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**PREDICTORS OF EMPLOYEES' ETHICAL CHOICES
IN CORPORATE SETTINGS IN GERMANY, AUSTRIA
AND CHINA**

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ANNOTATION

Purpose: This research aims to investigate predictors of an employees' business ethics perceptions demonstrated on the employees' Intention to comply with a corporate Code of Conduct across cultures. The purpose of this study is two-fold. First, the author analyzes individual and interpersonal factors shaping the individual ethical decision making process of employees in Austria, Germany and China in terms of Code compliance. Ajzen's Theory of planned Behavior and Trevino's Person-Situation Interactionist Model grounded the theoretical framework while extending this theoretical model by adding the constructs Moral Disengagement, Guanxi Orientation and Supervisor-Subordinate Guanxi. One special feature of this study lies in the combination of these constructs representing Western management research approaches and Chinese management research approaches. In a second step, the author assesses how ethnicity, gender as well as the mere existence of a Code of Conduct impact ethical choices of an employee towards Code compliance.

Design/Methodology/Approach: Given the goals of this research, the author adapted a quantitative research design using a self-administered trilingual online survey questionnaire to collect data from 421 employees in Germany, Austria and China.

Findings: The findings revealed that all three constructs Moral Disengagement, Guanxi Orientation and Supervisor-Subordinate Guanxi are significant predictors of an employees' behavioural Intentions regarding Code compliance. This research also confirmed that ethnicity and gender impact the ethical decision making process of an employee. Furthermore, the mere existence of a Code influences employees' ethical choices regarding compliant behaviour, but could also lead to counter-effective results.

Originality/Value: The author developed implications for theory and practice by contributing to academic management literature confirming the significance of the predictors Moral Disengagement, Guanxi Orientation and Supervisor-Subordinate Guanxi for individual ethical choices at work. This study extends prior research on the influences of ethnicity, gender and Code existence in this regard. Moreover, this study demonstrated the valuable combination of Western and Chinese management constructs in cross-cultural research. In terms of practical implications, this research provides evidence that it's crucial to consider cultural characteristics and to develop holistic ethical education programmes to prevent unethical behaviour rather than just introducing a Code of Conduct as a specific isolated measure.

Keywords: Business Ethics, Individual ethical decision making, Code of Conduct, China

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LIST OF ABBREVIATIONS

BC	before Christ
PLS-SEM	Partial Least Squares Structural Equation Modeling
\$	U.S. Dollar
U.S.	United States of America

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INTRODUCTION

Actuality of topic

Globalisation has many faces and facets, but it definitely means doing business across international borders. Following the trend of globalization in trade and economy, also German, Austrian and Chinese companies have very intensive economic relations with one another.

According to the German Foreign Office, more than 5000 German companies have established subsidiaries in China within the last two decades and about 900 Chinese companies have directly invested in Germany so far. For years now, China has been Germany`s most important trade partner in Asia and vice versa Germany has been China`s most important trade partner in the European Union.¹ Also China and Austria regard their various business and trade cooperations as very successful, whereby alone about 400 Austrian companies have established local subsidiaries in China within the last years.² All three countries have close economic ties and have been working together politically and economically for more than 40 years.

However, if companies globalize their business, it`s not only about internationalizing opportunities, it`s also about internationalizing business risks and an almost uncontrollable number of threats. Nowadays not only business runs without borders, the same is true for individual unethical choices of employees of a global workforce such as paying bribes and corruption as stated by Feathers mentioning corruption as one of the most global pervasive management problems.³

But individual unethical choices at work comprise a lot more than just illegal, corruptive behaviour of employees. Welsh et al note that “unethical behaviour is widespread in the modern workplace.”⁴ Unethical behaviour can be defined as any individual action which deviates from what is considered morally right or appropriate for an employee in the corporate world. Jones

¹ http://www.auswaertiges-amt.de/DE/Aussenpolitik/Laender/Laenderinfos/China/Bilateral_node.html// last access: Jan. 3rd, 2017

² <https://www.wko.at/Content.Node/service/aussenwirtschaft/cn/Information---China.html//> last access: Jan.3rd, 2017

³ Feathers, B. (2014). Bribes without Borders: The challenge of fighting corruption in the global context. Symposium. In: American University International Law Review 29 (2), p. 287.

⁴ Welsh, D.T.; Ordonez, L.D.; Snyder, D.G.; Christian, M.S. (2015). The Slippery Slope: How Small Ethical Transgressions Pave the Way for Larger Future Transgressions. In: Journal of Applied Psychology 100 (1), p. 114.

defines unethical behaviour as any behaviour which is “either illegal or morally unacceptable to a larger community”.⁵

Many international corporate scandals have been unveiled over the last years and all these scandals were based on individual unethical behaviour of employees as referred to by Moore and Gino mentioning “rigging Libor, misselling payment protections insurance, rampant Wall Street insider trading, large scale bribery of foreign officials” as examples.⁶ Or even just thinking of the individual unethical behaviour of the financial advisor Bernard Madoff, who had stolen more than \$18 billion from investors in 2010.⁷ Mr. Madoff himself commented: “Well, you know what happens is, it starts out with you taking a little bit, maybe a few hundred, a few thousand. You get comfortable with that, and before you know it, it snowballs into something big.”⁸ Corporate scandals, triggered by unethical choices of employees, did not only occur in the U.S. – just to name the Enron or Worldcomm scandals - and in Europe (the Siemens scandal in 2008), but also in China within the recent years. Yu et al. successfully investigated 412 corporate scandals of listed Chinese firms in 2015.⁹ Also foreign invested companies have been involved in corporate scandals in China such as: Audi, the German car manufacturer, has been fined for price-fixing in 2014¹⁰; GlaxoSmithKline, the UK pharmaceutical firm, and its competitors Sanofi SA and Novartis AG have been involved in a large bribery scandal in China as well as French food and consumer products manufacturer Group Danone SA just recently in 2013.¹¹

So, as Robertson emphasizes, one of the most important jobs of an international corporate top manager is to create and maintain a positive moral environment within the firm from a corporate governance perspective.¹² But, the avoidance of unethical choices of employees is not only a daily practical management challenge for internationally active companies. Also in academic

⁵ Jones, T.M. (1991). Ethical decision making by individuals in organizations: An issue-contingent model, In: *Academy of Management Review* 16, p. 367.

⁶ Moore, C.; Gino, F. (2015). Approach, Ability, Aftermath: A Psychological Process Framework of Unethical Behavior at Work. In: *Academy of Management Annals*, p. 2.

⁷ Kirchner, B. (2010). *The Bernard Madoff investment scam*. Upper Saddle River, NJ: FT Press.

⁸ Welsh, D.T.; Ordonez, L.D.; Snyder, D.G.; Christian, M.S. (2015). The Slippery Slope: How Small Ethical Transgressions Pave the Way for Larger Future Transgressions. In: *Journal of Applied Psychology* 100 (1), p. 114.

⁹ Yu, X.; Zhang, P; Zheng, Y. (2015). Corporate Governance, Political Connections, and Intra-Industry Effects: Evidence from Corporate Scandals in China. In: *Financial Management*, p. 50.

¹⁰ Murphy, C.; Yu, R.; Yang, J. (2014). China Fines Foreign Auto Makers for Price Fixing. In: *Wall Street Journal Online*, 9/12/2014, p. 1-1, p.1, last accessed on February 22nd, 2016.

¹¹ Shobert, B.; DeNoble, D. (2013). Compliance After China’s Healthcare Bribery Scandals. In: *China Business Review*, p. 11.

¹² Robertson, C.J. (2008). An analysis of 10 years of business ethics research in *Strategic Management Journal*: 1996-2005. In: *Journal of Business Ethics* 80, p. 745.

management literature extensive theoretical and empirical research spanning globalization and business ethics at work can be found.¹³

In answer to these international corporate scandals not only in China the government has been strengthening local legal regulations for a few years now. Venkatesan sees the same in countries like the U.S., the United Kingdom and Germany, where governments now tighten resolutely their legal frameworks against companies and their management.¹⁴

To address these increased global risks companies draft and implement internal rules like Codes of Conduct at their headquarters, but also at their subsidiaries in China. Hanson and Rothlin mention the increasing speed of the propagation of such Codes among international companies over the past two decades.¹⁵ Hanson and Rothlin emphasize that nowadays one can hardly find a Western company, engaged in international business activities, without a compliance Code in place, but calling attention to the fact that "...one of the most difficult corporate challenges is how to apply these Codes [...] to the company's operations in developing countries, particularly in [...] Asia. Among these cases, perhaps the most urgent corporate challenge is to decide how to adapt and apply its Code to operations in China."¹⁶

On the other hand, it becomes increasingly evident that a compliance Code is definitely not a guarantee to prevent individual unethical behaviour at work. In fact, such a Code often just serves as a window-dressing function for the companies providing both market legitimacy and reduced legal liability.¹⁷ But even if a company has implemented a Code with a serious and honest Intention, Wedeman notes that employees often face a dilemma and are confused how to make decisions taking the Code as well as the (different) the local business reality into account, which often leads to situations where "... employees found themselves caught between contradictory demands".¹⁸

¹³ Badinger, H.; Nindl, E., (2014). Globalisation and Corruption revisited. In: *The World Economy*, pp. 1424-1440; Svensson J. (2005). Eight Questions about Corruption. In: *Journal of Economic Perspectives* 19 (3), pp. 19-42; Lalountas, D.A.; Manolas, G.A.; Vavouras, I.C. (2011). Corruption, Globalization and Development: How are These Three Phenomena Related? In: *Journal of Policy Modelling* 33 (4), pp. 636-648.

¹⁴ Venkatesan, R. (2014). Confronting Corruption. In: *McKinsey Quarterly* Issue 4, p. 92

¹⁵ Hanson, K.O.; Rothlin, S. (2010). Taking your code to China. In: *Journal of International Business Ethics* 3 (1), p. 69.

¹⁶ Ebd., p. 69.

¹⁷ Krawiec, K.D. (2003). Cosmetic Compliance and the Failure of Negotiated Governance. In: *Washington University Law Review* 81 (2), p. 486.

¹⁸ Wedeman, A. (2013). The Dark Side of Business with Chinese Characteristics. In: *Social Research* 80 (4), p. 1230.

Also Jones notes that employees -while facing moral issues- are on the horns of an ethical dilemma in which “a person’s action, when freely performed, may harm or benefit others.”¹⁹ Cullen et al. point out, internationally active companies need to better understand unethical conduct also from a cross-cultural perspective.²⁰ Understanding different cultural impacts on (un-)ethical choices of employees and ultimately integrating these differences into corporate compliance policies imply substantial challenges for international companies. Bommer et al. describe ethical decision making dynamics of employees facing ethical related choices in business to be complex.²¹

This leads to the topic of this promotional work: Predictors of employees` ethical choices in corporate settings in Germany, Austria and China.

Novelty of research

- A new theoretical model utilizing both Western and Chinese management theory constructs is developed and applied.
- This promotional work investigates cross-culturally how both the moral condition of an employee as well as influences of peers, social networks and the supervisor affect individual ethical decision making at work.
- The author identifies and analyzes differences between Chinese and Germanic employees regarding ethical choices at work using the predictors ethnicity, gender and Code of Conduct compliance. Key conclusions and practical suggestions for international managers how to handle successfully corporate compliance programmes across cultures are derived and listed.
- The research population is recruited exclusively from employees in Germany, Austria and China to gain empirical evidence from experienced professionals, not students, which makes the findings so valuable. In summary, the novelty is composed of the new theoretical model, the specific cross-cultural setting as well as the strict focus on the business sector for gaining empirical evidence.

¹⁹ Jones, T. M. (1991). Ethical decision making by individuals in organizations: An issue-contingent model, In: *Academy of Management Review* 16, p. 367.

²⁰ Cullen, J.B.; Parboteeah, K. P.; Hoegl, M. (2004). Cross-national Differences in Managers` Willingness to justify ethically suspect Behaviors: A Test of Institutional Anomie Theory. In: *Academy of Management Journal* 47 (3), p. 411.

²¹ Bommer, M; Gratto, C.; Gravander, J.; Tuttle, M. (1987). A Behavioral Model of Ethical and Unethical Decision Making. In: *Journal of Business Ethics* 6, p. 265.

Purpose

The purpose is to analyze and explain through scientific triangulation the impacts of written compliance rules as well as ethnicity-related and gender-related differences regarding employees` (un-) ethical business choices in corporate settings in Germany, Austria and China.

Research object

The population of this research covers persons, who (1) are employees and who (2) work with internationally active companies of various industries in Germany, Austria or China and who (3) are Germans, Austrians (= both Germanic culture group) or Chinese (= Confucian Asian culture group) in terms of the ethnic group they belong to.

Research subject

Individual ethical decision making processes at work – Behavioural Intentions of employees to act according to written compliance rules and related influencing factors.

Aim and tasks of the promotional work

The aim is to develop and empirically test a new causal model to portray (un-)ethical choices of employees in corporate settings in Germany, Austria and China by investigating implications of the individuals` moral condition as well as social peer and supervisor influences on an employees`ethical decision making process at work.

To achieve this aim, the following tasks were conducted:

- Performing an intensive academic management literature review of the theories of individual ethical decision making as well as on Business Ethics as a subfield of international management science.
- Analyzing previous empirical studies on the various aspects of the research topic and identifying research gaps requiring further scientific investigation.
- Developing an application oriented and integrative new theoretical model based on Trevino`s Person-Situation Interactionist Model and Ajzen`s Theory of planned Behaviour as theoretical frameworks integrating the variable Moral Disengagement (Western management theory construct) as well as two variables from Guanxi theory (Chinese management theory constructs).
- Portraying employee`s Business Ethics perceptions by focusing on their behavioural compliance Intention as the construct behavioural Intention` is the

most reliable predictor of behaviour. Investigating ethical behavioural Intentions of employees with respect to corporate compliance.

- Formulating several causal as well difference hypotheses based on the analysis of the academic literature review. After developing a survey instrument (online questionnaire) and empirical data collection in Germany, Austria and China, testing of the hypotheses by applying both descriptive as well as inferential statistical procedures.
- Conducting post-survey expert interviews to further discuss and analyze the findings from the quantitative part of this study for further deepening and consolidation of the research results.
- Interpreting empirical findings, answering of the research questions and concluding with a summary of the results from an academic as well as from a practical management perspective. Submitting suggestions for future academic management research as well as for international business practice.

