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Tae Hee Choi
KDI School of Public Policy and Management

December 31, 2018
Working Paper 18-22

KDI 국제정책대학원
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Business Ethics in East Asia

Tae H. Choi

KDI School of Public Policy and Management, Sejong, Korea

Abstract:

This study investigates business ethics (BE) practices in three East-Asian countries (China, Japan, and South Korea) through a questionnaire. Specifically, ethical attitudes of employees working in major native companies in each mentioned country are studied. We find that a number of similarities as well as differences exist regarding BE practices in the three countries, which can be partially attributed to different political, economic, and socio-cultural backgrounds. This study significantly contributes to the existing literature on BE and has practical implications for any agents interested in ethical aspects on business environment in the investigated countries.

Key words: Business ethics; survey; China; Japan; Korea

1 Introduction

In the current world of business, ethical aspects of enterprises are becoming increasingly more important. The importance of business ethics (henceforth BE) has recently been highlighted by Global Economic Crisis of 2009 and its negative effect on the world economy and company profits, which has also resulted in changed perceptions of the role of BE in domestic as well as international business. Recently, BE is beginning to be understood as one of the important factors influencing companies' competitiveness; nevertheless, at the same time, companies' ability and effort towards higher ethical standards tends to suffer when companies experience economic difficulties. Until now, BE has been studied by a number of authors among whom a significant portion have focused on BE and ethical attitudes of respondents working at various managerial levels of organizations in different countries (Al-Khatib et al., 2004; Baumhart, 1961; Brenner & Molander, 1977; Beekun et al., 2003; Cacioppe, et al., 2008; Choi and Nakano, 2008; Christie et al., 2003; Handerson et al., 2001; Jackson & Artola, 1997; Jackson et al., 2000; Lee & Yoshihara, 1997; Milton-Smith, 1997; Nakano, 1997; Nakano, 1999; Okleshen & Hoyt, 1996; Palazzo, 2002; Schwartz, 2012; Sims & Gegez, 2004).

However, only few studies have provided direct comparison of Chinese, Japanese, and Korean BE attitudes. This is especially surprising considering the fact that these three countries are economic powers from a regional and global perspective (for example, in 2015, China, Japan, and Korea were the second, third, and eleventh largest economies in the world in terms of GDP) and have strong mutual business ties. The bilateral trade among the three neighboring countries is among the most important for them. In 2015, China was Japan's second biggest importer and the biggest exporter, China was Korea's biggest importer and exporter, Japan was Korea's second biggest exporter, and Korea was Japan's third biggest importer. Thorough knowledge of BE practices in the three mentioned countries is also important for foreign enterprises doing business in the territory, emphasized by the increasing significance of the three countries in international trade and international business relations.

Culturally speaking, the mentioned three countries are commonly perceived to have similarities and differences in the business environment, including their ethical and socio-cultural aspects, which are even more significant from the perspective of foreign business partners. To our knowledge, only one study (Zhou et al., 2012) that is based on questionnaire survey and also involves BE practices in China exists. In the study, the authors investigated the teaching, research, and training in the three countries as seen by experts in the field of BE. As far as we know, this is also the only study that includes comparison of China, Japan, and Korea through such a survey.

Our research contributes to the existing literature on BE in two significant ways. First, we present the results of the first survey of BE practices of this type conducted in China, along with the most recent results of the same survey conducted in Japan and Korea. Second, we compare the findings for the three countries and make an explanation regarding the similarities and differences found in the survey.

The paper unfolds as follows. After the introduction, in Section 2 economic, political, and cultural backgrounds to our study are discussed, followed by methodology in Section 3 and results in Section 4. Section 5 lists our major findings organized as the most important commonalities and differences among BE practices in the three countries. Section 6 concludes the study.

2 Economic, Political, and Cultural Backgrounds

In this section, the economic, political, and cultural backgrounds of BE in China, Japan, and Korea are discussed. We consider such discussion relevant, as we believe these factors may serve as explanatory factors to some of our findings and provide better idea of similarities and differences in the business environment in the three investigated countries.

Regarding the economic perspective, it is generally known that the system of economy has influence on companies' ethical decision making (Campbell, 2007). From this viewpoint, all the three countries employ a market economy system, with some deviation in China. However, one of the important differences is that Japan and Korea have a longer history of market economy than China, which formally introduced socialist market economy in 1993 when the Communist Party of China released the Decision on Issues Concerning to Perfect the Socialist Market Economy System. China is in the transition from the planned economy to socialist market economy, resulting in an immature market economy. Considering these facts, it might be tentatively expected that companies in all the three countries will have strong incentive to satisfy their stakeholders, among whom customers will hold an important place as the only direct source of profit, and that existence of unethical industry practices and experience of ethical conflicts might be higher in China than in Japan and Korea.

As for political perspective, corruption is one of the important aspects that deserve attention. With the development of market economy in China, corruption has become a major issue. This trend remained unchanged until the end of 2012, when a country wide fight against corruption was launched. The fight against corruption is so strong and enduring that the deteriorating trend has been gradually contained since then, but corruption and its effect on business practices still existed by the time the survey was conducted in 2014. Similarly, in Japan and Korea, corruption is considered a serious problem; however, as in China systematic fight against corruption started later, in the two other countries the problem can be expected to be less eminent.

