

# Factors Affecting Ethical Attitudes in Mainland China and Hong Kong

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**ABSTRACT.** In this article, we analyzed the effect of various factors on moral judgment and ethical attitudes of working persons. It was found that the effect of various socio-demographic factors on ethical attitudes varied between the two different categories of ethical issues under study, issues which involve explicit violation of laws *vis-à-vis* issues which involved social concerns. Our results did not support the implication of Callahan's hypothesis that males are more sensitive to rule-based ethical issues while women are to issues involving social concerns; it was found that females have a lower acceptability of unethical behaviors related to both categories of issues in Hong Kong, whereas gender effect was not statistically significant in Mainland China. University education also had no significant effect on ethical attitudes. Religion played an important role in affecting ethical attitudes, however, its effect varied with different types of religions; Christianity was found to be most favorable to higher ethical standards, but people of traditional Chinese religion had a higher acceptability of unethical behaviors involving social concerns compared to people with no religion. Our finding also indicated that employees in state-owned enterprises, private employees, employees in foreign-investment firms, and employers in Mainland China all had a higher acceptability of unethical law-breaking behaviors compared to workers in collectives, throwing doubt on the validity of convergence theory in Mainland China.

**KEY WORDS:** China, ethical attitudes, gender, Hong Kong, moral judgment, religion

## Introduction

There have been numerous studies trying to explore how moral judgment and ethical attitudes are related to various socio-demographic characteristics of an individual (Deshpande, 1997; Reynolds, 2006), but no consensus has yet been reached concerning the effect of these characteristics. The most controversial factor is perhaps the gender effect (Betz et al., 1989; Chusmir et al., 2001; Ekin and Tezolmez, 1999; Schminke, 1997; Swamy et al., 2001), much stimulated by the challenge of Callahan who proposed a gender sensitive hypothesis of moral values as against Kohlberg's hypothesis on stages of moral development (Kohlberg, 1981; Callahan, 1990; Gilligan, 1982; Flanagan and Jackson, 1987). Other commonly included factors are education and age.

Apart from the analyses of the micro effect of individual characteristics, some researchers are also interested in how culture in an organization might affect the ethical attitudes of workers (Vertinsky et al., 1990). In relation to China business ethics and in view of the transitional nature of the economy, there have been recent interest in the macro effect of modernization and marketization on moral and social values (Hanafin, 2002; Redfern, 2005; Redfern and Crawford, 2004; Snell and Tseng, 2002), and whether there is convergence (Chiu et al., 1998; Priem et al., 2000; Vertinsky et al., 1990), or a tendency for social values and behaviors in modernizing economies to evolve toward those of more modernized economies.

The empirical evidence presented by different studies has been diverse for various reasons. In the first place, different studies often involve different target groups; some focus on managers, some on

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accountants, and many use student samples which may not be applicable to actual business practitioners (Cole and Smith, 1996). Different papers may also focus on different dimensions of ethical attitudes and behaviors. Besides, the sample size in many studies is small, and hence the reliability of their findings limited. The empirical methods used by different studies are also very diverse, ranging from the report of descriptive statistics or use of ANOVA to a few studies using multiple regression analyses.

In this article, we analyze the effect of various factors on moral judgment and ethical attitudes of working persons, including micro socio-demographic factors like gender, age, schooling and religiousness, job-related factors like occupation and types of firms the person is working in, and the possible influence of macro-economic institutions by using data sets collected in Mainland China (thereafter abbreviated as China) and the Special Administrative Region of Hong Kong (thereafter abbreviated as HK). It contributes to the existing literature in several ways. First, it offers a comprehensive study of the partial effect of a large number of personal and job characteristics, holding other factors constant, thus avoiding spurious relations in statistical analyses due to correlation between variables and missing variables. Second, to the best of our knowledge, this is the first study on business ethics in Mainland China that includes the effect of different types of religion, in particular traditional Chinese religion. Third, a comparative study of Mainland China and Hong Kong enables us to study the possible effect of the macro-economic institutions; the availability of two different samples also provides a double check of the validity of various hypotheses. Fourth, the coverage of our study is relatively comprehensive – it involves ethical evaluation of a wide variety of business activities as described by 19 vignettes, the sample covered working persons from different occupations and industries, and the sample size is relatively large, including more than 900 observations altogether.

## Background

### *Gender*

There have been controversies concerning whether men and women differ in the way they make moral

judgments and whether males have higher ethical values than their female counterparts. Some earlier extreme models (Kant, Nietzsche, and Weininger) argued that women were incapable of enjoying the same high degree of ethical values since women are potentially subversive of the public interest and the common good. (Smith and Oakley, 1997, p. 38) The implication is that males have a higher ethical standard than females.

As a challenge to Kohlberg's model of cognitive moral development (CMD), Gilligan (1982) suggested males and females have different conceptions of morality. While men are more likely to conceive of morality as substantively constituted by obligations and rights and as procedurally constituted by the demands of fairness and impartiality, women see moral requirements as attending to the needs of others (Flanagan and Jackson, 1987, p. 623).

This view is further expanded by Callahan (1990) who proposed that men advocate impartial or partially principled justice and rely on rules and laws while women make moral judgments that are more contextually based and involve concerns for interpersonal needs.