Main research question

What are appropriate and reliable predictors of employees` ethical choices at work in a cross-cultural context utilizing both Western and Chinese management theory research constructs in a newly developed theoretical model?

Main research gaps

For the first time the author identifies potential influences of the variables (1) ethnicity, (2) gender as well as (3) compliance codexes on employees` ethical choices in business settings in China, Germany and Austria. From this specific perspective, no previous research comparing empirical data from these three countries could be found. Previous research has neither developed nor empirically tested a whole theoretical model based on the utilization of both a Western management theory construct (here: Moral Disengagement) and two Chinese management theory constructs (here: Guanxi Orientation and Supervisor-Subordinate Guanxi) as factors influencing employees` ethical choices at work. Furthermore, previous research on Business Ethics often lacked empirical testing at all or has used mainly students as research population for a business topic. The author would like to overcome these previous methodic shortcomings in her scientific work by using only business managers and employees, no students, as research population.

Main Hypothesis

H_M Moral Disengagement, Guanxi Orientation and Supervisor-Subordinate Guanxi influence employee Intention to comply with a corporate Code of Conduct.

Theses for Defense

- 1. Ethnicity** has an impact on the employees` Intention to comply with a Code of Conduct such as: Germanic employees have a more favourable Attitude towards a Code and (2) Chinese employees are subject to a stronger pressure of peers and social networks while making ethical choices at work.
- 2. Gender** has an impact on the employees` Intention to comply with a Code of Conduct such as: Male employees are subject to a stronger pressure of peers and social networks while making ethical choices at work.
- 3. The mere existence of a Code of Conduct** has an impact on the employees` Intention to comply with a Code such as: (1) Employees, not yet working with a Code, have a more favourable individual Attitude towards such a Code and (2) Employees, already working with a Code, perceive a stronger pressure of peers and social networks on their ethical choices at work.

Used methods

Next to an intensive academic literature research by searching various scientific databases, academic publications, scientific journals and book editions, the author relied on a quantitative research approach for this study supplemented by five expert interviews as a method of post-survey evaluation as last part of triangulation.

The author has developed a new theoretical model and proposed hypotheses on the basis of an extensive management literature review. The focus of the quantitative research approach was to empirically collect reproducible data, measured on the basis of a systematic, standardized procedure, and to test the proposed hypotheses. This deductive approach aims to investigate cause-effect relationships and the generalizability of sample testing results. As an appropriate instrument a self-administered, structured and anonymous online questionnaire has been used. All items were based on previously tested reliable scales. The names of the surveyed employees were kept strictly confidential. The author edited the data obtained by the online questionnaire by using the various methods of statistical analysis utilizing the partial least squares (PLS) approach.

Approbation of results of research

Further development of the academic research for the dissertation was presented and discussed at the following international business conferences in Germany, Austria, Latvia, China, Poland, Lithuania as well as in the publications indicated below:

Conferences

1. Scharrer, Barbara, THE INFLUENCES OF SOCIO-LOCAL CULTURAL STANDARDS ON THE EFFECTIVENESS OF CORPORATE COMPLIANCE MANAGEMENT SYSTEMS IN CHINA TO PREVENT CORRUPTION, International Business and Economics Conference, University of Applied Science Kufstein, November 29-30, 2013, Kufstein, Austria
2. Scharrer, Barbara, THE RELATION BETWEEN SOCIO-CULTURAL STANDARDS AND PROFESSIONAL COMPLIANT BEHAVIOUR IN CHINA – DOES CULTURAL BACKGROUND AFFECT COMPLIANT BEHAVIOUR? New Challenges of Economic and Business Development-2014 Conference, session “Regional Development and Cohesion”, University of Latvia, May 8-11, 2014, Riga, Latvia
3. Scharrer, Barbara, EFFECTIVE CORPORATE COMPLIANCE MANAGEMENT IN CHINA TO PREVENT CORRUPTION, CRCEP 2014 – International Conference of Psychology and Behavioral Sciences, Zhejiang University, November 1-2, 2014, Hangzhou, China
4. Scharrer, Barbara, PREDICTORS OF FRAUDOLENT ACTIVITIES OF EMPLOYEES, VIOLATING COMPLIANCE REGULATIONS IN CHINA: AN EXTENDED MODEL OF THE THEORY OF PLANNED BEHAVIOUR, 73rd Annual Scientific Conference, session „Impact of Globalization to National Economies and Business“, University of Latvia, January 28, 2015, Riga, Latvia
5. Scharrer, Barbara, PREDICTORS OF NON-COMPLIANT BEHAVIOUR – WHEN WILL EMPLOYEES STICK TO A CODE OF CONDUCT? A CROSS-CULTURAL STUDY, International Academic Conference on Modern Economics and Social Sciences, Academy of Management and Administration WSZiA Opole, April 9-10, 2015, Opole, Poland
6. Scharrer, Barbara, CULTURAL IMPLICATIONS OF CORPORATE COMPLIANCE MANAGEMENT SYSTEMS – DOES AN EMPLOYEE’S ETHICAL CHOICE DIFFER IN EUROPE AND CHINA?, The West East Institute – 2015 International European Academic Conference, University of Vienna, April 12-15, 2015, Vienna, Austria

7. Scharrer, Barbara, EMPLOYEE'S ACCEPTANCE AND INVOLVEMENT IN ACCORDANCE WITH CODES OF CONDUCT – CHINESE BUSINESS BEHAVIOUR VS: WESTERN COMPLIANCE MANAGEMENT SYSTEMS?, ICEM 2015 – International Scientific Conference „Economics and Management – 2015“, Kaunas University of Technology, May 6-8, 2015, Kaunas, Lithuania
8. Scharrer, Barbara, THE IMPACT OF A COMPLIANCE CODEX ON INDIVIDUAL ETHICAL DECISIONS AT WORK: A COMPARISON OF CHINESE, GERMAN AND AUSTRIAN EMPLOYEES, IJAS 2016 - International Conference for Business and Economics, Sirius Conference Center, June 21-24, 2016, Munich, Germany

Publications

1. Scharrer, Barbara (2015), Predictors of non-compliant behaviour – When will employees stick to a Code of Conduct? A Cross-cultural Study. In: *International Academic Conference Proceedings, April 9-11, 2015, WSZiA Opole, Poland*, pp. 58-69, ISBN 978-9941-22-736-31
2. Scharrer, Barbara (2015), Cultural Implications of corporate compliance management systems – Does an employee's ethical choice differ in Europe and China? In: *The WEI International Academic Conference Proceedings, April 12-15, 2015, Vienna, Austria*, pp. 16-25, <http://www.westeastinstitute.com/proceedings/2015-vienna-presentations/> and *Journal of WEI Business and Economics JWEIBE-DCMBR1514*
3. Scharrer, Barbara (2015), Employees' Acceptance and Involvement in accordance with Codes of Conduct – Chinese Business Behaviour vs. Western Compliance Management Systems. In: *ICEM 2015 Proceedings, University of Kaunas, Lithuania*, pp. 855-859, *Journal: Procedia – Social and Behavioral Sciences/* DOI: 10.1016/j.sbspro.2015.11.495/ Article reference: SBSPRO26614
4. Scharrer, Barbara (2016), Applying Theory of Planned Behaviour on Employees Intentions to Comply Code of Ethics: The Case of Comparison in between Germany/Austria and China. In: *Journal of Business & Hotel Management 2016*, pp. 1-4, 3:1/<http://dx.doi.org/10.4172/2324-9129.1000105>
5. Scharrer, Barbara (2016), The Impact of Individual Moral Disengagement on Code of Conduct Compliance at Work: A Comparison of Chinese, German and Austrian Employees. In: *Journal of Business and Management Studies*, pp. 383-390, ISSN: 2158-1479::05(02):383-390 (2016)

6. Scharrer, Barbara (2016), Mittelstand International: Grenzüberschreitende Subsidiary Governance und Compliance am Beispiel China – Fokus Business Ethics. In: Compliance Berater 10/2016, pp. 358-362, CB/ISSN: 2195-6685
7. Scharrer, B.; Neuert, J.; Woschank, M. (2018), The impact of ethnicity on an employee`s readiness to comply with a Code of Conduct: Differences between German/Austrian and Chinese employees. Accepted for publication in: *Journal of Applied Business and Economics* 20 (3), 2018, pp. *not yet specified*, ISSN# 1499-691X
8. Scharrer, B.; Neuert, J.; Woschank, M. (2018), Gender differences and the influence of a Code of Conduct on individual ethical decision making at work: A comparison of German/Austrian and Chinese employees: Accepted for publication in: *Journal of Organizational Psychology* 18 (2), 2018, pp. *not yet specified*, ISSN# 2158-3609

Content of dissertation

The content of the dissertation is divided into four chapters: The first chapter deals with the reflection of the theoretical foundations of this study. The theoretical frameworks of Business Ethics research and individual ethical decision making in management theory have been introduced as well as the theoretical foundations of the management theory constructs Moral Disengagement, Guanxi Orientation and Supervisor-Subordinate Guanxi as individual and situational predictors. The second chapter summarizes the strand of academic management research conducted on the topic. The author analyses empirical research previously conducted by other researchers on the theoretical foundations of this study, on the three constructs Moral Disengagement, Guanxi Orientation and Supervisor-Subordinate Guanxi, but also on previous research in terms of Code of Conduct-related, gender-related as well as ethnicity-related impacts on individual ethical choices at work. The third chapter deals with the development of a new extended theoretical model to empirically test individual and situational predictors of ethical choices of employees in corporate settings in Germany, Austria and China. The development of the theoretical model and of the hypothesis is followed by remarks regarding the research design, the methodology and the methods. The fourth chapter summarizes the empirical findings after explaining the the statistical analysis of the collected empirical data. After testing the measurement model, the structural model and the hypothesis, the author rounds up the findings by conducting qualitative expert interviews reflecting and commenting the findings of the quantitative research. Subsequently, conclusions and suggestions are derived and listed.

Limitations of the study

Contemporary China is a transition economy and shows an immense pace of change in economic, legal and social environment. One limitation of this study is time – the author could only devote a certain amount of time to conduct this research. It would be interesting to study the longitudinal effects of this research topic against the background of this rapid change process in China and its potential impacts on the results of this management research. Furthermore, another limitation of this study is the quantitative research approach, which doesn't offer the possibility to get an individual feedback from the respondents on each and every question of the survey. Thus, it may be advisable, to extent and supplement this study by conducting additional qualitative in-depth interviews with employees, not only in China, also in corporate settings in Germany and Austria.

Main results of the research

The outcome of the statistical analysis of the empirical data as the quantitative part of this research can be summarized as follows:

The main hypothesis has been fully/widely supported. The newly developed theoretical model has very much proved its worth. This applies particularly against the background of utilizing - the first time- the Western management theory construct (*Moral Disengagement*) and two Chinese management theory constructs (*Guanxi Orientation*, *Supervisor-Subordinate Guanxi*) for this this newly developed theoretical model. Evidence is provided that all three tested management theory constructs - *Moral Disengagement*, *Guanxi Orientation* as well as *Supervisor-Subordinate Guanxi* - impact the ethical decision making process of an employee at work. This means that personal characteristics as well as interpersonal relationships of an employee impact his or her ethical choices at work. Prior research is confirmed in this regard. The supervisor-subordinate relationship at work is quite a complex phenomenon, which needs to be differentiated. Furthermore, empirical data confirmed an ethnicity-related as well as gender-related impact on the individual ethical decision making process of an employee at work. The results emphasize that Germanic employees have a more favourable evaluation of Code compliance in comparison to Chinese employees due to a stronger rules-orientation approach towards written regulations because of a different legal and cultural history. In turn, Chinese employees show a greater influence of peers and social networks on their individual ethical choices confirming the stronger relationship-orientation of the Chinese society. The

empirical findings confirm previous research regarding gender-related differences. The author found a greater impact of peer relations for male employees regarding their ethical choices at work. Male employees perceive to have less behavioural control over their Code compliance behaviour than females and seem to feel a more intensive demand to stay and remain in conformity with reference others at work. Also the mere existence of a Code of Conduct influences ethical choices of employees. As shown the mere existence of a Code of Conduct can lead to counter-effective results. Employees, not yet working with a Code of Conduct show a more positive Attitude towards such a Code. Conversely, employees perceive a stronger social pressure by peers and networks while working with a Code of Conduct.

The outcome of the expert interviews as the qualitative part of this empirical research can be summarized as follows:

Almost all findings have been confirmed by the experts, but have sharpened also their view on the various practical implications and consequences of cross-cultural corporate compliance management. The expert interviews provided a framework for intensive exchange on the practical approaches regarding compliance management taken in companies in Germany, Austria and China. The involvement of the experts to discuss the findings of this dissertation yielded many valuable practical insights. Nevertheless, especially the finding of a minor influence of a supervisor on employees` ethical choice at work in comparison to the very strong influence of peers and social networks surprised some of the experts and alerted (again) all of them to never just rely on the senior management level to promote compliant behaviour among the workforce – irrespective of which country or culture.

Main conclusions and suggestions

The findings highlight the importance of Business Ethics research as a key discipline of management science. These results confirm previous research in many ways while providing also new insights, especially because of the specific cross-cultural corporate setting of this empirical study. Social networks and peer connections are even of most relevance for ethical business choices of an employee, especially in China. Moreover, ethnicity, gender as well as the mere existence of a compliance codex influence an employees` Intention to comply with such a Code. Germanic employees have a more favourable evaluation of compliance programmes in comparison to Chinese employees. Male employees perceive a stronger impact of peer pressure during their individual ethical decision making process at work. As the author`s approach to combine Western and Chinese management theory constructs in this research has

proven to be successful, it's recommendable for further academic research to apply this approach, too, and to use this newly developed theoretical model in future. The findings also provide useful information for international executive managers in practice to learn from the results of this research, including, but not limited to:

1. In China, it's recommendable that companies implement integrity-based compliance programmes, not just rules-based programmes as it is suitable and adequate in Germanic countries. Companies should develop holistic corporate compliance trainings, which don't mainly aim at the individual employee, but address cross-functional teams within the firm and, furthermore, integrate all important and regular business partners, such as customers, suppliers, external consultants and so on.
2. Female employees can be a better alternative for job positions rated as high compliance-risk or – at least – a targeted use of mixed teams and mixed gender-specific 4-eyes-control-systems for those job positions, which involve particular compliance-related risks.
3. A Code of Conduct is not a panacea to prevent unethical behaviour, in contrary, the findings of this study show, that the mere existence of a Code can even lead to counter-effective results. Therefore, the implementation of a Code should never be a hasty development due to current demands, especially in cross-country settings. The communication of just a copy and paste version of a Code, without embedment in a sustainable, long-term and holistic ethical education programme, would clearly miss the point and could end up as a leap which fell by far too short.