Finally, to take into consideration the cultural perspective and cultural similarity, we can borrow the six-dimension tool developed by Hofstede (Hofstede et al., 2010). The model suggests that, contrary to the belief that China, Japan, and Korea share similar culture, the three countries show significant differences in four out of the six dimensions (Power Distance, Individualism, Uncertainty Avoidance, Masculinity, Long Term Orientation, and Indulgence). All the three countries share a high score on the Long Term Orientation dimension and low score on Indulgence, but they display

different scores on the remaining four dimensions. While the sample composition (e.g. low Uncertainty Avoidance in China commonly attributed to a higher proportion of SME in the Chinese sample than in the Korean and Japanese ones) can help explain some of these differences, it is still true that cultural differences among the three countries are significant. According to Hofstede, cultures that score high on Long Term Orientation take a more pragmatic approach, and in societies with such an orientation, people believe that truth depends on the situation, context, and time. Thus, it can be expected that “Depends on the situations” will be high regarding what contributes to employees’ ethical decision making in all three countries. Regarding Power Distance, China (80) is the most power-distant country among the three, followed by Korea (60) and Japan (54), which may influence the understanding of authorities and hierarchy in BE enforcement. The scores of Individualism for China, Japan, and Korea are 20, 46, and 18, respectively; China and Korea are thus highly collectivist cultures, while Japan is collectivist by Western standards and individualist by Asian standards. In line with that, it can be expected that the pressure to follow the collective and act in favor of an in-group will be more strongly felt in China and Korea, whereas the Japanese might tend towards more individualistic behavior by comparison. People in a society with low UAI are comfortable with ambiguity, while those in high UAI are not. China has a low score of 30 on UAI, while Japan has a high score of 92 and Korea a score of 85, which make Japan and Korea among the most uncertainty avoiding countries on earth. With the significant differences in UAI among the three countries in mind, one would expect an acceptance of a western ethics program in Japan and Korea, but not in China. Finally, we do not see much of significance on Indulgence and Masculinity dimensions in relation to our survey and its results, so we do not discuss them here in detail.

3. Methodology

This study uses a questionnaire instrument that is taken from previous studies (Choi & Nakano, 2008; Nakano, 1997, 2005), with its basic framework created by Baumhart (1961), Brenner and Molander (1977), Vitell and Festervand (1987), and the Center for Business Ethics at Bentley College (1986, 1992). We translated the questionnaire into the official language of each investigated country, and performed any other necessary revisions, such as expressing the financial amount in the local monetary unit. Since this is the first time to conduct such a survey in China, we performed a pilot test based on the sample of five enterprises, and we made further minor language-type adjustments according to the respondent responses. In order to obtain a clear picture of BE practices as typical for each of the investigated countries, we only surveyed native companies in each country.

In China, the sample was composed of native companies from east, middle, and west of Mainland China, containing state owned and private enterprises. We called all potential respondents from the selected companies before sending out the questionnaires. The respondents were informed of the aims of the survey, and we assured them that the results of this survey would only be used for academic purposes.

To deliver the questionnaire and collect the data, we used an online survey website called SoJump. The participants filled out the questionnaire online themselves. For each company, there was only one participant. The questionnaire was anonymous and strictly confidential. The survey was conducted from Nov. 28 to Dec. 27, 2014; in total, 212 copies of questionnaire were collected and considered effective.

In Japan, we mailed the questionnaire on August 1, 2014 to 3,600 companies listed in the summer 2014 issue of “Toyo Keizai Quarterly Corporate Report CD-ROM version”. The deadline for responses was September 1, 2014. The response rate was extremely low, and valid responses were received only from 141 companies, which was an effective response rate of 3.9%.

In Korea, the survey was conducted in 2015. Questionnaires were partially distributed through mail/e-mail and partially by personal visits of survey administrators; in total, 321 of usable questionnaires were returned.

Table 1 Descriptive statistics: Respondents

Descriptive Statistics	China 2014	Japan 2014	Korea 2015
Industry	N=212	N=141	N=321
Manufacturing	37.7%	40.4%	77.2%
Non-manufacturing	62.3%	59.6%	22.8%
Management Position	N=212	N=137	N=321
Top Management	20.8%	6.6%	1.9%
Middle Management	34.4%	73.7%	20.6%
First-line Management	25.9%	14.6%	27.4%
Non-management	18.9%	5.1%	50.2%

4. Results

In the following part, we discuss the survey results as focused on in different parts of the questionnaire.

4.1 Company responsibility to different stakeholder groups

In the first part of the questionnaire, we focused on respondents’ responsibility to different stakeholders. Table 2 presents the results we obtained when we asked the respondents to rank different stakeholder groups in the order of importance (1 - the most important; 7 - the least important).