Empirical evidences concerning gender effect are mixed. While some empirical studies found that female are more ethical (Arlow, 1991; Crow et al., 1991; Deshpande, 1997), others found little or no significant differences (Derry, 1987, 1989; Kidwell et al., 1987; Trevino, 1992). In particular, Terpstra et al. (1993) thought that the difference in likelihood to engage in unethical trading behaviors by males and females were due to conditioned behaviors and different sex roles, while Derry (1987, 1989) suggested that gender differences found in other studies may be "contextual specific." Callahan's hypothesis was partly supported empirically by Smith and Oakley (1997), who found that there were no gender-related differences in the evaluation of ethical behaviors related to issues that violate the law or organizational policies; however, female respondents appeared to have higher ethical standards for behaviors that involve larger social issues.

### *Education*

Kohlberg's model of CMD suggests that moral reasoning develops with education. This was supported

empirically by Rest (1994), who found that an individual with a higher level of education tended to demonstrate higher ethical sensitivity. McNeel (1986) showed that college was associated with an increase in CMD while Kracher et al. (2002) found that education was positively and significantly correlated with DITP (Principled Score for the Defining Issues Test) scores. Deshpande (1997) also reported that the practice of padding expense accounts by over 10% was found to be significantly more unethical by managers with a graduate degree.

However, other empirical results were not as encouraging. Shaub (1994) found that the effect of education on moral reasoning of auditors was insignificant. Terpstra (1993) also found conflicting results in the investigation of the influence of years in college on ethicality. Woodbine (2004) even found that an operative's level of educational attainment exerted a negative influence on moral response scores.

### *Age*

The effect of age on ethical attitudes may reflect at least two different factors – the effect of moral development of an individual over time (Stead et al., 1990), and the cohort effect that reflects changes in social and cultural environment (Chiu et al., 1998). Some researchers found that there were no significant differences in ethicality as a function of age (Hetherington and Feldman, 1964; Lane and Schaupp, 1989). However, most empirical studies indicated that age is positively related to individuals' ethical attitudes, beliefs, and behaviors (Conroy and Emerson, 2004; Deshpande, 1997; Kelly et al., 1990). In the context of China, Chiu et al. (1998) found that compared with older generations, young adults in Guangzhou placed a much higher value on salary and much lower value on social contribution when evaluating the social standing of an occupation. The implication is that the young may score lower in social responsibility. They also suggested that as materialistic values gain importance among the younger cohorts under market reform, values cultivated under socialism may give way.

### *Religion*

Religion may have an influence on ethical attitudes and behaviors since many religious teachings prescribe the ethicality of certain attitudes and behaviors. The moral content in different religions may be different (Arslan, 2001), and thus their influence on behaviors of their believers may also vary. For example, religions which preach retributive justice may provide stronger incentive for believers to behave morally (Mcleary, 2007; Lam and Hung, 2005). Earlier empirical studies on the effect of religion have shown mixed results. McNichols and Zimmerer (1985) found that students with stronger religious convictions were more likely to hold negative attitudes toward unethical business practices. However, Kidwell et al. (1987) found that the frequency of church attendance had no significant effect. Terpstra et al. (1993) again found no significant difference between the ethical behaviors of believers and non-believers, and concluded that individuals may be capable of keeping their private religious beliefs separate from their business beliefs in today's society.

However, more recent studies seem to indicate that religiousness have much impact on the perceptions of unethical behaviors. Allmon (2000) found that a number of factors were related to ethical orientation of business students, but only age and religious orientation had much impact upon perceptions of ethical classroom behaviors.

Singhapakadi et al. (2000) studied the influence of religiousness on ethical decision making, and found that religiousness in general affected a marketer's personal moral philosophies, perception of ethical problem and ethical intentions. Conroy and Emerson (2004) again found that church attendance in general lowered the acceptability of unethical behaviors among students. In relation to the influence of macro institutions, McCleary and Barro (2006) found that religiosity decreased with government regulation of the religion market and Communist suppression.

### *Institutional and cultural factors*

It is widely accepted that organizational and social culture can influence ethical attitudes and behaviors.

Ekin and Tezolmez (1999) found that the most important three factors influencing Turkish managers to engage in unethical acts were personal code of behavior, society's moral code of behavior and behavior of superiors in that order. The soundness of a society's legal system, civic accountability, market distortions, and public cynicism can present challenges to moral integrity of the workforce (Snell and Tseng, 2002). Anand et al. (2004) proposed that corrupt practices can be normalized by three mutually reinforcing processes: institutionalization, rationalization, and socialization.

In relation to the study of society's culture and business ethics in China, there has been a great deal of debate among Chinese intellectuals regarding the relationship between market reforms and morality, and there are two distinguished basic positions on the issue: (1) the "slippery slope thesis," which holds that market reforms lead to moral regression; and (2) the "climbing the slope thesis" which holds that market reforms will lead to moral progress (Hanafin, 2002). Proponents of the former thesis base their arguments mainly on empirical evidence of negative social and business phenomena during the period of market reforms, while proponents of the latter in general base their position on theoretical arguments of economists such as Adam Smith and J. S. Mill.

Some recent studies found that the ethical decisions of Mainland Chinese now reflect a mixed influence of traditional Confucian values and an emerging "market ethic" (Redfern and Crawford, 2004; Whitcomb et al., 1998). According to Woodbine (2004), traditional Chinese values associated with Confucian work dynamism were shown to be poor predictors of moral choice response. Redfern and Crawford (2004) studied the effect of marketization on social values and attitudes of individuals in Chinese organizations. Their empirical results indicated a positive association between subjects' scores on marketization and their ethical evaluations for the vignettes relating to bribery, social responsibility, nepotism, and whistle-blowing.