Used sources

This research is based on four different sources. (1) First of all, the author has intensively reviewed the international management literature regarding this topic from different angles. To develop the integrative theoretical model for this study on individual ethical decision making, the author relies on the Theory of planned Behaviour of Ajzen and the Person-Situation Interactionist Model of Trevino, both among the most profound and widely tested core theoretical frameworks in the field of behavioural science in management research. Both frameworks allow for integration, as empirically tested previously. Furthermore, this theoretical model allows for integration of additional predictors and is also applicable in a cross-cultural setting. (2) Secondly, the author has collected empirical data in Germany, Austria and China for statistical analysis by using a quantitative approach. (3) Thirdly, by realisation of interviews

with experts, the authors has also collected qualitative data for further post-survey evaluation. (4) Last, but not least, the author has incorporated two decades of her own practical experience in China-related international business. The author of this promotional work has over 20 years of professional management experience on Chinese Inbound- and Outbound Investments as an attorney-at-law, strategy consultant as well as member of various supervisory boards in China and has lived in China for several years. Thus the author had the idea to conduct academic empirical research on individual ethical decision making at work and compliance programmes as this topic is of highest practical relevance for companies doing business in Europe and in China. But, this topic is also of high relevance in contemporary international management research both in Western countries, but also within the Chinese academic world.

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1. THEORETICAL FRAMEWORK OF BUSINESS ETHICS AND INDIVIDUAL ETHICAL DECISION MAKING THEORY IN MANAGEMENT RESEARCH AND THEORETICAL FOUNDATIONS OF MORAL DISENGAGEMENT AND CHINESE GUANXI

1.1. Business Ethics and Individual Ethical Decision Making in Management Research

Business Ethics as a sub-field in Management Research dates back already more than half a century. A considerable amount of literature has been published on Business Ethics so far. In 1961 Baumhart et al. already conducted research on corporate ethical standards, Business Ethics in management decisions and ethical behaviour of U.S. managers.²² Baumharts overall academic research is rated as pioneering in the field of Business Ethics. Consequently, Ho points out that “managing ethics has come to be considered a management discipline, especially since the birth of Business Ethics [...] movements in the 1960s.”²³ Also Rawls book “A Theory of Justice”, published 1971, is widely considered as one of the groundbreaking academic research approaches on Business Ethics.²⁴ As growing corporate interests and academic management research on Business Ethics constantly evolved, the academic journal *Business Ethics Quarterly* has been founded in 1991 and has celebrated its 25th anniversary just recently.²⁵ Furthermore, just recently in 2016 Beets et al. published an academic article about the quality of Business Ethics Journals, assessing and ranking 24 different Business Ethics-centric Journals.²⁶ The fact of the sheer number of 24 current academic journals focusing on Business Ethics matters demonstrate the immense importance and actuality of Business Ethics research.

Nowadays, Business Ethics has become a well-established field of research in management science. Weiss notes that “ethics is not something value-added to business operations, it is

²² Baumhart, R.C. (1961). How Ethical Are Businessmen? In: Harvard Business Review 39 (4), pp.6-7.

²³ Ho, C. M.-F. (2011). Ethics management for the construction industry: A Review of ethical decision-making literature. In: Engineering, Construction and Architectural Management 18 (5), p. 516.

²⁴ Norman, W. (2015). Rawls on Markets and Corporate. In: Business Ethics Quarterly 25 (1), p. 31.

²⁵ Bowie, N.(2010). Business Ethics: No longer an endangered species but still threatened. In: Business Ethics Quarterly 20 (4), p. 713.

²⁶ Beets, S.D.; Lewis, B.R.; Brower, H.H. (2016). The Quality of Business Ethics Journals. In: Business & Society 55 (2), p. 188.

integral, necessary and central to managing successfully.”²⁷ During the past 40 years the main goal of academic research in the field of Business Ethics has been the development of organizational science in management theory.²⁸ But, in recent years, many researchers have argued, that Business Ethics is not just a subfield of management science, many researchers such as Albach have identified management science as being inherently ethical anyway: “Betriebswirtschaftslehre *ist* Unternehmensethik”.²⁹ Recent evidence suggests that management and ethics are not separable and Buchholz represents many researchers by pointing out: “... the fundamental business of business is ethical, the creation of values that enhance the welfare of communities, societies, and the world. Thus, ethics is central to the managerial task; in fact it is the task of management.”³⁰

In summary, it can be retained that Business Ethics can be considered as a cornerstone in the field of management science, which is underlined by Robertson`s review on the current status of Business Ethics research showing a growing body - 658 articles - of related literature, that appeared in Strategic Management Journal alone over the 10-year period between 1996 and 2005.³¹

One can conclude that contemporary Business Ethics scientists have been re-shaping former management theory approaches by stating that Business Ethics is a key discipline of management science or even consider management science and Business Ethics as being congruent, immanent and identical. This is an advancement of the earlier approaches of management scientists such as Drucker who defines management to be rather functional than ethical in nature and emphasizes “the overall purpose of business is the productive utilization of wealth-producing resources.”³²

Meckenstock follows the modern management science approach and defines Business Ethics as an assessment of economic processes and business structures in accordance with their adequacy and appropriateness to do *good*. Business Ethics reflects categorical management decisions and business behaviour, whereby, according to Meckenstock, economic processes

²⁷ Weiss, J.W. (1994). Business Ethics: A Managerial, Stakeholder Approach. Wadsworth, Belmont, CA, p. 15.

²⁸ Trevino, L.K. (1986). Ethical Decision Making in Organizations: A Person-Situation Interactionist Model In: Academy of Management Review 11 (3), p. 601.

²⁹ Albach, H. (2005). Betriebswirtschaftslehre ohne Unternehmensethik. In: Zeitschrift für Betriebswirtschaft, 75, p. 809.

³⁰ Buchholz, R.A. (1989). Fundamental Concepts and Problems in Business Ethics. Englewood Cliffs, NJ: Prentice-Hall, Inc., p. 28.

³¹ Robertson, C.J. (2008). An analysis of 10 years of business ethics reserach in Strategic Management Journal: 1996-2005. In: Journal of Business Ethics 80, p. 745.

³² Drucker, P.F. (1977). Management. Harper`s College Press, N.Y., p. 62.

and management decision aren't fully determined functional interactions: economic processes and management decisions aren't automatic mechanisms of anonymous market factors, but - in contrary - a complex and winding interaction field of plenty of economic actors who are responsible for their own effective actions.³³

This means modern Business Ethics scientists should rather focus on the actors in business, not only on the economic processes as such. With this change of perspective to focus on the actors, -the employees-, in business, new approaches in contemporary Business Ethics research have been developed. The author of this promotional work follows this academic trend and agrees with Nash claiming that contemporary Business Ethics research explores the tension between personal moral norms of an employee on the one hand and the activities, requirements and goals of a commercial enterprise, especially in international business, on the other hand.³⁴

The terms 'ethical' and 'moral' are used interchangeably by the author of this study, what is in line with previous research. Haines et al. clarify that, consistent with much prior Business Ethics research, one can use the terms "moral" and "ethical" synonymously.³⁵ Haines et al. explain the interchangeably usage of these two terms by referring to the Cambridge Dictionary of Philosophy, which defines "ethics as the philosophical study of morality. The word is also commonly used interchangeably with 'morality'".³⁶

Concentrating on individual moral norms of employees automatically leads a researcher as well as the author of this study to ask why and how employees engage also in unethical behaviour at work as put up for discussion by Moore and Gino and many others³⁷

In this context corporate governance practices play a very important role in management as internationally active companies have designed and implemented corporate governance schemes, especially Codes of Conduct globally at their corporate entities within the recent

³³ Meckenstock, G. (1997). *Wirtschaftsethik*. De Gruyter, Berlin: New York, p. 4.

³⁴ Nash, L. L. (1990). *Good Intentions Aside: A Manager's Guide to Resolving Ethical Problems*. Harvard Business School Press, Boston, p. 5

³⁵ Haines, R.; Street, M; Haines, D. (2008). The Influence of Perceived Importance of an Ethical Issue on Moral Judgement, Moral Obligations and Moral Intent. In: *Journal of Business Ethics* 81 (2), p. 388.

³⁶ Ebd. p. 388, referring to Cambridge Dictionary of Philosophy, 1995, p. 244.

³⁷ Moore, C.; Gino, F. (2015). Approach, Ability, Aftermath: A Psychological Process Framework of Unethical Behavior at Work. In: *Academy of Management Annals*, p. 3 referring inter alia to Moore, C.; Gino, F. (2013). Ethically adrift: how others pull our moral compass from true north and how we can fix it- In: *Research in Organizational Behaviour* 33, pp. 53-77; Trevino, L.K. (1986). Ethical Decision Making in Organizations: A Person-Situation Interactionist Model In: *Academy of Management Review* 11 (3), pp. 601-617; Trevino L.K.; Weaver G.R.; Reynolds S.J. (2006). Behavioral Ethics in Organizations: a Review, In: *Journal of Management* 32, pp. 951-990.

years.³⁸ Many researchers have offered definitions of a Code of Conduct mainly describing Codes as instruments to reflect the firm`s aim to create a positive ethical corporate climate and as parts of an overall ethics program of a corporation.³⁹ Langlois and Schlegelmilch define a Code as "a statement setting down corporate principles, ethics, rules of conduct, codes of practice or company philosophy concerning responsibility to employees, shareholders, consumers, the environment, or any other aspects of society external to the company."⁴⁰

To sum up corporate governance research, a Code of Conduct aims to serve as a coordinate system for employees to better handle ethical choices in business. These ethical choices of employees in business situations and the underlying individual ethical decision making dynamics, which are described Bommer et al. to be very complex⁴¹, are the focal elements of this dissertation.

In summary, **Business Ethics** in management science is about providing appropriate theoretical frameworks for assessing the ethically right or wrong behaviour in business and - consequently - about understanding the nature of individual ethical decision making in business.

Individual ethical decision making processes in management research

As McCabe et al. summarize, a plethora of academic research has been conducted so far with regard to ethical decision making "with a variety of perspectives, e.g. philosophical, economic, sociological, psychological, and theological, all of which offer valid points of view."⁴² As this study is a research in economics and international management, the author will focus on management research approaches, which consider an individual to act more or less as a rational decision maker.

The individual decision making process to form a behavioural Intention and the subsequent behaviour within an ethical context is quite complex. To simplify complexities and to illustrate circumstances, theoretical models are outstandingly suitable. Theoretical models can function as bridges where academic research has not yet developed so far to be able to offer an

³⁸ Robertson, C.J. (2008). An analysis of 10 years of business ethics reserach in Strategic Management Journal: 1996-2005. In: Journal of Business Ethics 80, p. 745.

³⁹ Singh, J.B. (2011). Determinants of the effectiveness of corporate codes of ethics: An empirical study. In: Journal of Business Ethics 101, p. 385.

⁴⁰ Langlois, C.C.; Schlegelmilch, B.B. (1990). Do corporate codes of ethics reflect national character? Evidence from Europe and the United States. In: Journal of International Business Studies 21 (4), p. 522.

⁴¹ Bommer, M; Gratto, C.; Gravander, J.; Tuttle, M. (1987). A Behavioral Model of Ethical and Unethical Decision Making. In: Journal of Business Ethics 6, p. 265.

⁴² McCabe, A.C.; Ingram, R.; Dato-on, M.C. (2006). The Business of Ethics and Gender. In: Journal of Business Ethics 64 (2), p. 102.

overall theory of a phenomenon. As already summarized by Lind in 1983 – and this stands to this day – an integrated, fully elaborated and empirically evident overall theory of moral development, individual ethical decision making as well as of behavioural Intention is currently not yet existing.⁴³ Models try to create a partial reproduction of reality on the basis of already existing theoretical research approaches and their empirical evidence to reduce complex processes to the essential.⁴⁴ Therefore the scope of a model is limited to the underlying theoretical approach and the topic of research.

In recent years many causal models have been developed by Business Ethics theorists to portray (un-) ethical behaviour in corporate settings, whereby most models focus on one of the three following forces as described by Brady and Hatch: (a) the decision making process as primary determinant, with (b) individual, internal factors as well as (c) situational, interpersonal, external factors proposed as playing a moderating role.⁴⁵

They visualized this general model pattern as follows:

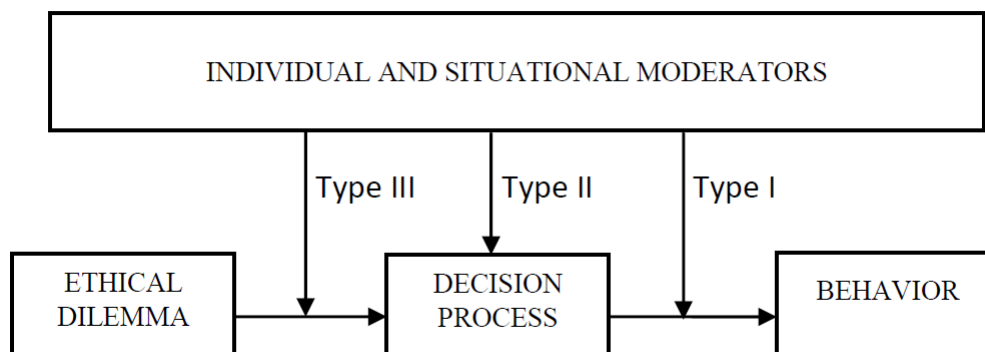


Figure 1.1: General causal model pattern/ Brady and Hatch

Source: Brady and Hatch, 1992, p. 310.

