop approaches to describe and measure individual differences in moral thought, based on the premise that individual systems of morality guide or influence decision making and behaviour of an ethical nature (e.g. Kohlberg, 1969; Hogan, 1970, 1972, Rest, 1974).

Forsyth (1980) published a "Taxonomy of Ethical Ideologies", incorporating a new measure of individual differences in ethical perspectives called the Ethics Position Questionnaire ("EPQ"). Forsyth (1980) suggested that individual variations in their approach to moral judgements involve two main factors. The first was the extent to which the individual rejects universal moral rules in favour of "Relativism". Individuals high on this dimension adopt a situational approach to ethical decision making, whereby moral judgements vary in accordance to an evaluation of the various contingencies surrounding the behaviour being evaluated. Those low on Relativism, according to Forsyth (1980), tend to be more dogmatic in their belief systems, and emphasise universal truths or moral absolutes when making ethical decisions.

The second main factor Forsyth (1980) claimed influences individual ethical decision making was an individual's stance on a dimension which he called "Idealism". Individuals high in Idealism tend to believe that by doing the "good" or "right" thing, desirable consequences will always be obtained. Highly idealistic individuals, are more influenced by altruistic or humanitarian concerns when making moral judgements. Conversely, those low in Idealism might believe that an action which causes harm to others is not necessarily unethical. Subsequent studies have found the dimensions of Forsyth's (1980) questionnaire to be valid and reliable across a number of situations and samples (see Barnett et al., 1998; Davis et al., 1998, 2001; Lee and Sirgy, 1999).

Differences in individual ethical ideology have been found to be associated with ethical judgements concerning a range of controversial issues (Forsyth, 1980, 1981, 1985; Forsyth and Pope, 1984). In addition, Forsyth's (1980) dimensions have been shown to be related to Machiavellianism (Leary et al., 1986), an ethic of caring (Forsyth, Nye and Kelley, 1988) and perceived responsibility for wrongdoing (Forsyth and Nye, 1990). Given these findings, the extension of Forsyth's dimensions to studies in the business context appears a logical one. However, few studies have examined the influence of ethical ideology on ethical judgements in business. According to Barnett et al. (1998: 721):

> *Although the ethical ideologies conceptualised by Forsyth (1980) have not received a tremendous amount of attention in the business ethics literature, they appear to be potentially important explanatory variables in models of individual ethical decision making*

Recently, there has been an increased interest in the business ethics literature on differences in ethical ideology across countries and cultures, and the way these are applied to ethical decisions or

judgements (Jackson et al., 2000; McDonald and Pak, 1996). This literature generally suggests that collectivist, or Eastern cultures are highly "relativist", that is, that there are no moral absolutes and ethical behaviour depends on the situation (Trompenaars, 1997; Ralston, Gustafson, Terpstra and Holt, 1994; Dolecheck and Dolecheck, 1987; Singhapakdi et al., 1994; Jackson et al., 2000).

Only a handful of studies have used Forsyth's (1980) EPQ in "Eastern" or Asian samples. Lee and Sirgy 91999) found Korean managers were higher on Idealism than U.S. managers, although both groups scored above the mid-point of the scale. Relativism was not significantly different between the two groups. Davis et al. (1998) found Indonesian MBA students to score high on Relativism, while U.S. respondents scored high on Idealism. Singhapakdi et al. (1994) found Thai managers to be high in moral Idealism.

There are no published studies which have applied Forsyth's (1980) EPQ dimensions to evaluate ethical ideology in China. Also, given the derivation of the scale from constructs in Western ethical ideology, few studies have addressed the notion of the transferability of the scale in non-Western environments. Rather, some have offered comparisons across cultures or countries on individual scores of Idealism and Relativism, without conducting a factor analysis of the data in the sample to examine whether the factor structure is consistent with that found in the original study using a Western sample.

A number of writers (Adler et al., 1989; Ralston, Gustafson, Elsass et al., 1992) have emphasised the need for more research on how Western developed constructs apply in non-Western samples. According to Allinson (1991: 3), much can be gained in terms of understanding the complexity of cultural differences through the application of our own constructs in other contexts:-

> *What may seem, in the beginning, like an attempt to understand another culture through our own, in the end may result in a shift in our fundamental way of understanding, which is...the only way to understand across cultures...The difficulty in formulating the problem in the first place by considering that we are imposing Western philosophical categories upon the Chinese mind is to consider that Western philosophy itself is static and impervious to change. In the end, we are not cultural imperialists; we are dancing partners. The only difference is that we are inviting our partner to dance.*

In addition, many existing studies using the EPQ have relied on student samples, and given claimed transferability of the scales to business managers (Forsyth, 1992), there is a need for more studies to examine the constructs using real managers (Davis et al., 2001).