In their exploration concerning whether there is convergence of social values and behaviors, or a tendency for social values and behaviors in modernizing economies to evolve toward those of more modernized economies, Vertinsky et al. (1990) found evidence for "convergence" trend in Mainland China. Redfern (2005) also found that there

were significant differences between regions with different degree of industrialization. Managers from more industrialized areas scored higher in moral idealism, suggesting that they would put more emphasis on humanitarian and altruistic concerns when making ethical decisions.

In a comparison between Mainland China and Hong Kong, Priem et al. (2000) studied the effect of industrialization on values evolution in Hong Kong and Guangzhou, and found that both industrialization and culture influenced the combination of values held in Hong Kong. It was found that while some value dimensions converged with increasing industrialization, others remained divergent. McDonald and Kan (1997) found that Chinese managers from Mainland China were more likely to endorse employee exploitation and use a third party to assist with bribery than Hong Kong managers.

### Data and methodology

The data sets for this study were collected through personal interviews conducted in mass transit systems and shopping centers to working persons in Beijing and Hong Kong. The questionnaires were in Chinese and consisted of two parts. The first part consisted of 26 hypothetical business scenarios for our study. About 21 items of these were utilized by Longnecker et al. (1989), Smith and Oakley (1997), and Conroy and Emerson (2004). To these we added five new scenarios which refer to ethical issues of particular concerns in contemporary China. Using a 7-point Likert scale, the respondents were asked to indicate the extent to which they viewed the situation as never ethically acceptable, "1," to always acceptable, "7." Therefore higher average scores indicate a higher degree of acceptability for the proposed scenarios of unethical behaviors. The second part of the questionnaire included information on sex, age, occupation, religion, and other socio-demographic variables. Our China data set consisted of 408 observations, about half of which were male. The Hong Kong data set consisted of 495 observations, around 45% were male.

We classified the business scenarios into two groups according to the different nature of ethical behaviors involved – behaviors that involve explicit violation of law and rules, and behaviors which

reflect concerns for social and interpersonal relationship. This classification is particularly relevant in view of the different legal environments and respect for law in Mainland China and Hong Kong as well as different perspectives on corporate social responsibilities between a socialist and a capitalist economy. To establish content validity for grouping the business scenarios into these two categories, as in Smith and Oakley (1997), five individuals who hold terminal degrees in areas related to business ethics were asked to determine into which of the two groups the 26 items most aptly fit. About 19 of the items were classified with at least 80% agreement as falling into one of the two categories. Seven items were deleted from further analysis because of low interrater reliability. Among the remaining 19 items, ten scenarios involved explicit violation of law or organizational rules, and nine represented issues which involve social concerns or interpersonal relationships within a busi-

ness context. The included vignettes in the two groups are shown in Table I with their means and standard deviations in our China and Hong Kong samples, together with statistics from a previous U.S. study by Conroy and Emerson (2004) for comparison.

For further statistical analyses, we computed composite scores for each of the two groups of items, using a simple sum of scale scores. We denoted the aggregate score for rule-based items as RULE and the aggregate score for items of social concern as SOCCON. Internal consistency reliability estimates for the two groups were moderately high. The Cronbach's  $\alpha$  for rule-based issues were 0.707 and 0.757 for our China and Hong Kong samples respectively, while the Cronbach's  $\alpha$  for social issues were 0.708 and 0.793 for our China and Hong Kong samples, respectively.

We would like to analyze the factors that would affect the ethical attitudes of working persons on

TABLE I  
Summary statistics of responses to vignettes

Vignettes	China (N = 408)		HK (N = 495)		U.S. <sup>a</sup> (N = 839)	
	Mean	S.D.	Mean	S.D.	Mean	S.D.
<i>I. Rule-based issues</i>						
1. Pad expense account	2.95	1.704	2.13	1.295	2.506	1.535
2. Exceed legal limit. Pollution	2.10	1.408	2.15	1.213	1.652	1.072
3. Underreport income for tax	3.24	1.681	2.70	1.332	1.978	1.390
4. Deceptive Advertising	3.23	1.688	3.07	1.556	3.337	1.864
5. Free software, violation of copy right	4.36	1.597	3.88	1.703	3.766	1.899
6. Use company's fund for own investment	2.10	1.442	1.73	0.989	N.A.	N.A.
7. Sell pirate CDs	3.59	1.869	3.10	1.653	N.A.	N.A.
8. Hire Consult to deceive	2.29	1.551	1.84	1.059	2.278	1.737
9. Roll-back odometer. High pressure sales	2.89	1.610	2.44	1.174	1.518	1.070
10. Produce risky product to cut cost	2.29	1.669	1.88	1.014	1.891	1.337
<i>II. Social concerns</i>						
11. Hire Employee to get secret	4.12	1.782	3.70	1.688	3.636	1.829
12. Bribe to purchasing agent	4.37	1.541	3.31	1.465	4.064	2.124
13. Promotion of friend over other	3.54	1.760	3.70	1.635	2.894	1.672
14. Safety design flaw cover-up	2.64	1.614	2.18	1.149	1.722	1.190
15. Accounting tricks to conceal	3.59	1.632	2.97	1.415	3.827	1.895
16. Hire male employee	3.74	1.860	3.08	1.611	2.359	1.682
17. Announce open to bribes	3.96	1.633	3.25	1.509	2.456	1.590
18. Not upgrade smokestack	3.47	1.723	3.52	1.586	3.898	1.925
19. Accept unequal income distribution	3.23	1.633	3.35	1.415	N/A	N.A.