Customers, employees, and stockholders ranked on top of the list in all the three investigated countries. A slight difference can be observed between China and the other two countries’ results in that Chinese respondents ranked stockholders higher than employees. Interestingly, customers were ranked first among all the three countries, which revealed that companies in all the three countries recognized the important role customers played in successfully running a business. One significant difference in the results is that in China, much more emphasis is put on society in general rather than local community (ranked No. 4 and No. 7 in the list), while in

Japan society in general is deemed less important than local community (No. 6 and No. 4). Society in general also ranked above local community in Korea, but both groups are considered the least important in the list (No. 6 and No. 7).

One more finding is also worth noting. In China, responsibility towards government is ranked No. 6, suggesting that the government is not valued as highly as one may think. In Korea, respondents feel slightly stronger responsibility towards government than society in general and local community. Unlike that, in Japan, government is not only ranked No. 7, but also the mean rank (6.68) is much higher than No. 6 (4.72), indicating that the responsibility felt towards the government is much weaker than the responsibility felt towards other stakeholders.

Table 2 To whom should a company most responsible?

	Mean Ranks		
	China (2014) (N=212)	Japan (2014) (N=138)	Korea (2015) (N=321)
Customers	1.33 (1)	1.70 (1)	2.55 (1)
Stockholders	1.77 (2)	3.12 (3)	3.56 (3)
Employees	1.82 (3)	2.52 (2)	3.28 (2)
Society in general	3.45 (4)	4.72 (6)	4.79 (6)
Suppliers	3.80 (5)	4.63 (5)	4.10 (4)
Government	4.15 (6)	6.68 (7)	4.67 (5)
Local community	4.69 (7)	4.48 (4)	5.05 (7)

It should also be noted that the results of the studies carried out in the three East Asian countries in 2014 and 2015 are quite similar to those of the 1985 U.S. study; the Japanese result being especially close to that (not tabulated).

4.2 Unethical business practices

Table 3 shows the results when we asked respondents whether unethical practices exist in their industry. As the table reveals, in China, 61.7% of the participants responded “A few” and 10.9% responded “Many”. These numbers were much greater than in Japan (20.6% and 1.5%, respectively) and Korea (39.3% and 2.2%, respectively). In China, only 10.9% of the participants responded “None”, which was much lower than in 56.6% in Japan and 42.7% in Korea. It is interesting to note that as many as 16.5% (China), 21.3% (Japan), and 15.9% (Korea) respondents choose “Do not know”.

Table 3 Existence of unethical industry practices

	China (2014) (N=212)	Japan (2014) (N=136)	Korea (2015) (N=321)
None	10.9%	56.6%	42.7%
A few	61.7%	20.6%	39.3%
Many	10.9%	1.5%	2.2%
Do not know	16.5%	21.3%	15.9%

We further asked those who responded “Yes” to the existence of unethical business practices which practices they thought needed to be eliminated. Table 4 presents their preferences.

The top three unethical business practices from the list that participants would like to see eliminated are the same across all the three countries: “Giving of gifts, gratuities, and bribes”, “Unfairness to employees”, “Price discrimination and unfairness“, although the number of rank varies. “Giving of gifts, gratuities, and bribes” is ranked No. 1 in China and Korea, but No. 3 in Japan. In China, a large share of respondents (58.44%) would like to see “Giving of gifts, gratuities, and bribes” eliminated. This number, which showed that the majority of Chinese respondents found this behavior annoying, is much higher than the number for “Unfairness to employees“, which ranked second. Unlike that, in Japan and Korea, more than half of the respondents in each country chose no such behavior. In all three countries, “Unfairness to employees” is ranked No.2, which coincides with the results of the question “To whom should the company be responsible” (Table 2). One possible reason is that, as all the respondents are employees, they know and understand companies’ treatment of employees better than the way companies treat other stakeholders. Another possible reason is that employees’ awareness of fairness is increasing.

Among Chinese respondents, unfair credit practices (20.13%, ranked No. 7) and miscellaneous unfair competitive practices (27.27%, ranked No. 5) were also chosen by a large share of respondents, while both mentioned practices were not so important in Japan (0.0% ranked No. 11, and 3.3% ranked No. 9, respectively) and Korea (0.0% ranked 10, and 5.3% ranked 8, respectively).

One interesting finding is that less than 10% of Chinese respondents chose ‘Other’ (7.14, ranked No. 11), compared to 33.3% in Japan (ranked No. 1) and 19.1% in Korea (ranked No. 3). It may indicate that other unethical business practices are receiving more respondents’ attention in Japan and Korea when the unethical business practices listed in Table 4 become less prevalent. One explanation may also be that the survey uses the list of unethical practices as first developed by Baumhart (1961). While the unethical business practices identified by Baumhart (1961) are still relevant, new unethical business practices have emerged during the past 50 years. Future studies may provide an updated list that better reflects the current business environment.