According to Brady and Hatch influencing factors could arise in various phases of the whole process:

- Type I factors: influence the capability of an individual to act in accordance with the decision already taken. The link between the ethical decision and the subsequent action

⁴³ Lind, G., Hartman, H.A.; Wakenhut, R. (Ed.) (New edition 2000, First edition 1983). *Moralisches Urteilen und soziale Umwelt – Theoretische, methodologische und empirische Untersuchungen*. In: Beltz Monographien, Weinheim; Basel, p. 11.

⁴⁴ Petermann, F.; Niebank, K.; Scheithauer, H. (2004). *Entwicklungswissenschaft: Entwicklungspsychologie-Genetik-Neuropsychologie*. Berlin, Heidelberg, New York, p.13.

⁴⁵ Brady, F.N.; Hatch, M.J. (1992). *General Causal Models in Business Ethics: An Essay on Colliding Research Traditions*. In: *Journal of Business Ethics* 11, p. 307.

is interrupted or disturbed. These Type I factors are obstacles to performance, such as weakness of will or external reasons why a decision can no be translated into action.

- Type II factors: influence directly the process of ethical choice during the process of ethical decision making. These individual or situational factors affect the decision making process itself. Type II factors are influences upon cognition of an individual person as causal determinants acting directly upon the decision making process. Brady and Hatch note the person`s own values, the personal condition and own preferences as a typical examples for Type II factors; furthermore also situational influences such as family, friends or society are Type II factors as well as all external variables that bear upon decision making processes for example by producing stress or uncertainty.
- Type III factors: create and influence the specific situation before the ethical decision making process starts. Type III factor are antecedent determinants and create the framework for taking ethical choices at a later time. Brady and Hatch note factors such as the job positions itself, the implementation of monetary incentive systems to promote certain behaviour or other external factors such as a specific industry environment as typical Type III factors.⁴⁶

The author concentrates on Type II factors as individual and situational predictors of ethical choices of an employee during the decision making process itself. The author tests the potential impact of the construct Moral Disengagement, -the individual cognitive condition with regard to ethical blindness-, during the course of the ethical decision making process, which fulfils the definition of a Type II factor. The author also aims to test potential influences of peers and social networks by using the construct Guanxi Orientation as well as potential influences of supervisors by using the construct Supervisor-Subordinate Guanxi. These two interpersonal, situational variables may directly influence the ethical choice and can be considered as Type II factors according to the definition of Brady and Hatch, too, as these two variables focus on potential situational impacts of others, closely related persons or society.

For this study the author develops a new extended theoretical model based on theoretical approaches of management theory on ethical decision making in organizations. This theoretical model serves then as a basis from where the hypothesis can be derived and follows the preconditions of the critical rationalism to be empirically provable.

⁴⁶ Ebd. pp. 310, 311.

1.2. The Individual as a rational decision maker in business – The theoretical frameworks of Ajzen and Fishbein

Almost countless theoretical models to describe the individual ethical decision making dynamics have been developed by scientists anchored in various fields of academic research. One of the most prominent theories in management science in this regard has been developed by Ajzen and Fishbein. They focus on the individual actor as a *rational* decision-maker.⁴⁷ Their Theory of reasoned Action as well as the later developed Theory of planned Behavior concentrate on theoretical constructs conceptualized with individual motivational factors as determinants of the likelihood to perform a targeted behaviour. Ajzen and Fishbein emphasize for both theories that behavioural Intention is the best predictor of a behaviour. Both theories provide an excellent theoretical foundation to guide research to empirically identify, measure and analyze factors affecting behavioural Intention.

The Theory of reasoned Action by Fishbein and Ajzen

The Theory of reasoned Action has been developed by Fishbein and Ajzen back in 1975/1980, as a theory to predict behaviour based on Attitudes regarding this behaviour.⁴⁸ They developed this theory aiming to predict individual's behaviour and to gain a better understanding of the relationship between Attitudes, intention and behaviour of individuals.⁴⁹ At those times several researchers denied a close relationship between Attitudes and behaviour or at least had a quite critical view regarding this topic.⁵⁰ As emphasized by Fishbein and Ajzen, it is important to distinguish between Attitudes towards an object and Attitudes towards a behaviour with respect to that object.⁵¹ Based on their prior research Fishbein and Ajzen developed the Theory of reasoned Action on the assumption that individuals act quite rational and take autonomous, self-determined decisions without any influences by restricting or promoting factors out of one's

⁴⁷ Fishbein, M; Ajzen; I. (1975). *Belief, Attitudes, Intention and Behavior. An Introduction to Theory and Research*. Reading, MA: Addison-Wesley; available only online: <http://people.umass.edu/aizen/f&a1975.html> (accessed August 10th, 2015), Chapter 8, p. 361.

⁴⁸ Ebd. Chapter 8, p. 361; Ajzen, I.; Fishbein, M. (1980). *Understanding Attitudes and predicting social behaviour*. Englewood Cliffs, NJ: Prentice-Hall.

⁴⁹ Fishbein, M. (1967). *Readings in Attitudes Theory and Measurement*. (ed.) New York: Wiley, p.11.

⁵⁰ Abelson, R. P. (1972). *Are Attitudes Necessary?* In: B. T. King and E. McGinnies (eds.), *Attitudes, Conflict, and Social Change*. New York: Academic Press, p. 49.

⁵¹ Fishbein, M; Ajzen; I. (1975). *Belief, Attitudes, Intention and Behavior. An Introduction to Theory and Research*. Reading, MA: Addison-Wesley; available only online: <http://people.umass.edu/aizen/f&a1975.html> (accessed August 10th, 2015), Chapter 8, p. 361.

control.⁵² They argue that “people consider the implications of their actions before they decide to engage or not engage in a given behaviour.”⁵³ Consequently, Ajzen and Fishbein describe behaviour to be under the individual’s full volitional control or rather volitional and voluntary.⁵⁴ Full volitional control plays a very important role in the Theory of Reasoned Action, because only in case of a positive volitional control the individual can fully control the performance of his behaviour. This is an important prerequisite for behavioural Intention to lead to the final behaviour.

Ajzen and Fishbein describe behavioural Intention as the direct determinant and immediate antecedent to behaviour. Behavioural Intention needs to be measured in an appropriate way to provide the most accurate prediction of behaviour.⁵⁵ In general, the stronger the Intention, the more likely the occurrence of the targeted behaviour.

Perhaps the strongest argument and superiority of Fishbein and Ajzen’s theory is the wide scope of application of their model. Empirical evidence has shown that most behaviours can be accurately predicted from an appropriate measure of the individual’s Intention to perform the behaviour in question as claimed by Ajzen and Fishbein⁵⁶ This was also confirmed many times in empirical research and several meta-analyses, such as the one from Sheppard et al.⁵⁷

Regarding the theoretical constructs of their model Ajzen and Fishbein work with two variables, Attitude as well as Subjective Norm, as determinants of Intention⁵⁸ Both theoretical constructs are fundamentally motivational in nature and conceptually independent from each other.⁵⁹ In conclusion, Intention is determined jointly by Attitude towards the behaviour and social normative perceptions regarding it, whereby each of these two determinants weighted for its relative importance.⁶⁰

⁵² Ajzen, I.; Fishbein, M. (1980). *Understanding Attitudes and predicting social behaviour*. Englewood Cliffs, NJ: Prentice-Hall, p. 5.

⁵³ Ebd. p. 5.

⁵⁴ Ebd. p. 5.

⁵⁵ Ebd. p. 41.

⁵⁶ Fishbein, M; Ajzen, I. (1975). *Belief, Attitudes, Intention and Behavior. An Introduction to Theory and Research*. Reading, MA: Addison-Wesley, p. 380.

⁵⁷ Sheppard, B.H.; Hartwick, J.; Warshaw, P.R. (1988). *The Theory of Reasoned Action: A Meta-Analysis of Past Research with Recommendations for Modifications and Future Research*. In: *Journal of Consumer Research* 15, p. 325.

⁵⁸ Fishbein, M; Ajzen, I. (1975). *Belief, Attitudes, Intention and Behavior. An Introduction to Theory and Research*. Reading, MA: Addison-Wesley; available only online: <http://people.umass.edu/ajzen/f&a1975.html> (accessed August 10th, 2015), Chapter 12, p. 511.

⁵⁹ Ajzen, I; Madden, T.J. (1986). *Prediction of goal-directed behavior: The role of Intention, perceived control and prior behavior*. In: *Journal of Experimental Social Psychology* 22, p. 454.

⁶⁰ Ebd. p. 454.

Fishbein and Ajzen visualize the Theory of reasoned Action as follows:

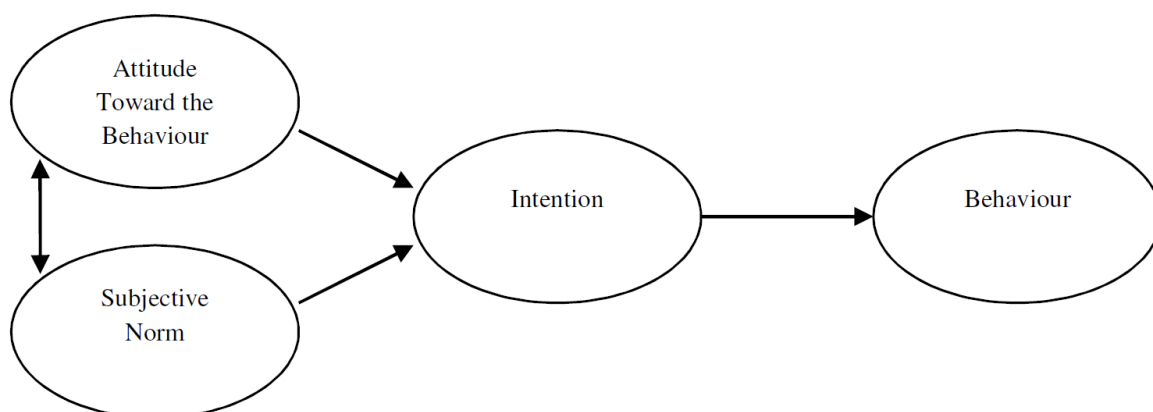


Figure 1.2: Theory of reasoned Action/Fishbein and Ajzen

Source: Ajzen and Madden, 1986, p.454.

Attitude can be defined as a personal factor, which indicates the degree to which an individual has a favourable or unfavourable evaluation of the targeted behaviour.⁶¹ Ajzen and Fishbein point out that just using a standard scaling procedure to assess an individual's Attitude, would be sufficient.⁶² An individual's Attitude towards a behaviour can be described as "a set of salient beliefs he or she holds about performing the behaviour."⁶³ Attitudes towards a behaviour can be predicted "by multiplying his or her evaluation of each of the behaviour's consequences, by the strength of his or her belief that performing the behaviour will lead to that consequence and then summing the products for the total set of beliefs".⁶⁴

The second predictor, Subjective Norm, is conceptualized as normative beliefs and is described as a social factor by Ajzen and Madden.⁶⁵ Subjective Norm is about the individual's perceptions what important others or closely related persons may expect from him regarding a targeted behaviour. These perceptions arise from the individual's normative beliefs as well as his motivation to comply with the social expectations.⁶⁶ Subjective Norm indicates the degree of

⁶¹ Ebd. p. 454.

⁶² Ajzen, I.; Fishbein, M. (1980). *Understanding Attitudes and predicting social behaviour*. Englewood Cliffs, NJ: Prentice-Hall, p. 54.

⁶³ Ebd. p. 65.

⁶⁴ Ebd. p. 67.

⁶⁵ Ajzen, I; Madden, T.J. (1986). Prediction of goal-directed behavior: The role of Intention, perceived control and prior behavior. In: *Journal of Experimental Social Psychology* 22, p. 454.

⁶⁶ Fishbein, M; Ajzen; I. (1975). *Belief, Attitudes, Intention and Behavior*. An Introduction to Theory and Research. Reading, MA: Addison-Wesley; available only online: <http://people.umass.edu/ajzen/f&a1975.html> (accessed August 10th, 2015); Ajzen, I.; Fishbein, M. (1980). *Understanding Attitudes and predicting social behaviour*. Englewood Cliffs, NJ: Prentice-Hall, p. 57.

the perceived social pressure experienced by the individual to show or not to show the behaviour.⁶⁷

In conclusion, the Theory of reasoned Action as a systematic theoretical framework has used, for the first time, only a limited number of constructs to evolve a model, which can be used for analyzing any kind of behaviour under volitional control.⁶⁸ This has been the greatest advancement of Ajzen and Fishbein so far, because until this point, “most scientists have attempted to explain behaviour in a single domain, and they have invoked different variables to deal with different kinds of behaviours.”⁶⁹

The Theory of planned Behaviour by Ajzen

After further research Ajzen developed the framework into the Theory of planned Behaviour.⁷⁰ Ajzen's central starting point is again that human beings usually behave in a sensible manner, take account of available information and consider the implications of their actions.⁷¹ In line with this assumption Ajzen defines again the individual's Intention to perform or not to perform a certain behaviour as the most important determinant of that action.⁷²

If an individual behaves the one way or the other, is supposed to heavily depend on his Intention regarding the targeted behaviour. According to Ajzen an individual performs an Intention to engage in a certain behaviour, but this Intention remains only a behavioural disposition until, - at the appropriate time and opportunity-, an attempt is made to translate the Intention into action. Assuming that the behaviour is in fact under volitional control, the attempt will finally produce the desired act.⁷³ In this context Ajzen refers to several academic researchers who confirmed that in general people are expected to do what they intend to do: “The disposition

⁶⁷ Ajzen, I; Madden, T.J. (1986). Prediction of goal-directed behavior: The role of Intention, perceived control and prior behavior. In: *Journal of Experimental Social Psychology* 22, p. 454.

⁶⁸ Ajzen, I.; Fishbein, M. (1980). *Understanding Attitudes and predicting social behaviour*. Englewood Cliffs, NJ: Prentice-Hall, p. 96.

⁶⁹ Ebd. p. 96.