<sup>a</sup>Data from Conroy and Emerson (2004).



rule-based issues and social issues as measured by the two composite variables RULE and SOCCON. Based on the background studies in the previous section and the models of ethical decision making by Bommer et al. (1987) and Trevino (1986), we adopted a general model of ethical evaluation as represented in Figure 1. It incorporated the possible effects of legal, social, work and professional environments as well as individual attributes on ethical evaluation and attitudes.

In order to estimate the partial effect of each factor on ethical attitudes, controlling for the effect of all other relevant factors, we employed multiple regression estimations separately for the China and the Hong Kong samples as specified in the following regression models:

$$RULE_i = \sum X_{ij}B_{1j} + e_{1i} \text{ Model (1)}$$

$$RULE_i = \sum Z_{ij}B_{2j} + e_{2i} \text{ Model (2)}$$

$$SOCCON_i = \sum X_{ij}B_{3j} + e_{3i} \text{ Model (3)}$$

$$SOCCON_i = \sum Z_{ij}B_{4j} + e_{4i} \text{ Model (4)}$$

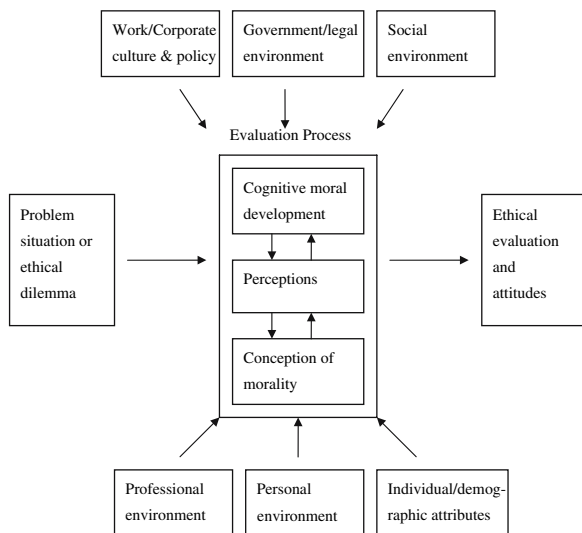


Figure 1. A general model of ethical evaluation.

The set of explanatory variables  $X_j$  included measures of individual attributes as well as proxies for social, legal, and institutional conditions. MALE = 1 if the individual was a male; UNIV = 1 if the individual was of university education; AGE24B = 1 if the individual was of age 24 or below; AGE45A = 1 if the individual was of age 45 or above; the reference age group consisted of individuals of age between 25 and 44. The reference religious group consisted of individuals of traditional Chinese religion, which includes Buddhism, Taoism, and ancestor worship; NOREL = 1 if the individual had no religious belief; CHRISTIAN = 1 if the individual was either a Protestant or Catholic; OTHREL = 1 if the individual was of religious beliefs other than Christianity and traditional Chinese religion.

Since the ownership structure of firms is different in China and Hong Kong, the dummy variables used in the corresponding regressions were different. For the China sample, STATE = 1 if the individual worked in a state-owned enterprise; PrivEE = 1 if the individual worked in a private firm; FOREIGN = 1 if the individual worked in a firm with foreign investment; PrivER = 1 if the individual was a self-employed or an owner of a business; the reference group consisted of individuals who work in collectives; OTHFIRM = 1 if the individual worked in other firms.

For the Hong Kong sample, GOVT = 1 if the individual was a government employee; EMPLOYEE = 1 if the individual was a private employee; EMPLOYER = 1 if the individual was an employer; SELFEMPL = 1 if the individual was a self-employed; the reference group consisted of individuals who worked in non-profit organizations; OTHFIRM = 1 if the individual worked in other firms.

Models (2) and (4) control for the effect of occupation on ethical attitudes, where  $Z_{ij}$  consisted of a set of dummy variables on occupations in addition to all variables included in  $X_{ij}$ .

*Hypotheses*

In relation to the comparison between Mainland China and Hong Kong on ethical standard, we set up the following three hypotheses:

**Hypothesis 1** People find explicit violation of law more unacceptable than negligence of social responsibilities.

**Hypothesis 2** People in HK have a higher ethical standard concerning law-based issues than people in Mainland China.

**Hypothesis 3** People in Mainland China have a higher ethical standard concerning issues involving social and personal relations than people in Hong Kong.

Hypothesis 1 was based on general consensus in regarding law keeping as a basic duty of citizens, while other social responsibilities which are not legal binding may be regarded as unnecessary by some people. Penalties resulting from law-breaking activities also discourage these behaviors. Hypothesis 2 was based on the findings of McDonald and Kan (1997) and also the observations that professionalism is weakening while corruption is prevalent in the transition economy of China (Gordon, 1996). It has been pointed out that systematic corruption has been encouraged by the privatization of state-owned enterprises, enabling government officials and wealthy elites to realize most of the benefits (p. 85; Wang, 2003, p. 120; Whitcomb et al., 1998). On the other hand, Hong Kong has an established legal system and effective law enforcement. China and Hong Kong share in a certain degree the traditional Confucian culture which is collective in nature, but there are great differences in economic institutions which embody different economic cultures. Mainland China has subjected herself to the influence of collective socialist culture for more than half a century, reinforced through work and reward relations in collectives and work units in state-owned enterprises, especially before marketization began. On the contrary, the Hong Kong economy has been operating under market capitalism which embraces self-interest individualism. On this count, we might expect Hypothesis 3 to hold. However, given that China is undergoing privatization and marketization with declining collectivist values, the empirical result is less certain.