Overview and Aims of the Study
Review of the literature in the previous section suggests that individual ethical ideology, as measured by Forsyth's (1980) Ethics Position Questionnaire, has been found to relate to a number of important phenomena in organisations, such as moral judgement, empathy and Machiavellianism. A handful of studies have begun to investigate the cultural component of ethical ideology, including within "Eastern" samples. However, there are no reported studies examining the ethical ideologies of Chinese managers, using this instrument. This study surveyed 206 managers from the People's Republic of China. The aims were:

1. To investigate the factor structure of the Ethics Position Questionnaire in a sample of Chinese managers, and compare it to that found in the original study.
2. To investigate the incidence of the dimensions arising from the factor analysis among managers from the People's Republic of China.
3. To investigate sources of difference and similarity in ethical ideology between managers from more and less industrialised regions of China.

This study also aims to contribute to our understanding of the applicability of Western measures in non-Western contexts, an issue widely discussed in the literature on ethics and values (Chinese Culture Connection, 1987; Adler, Campbell and Laurent, 1989).

Methods
To address the research aims, data was collected from 206 Chinese born managers residing in a number of provinces in the People's Republic of China. Managers were contacted through a variety of different people, including academics and research assistants, within China. The questionnaire was self-administered by the managers and distributed and collected by hand. 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 (Roy, Walters and Luk, 2001).

In order to examine regional differences within the sample, two groups were formed based on the level of regional industrialisation in each. It is well acknowledged in the literature that regions in China have developed largely independent of each other and display much heterogeneity in relation to a number of aspects of culture including values and ideologies (Goodman, 1997; Ralston, Yu, Wang, Terpstra and He, 1996). Regions in the current study were classified "high" and "low" in industrialisation based on economic and historical data provided by Yang (1997) and Ralston et al. (1996). These studies found a higher incidence of industrialisation in the coastal provinces such as Shanghai and Guangdong, and lower levels of industrialisation in the inland provinces, such as Beijing and Shanxi. These differences are largely due to the different economic histories of the two regions. Coastal areas have long been open to trade with Westerners, and were the main beneficiaries of Deng Xiao Ping's economic reforms in the 1980's.

The main measure used in this research was The Ethics Position Questionnaire (EPQ) or ethical ideology measure developed by Forsyth (1980). A nine-point Likert scale ranging from strongly disagree to strongly agree was used. The questionnaire identifies two basic, distinct dimensions of ethical ideology, namely moral Relativism and moral Idealism. The internal consistency, stability and construct and predictive validity of this measure, has been well established by prior research in Western samples (Forsyth, 1980; Forsyth and Pope, 1984; Lee and Sirgy, 1999, etc.). In addition to the EPQ, the questionnaire also contained a number of demographic items and items relating to the individual's organisation.

The questionnaire was translated into Chinese by a native speaker fluent in English and Mandarin, and back-translated for accuracy. Given the difficulty and high risk involved in translating the appropriate meaning in the Forsyth's (1980) EPQ into Chinese, experts were employed to check that the items within the two versions portrayed the same meaning.

The data was entered and analysed using SPSS software (version 10.0) and included descriptive statistics, factor analysis and t-tests. Analysis of covariance was employed to examine whether observed differences between the regional groups were reduced after controlling for personal and organisational characteristics.

Factor Analysis of Ethics Position Questionnaire
Given that this is the first known study to investigate the factor structure of the items in the EPQ in a Chinese sample, it was necessary to examine the results of the factor analysis before the research hypotheses relating to the dimensions found, could be formed. Thus, the factor analysis will be presented next, followed by the research hypotheses.

Table 1 About Here

Factor analysis was carried out with SPSS software (version 10.0), using Principal axis extraction and the Oblimin procedure to rotate factors to simple structure. Root-one criteria suggested that five factors could be extracted. However, an examination of the plot of eigenvalues, using the scree test,

suggested fewer factors. Given that four of the five factors contained only one or two items, and the difficulty in interpreting these factors, the two factor solution was adopted. Table 1 shows the items defining each of these factors, as well as their factor pattern loadings and communalities, and their loading on the two original dimensions found in Forsyth's (1980) study. With the exception of item 19 which loaded on both factors, the items found to load on each factor coincided with the loadings in Forsyth's (1980) study. The correlation between the two factors was low, at .11, suggesting that the two dimensions are orthogonal. Thus, it can be concluded that the factor solution in the Chinese sample is consistent with the Idealism and Relativism scales as described by Forsyth (1980).