⁷⁰ Fishbein, M; Ajzen; I. (1975). *Belief, Attitude, Intention and Behavior. An Introduction to Theory and Research*. Reading, MA: Addison-Wesley; available: <http://people.umass.edu/aizen/f&a1975.html> (accessed August 10th, 2015); Ajzen, I.; Fishbein, M. (1980). *Understanding Attitudes and predicting social behaviour*. Englewood Cliffs, NJ: Prentice-Hall; Ajzen, I. (1988). *Attitudes, personality, and behavior*. Chicago: Dorsey Press; Ajzen, I. (1991). The theory of planned behaviour. In: *Organizational Behavior and Human Decision Processes* 50 (2), p.179; Ajzen; I (2005). *Attitudes, personality and behavior*. 2nd. Edition. New York: Open University Press; Ajzen, I; Madden, T.J. (1986). Prediction of goal-directed behavior: The role of Intention, perceived control and prior behavior. In: *Journal of Experimental Social Psychology* 22, p. 456.

⁷¹ Ajzen; I (2005). *Attitudes, personality and behavior*. 2nd. Edition. New York: Open University Press, p. 117.

⁷² Ebd. p. 117.

⁷³ Ebd. p. 99.

most closely linked to a specific action tendency is the Intention to perform the action under consideration.”⁷⁴

A large number of empirical studies testing the Theory of planned Behaviour provided strong support for the proposition that Intention to perform a targeted behaviour can be predicted from the constructs (1) Attitude, (2) Subjective Norm and (3) Perceived Behavioural Control. The strengths of Ajzen`s model lies in its extraordinary variability. Even with respect to an effectively unlimited variety of different individual Intentions, the consideration of the three predictors Attitude, Subjective Norm and Perceived Behavioural Control permit highly accurate prediction.⁷⁵

However, already Ajzen`s previous Theory of reasoned Action has been criticized by several researchers, because – in practice - an individual`s control over a behaviour can be limited due to many additional internal or external factors affecting the individual`s control over the targeted behaviour.⁷⁶

Thus, to address also the possibility of a situation where an individual has only an incomplete volitional control, Ajzen incorporated an additional construct into the theoretical Framework of the Theory of planed Behaviour.⁷⁷ Ajzen described this construct as the individual`s Perceived Behavioural Control.⁷⁸

In summary, Intention and hence behaviour are influenced by three determinants, which are (1) Attitude, a function which is personal in nature, (2) Subjective Norm, a function reflecting social impacts and (3) Perceived Behavioural Control, a function dealing with issues of control.⁷⁹

Also within the framework of the Theory of planned Behaviour, Attitude stands for an individuals` positive or negative evaluation of conducting the targeted behaviour, Subjective Norm stands for the employees` perception of social influences by closely related persons, and

⁷⁴ Ebd. pp. 99-100 referring to Fishbein, M; Ajzen; I. (1975). Belief, Attitudes, Intention and Behavior. An Introduction to Theory and Research. Reading, MA: Addison-Wesley; available only online: <http://people.umass.edu/ajzen/f&a1975.html>; Triandis, H.C. (1977). Interpersonal Behavior. Monterey, CA: Brooks/Cole; Fisher, J.D.; Fisher, W.A. (1992). Changing AIDS-risk behaviour. In: Psychological Bulletin 111, pp. 455-474; Gollwitzer, P.M. (1993). Goal achievement: The role of Intentions. In: Stroebe W. and Hewstone, M. (eds.). European Review of Social Psychology 4, Chichester, England: Wiley, pp. 141-185.

⁷⁵ Ajzen; I (2005), Attitudes, personality and behavior. 2nd. Edition. New York: Open University Press, p. 120

⁷⁶ Ajzen, I; Madden, T.J. (1986). Prediction of goal-directed behavior: The role of Intention, perceived control and prior behavior. In: Journal of Experimental Social Psychology 22, p. 456.

⁷⁷ Ajzen; I (2005). Attitudes, personality and behavior. 2nd. Edition. New York: Open University Press, p. 117.

⁷⁸ Ajzen, I. (1985). From Intentions to actions: A theory of planned behaviour. In: J. Kuhl & J. Beckman (Eds.), Action-control: From cognition to behavior (pp. 11-39). Heidelberg: Springer.

⁷⁹ Ajzen; I (2005). Attitudes, personality and behavior. 2nd. Edition. New York: Open University Press, p. 117.

Perceived Behaviour Control stands for the employees' perceived own capability and ability to conduct the targeted behaviour.

These three determinants jointly influence behavioural Intention, but they are conceptually separated and independent. Ajzen emphasizes that the relative importance of each of these three determinants depends in part on the Intention in each individual case; for some particular cases only one or two of these determinants may be needed to explain Intention, while in other cases all three determinants may be necessary.⁸⁰ While testing the Theory of planned Behaviour empirically, the three determinants are often interrelated due to the fact that the same information can influence all determinants. As shown in Figure 1.2, Ajzen assumes that Perceived Behavioural Control has directly motivational implications for Intention, but Perceived Behavioural Control can also be directly linked to behaviour, so that this construct can be used to predict behaviour directly as it may be considered a proxy or partial substitute for measure of actual control.⁸¹

Ajzen also explored the antecedents of Attitude, Subjective Norm and Perceived Behavioural Control and enhanced his former research approach. This is important, because Ajzen focused not only on simply predicting a behaviour, but on understanding human behaviour by identifying the determinants of behavioural Intention.

According to Ajzen, beliefs as antecedents to Attitude, Subjective Norm and Perceived Behavioural Control are informational foundations of Intention and behaviour. Ajzen postulates that "an evaluation of any object follows reasonably from beliefs we hold about that object."⁸² Ajzen sees behavioural beliefs determining Attitude. Behavioural beliefs are the individual's accessible beliefs about the outcome of the targeted behaviour. The individual's Attitude is defined by the way how the individual assesses the outcomes associated with the targeted behaviour and the strength of these associations.⁸³

The antecedents of Subjective Norm are also functions of beliefs. Ajzen defines them as normative beliefs, which are the individual's beliefs regarding the social influence and social pressure of closely related persons to show or not to show the targeted behaviour. For many behaviours, Ajzen defines as important closely related people persons like "parents, spouse, close friends, co-workers [...]."⁸⁴

⁸⁰ Ebd. p. 118.

⁸¹ Ebd. p. 119.

⁸² Ebd. p. 118.

⁸³ Ebd. p. 123.

⁸⁴ Ebd. p. 124.

Regarding Behavioural Control Ajzen makes a distinction between actual behavioural control factors and Perceived Behavioural Control factors. Individuals' actual behavioural control factors are these non-motivational factors, which can influence the performance of the targeted behaviour such as individuals' access to appropriate opportunities or to appropriate resources such as time, money, cooperation with others or skills.⁸⁵ All these non-motivational factors collectively accumulate into the individual's actual control over the targeted behaviour. Ajzen further points out that to the extent that an individual has access to the required resources and opportunities on the one hand, and intends to perform the targeted behaviour on the other hand, the individual will in the end succeed in doing so.⁸⁶

As it is quite often not possible to measure the individual actual behavioural control, Ajzen postulates that Perceived Behavioural Control can substitute for the measure of actual control depending on the degree of volitional control over the targeted behaviour as well as on the degree of accuracy of the perceptions. Antecedents of Perceived Behavioural Control are the individual's control beliefs how easy or how difficult the individual can perform the targeted behaviour. These control beliefs are the individual's beliefs about opportunities and resources to perform the targeted behaviour and underlie Perceived Behavioural Control.⁸⁷

These control beliefs may be based in part on past experience of the individual with the targeted behaviour, but may also be shaped by second-hand information about the targeted behaviour, and furthermore affected by experiences of closely related others as well as by other factors that scale up or down the individual's perceived difficulty of performing the targeted behaviour.⁸⁸

Ajzen assessed the Perceived Behavioural Control construct to be most compatible with Bandura's academic concept of self-efficacy and related research, where most knowledge about the role of Perceived Behavioural Control comes from.⁸⁹

In summary, the Theory of planned Behaviour refers to three important beliefs such as behavioural, normative and control beliefs and defines them to be relevant in predicting the

⁸⁵ Ajzen, I. (1991). The theory of planned behaviour. In: *Organizational Behavior and Human Decision Processes* 50 (2), p. 182.

⁸⁶ Ebd. p. 182.

⁸⁷ Ajzen, I; Madden, T.J. (1986). Prediction of goal-directed behavior: The role of Intention, perceived control and prior behavior. In: *Journal of Experimental Social Psychology* 22, p. 457.

⁸⁸ Ebd. p. 457.

⁸⁹ Ajzen, I. (1991). The theory of planned behaviour. In: *Organizational Behavior and Human Decision Processes* 50 (2), p. 184, referring to: Bandura, A. (1977). Self-efficacy: Toward a unifying theory of behavioral change. In: *Psychological Review* 84, pp. 191-215; Bandura, A. (1982). Self-efficacy mechanism in human agency. In: *American Psychologist* 37, pp.122-147; Bandura, A.; Adams, N. E.; Beyer, J. (1977). Cognitive processes mediating behavioral change. In: *Journal of Personality and Social Psychology* 35, pp. 125-139; Bandura, A.; Adams, N. E.; Hardy, A. B.; Howells, G. N. (1980). Tests of the generality of self-efficacy theory. In: *Cognitive Therapy and Research* 4, pp. 39-66.

performance of individual behaviour. Thus, it is evident, that the Theory of planned Behaviour reduces to the Theory of reasoned Action in all cases when an individual assumes that the targeted behaviour is completely under his volitional control, because in these cases consequentially the construct Perceived Behavioural Control becomes largely irrelevant.⁹⁰

Another key point of Ajzen's model is his recognition of potential importance of background factors, which may influence the individual's behavioural, normative and control beliefs. As potential background factors Ajzen listed age, gender, ethnicity (both factors tested by the author in this study), socio-economic status, education, nationality, religious affiliation, group membership, past experiences, exposure to information, social support, coping skills and so forth.⁹¹

Ajzen describes the Theory of planned Behaviour model as follows:

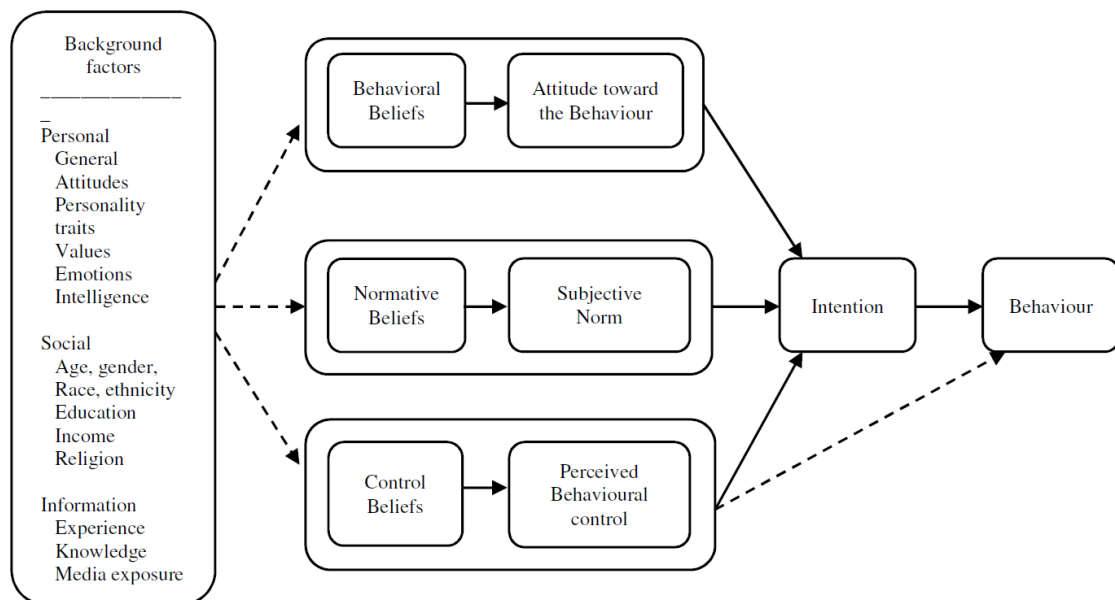


Figure 1.3: The Theory of planned Behaviour/ Ajzen

Source: Ajzen, 2005, p. 135.

The author decided to take the Theory of planned Behaviour as the basic theoretical framework for this research.

⁹⁰ Ajzen, I; Madden, T.J. (1986). Prediction of goal-directed behavior: The role of Intention, perceived control and prior behavior. In: *Journal of Experimental Social Psychology* 22, p. 459.

⁹¹ Ajzen, I. (2005), *Attitudes, personality and behavior*. 2nd. Edition. New York: Open University Press, p. 134.

1.3. The Individual as an ethical decision-maker in business – The theoretical framework of Trevino

The behavioural Intention of an employee to act according to a Code of Conduct can be described as an ethical behavioural Intention towards a certain behaviour as the ethical principles of an individual find their expression in the employee`s behavioural Intention to act in a certain way. This approach has been confirmed by several researchers such as emphasized by Ghoshal.⁹² Consequently, unethical Intention can be defined as the „expression of one`s willingness or commitment to engage in an unethical behaviour“ and unethical behaviour in business can be described as „any organizational member action that violates widely accepted (societal) moral norms.“⁹³

These definitions of unethical Intention and unethical behaviour have been widely used in Business Ethics and management theory literature.⁹⁴ In this regard, most studies accentuate the difference between unethical and illegal behaviour in an organization like theft, bribery, corruptive behaviour or lying to stakeholders on the one hand, and negative workplace behaviours such as lateness on the other hand, which is no violation of a fundamental ethical principle.⁹⁵

Furthermore, it is important to differentiate illegal behaviour in business from unethical behaviour in business. Many analysts define corporate crime as „conduct of a corporation, or of employees acting on behalf of a corporation, which is proscribed as punishable by law.“⁹⁶ Hence follows that an illegal action is most of the time also an unethical action, but not every unethical action is illegal at the same time. According to Jones, a business decision is ethical or unethical if it is legal and morally acceptable or illegal and morally unacceptable.⁹⁷

⁹² Ghoshal, S; (2005). Bad Management Theories are destroying Good Management Practices. In: Academy of Management Learning & Education 4 (1), p.77.

⁹³ Kish-Gephart J.J.; Harrison, D.A.; Trevino, L.K. (2010). Bad Apples, Bad Cases and Bad Barrels: Meta-Analytic Evidence about Sources of Unethical Decisions at Work. In: Journal of Applied Psychology 95 (1), p.2.