To study the gender effect, we set up the following three hypotheses:

**Hypothesis 4** Males have a higher ethical standard than female on rule-based ethical issues.

**Hypothesis 5** Females have a higher ethical standard than male on ethical issues involving social concerns.

**Hypothesis 6** Gender Effect is smaller in Mainland China than in Hong Kong.

If Callahan's hypothesis as discussed in the previous section applies, we would expect Hypotheses 4 and 5 to be accepted for both China and Hong Kong. On the other hand, in the context of urban Mainland China, institutional-related factors may be relatively more important. In order to unleash the productivity of the economy through active participation of women, communist China has carried out massive propaganda campaigns to promote the equality of men and women. Both have the same pay scale, the labor force participation rate of women in China is high, and men are encouraged to share household chores which traditionally belonged to women in old China. If this institutional cultural model applies so that role expectations of males and females are similar under the influence of socialist egalitarian ideology, we would expect no significant gender differences in ethical values in China, and Hypotheses 1 and 2 will be rejected. This perspective is consistent with the Kohlberg's cognitive model, in which case role expectations and values can be shaped through education and egalitarian social norms.

In Hong Kong, the traditional division of gender roles still prevails in many ways. Males are still supposed to be the main bread winner, and the female participation rate is lower than that in China. Though many female workers manage to get into top-rank positions, they are still under-represented (Sung et al., 2001). Therefore, we expect Hypothesis 6 to be accepted.

The following hypotheses on education and age effects were based on the discussions in the previous section.

**Hypothesis 7** Better educated people find unethical behaviors more unacceptable.

**Hypothesis 8** Older people find unethical behaviors more unacceptable.

Concerning the effect of religion, we set up the following two hypotheses:

**Hypothesis 9** Religious people find unethical behaviors more unacceptable than non-religious people.

**Hypothesis 10** Effect of religion is stronger in Hong Kong than in Mainland China.

From the analyses of the previous section, it is uncertain whether Hypothesis 9 would be accepted, since the moral content and incentive system in different religions are different. Hypothesis 10 is expected to hold in accordance with the findings of McCleary and Barro (2006).

In relation to institutional and cultural effects, we set up the following three hypotheses:

**Hypothesis 11** People working in collectives or non-competitive markets find unethical behaviors more unacceptable than people working elsewhere.

**Hypothesis 12** People working in state-owned enterprises find unethical behaviors more acceptable than people working elsewhere.

**Hypothesis 13** People working in foreign-investment companies find unethical behaviors more unacceptable than people working elsewhere.

Hypothesis 11 was based on the argument that a free capitalist market economy encourages self-interested activities, and thus individuals may have less concern for social responsibilities; on the other

hand, collectivism stressed by a socialist economy may result in more concerns for social responsibilities. Hypothesis 12 was based on the phenomena of normalization and systematization of corruption. Hypothesis 13 was based on the convergence view that managers from more modernized and industrialized areas scored higher in moral idealism (Redfern, 2005; Vertinsky et al., 1990), and that western multinational companies have more developed codes of conduct (De George, 1993; Frederick, 1991) than local firms in less developed countries. However, whether the latter applies to a country with initial socialist collectivist culture is yet uncertain and is largely an empirical issue (Lam, 2002).

### Empirical results

From Table I, we can see that the mean values were in general higher for items in the first category than items in the second category, implying that people have a higher acceptability of negligence of social responsibilities than issues involving explicit violation of law. This was confirmed in Table II. The value of RULE was smaller than the value of SOCCON for both China and Hong Kong. In fact it was also true for the U.S. sample. Therefore Hypothesis 1 was accepted.

Hypothesis 2 is also accepted since the value of RULE in China was greater than that in Hong Kong. The difference was statistically significant as shown by the *F*-statistics. However, Hypothesis 3 was not supported since SOCCON was again greater in China than in Hong Kong. We cannot conclude from here that the capitalist system in Hong Kong fosters social responsibilities more than a socialist economy, since there are other possible causes for the higher standard on social responsibilities in Hong Kong, including a stronger development of professional ethics in Hong Kong, and a declining influence of collectivist socialist tradition in Mainland China upon marketization and privatization. In fact, the age effect that would be studied later indicated that older cohorts in China have a higher standard on social responsibilities, which is consistent with the idea that socialist tradition fosters social responsibilities more than the market economy in China.

One interesting observation was that the value of RULE and SOCCON in Hong Kong were closer to



TABLE II  
Mean scores and results of ANOVA of the two composite indices of ethical attitudes

Variables	China (N = 408)	HK (N = 495)	F-Values*	U.S. (N = 839)
RULE (Rule-based Issues)	2.902 (2.919)	2.493 (2.511)	59.484**	(2.3652)
SOCCON (Social concerns)	3.628 (3.678)	3.229 (3.214)	41.934**	(3.107)

\*F-Values were based on the data of China and HK; \*\* $p < 0.001$ .

Means for U.S. were calculated from Conroy and Emerson (2004); items 6, 7, and 19 were not included in calculating the mean scores in brackets since these three items were not available in the U.S. sample.

that in U.S. than that in Mainland China. They were somewhat smaller in the U.S. sample than in Hong Kong. However, we should not jump hastily into conclusion that ethical standards are higher in U.S., since the U.S. sample consisted of students, while the Hong Kong samples consisted of working people, and it has been found in previous studies that students often have a lower acceptability of unethical behaviors than working people. The higher ethical standard found in the U.S. sample may simply reflect the higher ethical standard of students as compared to working people.