Research Hypotheses
The current research is largely exploratory in nature. However, there are some hypotheses which can be drawn. Review of the literature generally suggests that collectivist, or Eastern cultures are highly "relativist", that is, that ethical behaviour depends on the situation (Trompenaars, 1997; Ralston et al., 1994; Dolecheck and Dolecheck, 1987; Singhapakdi et al., 1994; Jackson et al., 2000; Jackson, 2001). Thus it is expected that Chinese managers might score highly in relation to Forsyth's (1980) Relativism dimension.

H1:   Chinese managers will display high scores in relation to moral Relativism.

Empirical studies have found support for a "convergence" of some Chinese values toward those of more Westernised economies, amongst the Chinese in more industrialised and modernised regions (Huo and Randall, 1991; Pearson and Entrekin, 2001; Ralston et al., 1996 etc.). Studies have found Chinese approaches to ethical decision making are less concerned with moral ideals and humanitarianism than amongst individuals in the West, and are often couched in self-interest (McDonald and Pak, 1996b; Ralston et al., 1994), fears of legal ramification or loyalty to the company (Whitcomb, Erdener and Li, 1998) and economic considerations such as firm profit (Lin, 1999; Whitcomb et al., 1998). Given this, it is hypothesised that there might be a higher incidence of moral Idealism in the more industrialised and modernised South of China, than in the more conservative North.

H2:   Scores on moral Idealism will be higher amongst managers from the more industrialised regions of China than amongst those from the less industrialised regions

Results

Descriptive Statistics
The average age of subjects was 35, with males comprising 67 percent of the sample. Given the relatively small number of females occupying managerial positions in Chinese organisations, these proportions are to be expected. The large majority of subjects had completed some form of post-secondary education, with 68.7 percent having completed at least a Bachelor's degree at University. Managers were drawn from a variety of organisational fields, and the majority of organisations were state owned enterprises.

Ethical Ideology
The overall mean scores for Idealism and Relativism were 63.5 and 57.2 respectively. Given that 45 represents the mid-point of the each scale, it can be concluded that the managers in this sample scored high on both the Idealism and Relativism dimensions. Thus, hypothesis 1 is supported.

Regional Differences
To examine sources of difference in ethical ideology between the two samples in China, a t-test was carried out to test the null hypothesis that there were no differences between the two samples. Given the high level of agreement between the factor analysis of the present sample and Forsyth's (1980) original scales, it was decided that these scales would be used to analyse regional differences. Table 2 contains the means and standard deviations for Idealism and Relativism in each of the two regional areas, along with the t-values.

Table 2 About Here

As can be seen in table 2, there were significant differences found between the two regional groups in relation to both the Idealism and Relativism dimensions of the Ethical Position Questionnaire. Managers from the less industrialised areas scored significantly lower ($p<.01$) in moral Idealism (mean= 61.4) than those from the more industrialised areas (mean= 66.2). Thus, hypothesis 2 is supported. Interestingly, there were also significant differences in relation to Relativism. The mean score of managers from the less industrialisation areas (mean= 55.9) were significantly lower ($p<.05$) than those from the more industrialised areas (mean= 59.0, $p<.05$).

A series of analyses of co-variance were conducted to examine the extent to which the regional differences were reduced after controlling for personal characteristics including age, gender, higher education, type of education, organisational size and type of organisation. The dependent variable for each analysis was the Idealism or Relativism dimension, with the regional dummy variable as the fixed factor and the personal variables as covariates. Controlling for these variables caused no significant reduction in the observed differences between the regions.

Discussion and Conclusion

The issues surrounding the application of measurement tools developed in the West to study psychological or philosophical constructs in non-Western environments is one that a number of researchers in cross-cultural psychology and management have been discussing for some time (Chinese Culture Connection, 1987; Adler et al, 1989; Bond and Yang, 1982). Despite this, there are still relatively few published empirical studies which attempt to explore the appropriateness of Western developed measurement scales and constructs in other cultures. Rather, there is an abundance of studies that simply translate the relevant test into the local language, administer it, and proceed to make comparative observations about underlying constructs within the sample. Such approaches assume a universal or *etic* status of the underlying construct, and are thus problematic (Yang and Bond, 1990)

This study represents a preliminary investigation of the issues surrounding the application of Forsyth's (1980) Ethics Position Questionnaire, a well cited measure of ethical ideology in the psychology and management literature, in a non-Western context of the People's Republic of China. Factor analysis revealed the presence of two distinct factors, the items for which overlapped substantially with the Idealism and Relativism dimensions found in Forsyth's (1980) original study. Thus, it appears that these dimensions may indeed be appropriate for future studies investigating ethical ideology in Chinese samples.