⁹⁴ Ebd. p. 2 referring to Kaptein, M. (2008). Developing a measure of unethical behaviour in the workplace: A Stakeholder Perspective. In: Journal of Management 45, p. 980; Trevino L.K.; Weaver G.R.; Reynolds S.J. (2006). Behavioral Ethics in Organizations: a Review, In: Journal of Management 32, p. 972.

⁹⁵ Ebd. p.2.

⁹⁶ Smith, N.C.; Simpson, S.S.; Huang, C.-Y. (2007). Why managers fail to do the right thing? An empirical study of unethical and illegal conduct. In: Business Ethics Quarterly 17 (4), p.634 referring to Braithwaite, J. (1984). Corporate Crime in the Pharmaceutical Industry. London: Routledge & Kegan Paul, p. 6.

⁹⁷ Jones, T. M. (1991). Ethical decision making by individuals in organizations: An issue-contingent model, In: Academy of Management Review 16, p. 367.

But, in business, it's often not so clear what is right and what is wrong from an employee's perspective being confused whether a – misconceived- loyalty to the firm should come first while taking a decision or individual moral values.⁹⁸

In academic literature, this confusion is called ethical dilemma and numerous research approaches have been conducted over the years to shed light on this complex theoretical phenomenon as well as on potential measurement methods.⁹⁹ The founder and forefather of academic research in this context has been the scientist Piaget, who started empirical research on this topic already back in 1932.¹⁰⁰

Kohlbergs Theory of Cognitive Moral Development

The next milestone of academic research in this regard has been Kohlberg's landmark Cognitive Moral Development Theory, developed in 1969 and based on the work of Piaget. Kohlberg's theory has been the most significant thought pattern of moral judgment in the context of ethical decision making for about 40 to 50 years.¹⁰¹

In retrospect, Kohlbergs Cognitive Moral Development Theory has triggered a lot of later research approaches on behavioural Intention and behaviour in business; Fraedrich et al. see „most, if not all, of the current models of ethical decision making in business utilize Kohlberg's work to expand the discipline's understanding of ethical decision making.“¹⁰²

Kohlberg has grounded his research empirically in longitudinal data on moral decisions of young men while many other researchers just developed theoretical models without any empirical testing.¹⁰³ Kohlberg's model focuses on cognitive or reasoning aspects of moral development. This is evidenced as Kohlberg sees in the process of growing up and gaining more education and experiences also a process of enhancing an individual's moral reasoning according to a clearly structured six-stages model. As Husted points out each sequential stage

⁹⁸ Bazerman M.H. (2008). Evaluating your Business Ethics: A Harvard Professor explains why good people do unethical things. In: Gallup Management Journal Online, p. 2.

⁹⁹ McDonald, G.; Pak, P, C. (1996). It's All Fair in Love, War, and Business: Cognitive Philosophies in Ethical Decision Making, In: Journal of Business Ethics 15, p. 275, referring to Trevino, L. K. (1992). Moral Reasoning and Business Ethics: Implications for Research, Education, and Management, In: Journal of Business Ethics 11, p. 445.

¹⁰⁰ Ebd. p. 275, referring to Piaget, J. (1932). The Moral Development of the Child, Paul Kegan Publishing, London.

¹⁰¹ Bailey, C.D.; Scott, I.; Thoma, S. (2010). Revitalizing Accounting Ethics Research in Neo-Kohlbergian Framework: Putting the DIT into Perspective. In: Behavioral Research in Accounting 22 (2), p. 3

¹⁰² Fraedrich, J.; Thorne, D.M.; Ferrell, O.C.(1994). Assessing the Application of Cognitive Moral Development Theory to Business Ethics. In: Journal of Business Ethics 13 (10), p. 831.

¹⁰³ Ebd. p. 830.

of moral reasoning requires more complex and subtle thinking and entails that an increasingly wide range of persons and institutions have to be taken into account by the individual.¹⁰⁴

Kohlberg splits the Six-Stages Model of Moral Development up into three main levels of cognitive moral development, each composed of two stages, such as:

Level 1 (Stage 1 and Stage 2) – *the pre-conventional level*

Level 2 (Stage 3 and Stage 4) – *the conventional level*

Level 3 (Stage 5 and Stage 6) – *the principled/postconventional level.*

According to Trevino, an individual's moral development involves „the individual's passage from stage to stage in an invariant irreversible sequence“. ¹⁰⁵ Kohlberg argues for lifelong individual cognitive development and emphasizes on the hierarchical series of three qualitatively different levels of moral reasoning, which a person needs to pass through.¹⁰⁶

The Six Stages Model of Ethical Reasoning/ Kohlberg

Kohlberg Stages	Orientation	Level and Self Perception	Value of Life
ONE	Obey or pay, punishment orientation	Preconventional Level Self Perception: Outside Group	Confused with physical objects
TWO	Self (and sometimes others,) satisfaction	Preconventional Level Self Perception: Outside Group	Instrumental to needs of possessor
THREE	Win others, approval by helping them	Conventional Level Self Perception: Inside Group	Based on empathy of family
FOUR	Law-and-Order-Mentality; doing one's duty	Conventional Level Self Perception: Inside Group	Based on legal rights and duties
FIVE	Respect individual rights and abide by critically examined values	Postconventional Level Self Perception: Above Group	Life is universal human right
SIX	Act with logically developed and universally developed principles	Postconventional Level Self Perception: Above Group	Life is sacred

Table 1.1: The Six Stages Model of Ethical Reasoning / Kohlberg

Source: Wright Jr., 1999, p.461.

At stages one and two an individual would focus on his immediate interests as well as on concrete consequences such as punishments or rewards; at stage three an individual would

¹⁰⁴ Husted, B.W. (2000). Toward a Model of Cross-Cultural Business Ethics: The Impact of Individualism and Collectivism on the Ethical Decision Making Process. In: Academy of Management Proceedings, p. 15.

¹⁰⁵ Trevino, L.K. (1986). Ethical Decision Making in Organizations: A Person-Situation Interactionist Model In: Academy of Management Review 11 (3), p. 604.

¹⁰⁶ Jeffrey, C.; Dilla, W.; Weatherholt, N. (2004). The Impact of Ethical Development and Cultural Constructs on Auditor Judgment: A Study of Auditors in Taiwan. In: Business Ethics Quarterly 14 (3), p. 555.

focus on significant others like family or peer groups and would try to perform according to their expectations; at stage four the individual would assess “rightness” in the context of what a wider population of society may expect to be “right”; at stage five and stage six “right” would be determined by ethical, universal principles of justice and welfare beyond norms, laws or the influence of groups or single persons.¹⁰⁷

Trevino notes that Kohlberg places most adults in stages three or four in terms of their moral development level and Kohlberg denied that more than about 20 percent of American adults may have reached the stages five or six.¹⁰⁸

The Four-Components Model of Rest (1983) expanding Kohlberg's Theory of Moral Development

Like many other researchers also Rest developed Kohlberg's theory further and introduced his Four-Components Model in 1983.¹⁰⁹ The Model describes four process components which are involved in the emergence of moral behaviour.¹¹⁰

The novelty of Rests' Model is the development of an instrument for empirical measurement and operationalization of Kohlberg's moral development constructs – the so called Defining Issues Test.¹¹¹ This has been the next milestone in academic research regarding ethical choices as Kohlberg has never developed an empirical instrument how to measure and evaluate individual moral development.¹¹²

For Rests' Four-Components Model all four components represent processes, not a person's characteristics, which influence each other and interact, but should be considered independently from each other.¹¹³ These internal processes influence each other via feedforward and feedback loops and should therefore not be seen as a static condition.¹¹⁴ So, the Four-Component-Model describes an “ensemble of processes”, not only one single process, which means that a moral

¹⁰⁷ Trevino, L.K. (1986). Ethical Decision Making in Organizations: A Person-Situation Interactionist Model In: *Academy of Management Review* 11 (3), p. 606.

¹⁰⁸ Ebd. p. 606.

¹⁰⁹ Bailey, C.D.; Scott, I.; Thoma, S. (2010). Revitalizing Accounting Ethics Research in Neo-Kohlbergian Framework: Putting the DIT into Perspective. In: *Behavioral Research in Accounting* 22 (2), p. 3.

¹¹⁰ Rest, J.R. (1984). The major components of morality. In: Kurtines, W.; Gewirtz, J.L. (eds.). *Morality, moral behaviour and moral development*. New York, p. 25.

¹¹¹ Ebd. p. 461.

¹¹² Wright Jr.; R.D. (1999). Are Women More Ethical? Recent Findings on the Effects of Gender upon Moral Development. In: *Journal of Public Administration Research and Theory* 9 (3), p. 460.

¹¹³ Narvaez, D.; Rest, J.R. (1995). The Four Components of Acting Morally. In: *Moral Behavior and Moral Development: An Introduction*. Kurtines, W.; Gewirtz, J.L.(eds.), McGraw-Hill, New York, p. 386.

¹¹⁴ Moores, T.T.; Chang, J., C., J. (2006). Ethical Decision Making in Software Piracy: Initial Development and Test of a Four-Component Model. In: *MIS Quarterly* 30 (1), p.169.

behaviour may not result out of one single variable or component, but, on the contrary, all four processes need to be run through and executed.¹¹⁵

Narvaez and Rest describe the four internal processes towards producing a moral action to take place as follows:¹¹⁶

The Four Component Model based on Rest

Moral sensitivity	<ul style="list-style-type: none"> -Involves the individual's receptivity of his sensory perceptual system to social situations. -Involves the individual's interpreting of a situation as moral, which means in terms of <i>what</i> actions are possible, <i>who</i> (including the self) and <i>what</i> would be affected by each of the possible actions. -Involves the individual's empathy for those involved, about <i>how</i> these involved persons may react.
Moral judgement	<ul style="list-style-type: none"> -Involves the individual's judgement, which possible course of action is justified. -Involves the individual's judgement, which possible course of action is most moral. -Involves the individual's weighting of choices and determining what a person ought to do in such a situation.
Moral motivation	<ul style="list-style-type: none"> -Involves the individuals' Intention to give priority to the moral value above all other values -Involves the individuals' Intention to perform a behaviour accordingly
Implementation	<ul style="list-style-type: none"> -Involves the individuals' outlining and implementing of an action plan with any combination of the individual's ego strength together with his psychological and social skills to overcome potential resistances or impediments such as fatigue or frustration.

Table 1.2: The Four Component Model based on Rest

Source: compiled by author based on Narvaez & Rest, 1995, In: Kurtines & Gewirtz, 1995, p. 368 and Moores & Chang, 2006, p. 168.

In summary, applying the Four-Components Model on a business situation, an employee should first of all identify the ethical issue, in a second step assess the issue based on his personal ethics, in a third step develop the Intention to comply with this ethical assessment and finally perform an ethical action.¹¹⁷

All these four processes need to be executed before the targeted moral behaviour will be shown. All four processes involve different kinds of cognitive-affective interactions and, while executing these four processes, an employee “may fail at any point due to a weakness in one

¹¹⁵ Narvaez, D.; Rest, J.R. (1995). The Four Components of Acting Morally. In: Moral Behavior and Moral Development: An Introduction. Kurtines, W.; Gewirtz, J.L.(eds.), McGraw-Hill, New York, p. 387.

¹¹⁶ Ebd. p. 386.

¹¹⁷ Fang, M.-L. (2006). Evaluating Ethical Decision-Making of Individual Employees in Organizations – An Integration Framework, In: The Journal of American Academy of Business 8 (2), p. 106.

skill or process”.¹¹⁸ This means one individual may show a strong moral sensitivity or a strong moral judgement, but may fail to implement and execute the targeted behaviour. In the end, the complexity of these interactions often make it challenging to detect the causal factors of non-moral behaviour.¹¹⁹

Nevertheless, Rest’s Model stands out among the mass of theoretical models on individual ethical decision making due to its huge transferability and generalizability to more or less any organizational setting in business.¹²⁰ Numerous researchers have started by studying Rest’s Four Components Model so far and have built out their own contributions regarding ethical decision making in corporate settings from there, such as Trevino (1986), Jones (1991) as well as Gaudine & Thorne (2001) to name only a few.¹²¹

The Person-Situation Interactionist Model of Trevino (1986)

Influenced by previous research regarding moral development, especially by Kohlberg and Rest, Trevino developed her so-called **Person-Situation Interactionist Model** of ethical decision making in organizations in 1986, which has been another milestone in academic research in this regard.

Trevino’s model emphasizes the interactive influences of individual as well as situational variables on an individual’s cognitive moral development stage and thus offers an explanation for the performance of ethical or unethical behaviour in business while individuals make decisions in organizations.¹²²

Trevino’s model starts with an ethical dilemma, relates human cognitions to stages of moral development (as in Kohlberg’s cognitive moral development model) and aims to gain a deep insight into the moderating effects of individual as well as situational factors on ethical or unethical behaviour - factors such as ego strength, field dependence, locus of control (all individual factors) or immediate job context, organizational culture and characteristics of the

¹¹⁸ Narvaez, D.; Rest, J.R. (1995). The Four Components of Acting Morally. In: Moral Behavior and Moral Development: An Introduction. Kurtines, W.; Gewirtz, J.L.(eds.), McGraw-Hill, New York, p. 387.

¹¹⁹ Ebd. p. 397.

¹²⁰ Jones, T. M. (1991). Ethical decision making by individuals in organizations: An issue-contingent model, In: Academy of Management Review 16, p. 366.

¹²¹ Fang, M.-L. (2006). Evaluating Ethical Decision-Making of Individual Employees in Organizations – An Integration Framework, In: The Journal of American Academy of Business 8 (2), p. 106.

¹²² Trevino, L.K. (1986). Ethical Decision Making in Organizations: A Person-Situation Interactionist Model In: Academy of Management Review 11 (3), p. 602.

work (all situational factors).¹²³ The impact of the situational factors will depend on the general stage of the individual's cognitive moral development. Trevino assumes that most individuals working in organizations may operate at stages 3 and 4 (conventional level) according to the Kohlberg model of cognitive moral development. This means, most individuals may be particularly impressible by these situational factors.¹²⁴

Next to peer influences Trevino describes also organizational culture as a typical situational factor in this regard influencing thoughts and feelings of the employee and guiding his or her behaviour. It manifests itself in norms, rituals, ceremonies, legends and the organization's choice of heroes and heroines".¹²⁵ Normative structure is one of the most important influencing factors of an organizational culture as shown in the graphic illustration below (Figure 1.4). Correspondingly, also a Code of Conduct can be assessed as a norm and a manifest of a certain corporate culture.