The mean values of the variables used in the regressions were reported in Table III. Note that the two measures of ethical attitudes RULE and SOC-CON were positively correlated; the correlation was moderately high and was statistically significant. The correlation between the sex variable MALE and both measures of ethical attitudes were not statistically significant in China, but were positive in Hong Kong. This suggested that gender differences in ethical attitudes exist in Hong Kong, but not in Mainland China.

Univariate analyses in Table IV indicated there were indeed significant differences in ethical attitudes between males and females in Hong Kong, while the difference was not statistically significant in China.

To study the partial effect of gender on ethical attitudes, we have to control other factors that might affect the latter and we did this by multiple regression analyses. The estimated coefficients of variables on the RULE measure were reported in Table V, while the estimated coefficients on the SOC-CON measure were reported in Table VI.

A re-examination of the gender effect by multiple regressions in Tables V and VI showed similar results. The coefficient of MALE was not statistically significant in both the RULE regression and the SOC-CON regression in China, thus lending no support to Hypotheses 4 and 5. The coefficient was positive in both the RULE regression and the SOC-CON regressions in Hong Kong, suggesting that males have a lower sensitivity than females in both rule-based issues and issues of social concerns. Hypothesis 4 was rejected though Hypothesis 5 was accepted in Hong Kong. Hypothesis 6 was accepted on the ground that the gender effect was not statistically significant in China but was in Hong Kong. The results taken together therefore did not support the Callahan's psychological hypothesis that males have a higher sensitivity than females in rule-based issues and females have a higher sensitivity in issues of social concerns. On the other hand, it was consistent with the institutional cultural explanation in the previous section and also the Kohlberg model.

The estimated coefficient of the education variable UNIV was not statistically significant in both the RULE and the SOC-CON regressions in both Mainland China and Hong Kong, indicating that individuals with university degree did not have a higher ethical standard than those without it with respect to both rule-based issues and issues of social concerns, and Hypothesis 7 was not supported. This finding seemed to be inconsistent with the CMD model. However, an alternative explanation is that while properly designed education can help moral development, the current education system falls short of this function in both Mainland China and Hong Kong.

TABLE III  
Means of explanatory variables and correlation with the two dependent variables

Variables	China			HK		
	Mean	Correlation RULE	Correlation SOCCON	Mean	Correlation RULE	Correlation SOCCON
RULE	29.015	1	0.641*	24.966	1.000	0.714*
SOCCON	32.654	0.641*	1.000	29.125	0.714*	1.000
MALE	0.485	0.027	0.071	0.469	0.160*	0.210*
UNIV	0.669	0.067	0.082**	0.317	-0.093*	-0.010
AGE24B	0.314	-0.018	-0.116*	0.642	0.106*	0.038
AGE2544	0.625	0.071	0.174*	0.337	-0.112*	-0.034
AGE45A	0.061	-0.110*	-0.127*	0.018	0.033	0.007
CHINREL	0.191	0.049	-0.014	0.099	0.117*	0.071
NOREL	0.775	0.007	0.068	0.640	0.095*	0.061
CHRISTIAN	0.027	-0.102*	-0.095**	0.257	-0.180*	-0.120*
OTHREL	0.007	-0.068	-0.090**	0.004	-0.030	0.030
STATE	0.275	0.002	-0.071	0.109	-0.122*	-0.091*
COLLECT	0.047	-0.106*	-0.085**	0.067	-0.148*	-0.112*
PrIVEE	0.123	0.000	0.012	0.693	0.116*	0.083**
FOREIGN	0.191	0.015	0.054	0.057	-0.018	-0.006
PrIVER	0.137	0.033	0.100*	0.069	0.112*	0.072
OTHFIRM	0.228	0.010	-0.024	0.006	-0.031	0.015
GOVWK	0.093	-0.027	-0.030			
MANAG	0.184	0.103*	0.142*	0.123	-0.166*	-0.047
TECH	0.140	0.018	0.012	0.026	0.112*	0.036
CLERK	0.135	-0.002	-0.079	0.240	-0.017	-0.020
MANUF	0.025	0.041	0.022	0.030	0.109*	0.094*
TEACH	0.044	0.058	0.036	0.040	0.004	-0.014
SOLEP	0.069	0.000	0.045			
OTHOCC	0.311	-0.121*	-0.098*	0.537	0.052	0.008
N	408			495		

\*Significant at 5% level; \*\*significant at 10% level.

TABLE IV  
Univariate results: Means of variables by gender – Mainland China and Hong Kong

Dependent variables	Gender	HK			China		
		N	Mean	Univariate Sig. of F	N	Mean	Univariate Sig. of F
RULE (Rule-based Issues)	Male	232	2.6140	0.001	198	2.9253	0.585
	Female	263	2.3856		210	2.8790	
	Total	495	2.4934		408	2.9015	
SOCCON (Social concerns)	Male	232	3.4232	0.000	198	3.6958	0.152
	Female	263	3.0549		210	3.5646	
	Total	495	3.2287		408	3.6283	

The coefficient of the variable AGE45A was negative and statistically significant in the RULE regression in China, indicating that people who were of age 45 and above have lower acceptability of

law-breaking behaviors in China. This finding was consistent with moral development over time. It was also consistent with the hypothesis that people who joined the labor force before the opening up of