Table 4 Unethical business practices participants would like to see eliminated

	China (2014) (N=154)	Japan (2014) (N=30)	Korea (2015) (N=321)
Giving of gifts, gratuities, and bribes	58.44% (1)	16.7% (4)	26.7% (1)
Price discrimination and unfairness	31.82% (3)	20.0% (3)	17.6% (4)
Cheating customers	29.87% (4)	16.7% (4)	5.3% (8)
Collusion by competitors (price or etc.)	17.53% (8)	3.3% (9)	13.7% (6)
Unfairness to employees	44.81% (2)	26.7% (2)	26.0% (2)
Dishonesty in making or keeping a contract	27.27% (5)	6.7% (8)	16.0% (5)
Dishonest advertising	11.69% (9)	10.0% (6)	0.0% (10)
Unfair credit practices	20.13% (7)	0.0% (11)	0.0% (10)
Miscellaneous unfair competitive practices	27.27% (5)	3.3% (9)	5.3% (8)
Overselling	11.04% (10)	10.0% (6)	7.6% (7)
Other	7.14% (11)	33.3% (1)	19.1% (3)

4.3 Managers' experience of ethical conflicts

Table 5 suggests that in China (49.06%), respondents experience ethical conflicts significantly more often than in Japan (28.1%) and Korea (25.9%).

Table 5 Experience of ethical conflicts

	China (2014) (N=212)	Japan (2014) (N=135)	Korea (2015) (N=321)
Yes	49.06%	28.1%	25.9%
No	50.04%	71.9%	74.1%

Table 6 provides a detailed view of the type of ethical conflicts respondents have experienced. The results show that Chinese respondents have experienced more different types of ethical conflicts than Japanese and Korean respondents. In China, over 40% of respondents reported four different types of conflicts, while over 40% respondents in Japan and Korea reported only one type of conflict. The fact that China is still in the stage of economic and social transition may help explain this outcome. During transition, old and new ethical beliefs coexist, which may result in a higher occurrence and larger variety of ethical conflicts.

“Unfairness and discrimination to customers and employees” is ranked No. 2 in China, and No. 1 in both, Japan and Korea, indicating that being fair is a common need for employees in all the three countries. This may also indicate that employees' ethical conflicts might be reduced if more attention is paid to fairness.

Table 6 Ethical conflicts participants ever experienced

	China (2014) (N=104)	Japan (2014) (N=38)	Korea (2015) (N=321)
Gifts, entertainment, and kickbacks	40.38% (4)	13.2% (5)	19.8% (3)
Price collusion and pricing practices	22.12% (5)	23.7% (3)	9.9% (7)
Unfairness and discrimination to customers and employees	44.23% (2)	36.8% (1)	50.6% (1)
Honesty in internal communication	43.27% (3)	15.8% (4)	34.6% (2)
Honesty in external communication	18.27% (6)	7.9% (6)	11.1% (6)
Honesty in executing contracts and agreement	16.35% (7)	5.3% (8)	13.6% (5)
Firings and layoffs	48.08% (1)	26.3% (2)	18.5% (4)
Other	0.96% (8)	7.9% (6)	2.5% (8)

Regarding the groups that were involved in the ethical conflicts respondents experienced (Table 7), similar responses occur in relation to “Stockholders“, “Employees“, and “The law and government“. As for the differences, “Suppliers” ranked No. 7 in China, while it was No. 3 in Japan and No. 2 in Korea. A remarkable difference is also found regarding “Colleagues“, which ranked No. 1 in China, but No. 8 in Japan and No. 7 in Korea. Another interesting difference can be observed regarding “Superiors”, both in terms of percentage (38.46% in China, 59.5% in Japan, and 55.4% in Korea) and rank (No. 3 in China, No. 1 in Japan and Korea).

Table 7 In relation to which group ethical conflicts happened

	China (2014) (N=104)	Japan (2014) (N=42)	Korea (2015) (N=321)
Customers	40.38% (2)	35.7% (2)	27.7% (4)
Suppliers	20.19% (7)	21.4% (3)	47.0% (2)
Competitors	22.12% (5)	7.1% (7)	43.4% (3)
Superiors	38.46% (3)	59.5% (1)	55.4% (1)
Employees	28.85% (4)	19.0% (4)	26.5% (5)
Colleagues	41.35% (1)	4.8% (8)	18.1% (7)
Stockholders	10.58% (8)	4.8% (8)	9.6% (9)
The law and government	21.15% (6)	11.9% (5)	19.3% (6)
Local community/Society in general	1.92% (10)	9.5% (6)	14.5% (8)
Other	2.88% (9)	4.8% (8)	1.2% (10)

4.4 Factors influencing ethical decisions of managers

In terms of the factors that influence the decisions of respondents to act ethically

(Table 8), the results are quite similar for all the three investigated countries. “One’s personal code of behavior”, “Company policy”, and “The behavior of one’s superiors” are the top three factors, and “Ethical climate of the industry” and “The behavior of one’s equals in the company” are the least important factors. It is understandable that “One’s personal code of behavior” is ranked No. 1; however, it may not be that obvious why “Company policy” comes second, before “The behavior of one’s superiors”, which is No. 3. Previous research shows that ethical leadership has a positive effect on employees’ attitudes and behavior. It has also been found that company policy (e.g. code of conduct) has a positive effect on employees’ attitudes and behavior. However, it has not been clear which factor between “The behavior of one’s superiors” or “Company policy” has more important effect on employees’ attitudes and behaviors. The results of our study shed light on the issue.