Another important situational factor in this context are referent others such as peers and colleagues. Many researchers have produced evidence already that referent others significantly shape the individual's ethical decision making at work.¹²⁶ In this respect, Trevino refers to prior empirical research showing that the impact of peers on an employees' ethical choice has been greater than the influence of one's own beliefs or the beliefs of top management.¹²⁷

An equally significant situational factor of Trevino's Model is the individual's obedience to authority. The organizational culture at a work place shapes the relationship of an individual employee to the authorities within a company, which means to supervisors and superiors. Trevino notes in work cultures with tight structures and legitimate hierarchical orders most employees are expected to follow and to fulfil the orders and to execute instructions of the supervisors, "even if those orders are contrary to the person's determination of what is right".¹²⁸

¹²³ Brady, F.N.; Hatch, M.J. (1992). General Causal Models in Business Ethics: An Essay on Colliding Research Traditions. In: *Journal of Business Ethics* 11, p. 308.

¹²⁴ Trevino, L.K. (1986). Ethical Decision Making in Organizations: A Person-Situation Interactionist Model In: *Academy of Management Review* 11 (3), p. 611.

¹²⁵ Ebd. p. 611.

¹²⁶ Ebd. p. 612.

¹²⁷ Trevino, L.K. (1986). Ethical Decision Making in Organizations: A Person-Situation Interactionist Model In: *Academy of Management Review* 11 (3), p. 612, referring to Zey-Ferrell, M.; Weaver, K. M.; Ferrell, O. C. (1979). Predicting unethical behaviour among marketing practitioners, In: *Human Relations* 32, p. 568.

¹²⁸ Ebd. p. 612.

In summary, according to the Person-Situation-Interactionist Model employees' ethical choices at work may be mainly a result of his or her interaction with the environment, and not at all only a result of his or her individual character traits.

Trevino describes the Person-Situation-Interactionist Model as follows:

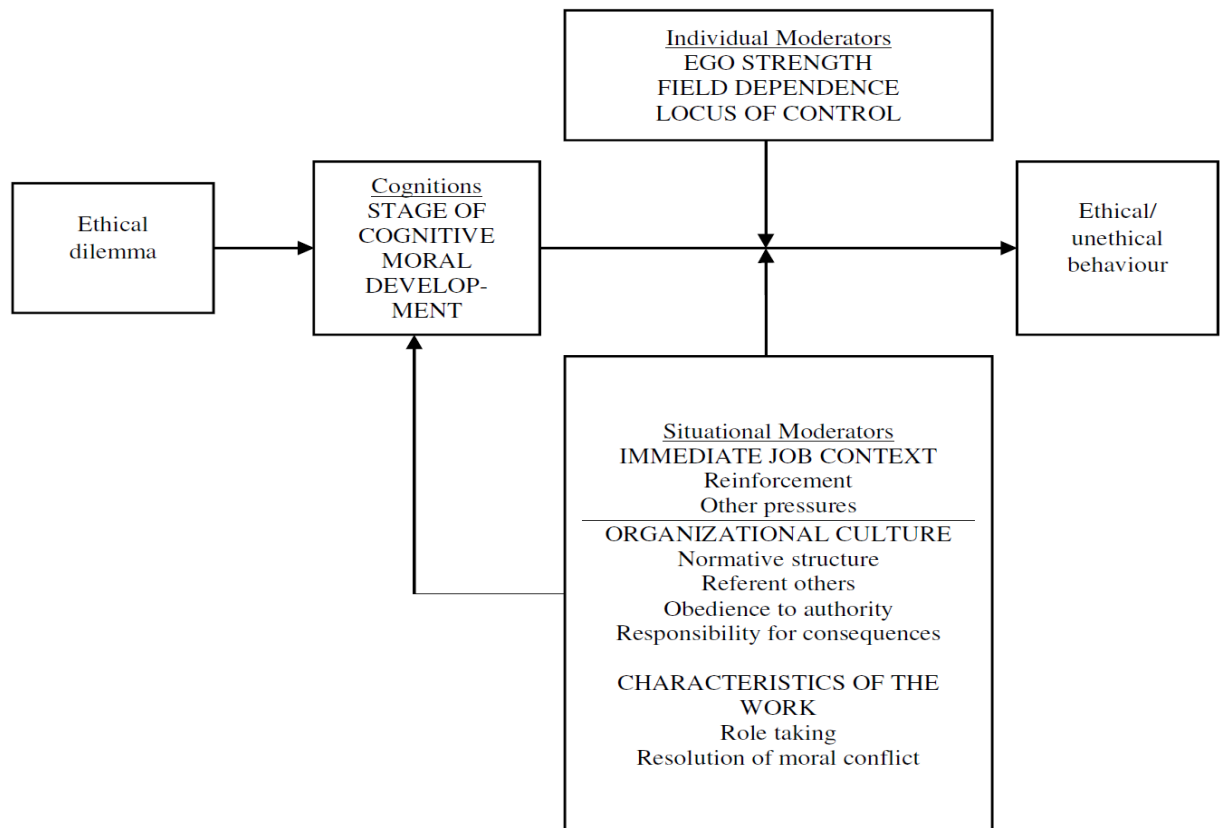


Figure 1.4: The Person-Situation-Interactionist Model of Trevino

Source: Trevino, 1986, p. 603.

Together with the Theory of planned Behaviour the Person-Situation-Interactionist Model provides the theoretical framework for this promotional work.

1.4. Theoretical Foundations of Moral Disengagement as an individual cognitive predictor influencing ethical decision making in business

The Moral Disengagement framework, developed by Bandura in 1986, has not been completely new to the academic world, but Bandura's framework summarized and tied up several approaches and research streams conducted previously.¹²⁹ Bandura developed his landmark

¹²⁹ Detert, J.R.; Trevino, L.K.; Sweitzer, V.L. (2008). Moral Disengagement in Ethical Decision Making: A Study of Antecedents and Outcomes. In: Journal of Applied Psychology 93 (2), p. 376.

theoretical approach Moral Disengagement as an extension to his more general Social Cognitive Theory.¹³⁰ Key point of Bandura's Social Cognitive Theory is the assumption that an individual, in general, manages and steers himself via so called self-regulatory capabilities. These self-regulatory capabilities ensure that internal moral standards are complied with and an individual will follow and act according to his moral sense and moral coordinate system. If an individual would violate his own internal moral coordinate system by showing a certain inappropriate behaviour, the individual would typically subsequently condemn himself and inflict pain upon himself because of his action.

Moral Disengagement theory indicates, that these self-regulatory capabilities are switched off in certain cases, because the Moral Disengagement mechanism breaks and interrupts the active connection between the individual's own moral coordinate system and the typically following self-condemnation and self-sanctioning after an inappropriate action. Consequently, when these self-regulatory capabilities are switched off, no arising disturbing emotions would stop an individual, who goes beyond his own moral standards, while performing a certain behaviour.

This effect is a possible explanation for corporate wrongdoing or corruption of an individual without apparent cognitive distress.¹³¹ Detert et al. explain the Moral Disengagement phenomenon in a way "that people make unethical decisions when moral self-regulatory processes that normally inhibit unethical behaviour are deactivated via use of several interrelated cognitive mechanisms" and they cite Bandura "that Moral Disengagement explains why otherwise normal people are able to engage in unethical behaviour without apparent guilt or self-censure."¹³²

Despite the wide stream of research regarding antecedents of the (un-) ethical decision making process in business conducted within the last 40 years, the mechanism underlying unethical behaviour of an employee in practice as well as the academic explanation of this phenomenon has been still unclear. Several researchers tried to find answers by relying either on different psychological theories or on theoretical constructs based on social, criminal or management sciences. Besides organizational as well as situational drivers of unethical behaviour in

¹³⁰ Moore, C.; Detert, J.R.; Trevino, L.K.; Baker, V.L.; Mayer, D.M. (2012). Why Employees do Bad Things: Moral Disengagement and Unethical Organizational Behavior. In: *Personnel Psychology* 65, p. 4 referring to Bandura, A. (1986). *Social Foundations of Thought and Action: A Social Cognitive Theory*. Englewood Cliffs, NJ: Prentice Hall, pp. 375-389.

¹³¹ Ebd. p. 4.

¹³² Detert, J.R.; Trevino, L.K.; Sweitzer, V.L. (2008). Moral Disengagement in Ethical Decision Making: A Study of Antecedents and Outcomes. In: *Journal of Applied Psychology* 93 (2), p. 374.

organizations, many individual factors have been tested over the years. Moore et al. list some of these individual drivers of unethical behaviour in business such as the constructs of Machiavellianism, moral identity, cognitive moral development, moral philosophies, empathy and moral affect, - just to claim subsequently, that all these individual drivers only show “small effect sizes for their role in predicting unethical workplace behaviour, leaving much variance unexplained.”¹³³ Moore et al. conclude that the construct Moral Disengagement – the propensity to morally disengage – is an additional major driver to explain unethical behavioural Intention at the workplace.¹³⁴

Bandura developed eight Moral Disengagement mechanisms, which reflect perspectives and common practices of individuals as follows:

FOCUS:	Cognitive restructuring of unethical behaviour <i>- Reframing the action in a positive light</i>	Minimizing the role of the individual with regard to the unethical behaviour and the harm caused <i>- Reframing one's contribution to performance</i>	Minimizing the outcomes or the perceptions of distress for others due to the unethical behaviour and the harm caused – <i>Reframing the effects of the action</i>
MECHANISM:	+ Moral Justification + Euphemistic Labeling + Advantageous Comparison	+ Displacement of Responsibility + Diffusion of Responsibility	+ Distortion of Consequences + Dehumanization + Attribution of Blame

Table 1.3: Eight Moral Development Mechanisms according to Bandura

Source: compiled by author based on White et al., 2009, pp. 42-43 and Moore, 2008, p. 130.

The first three mechanisms reframe the action itself facilitating the cognitive restructuring of unethical acts to appear less harmful to the individual; these cognitions work by making the act see beneficial in some way.¹³⁵ The next two mechanisms minimize the individuals` contribution regarding the harm-causing behaviour.

¹³³ Moore, C.; Detert, J.R.; Trevino, L.K.; Baker, V.L.; Mayer, D.M. (2012). Why Employees do Bad Things: Moral Disengagement and Unethical Organizational Behavior. In: Personnel Psychology 65, p. 2 referring to Kish-Gephart J.J.; Harrison D.A.; Trevino L.K. (2010), Bad Apples, Bad Cases and Bad Barrels: Meta-Analytic Evidence about Sources of Unethical Decisions at Work. In: Journal of Applied Psychology 95 (1), pp. 2-5.

¹³⁴ Ebd. p. 2.

¹³⁵ Moore, C. (2008). Moral Disengagement in Processes of Organizational Corruption. In: Journal of Business Ethics 80, p. 130.

These cognitions, displacing responsibility to others or – at the workplace – to the superior, project the responsibility of the employee onto authority figures, who may have silently approved or explicitly directed an employee`s behaviour.¹³⁶ Cognitions which diffuse responsibility “distribute blame across the members of a group rather than on any individual”.¹³⁷ The final three cognitions do not reframe the harm-causing behaviour itself, but its effects and outcomes. These cognitions minimize the outcomes of the harm-causing behaviour or the individual`s perception of distress for others. This occurs by distortion of consequences denying any harm or unethical outcome at all or by blaming and accusing the victims and make them accountable for the effects of the harmful or unethical action. The cognition dehumanization can be found in many day-to-day work situations, according to Bandura, and often happens when symptoms such as bureaucratization, automation and impersonal conduct appear.¹³⁸

In summary, it appears that these eight Moral Disengagement mechanisms could change and re-shape the decision making process of an individual. Due to its clear structure and its concentration on the individual, this construct seems to be especially suitable for academic research on (un-)ethical choices of employees. This Moral Disengagement construct is not an unchangeable personal characteristic of an employee, which could be used to measure his or her “the bad apple-ness”. Moral Disengagement is rather a highly flexible, interactive construct being a cognitive orientation which further develops over the years with the growing professional experience of an employee and is strongly impacted by social influences.¹³⁹

1.5. Theoretical Foundations of Chinese Guanxi Orientation and Chinese Supervisor-Subordinate Guanxi as interpersonal, situational predictors influencing ethical decision making in business

Several Western management research streams have been developed within the last three decades to cover interpersonal, situational factors such as peer influences and leader influences on the ethical decision making process of an employee at work.

There is various prior empirical evidence that peers as an interpersonal factor impact (un-)ethical behaviour of an individual at work.¹⁴⁰ The same is true regarding the importance of

¹³⁶ Ebd. p. 130.

¹³⁷ Ebd. p. 130.

¹³⁸ Bandura, A. (2002). Selective Moral Disengagement in the Exercise of Moral Agency. In: *Journal of Moral Education* 31, p. 109.

¹³⁹ Ebd. p. 104.

¹⁴⁰ Trevino, L.K.; den Nieuwenboer N.A.; Kish-Gephart J.J. (2014). (Un)Ethical Behaviour in Organizations. In: *Annual Review of Psychology* 65, p. 642 referring to Bandura, A. (1986). *Social Foundations of Thought and*

leader influences in this regard as numerous previous empirical studies in management science confirmed. Furthermore, prior research has also confirmed that both peer and leader influences could interact with each other while affecting an employee`s ethical behaviour at work.¹⁴¹

But, all these cited management science research approaches regarding peer and leader influences as situational factors influencing the individual ethical decision making process at work have been developed by Western researchers so far. In general, prior studies show that it could be possible to apply Western management science constructs regarding peer influences and leader influences to a Confucian culture such as China as confirmed by Walumbwa et al. successfully applying a Western management science ethical leadership concept on a Chinese context¹⁴²

On the other hand, as noted by Phau and Kea, “what may be considered as ethically acceptable in one country`s culture may be translated as otherwise in another country.”¹⁴³ Previous research confirmed that it is challenging to conduct research on behavioural Business Ethics across cultures as the individual`s assessment of the ethical appropriateness of a behaviour differs across cultures because of its culture adherence.¹⁴⁴ Consequently, prior research shows that employees across all countries and cultures, whenever facing an ethical dilemma at work, will follow their own specific cultural and ethical value system “as an absolute standard” to take a decision.¹⁴⁵

Chinese Management science constructs of peer influences and leader influences

So, for this promotional work, focusing on corporate settings in Western countries (Germany, Austria), but also in Eastern countries (China), the author didn`t rely on Western management science constructs regarding interpersonal influences, but decided to use the traditional Chinese management science constructs of *Guanxi Orientation* and *Supervisor-Subordinate Guanxi*

Action: A Social Cognitive Theory. Englewood Cliffs, NJ: Prentice Hall and Kohlberg, L. (1969). Stage and sequence: the cognitive development approach to socialization. In: Handbook of Socialization Theory and Research, ed. DA Goslin, Chicago: Rand McNally, pp. 347-480.