Results of this study suggest that Chinese managers might be considered "high" on both dimensions of Idealism and Relativism. The high Relativism scores suggest that these managers reject universal moral principles in favour of a situational, or relativist, approach to ethical decision making. This finding is consistent with that of a other researchers who have found that individuals in Eastern, or "Asian" contexts tend to be take a more situational approach to ethical decision making (Trompenaars, 1997; Ralston et al., 1994; Dolecheck and Dolecheck, 1987; McDonald and Pak, 1996; Jackson et al., 2000). The high Idealism scores are consistent with the findings of Lee and Sirgy (1999) who found Korean managers were high in moral Idealism. Highly idealistic individuals believe that by doing the "good" or "right" thing, desirable consequences will always be obtained. These individuals emphasise humanitarian and altruistic concerns when making ethical decisions. This theme appears somewhat consistent with knowledge in the area of Chinese (or Confucian) culture, whereby Chinese ethical behaviour is based on fundamental virtues such as benevolence (*ren)* (Cleary, 1993, Wangdao, 1997). Future research would need to examine the extent to which these ethical ideologies are able to predict ethical decisions and behaviour, and the extent to which they are related to other aspects of organisational life in China, such as leadership.

Given the well documented observation relating to the heterogeneity of Chinese culture and rich regional variation in values (Ralston et al., 1996; Goodman, 1997), it was of interest in the current study to explore similarities and differences in relation to Forsyth's (1980) Ethics Position Questionnaire dimensions across different regions of China. Two regional groups, representing areas that are highly and less industrialised, were formed. It was found that significant differences in ethical ideology do exist between the two regions, with managers in the more industrialised regions scoring higher on both the Idealism and Relativism dimensions. In relation to Idealism, this observation suggests that there may be an increased incidence of more humanitarian approaches to issues surrounding business ethics as China adopts aspects of modernisation and Western style capitalism. This notion is consistent with the findings of a number of writers who have observed changes in values amongst managers in more modernised regions of China, and among the overseas Chinese states such as Taiwan, Singapore and Malaysia (Huo and Randall, 1991; Pearson and Entrekin, 2001; Ralston et al., 1996). Higher Relativism scores in the more industrialised regions suggest that managers in the more modernised regions are less dogmatic in their beliefs, and more in favour of a relativist, or situational approach to making moral decisions. Future studies could examine not only the extent to which these ethical ideologies predict moral judgement, but also whether the pattern of such relationships differs across the different regions of China. In other words, it would be of interest to examine the interaction effects between ethical ideology and region, on the moral judgements, or ethical decisions of Chinese managers.

It is expected that this paper will provide some "food for thought" for researchers examining methodological and ideological issues of cross-cultural research in the field of values and ethics. Future research would need to further refine and test the constructs found in this sample in other samples in the People's Republic of China. In addition, closer analysis and discussion on the commonalities and differences of constructs in Eastern and Western ethical ideology is warranted as more researchers delve into the unknown complexities of cross-cultural studies in business ethics.

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TABLE 1

Factor Analysis of the Ethics Position Questionnaire

Items	Forsyth's (1980) Dimensions	Idealism	Relativism	h^2
EPQ5	(ID)	**.82**	-.01	.64
EPQ10	(ID)	**.60**	-.08	.54
EPQ8	(ID)	**.50**	.07	.28
EPQ7	(ID)	**.45**	.02	.39
EPQ1	(ID)	**.38**	-.08	.34
EPQ4	(ID)	.37	.09	.28
EPQ13	(ID)	.33	-.09	.47
EPQ2	(ID)	.27	-.01	.47
EPQ17	(RL)	-.05	**.81**	.65
EPQ18	(RL)	.04	**.61**	.37
EPQ15	(RL)	-.05	**.57**	.37
EPQ20	(RL)	-.01	**.45**	.26
EPQ19	(ID)	.32	**.43**	.40
EPQ12	(RL)	-.13	.17	.71
EPQ11	(RL)	.12	-.05	.35
EPQ16	(ID)	.06	.02	.37
EPQ9	(RL)	.03	.01	.59
EPQ6	(RL)	-.06	.00	.50
EPQ14	(RL)	-.02	.16	.59
EPQ3	(RL)	-.25	.03	.49
Factor Eigenvalue		4.58	2.56	

The five highest loading items on each factor appear in bold.

Percent of variance explained = 30%; Correlation between factors = .11

TABLE 2

Regional Differences in Ethical ideology

	"Low" Industrialisation (n=119)		"High" Industrialisation (n=86)			
	Mean	SD	Mean	(SD)	t-value	.
Idealism	61.4	(13.7)	66.2	(13.4)	2.47**	
Relativism	55.9	(11.0)	59.0	(11.5)	1.94*	

* $p< 0.01$ level ; ** $p< 0.05$ level (2 tailed)

Degrees of freedom for t-test = 199 (Idealism) and 195 (Relativism)