Table 8 Factors influencing ethical decisions

	Mean Ranks		
	China (2014) (N=212)	Japan (2014) (N=137)	Korea (2015) (N=321)
One’s personal code of behavior	1.19 (1)	1.97 (1)	2.54 (1)
Company policy	1.42 (2)	2.07 (2)	2.85 (2)
The behavior of one’s superiors	1.84 (3)	2.63 (3)	3.01 (3)
Ethical climate of the industry	2.47 (4)	4.14 (5)	3.48 (5)
The behavior of one’s equals in the company	3.08 (5)	4.12 (4)	3.11 (4)

Unlike factors influencing ethical decisions, there is less consensus among the three countries as for the factors influencing unethical decisions (Table 9). The pattern of importance given to the factors by Chinese respondents is different from that by Japanese and Korean respondents.

Similarities exist in terms of “The behavior of one’s superiors”, which was deemed important in all the three countries, while “The behavior of one’s equals in the company” is among the least important. Overall, “One’s personal financial needs” is not very important, though it is more important in China than in Japan and Korea. This may be explained by the fact that China is less economically developed than Japan and Korea. Differences can be observed in relation to “Company policy”, which is not as important in China (No. 4) as in Japan (No. 2) and Korea (No. 1). This result is consistent with the findings in “Methods of instilling ethical values in the organization” (Table 16) that company policy regarding ethics is not less established in China than in Japan and Korea. An interesting finding is that “Ethical climate of the industry” is not as important for ethical decisions as for unethical decisions. “The behavior of one’s equals in the company” is the least important factor for both, ethical as well as unethical decisions.

It is interesting to note that factors influencing ethical decisions and factors influencing unethical decisions are not exactly the same. According to fundamental

attribution error, people tend to attribute ethical decisions to internal factors and unethical decisions to external factors. Of the factors listed, “One’s personal code of behavior” is the only internal factor among the factors influencing ethical decisions, and “One’s personal financial needs” is the only internal factor among factors influencing unethical decisions; therefore, it is not surprising that “One’s personal code of behavior” is considered the most important factor and “One’s personal financial needs” is not ranked as high as “The behavior of one’s superiors” and “Ethical climate of the industry”.

Table 9 Factors influencing unethical decisions

	Mean Ranks		
	China (2014) (N=212)	Japan (2014) (N=137)	Korea (2015) (N=321)
Ethical climate of the industry	1.57 (1)	3.07 (3)	2.80 (3)
The behavior of one’s superiors	1.57 (1)	2.19 (1)	2.71 (2)
One’s personal financial needs	1.82 (3)	3.30 (4)	3.61 (5)
Company policy or lack thereof	2.07 (4)	2.20 (2)	2.63 (1)
The behavior of one’s equals in the company	2.98 (5)	4.21 (5)	3.27 (4)

We further tried to find out whether employees’ ethical decision making is influenced by company interests or personal ethics. Table 10 documents that respondents from different countries value different aspects. While “Depends on the situation” is the most common answer among Chinese (43.27%) and Japanese respondents (50.0%), “Company interests” are No. 1 answer for Korean respondents (50.9%). Among Chinese and Korean respondents, “Personal ethics” is the least common answer (23.08% for Chinese, and 12.3% for Korean), while Japanese respondents chose “Company interests” (21.3%) as the least common answer. The answers to this question reveal the diversity of ethical decision making principles people follow when making ethics-related decisions.

Table 10 Ethical preference – company interests or personal ethics

	China (2014) (N=104)	Japan (2014) (N=42)	Korea (2015) (N=57)
Company Interests	33.65% (2)	21.4% (3)	50.9% (1)
Personal Ethics	23.08% (3)	28.6% (2)	12.3% (3)
Depends on the situations	43.27% (1)	50.0% (1)	36.8% (2)

4.5 Hypothetical situations

In another section of the questionnaire, we examined respondents’ reaction to four hypothetical situations involving unethical practices. Respondents were asked to

report their own choice and the choice they believe an average manager would make. In all four cases, the results show that respondents believe themselves much more ethical than others, which is consistent with the results of former researchers (e.g. Brenner & Molander, 1977; Choi & Nakano, 2008).

Case 1: An executive earning \$100,000 a year has been padding his expense account by about \$5,000 a year. What do you think?

Table 11 shows the result for the situation of embezzling funds of a company (Case 1). While more than 60% of the respondents in the three countries think it is “Unacceptable regardless of the circumstances“, in Japan, the result was 89.9%, which is much higher than the result for China (68.87%) and Korea (63.2%). Interestingly, in Japan and China more than 50% of respondents believe an average manager will find it unacceptable, while in Korea only 37.4% respondents believe so. More Chinese respondents (11.79%) found embezzling funds “Acceptable if other executives in the company do the same thing” than in Japan (1.4%) and Korea (5.3%). In Korea, much more respondents (31.5%) chose “Acceptable if the executive’s superior knows about it and says nothing” than those in China (19.34%) and Japan (8.7%).

Case 2: Imagine that you are the president of a company in a highly competitive industry. You learn that a competitor has made an important scientific discovery that will give him an advantage that will substantially reduce the profits of your company for about a year. If there were some hope of hiring one of the competitor’s employees who knew the details of the discovery, what would you do?