TABLE V  
Estimated coefficients of the RULE regressions

China			HK		
Variables	Model 1	Model 2	Variables	Model 1	Model 2
Intercept	26.118	28.471	Intercept	22.169	19.180
MALE	0.150	-0.202	MALE	1.710*	1.662*
UNIV	0.607	0.497	UNIV	-0.638	-0.260
AGE24B	-0.394	0.040	AGE24B	2.395*	2.001*
AGE45A	-3.625*	-4.037*	AGE45A	3.392	3.384
NOREL	-0.875	-0.659	NOREL	-2.511*	-2.586*
CHRISTIAN	-5.030**	-5.272**	CHRISTIAN	-4.522*	-4.352*
OTHREL	-6.090	-4.696	OTHREL	-2.051	-0.862
STATE	3.755**	2.831	GOVT	1.501	1.309
PrivEE	3.783**	2.974	EMPLOYEE	3.811*	4.067*
FOREIGN	3.745**	3.028	EMPLOYER	2.723	3.238*
PrivER	4.242**	3.322	SELFEMPL	5.886*	5.943*
OTHFIRM	3.641	2.947	OTHFIRM	1.900	2.271
GOVWK		-2.296	TECH		5.347*
TECH		-1.441	CLERK		3.043*
CLERK		-1.886	PLANT		6.086*
MANUF		2.165	TEACH		5.518*
TEACH		0.312	OTHOCC		3.112*
SOLEP		-1.306			
OTHOCC		-2.973*			
N	408	408	N	495	495
R <sup>2</sup>	0.0380	0.0581	R <sup>2</sup>	0.1143	0.1460

\*Significant at 5% level.

\*\*Significant at 10% level.

TABLE VI  
Estimated coefficients of the SOCCON regressions

China			HK		
Variables	Model 3	Model 4	Variables	Model 3	Model 4
Intercept	30.236	32.579	Intercept	25.755	24.338
MALE	0.698	0.315	MALE	3.095*	3.207*
UNIV	0.928	0.776	UNIV	0.452	0.653
AGE24B	-2.151*	-1.551**	AGE24B	1.075	0.955
AGE45A	-4.069*	-4.388*	AGE45A	1.286	1.433
NOREL	0.227	0.586	NOREL	-1.689	-1.694
CHRISTIAN	-3.805	-4.027	CHRISTIAN	-2.894*	-2.827*
OTHREL	-5.738	-4.778	OTHREL	4.657	4.948
STATE	1.386	0.812	GOVT	1.006	0.834
PrivEE	3.042	2.519	EMPLOYEE	3.320*	3.368*
FOREIGN	3.125	2.636	EMPLOYER	2.531	2.762
PrivER	4.380*	3.707**	SELFEMPL	4.246*	4.545*
OTHFIRM	1.751	1.324	OTHFIRM	3.719	4.112
GOVWK		-2.156	TECH		0.613
TECH		-2.129	CLERK		1.830
CLERK		-3.568*	PLANT		3.716
MANUF		0.667	TEACH		2.669
TEACH		-0.472	OTHOCC		1.178
SOLEP		-1.345	N	495	495
OTHOCC		-2.961*	R <sup>2</sup>	0.0761	0.0837
N	408	408			
R <sup>2</sup>	0.0694	0.0906			

\*Significant at 5% level.

\*\*Significant at 10% level.

China in late 70s have a higher respect for law. In any case, Hypothesis 8 was supported. However, the age effect was of U-shape in the SOCCON regressions, indicating that both the youngest and the oldest people had a lower acceptability of unethical behaviors than the middle-aged people. This was not consistent with the CMD theory. Hypothesis 8 found some support in the RULE regression in Hong Kong, only to the extent that the youngest group had a higher acceptability of unethical behaviors. Judging from the age coefficients in all four regressions, the support for Hypothesis 8 was weak, and the age effects seemed to reflect more of cohort effects than CMD.

The coefficient of the variable CHRISTIAN was negative and statistically significant for the RULE regression for China, and for both the RULE

regression and the SOCCON regression for Hong Kong. Since the reference group consisted of people of traditional Chinese religion, our results indicated that Christians had a lower degree of acceptability of unethical behaviors compared to people with traditional Chinese religion. The coefficient of NOREL was negatively significant only in the RULE regression for the Hong Kong sample. The coefficient of OTHREL was not statistically significant at all. The general picture shown by the coefficients of the religion variables indicated that the effect of religion on ethical attitudes did vary among different religions, and Hypothesis 9 was not supported. Note that the magnitude of the coefficient CHRISTIAN was greater in Hong Kong than in China, indicating that the effect of Christian belief on ethical attitudes were stronger in Hong Kong than in China, where

religious freedom was constrained. Thus our study lent support to Hypothesis 10.

The possible effect of institutions on ethical attitudes in a transitional economy *vis-à-vis* a mature capitalist market economy is of particular interest to us, and it was reflected by the coefficients of the dummy variables on types of ownership. It was found that the coefficient of dummies for all specified ownership dummies were positive and statistically significant in China, indicating that people working in collectives had a lower acceptability of unethical law-breaking behaviors than people working in state-owned enterprises, private firms or foreign-investment firms. Hypothesis 11 thus found support in scenarios related to explicit law-breaking in China. However, the ownership effect was not as important in scenarios which involved issues of social concerns. Only private employers were found to have a higher acceptability of unethical behaviors than workers in collectives, suggesting that private employers may be pressured by competitive market forces and less ready to shoulder social responsibilities than collectives which have collective and altruistic tradition. Hypothesis 11 also found some support in Hong Kong where workers in non-profit organizations had a lower acceptability of unethical behaviors relative to private employees and self-employed. Concerning Hypothesis 12, workers in state-owned enterprises did have a higher acceptability of unethical behaviors than workers in collectives, but the coefficient of STATE did not seem to be significantly higher than that of private employees or workers in foreign firms. In fact, the ethical standard in state-owned enterprises seemed to be higher than that of private employers. Hypothesis 12 was thus not accepted. Contrary to common belief, workers in foreign-investment firms did not show a lower acceptability of unethical behaviors, and Hypothesis 13 was again not accepted. An interesting difference between Mainland and Hong Kong was that while workers in SOE in China and private employers showed a higher acceptability of unethical behaviors than collectives, ethical standard of government employees and private employers showed a relatively high ethical standard, which was not significantly different from that of workers in non-profit organizations, indicating the relatively high degree of professionalism and work ethics of both public and private employees in Hong Kong.

