Ethical Climate and Managerial Success in China

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ABSTRACT. This study examines perceptions of ethical climate and ethical practices of 118 successful Chinese managers among business students and managers in the Zhejiang province of China. The impact of different ethical climate types on perceived ethical practices of successful managers was also investigated. The “rules” was the most reported, and “independence” was the least reported, among the various climate types. A majority of the respondents perceive successful managers as ethical. In addition, those who believed that their organization had a “rules” climate perceived a strong positive link between success and ethical behavior. None of the other climate types had an impact on the link between success and ethical behavior.

KEY WORDS: ethical climate, managerial success, China

Introduction

A lot has been written in the international management literature on the differences in management practices across countries. One conclusion that both researchers and practitioners have consistently made is that it is unwise to assume that Western management practices uniformly apply in non-Western countries (Fan and Zigang, 2004; Oumilil and Balloun, 2009; Robertson et al., 2002; Tsalikis and Lassar, 2009). Another conclusion that existing research has made is that in order to be successful, a global executive must comprehend cultural values and ethical standards of other countries (Ferrell et al., 2005). For example, while bribery is an acceptable business practice in many countries, it is frowned upon and/or illegal in some other countries.


One country that has been getting a lot of attention of economists, business professionals, and politicians is China (Lu, 2008; The Economist, 2004). It produces nearly half the world’s goods and products. In less than a quarter-century since Deng Xiaoping initiated his “open door policy,” China has become one of the most powerful and unpredictable force in the economic world. Its enormous pool of cheap labor and untapped market has attracted billions of dollars from multinationals all over the world and lifted over 250 million out of poverty since 1978. Today, China has the largest trade surplus with the United States and is one of the
largest holders of U.S. treasury bills. In addition, it is expected to overtake the United States’ gross domestic product by 2039 (Chandler, 2004). However, in the recent past, the “Made in China” label has taken a severe beating. Recent revelations of defective products from China like melamine-contaminated foods, and toys contaminated with lead paint have raised concerns about business ethics in China (Gallagher, 2009; Lu, 2008).

Moving from a centralized system of control and resource allocation to a market-oriented Anglo-American business system in the absence of necessary infrastructure has created its own set of problems for China (Tam, 2002). Rampant corruption, lack of shareholder rights, contradictory planning, and stock market manipulation are some of the problems that multinational firms face in China (Chandler, 2004; Tam, 2002). There are no economic solutions to these problems. These problems can only be resolved by ensuring that the economic system in China focuses on not only efficiency but also fairness (Xiaohoe, 1997). This will require a considerable change in corporate culture and influence of business ethics from abroad (Ip, 2002; Xiaohoe, 1997).


Early research on organizational work climate concluded that the climate of an organization affects the behavior of employees in an organization (Litwin and Stringer, 1968; Tagiuri and Litwin, 1968). Litwin and Stringer (1968) further stressed that employees can accurately judge their firm’s ethical climate and report it on a questionnaire. The ethical climate of an organization is defined by the shared perception of how ethical issues should be addressed and what ethically correct behavior is. Wimbush and Shepard (1994) in an examination of ethical climate literature strongly recommended research on the impact of ethical climate on different organizational variables.

A number of studies have tried to investigate how many ethical climate types exist within an organization (Peterson, 2002). Victor and Cullen (1990) used previous research on ethical theory (Fritzche and Becker, 1984; Williams, 1985), moral development (Kohlberg, 1967, 1984), and sociocultural theories of organizations (Schneider, 1983) to identify different types of ethical climate within an organization. Their factor analysis of 36 moral climate descriptions based on type of criteria (caring, principles, or instrumental) and level of analysis (individual, organizational, or humanity as a whole) resulted in six distinct climate types (Professionalism, Caring, Rules, Instrumental, Efficiency, and Independence). They concluded that these climate types are distinct in organizations and impact managerial behavior.

Deshpande (1996) developed global measures for the six ethical climate types based on the climate descriptors that loaded the highest on the factor analysis done by Victor and Cullen (1990). He then used these global measures to examine the ethical practices of managers of a large American non-profit organization. Deshpande et al. (2000) investigated the presence of these climate types in a sample of Russian organizations and reported that “rules” was the dominant ethical climate type. Forte (2004) in a study of managers of large American organizations found a significant relationship between age, management levels, and ethical climate types. We will use these climate types (see “Appendix”) to measure the ethical climate in China.