As for the situation of hiring employees to acquire competitor’s discovery (Case 2), as shown in Table 12, more than half of the respondents in China (77.36%) and Korea (59.4%) think they “probably would” do that, while only 42.3% of Japanese respondents chose the same answer. The results show that hiring employees to acquire competitor’s discovery is quite acceptable in the three countries.

Case 3 The minister of a foreign nation, where extraordinary payments to lubricate the decision-making machinery are common, asks you, as a company executive, for a \$300,000 consulting fee. In return, he promises special assistance in obtaining a \$100 million contract which should produce, at least, a \$5 million profit for your company.

Table 11 Embezzling funds of a company

	China (2014)		Japan (2014)		Korea (2015)	
	Oneself (N=212)	Average Manager (N=212)	Oneself (N=138)	Average Manager (N=139)	Oneself (N=321)	Average Manager (N=321)
Acceptable if other executives in the company do the same thing	11.79%	23.11%	1.4%	10.8%	5.3%	17.8%
Acceptable if the executive's superior knows about it and says nothing	19.34%	24.53%	8.7%	21.6%	31.5%	44.9%
Unacceptable regardless of the circumstances	68.87%	52.36%	89.9%	67.6%	63.2%	37.4%

Table 12 Hiring employees to acquire competitor's discovery

	China (2014) (N=212)		Japan (2014) (N=137)		Korea (2015) (N=321)	
	Oneself	Average Manager	Oneself	Average Manager	Oneself	Average Manager
Probably would	77.36%	91.04%	42.3%	66.4%	59.4%	81.9%
Probably would not	22.64%	8.96%	57.7%	33.6%	40.7%	18.1%

Table 13 Extraordinary payments to lubricate the decision making for a sale

	China (2014)		Japan (2014)		Korea (2015)	
	Oneself (N=212)	Average Manager (N=212)	Oneself (N=138)	Average Manager (N=137)	Oneself (N=321)	Average Manager (N=321)
Refuse to pay, even if sale is lost	14.62%	7.08%	41.3%	21.9%	29.6%	12.5%
Pay the fee, feeling it was ethical in the moral climate of the foreign nation	67.92%	43.4%	52.9%	59.9%	52.0%	47.0%
Pay the fee, feeling it was unethical but necessary to help insure the sale	17.46%	49.52%	5.8%	18.2%	18.4%	40.5%

Case 4: Imagine that you are a regional sales manager for a large industrial supply company and your salespeople are giving money to purchasing agents to obtain sales. This is beyond the generally acceptable meal or promotional item. Assuming that no laws are being violated, what would you do?

Case 4 (Table 14) reveals respondents' reaction to salespeople's bribing behavior. Most respondents from all the three countries chose "Issue an order stopping future payments" as their own behavior. As shown in Table 14, however, "Issue an order stopping future payments, but do not reduce sales people's pay" is more preferred among Chinese (52.36%) and Japanese (66.9%) than Korean respondents (38.9%). It seems that Korean respondents react to this behavior more strongly, as 55.1% of Korean respondents chose to "Issue an order stopping future payments and reduce salespeople's pay in the amount equal to their commissions on the sales gained as a result of future payments". In China, 51.42% think an average manager would "Say and do nothing", while in Japan and Korea only 16.7% and 34.3% of respondents think so, respectively.

Table 14 Reaction to a salesman's bribing behavior

	China (2014)		Japan (2014)		Korea (2015)	
	Oneself (N=212)	Average Manager (N=212)	Oneself (N=138)	Average Manager (N=137)	Oneself (N=321)	Average Manager (N=321)
Issue an order stopping future payments and reduce salespeople's pay in the amount equal to their commissions on the sales gained as a result of future payments	27.83%	17.45%	30.9%	16.7%	55.1%	34.0%
Issue an order stopping future payments, but do not reduce sales people's pay	52.36%	31.13%	66.9%	66.7%	38.9%	31.8%
Say and do nothing	19.81%	51.42%	2.2%	16.7%	5.9%	34.3%

4.6 Institutionalization of business ethics

The effort companies make to institutionalize BE is documented by Table 15. The results show that most respondents in all the three countries chose "Very eagerly" and "To some extent" (84.9% in China, 93.4% in Japan, 90.3% in Korea, the two answers combined). As for the major differences, only 20.75% of respondents chose "Very eagerly" in China, compared to as many as 51.1% in Japan and 35.5% in Korea. Furthermore, in China, about 15% of respondents chose "Very little" and "Not at all" if the two answers are combined, while the numbers in Japan and Korea are only 6.6% and 9.7%.

Table 15 Company eagerness to instill ethical values in the organization

	China (2014) (N=212)	Japan (2014) (N=137)	Korea (2015) (N=321)
Very eagerly	20.75%	51.1%	35.5%
To some extent	64.15%	42.3%	54.8%
Very little	11.79%	4.4%	8.1%
Not at all	3.31%	2.2%	1.6%

We further asked the respondents what methods of instilling ethical values their companies use. As shown in Table 16, practices usually included in an ethics program (or compliance program) such as ethics committee, code of ethics, employee training in ethics, CEO's frequent statements on ethics, anonymous reporting hotline for unethical conduct, and punishment for unethical conduct, were not yet common in China, but they are more widely employed in Japan and Korea. In China, "Contribution to social/cultural activities" (52.2%, No. 1) is the most popular method, which is significantly different from Japan (37.0%, No. 7) and Korea (39.6%, No. 7). "Corporate philosophy including ethics" is also more prevalent in China (50.24%, No. 2) than in Japan (34.1%, No. 8) and Korea (40.3%, No. 6). Similar patterns also apply to "Following parent company's philosophy".