The empirical results remained largely the same after controlling for occupation in Hong Kong. On the other hand, the coefficient of the ownership variables in Mainland China became statistically insignificant after controlling for occupation, perhaps reflecting the high correlation between ownership type and occupation in China.

## Conclusion and discussions

In this article, it was found that the effect of various socio-demographic factors on ethical attitudes varied between the two different categories of ethical issues, issues which involve explicit violation of laws *vis-à-vis* issues which involved social concerns. For example, people in general had a higher acceptability of unethical behaviors which involved the latter than the former; types of ownership affected ethical attitudes concerning the former in China, but not as much in the latter. This suggested that researchers have to be specific about the types of ethical issues involved if they want to study the factors affecting them. Our results did not support the implication of Callahan's hypothesis that males are more sensitive to rule-based ethical issues while women are to issues involving social concerns; it was found that females have a lower acceptability of unethical behaviors related to both categories of issues in Hong Kong, while gender effect was not statistically significant in Mainland China. The difference in gender effect between the two places was more supportive of the hypothesis that gender differences are context specific (Derry, 1987, 1989; Trevino, 1992).

While it is generally expected that education should have positive effect on moral development in accordance with Kohlberg's theory, the finding that university education had no effect on ethical attitudes deserves more attention by policy makers in both places. Instead of jumping into conclusion that education does indeed play no role in moral development, we believe in an alternative explanation that the content and approach in the current education system have flaws, and are in need of re-examination and improvement so that the positive role of education in moral development can be reinstalled.

An interesting finding of our article was that while religion played an important role in affecting



ethical attitudes, its effect varied with different types of religions. Christianity was found to be most favorable to higher ethical standards, a finding that was consistent with Conroy and Emerson (2004), but people of traditional Chinese religion had a higher acceptability of unethical behaviors involving social concerns compared to people with no religion. An implication of our finding is that as Mainland China opens herself up to the institution and the accompanying materialistic thinking of western market capitalism, the opening up of herself to the spiritual influence of Christianity at the same time may facilitate a more orderly and humanistic development of her market economy.

The results of our article threw some light on the issue of convergence of ethical values in countries of different levels of modernization. Some researchers expect the ethical attitudes of people in China will converge to the higher standard of her Western counterparts as modernization and marketization in China intensify, and speculate that foreign-investment companies can have a positive influence on organization ethics through installation of more refined codes of conduct. In fact this expectation was not borne out in China and the convergence hypothesis was proved to be an over-simplified view. Our finding indicated that private employees and employers in Mainland China had a higher acceptability of unethical standards compared to workers in a traditional type of firm – collectives. There were indications that the collectivistic climate in traditional ownership structure may cultivate altruistic spirit to a certain extent, as suggested by the higher ethical standard found in collectives, and in older generation who joined the labor market before the opening up of China. It seems that the competitive pressure resulting from marketization and privatization has not been conducive to ethical behaviors in China. The increasing role of foreign-investment firms in production is not promising either, given our finding that workers in foreign-investment companies actually had a higher acceptability of unethical behaviors in law-breaking, and were not even performing better than the corruption laden state-owned enterprises. One possible explanation is that multinational companies may not have been consistent in enforcing high ethical standards in less developed countries as in their headquarters in advanced countries. Based on our empirical findings,

it seems that the most promising way to improve the ethical attitudes in China at the present stage would be the establishment of a sound legal system and more effective law enforcement rather than relying on the free working of the market institutions.

A related observation is that though Hong Kong is so close to Mainland China in proximity, and the two are often classified together as “Confucian societies” sharing the “Asian values,” Table I found that there were noticeable differences in ethical attitudes between these two places, perhaps more so than between Hong Kong and the United States. This is probably due to the vast differences in economic and legal institutions that have prevailed in Hong Kong and Mainland China for a long period of time, while Hong Kong and the United States share some common aspects of their culture which characterize a free capitalistic economy. Our study thus suggested that differences between Asian values *vis-à-vis* Western values may have been over-emphasized in previous studies on cross-country analyses. It signaled caution to the use of the popular notion of “Asian values” to generalize ethical values in all Asian countries, and suggested that more attention should be paid to the role of institutional factors in shaping values and ethical attitudes even within the same region.

The present article is subject to several limitations which call for careful interpretation and further research. Our China study was based on data collected in only one city – Beijing, though it is the capital city of China and thus representative to a certain extent. As culture and ethical attitudes may vary across cities, for instance inner cities with less external influences *vis-à-vis* coastal areas which are more exposed to foreign-investment and practices, it will be good to extend the study into other areas in China. Besides, our data consisted of cross-sectional data which is static in nature. If we want to have a better understanding of dynamic issues like changes in culture and ethical attitudes over time, panel data can provide a more accurate picture of the process and dynamics of changes involved, and this is particularly interesting in a transitional economy like Mainland China.

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