Table 16 Methods of instilling ethical values in the organization

	China (2014) (N=205)	Japan (2014) (N=138)	Korea (2015) (N=321)
Corporate philosophy including ethics	50.24% (2)	34.1% (8)	40.3% (6)
Following parent company's philosophy	48.78% (3)	24.6% (9)	27.5% (8)
Ethics committee	8.78% (8)	55.8% (5)	24.0% (9)
Code of ethics	37.07% (5)	79.0% (2)	73.8% (1)
Employee training in ethics	41.95% (4)	68.8% (3)	41.2% (5)
CEO's frequent statements on ethics	17.07% (7)	43.5% (6)	55.6% (3)
Anonymous reporting hotline for unethical or illegal conduct	8.78% (8)	79.7% (1)	47.3% (4)
Punishment for unethical conduct	29.27% (6)	67.4% (4)	57.5% (2)
Contribution to social/cultural activities	52.2% (1)	37.0% (7)	39.6% (7)
Other	6.34% (10)	0.0% (10)	1.9% (10)

4.7 Ethical standards of the business community

When asked to compare ethical standards today and ten years ago (Table 17), only 36.8% of Chinese respondents chose "Higher standards today", while 68.6%

respondents in Japan and 72.3% of respondents in Korea did so.

Table 17 Recent ethical standards in the world of business: comparison with 10 years ago

	China (2014) (N=212)	Japan (2014) (N=137)	Korea (2015) (N=321)
Higher standards today	36.8%	68.6%	72.3%
About the same	16.5%	19.0%	3.7%
Lower standards today	46.7%	12.4%	24.0%

Table 18 Factors resulting in higher ethical standards

	China (2014) (N=78)	Japan (2014) (N=130)	Korea (2015) (N=321)
New social expectations for business's role in society	67.95% (2)	96.2% (1)	60.4% (1)
Public disclosure, publicity and media coverage	65.38% (3)	71.5% (2)	53.3% (4)
Increased public awareness and scrutiny	84.62% (1)	63.8% (3)	59.8% (2)
Top management's emphasis on ethical action	65.38% (3)	48.5% (4)	58.3% (3)
Increased commitment of corporations to cultural and environmental protection activities	43.59% (7)	32.3% (5)	25.2% (6)
Government regulation, legislation and intervention	55.13% (5)	15.4% (6)	31.2% (5)
Increase in manager professionalism and education	50.00% (6)	9.2% (7)	19.6% (7)
Other	1.28% (8)	2.3% (8)	0.9% (8)

Table 18 summarizes the factors that respondents consider responsible for higher ethical standards today. Among them, "New social expectations for business's role in society" is ranked No. 2 in China and No. 1 in Japan and Korea. Close to that is "Increased public awareness and scrutiny", which is ranked No. 1 in China, No. 3 in Japan and No. 2 in Korea. "Public disclosure, publicity and media coverage" is also commonly cited as a factor, along with "Top management's emphasis on ethical action", which is also quite important in all the three countries. Looking at the mentioned factors, we may notice that all these are related to corporate social responsibility (henceforth CSR). It is encouraging to know that CSR does play a role in enhancing ethical behavior. "Increased commitment of corporations to cultural and environmental protection activities", "Government regulation, legislation and intervention", and "Increase in manager professionalism and education", do not seem

to be very significant, especially in Japan and Korea.

Table 19 Factors resulting in lower ethical standards

	China (2014) (N=99)	Japan (2014) (N=100)	Korea (2015) (N=321)
Increase in pressure from excessive competition	71.72% (3)	61.0% (1)	63.9% (2)
Pressure for survival in slow economy	57.58% (4)	52.0% (2)	31.2% (6)
Greed and the desire for gain	54.55% (5)	40.0% (3)	61.7% (3)
Lack of personal integrity	36.36% (6)	38.0% (4)	33.3% (4)
Society's standards are lower	77.78% (2)	32.0% (5)	31.8% (5)
Political corruption and loss of confidence in government	83.84% (1)	27.0% (6)	70.7% (1)
Other	1.01% (7)	3.0% (7)	0.3% (7)

The factors resulting in the worsening of ethical standards are listed in Table 19. Among the most influential factors, “Increase in pressure from excessive competition” is ranked No. 1 in Japan, No. 2 in Korea, and No. 3 in China. Following that, “Greed and the desire for gain” is also deemed an important factor. The answers differ significantly for “Political corruption and loss of confidence in government”, which is the most important factor in China and Korea, but not very important in Japan. Similarly, “Society’s standards are lower” is an important factor in China (No. 2), but not very important in Japan and Korea (No. 5 in both countries). “Pressure for survival in slow economy” is a more important factor in Japan (No. 2) than in China (No. 4) and Korea (No. 6), reflecting the general economic situations in the three countries.

5 Major Findings (Commonalities and Differences)

The survey in our study is the first survey on business ethics in China, Japan, and Korea using the same questionnaire instrument. In this section, we would like to use the opportunity this fact provides to make comparison among China, Japan, and Korea, and list the most important similarities and differences among the three neighboring countries regarding BE as suggested by our findings.

5.1 Commonalities

1. The top three stakeholders to whom a company should be responsible are customers, employees and stockholders. Customers are unanimously deemed the first stakeholder to whom a company should be responsible.

2. Fairness belongs among the top priorities. Among the eight types of ethical conflicts as presented in Table 6 of this study, “Unfairness and discrimination to customers and employees” comes out as No. 1 in both Japan and Korea, and No. 2 in

China. In line with that, “Unfairness to employees” is a No. 2 unethical business practice respondents would like to see eliminated in all the three countries (No. 1 being different for each country).

3. “One’s personal code of behavior”, “Company policy”, and “The behavior of one’s superiors” are the top three factors influencing ethical decisions, and “The behavior of one’s superiors” is the most important factor influencing unethical decisions.

4. As indicated by Case 1 (embezzling funds of a company), respondents from none of the three surveyed countries are willing to accept behavior that would harm their company. In contrast, unethical practices that benefit their own company are tolerated, as suggested by Case 2 (hiring employees to acquire competitor’s discovery) and Case 3 (extraordinary payments to lubricate the decision making for a sale).

5. Respondents ethical decision-making is quite strongly situational, as shown in Table 10, where a large portion of respondents from each country (43.27% in China, 50.0% in Japan, and 36.8% in Korea) chose “Depends on the situations” regarding what contributes to employees’ ethical decision making. This is supported by Case 3 (Table 13, extraordinary payments to lubricate the decision making for a sale), where more than half of respondents (67.92% in Chinese, 52.9% in Japan, and 52.0% in Korean) report they would “Pay the fee, feeling it was ethical in the moral climate of the foreign nation”.

6. “New social expectations for business’s role in society”, “Public disclosure, publicity and media coverage”, “Increased public awareness and scrutiny”, and “Top management’s emphasis on ethical action” are the four most influential factors resulting in higher ethical standards. This may also indicate positive effect of CSR movement on higher ethical standards in business.

7. The three investigated countries share three interesting patterns. First, respondents from all the three countries believe that they themselves are more ethical than others working in the same industry. Second, factors influencing ethical decisions are almost the same, but factors influencing unethical decisions are more diversified; the same pattern is also found for factors resulting in higher ethical standards and factors resulting in lower ethical standards. Third, while respondents attribute their ethical decisions to “One’s personal code of behavior” as the strongest factor, as for unethical decisions, they blame external factors such as “The behavior of one’s superiors”, “Ethical climate of the industry”, and “Company policy or lack thereof”.

5.2 Differences

1. Respondents’ responses to hypothetical situations suggest that ethical standards in Japan are higher than in China and Korea. Chinese respondents experience more ethical conflicts and unethical industry practices than Japanese and Korean respondents.

2. “Giving of gifts, gratuities, and bribes” is the No. 1 unethical business practice Chinese and Korean participants would like to see eliminated, while it is No. 4 for Japanese respondents.

3. Chinese respondents consider “Ethical climate of the industry” as one of the two most important factors influencing unethical decisions, while it is No. 3 and No. 5 factor for Japanese and Korean respondents.

4. It seems that the superior has a greater influence on subordinates in Korea than in China and Japan. In Korea, much a larger portion of respondents (31.5%) chose “Acceptable if the executive’s superior knows about it and says nothing” than those in China (19.34%) and Japan (8.7%).

5. Once an employee’s unethical behavior is disclosed, the punishment is more severe in Korea than in China and Japan, as indicated in Case 4 (Table 14, Reaction to a salesman’s bribing behavior).

6. The methods commonly included in a typical western BE program such as ethics committee, code of ethics, employee training in ethics, CEO’s frequent statements on ethics, anonymous reporting hotline for unethical conduct, and punishment for unethical conduct, are widely employed in Japan and Korea, but not in China.

6 Conclusion

In our study, we examined BE practices in three important East-Asian countries – China, Japan, and South Korea. Our findings suggest that the three neighboring countries share a number of similarities in BE attitudes and practices, but also that a number of differences exist. The differences in results can be tentatively explained to some extent by various economic, political, and cultural backgrounds. Differences may be also partially because of the different sample compositions (e.g. a higher proportion of SME in the Chinese sample than in the Korean and Japanese ones). Our research is the first case of a BE questionnaire survey conducted in the three countries with the use of the same questionnaire instrument. We hope that as such, our research helps shed light on BE practices in the three countries, especially because it allows for direct comparison of practices in the investigated countries. We suggest that future research might focus on how BE practices in the three countries evolve in time. It would also be worthwhile to look at more detail into the question of what new BE tools have been recently developed and whether and how BE and its enhancement is influenced by rapidly developing internet and computer technologies.

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