¹⁴¹ Ebd. p. 644 referring to Mayer, D.M.; Nurmohamed, S.; Trevino, L.K.; Shapiro, D.L.; Schminke, M. (2013). Encouraging employees to report unethical conduct internally: it takes a village. In: Organizational Behaviour and Human Decision Processes 121, p. 102.

¹⁴² Ebd. p. 644 referring to Walumbwa, F.O.; Mayer, D.M.; Wang, P.; Wang, H.; Workman, K.; Christensen, A.L. (2011), Linking ethical leadership to employee performance: the roles of leader-member exchange, self-efficacy and organizational identification. In: Organizational Behavior and Human Decision Processes 115, p. 204.

¹⁴³ Phau, I; Kea, G. (2007). Attitudes of University Students toward Business Ethics: A Cross-National Investigation of Australia, Singapore and Hongkong. In: Journal of Business Ethics 72, p. 73.

¹⁴⁴ Resick, C.J.; Martin, G.S.; Keating, M.A.; Dickson, M.W.; Kwan, H.K.; Peng, C. (2011). What Ethical Leadership Means to Me: Asian, American, and European Perspectives. In: Journal of Business Ethics 101, p. 437.

¹⁴⁵ Ebd. p. 452.

instead to test potential interpersonal influences on the individual ethical decision making process at work. Therefore the theoretical foundations of these two Chinese management science constructs are introduced in the following section. The terms ‘Eastern management science construct’ and ‘Chinese management science construct’ are used interchangeably by the author of this study.

Chinese Management science at a glance

For some years now intensive debates have taken place across the academic world in terms of “a distinctive, definable and measurable concept of ‘Chinese management’”.¹⁴⁶

Drucker noted: "A developing country can easily import technology, it can easily import capital. But technology and capital are simply tools. They only become effective if properly used by competent and effective management."¹⁴⁷

Drucker intensively supported contemporary management research in China for many years to enhance Western modern management philosophies with Chinese theoretical management approaches deeply rooted in Chinese culture and he predicted that Chinese management theories will enrich the academic world with inspiring and valuable new management science approaches.¹⁴⁸

Also Li notes the new tendency in academic management research to move away from a Western centric approach while arguing for a more indigenous research perspective regarding Eastern local cultural and societal phenomena.¹⁴⁹ This makes quite sense in cross-cultural settings using a population with different ethnicities (like in this promotional work).

Contemporary Chinese Management science is an extraordinary lively research area with unique and original contributions. In 2013 Rowley and Warner summarized the recent developments in Chinese Management science affirming important implications on Chinese businesses practices as well as on Chinese management theory due to the significant and rapid economic changes and challenges in China.¹⁵⁰ In recent years Chinese management theory has developed distinctive management models “albeit with ‘Chinese characteristics’ by adapting Western

¹⁴⁶ Rowley, C., Warner, M. (2013). Strategic challenges and issues for Chinese managers and management in the global economy: conclusions. In: *Asia Pacific Business Review* 19 (4), p. 622.

¹⁴⁷ Drucker Society (2009). Peter Drucker’s Philosophy in China. In: Drucker Society, <http://www.druckersociety/repository/scientific/Shuanliang.pdf>, p. 3, accessed February, 18th, 2016.

¹⁴⁸ Ebd. p. 3.

¹⁴⁹ Li, P.P. (2011). Toward an integrative framework of indigenous research: the geocentric implications of Yin-Yang balance. In: *Asia Pacific Journal of Management* 29 (4), p. 849.

¹⁵⁰ Rowley, C., Warner, M. (2013). Strategic challenges and issues for Chinese managers and management in the global economy: conclusions. In: *Asia Pacific Business Review* 19 (4), p. 623.

management science knowledge to local Chinese circumstances; this adaption process still continues with new distinctive Chinese models of management science still emerging – although no new landmark theory has been developed yet.¹⁵¹ Research has consistently shown that up to now Chinese scientists still often replicate, adapt or enhance Western management science frameworks, ideas, models and theories.¹⁵² The author of this promotional work will precisely demonstrate this academic trend when summarizing the theoretical foundations of the chosen Chinese constructs *Guanxi Orientation* and *Supervisor-Subordinate Guanxi* in the further course of this chapter.

Among other researchers, Jia et al. analyzed how Chinese academic management frameworks contributed to general international management and organization research within the last decades.¹⁵³ They emphasize that in particular the Chinese management research on the *Guanxi* phenomenon is the most important contribution to the contemporary international management research and recommend inter alia more “outside-in research, using interesting phenomena in international research and conceptualize them in China or - the other way around - using Confucian logic to explain certain effects or causal links, also in cross-cultural settings.”¹⁵⁴ Li takes the same line by emphasizing the importance to familiarize Western researchers with Chinese theoretical management frameworks and Chinese local research to use this inside-out research - from Chinese origin to a global perspective – and export these Chinese insights.¹⁵⁵

Several prior research confirms the winning combination of Western and Chinese management science constructs for cross-cultural empirical studies and researchers have shown an increased interest in this topic for some years now.

Following on from this, Ang and Leong note - after successfully combining Western and Chinese management science constructs in their empirical research - that’s appropriate to integrate these constructs to ensure continuous interchange of cross-cultural insights into important phenomena.¹⁵⁶ Moreover, also Huang stressed the tendency for convergence of Western and Chinese modern management research by introducing the traditional Chinese He-

¹⁵¹ Ebd. p. 623.

¹⁵² Ebd. p. 622.

¹⁵³ Jia, L.; You, S.; Du, Y. (2012). Chinese context and theoretical contributions to management and organization research: A three-decade review. In: *Management and Organization Review* 8 (1), p. 173.

¹⁵⁴ Ebd. p. 199.

¹⁵⁵ Li, P.P. (2011). Toward an integrative framework of indigenous research: the geocentric implications of Yin-Yang balance. In: *Asia Pacific Journal of Management* 29 (4), p. 862.

¹⁵⁶ Ang, S.H.; Leong, S.M. (2000). Out of the Mouths of Babes: Business Ethics and Youths in Asia. In: *Journal of Business Ethics* 28, p. 140.

He management theory, comparing it to Western management theories and concluding by presenting the example of the Western Blue Ocean management strategy, which represents and elevates the very essence of the traditional Chinese He-He management theory.¹⁵⁷

In conclusion, the 20th century was primarily influenced by Western management theory for sure, but (not only) Chinese researchers forecast that in the 21st century brand-new convergences of Western and Chinese management theory will be developed and this cross-cultural interchange will become an important academic research area for many scientists.¹⁵⁸ For this promotional work the author aims to contribute to this new academic research stream and decides not to rely on Western management science constructs regarding peer and leader influences as situational predictors of the ethical choices at work. Instead, the author relies on the corresponding Chinese management science constructs for (1) peer influences, which is called *Guanxi Orientation*, and for (2) supervisor influences, which is called *Supervisor-Subordinate Guanxi*. The underlying Chinese management theory for these two constructs is Chinese Guanxi management theory:

The Chinese management science construct `Guanxi`

Linguistically, the term “Guanxi” can be derived from “*Guan*, which -in Chinese- literally means 'a door lock' or a 'gateway' and *xi*, which means 'linkage or a 'system of links'; so, the term `Guanxi` refers to the connection between two parties through a system of links when one party can choose to lock one self up - so to speak - or open the link to the other party.¹⁵⁹

To provide a right and adequate definition of the complex Guanxi phenomenon has been quite a challenging task for numerous Western as well as Chinese researchers so far. Chen et al. note that “reflecting the richness, flexibility and complexity of the Chinese language and the plethora of implicit and explicit definitions of Guanxi challenges researchers.”¹⁶⁰ Ang and Leong note “to succeed in a competitive environment, it is necessary to develop a network to support and protect each other from adversity” whereby this specific Chinese mindset let the Chinese to develop interpersonal connections among members of the in-group to overcome problems and

¹⁵⁷ Huang, R. (2008). A Study of Chinese-Style Management in the Twenty-First Century. In: *The Chinese Economy* 41 (3), p. 15.

¹⁵⁸ Ebd. p. 14.

¹⁵⁹ Law, K.S.; Wong, C.S.; Wong, D.X.; Wang, L.H. (2000). Effect of supervisor-subordinate guanxi on supervisory decisions in China: An empirical investigation. In: *International Journal of Human Resource Management* 11, p. 753.

¹⁶⁰ Chen, C.C.; Chen, X.P.; Huang, S. (2013). Chinese Guanxi: An Integrative Review and New Directions for Future Research. In: *Management and Organization Review* 9 (1), p. 169.

get things done.¹⁶¹ A central issue to understand the phenomenon Guanxi has been brought down to the point by Xin and Pearce emphasizing that Guanxi can also be explained as a substitute for formal institutional and legal support as China – at least in the past – had a very weak rule of law.¹⁶² If citizens can't rely on laws, courts, authorities or judges, the only thing they can rely on are interpersonal relationships. Therefore, especially Chinese researchers never get tired of pointing out that Guanxi in general has no negative connotation in China.¹⁶³

In China in case of an interaction between a resource allocator and a petitioner, asking to receive and to use a social resource for its own benefit, “the potential allocator will first carefully consider: What is the Guanxi relationship between us? How strong is our Guanxi?”¹⁶⁴

This shows that the Guanxi phenomenon and its influences are ubiquitous for all interpersonal relations in China. More than 2000 years of history of the Chinese culture find their expression in the Chinese values of collectivism and the way how to conduct business relationships.¹⁶⁵ Guanxi means a continuous support, development, expansion, deepening and cultivation of personal relationships, because in China the existence of an individual is strongly oriented and deeply impacted by relationships with others - whereby the individual can't change or influence the environment, but has to live with it and “must harmonize with it” – not only for his own sake, but also for the sake of his family, friends and close acquaintances which all would be blamed and damaged if one individual of the group would not behave accordingly.¹⁶⁶

Zhang et al. summarize previous definitions and describe Guanxi as an indigenous Chinese management construct capturing personal connections that are based implicitly on mutual interest and benefit while stressing that when applied in the English language, Guanxi is often conceptualized simply as a form of personal relationship, but this English definition is overly basic.¹⁶⁷

For this study, the author will rely on this definition.

¹⁶¹ Ebd. p. 131

¹⁶² Xin, K.R.; Pearce, J.L. (1996). Guanxi: connections as substitutes for formal institutional support. In: *Academy of Management Journal* 39 (6), p. 1641.

¹⁶³ Ebd. p. 1642.

¹⁶⁴ Hwang, K.K. (1987). Face and Favor: A Chinese Power Game. In: *American Journal of Sociology* 92 (4), p. 949.

¹⁶⁵ Ang, S.H.; Leong, S.M. (2000). Out of the Mouths of Babes: Business Ethics and Youths in Asia. In: *Journal of Business Ethics* 28, p. 131.

¹⁶⁶ Ebd. p. 131

¹⁶⁷ Zhang, X; Li, N.; Harris, T.B. (2015) Putting non-work ties to work: the case of Guanxi in supervisor-subordinate relationships. In: *The Leadership Quarterly* 26, p. 39.

The underlying Western theoretical framework of the construct Guanxi Orientation and the adaption according to Chinese Guanxi theory

From a Western management perspective personal relationships and social networks are based on the theoretical frameworks of Social Capital theory or Social Network theory.

The Western construct Social Capital is also a very complex phenomenon which has arisen from various academic disciplines as an important overarching concept regarding different types of social relationships and different forms of network structures. The term “Social Capital” can be described as goodwill “that is engendered by the fabric of social relations and that can be mobilized to facilitate action”.¹⁶⁸

However, the Western Social Capital construct cannot be exactly equated with the Chinese Guanxi construct as prior research has shown. Li contrasts both constructs and points out that in Western cultures the phenomenon Social Capital refers to a group-based social tie, either weakly instrumental or weakly sentimental, but largely depersonalized and primarily non-kinship-based. This would be the typical manifestation of social ties in the West. Just the opposite would be the typical social tie in the East, Guanxi is a dyadic social tie, both sentimental and instrumental, strongly personalized, kinship- or non-kinship-based.”¹⁶⁹

Chen et al. carried out a meta-analysis of Chinese Guanxi literature in 2013 discussing various theoretical perspectives on Guanxi and emphasizing that Chinese Guanxi management research relies primarily on Western Social Capital Theory [for the construct *Guanxi Orientation*] and Western Leader-Member Exchange Theory [for the construct *Supervisor-Subordinate Guanxi*] as well as on interpersonal trust focusing on principles of reciprocity, equity and face.¹⁷⁰ According previous empirical evidence, these principles of of reciprocity, equity and face are of much greater importance in Chinese culture in comparison to Western culture.¹⁷¹ Chen et al. found mainly three distinct streams of contemporary Guanxi theory management research:

¹⁶⁸ Adler, P. S.; Kwon, S. W. (2002). Social capital: Prospects for a new concept. In: *Academy of Management Review* 27, p. 17.

¹⁶⁹ Li, P.P. (2011). Toward an integrative framework of indigenous research: the geocentric implications of Yin-Yang balance. In: *Asia Pacific Journal of Management* 29 (4), p. 853.

¹⁷⁰ Chen, C.C.; Chen, X.P.; Huang, S. (2013). Chinese Guanxi: An Integrative Review and New Directions for Future Research. In: *Management and Organization Review* 9 (1), p. 175 referring to Blau, P.M. (1964). *Exchange and power in social life*. New York: Wiley; Homans, G.C. (1958). Social behaviour as exchange In: *American Journal of Sociology* 63 (6), p. 597; Graen, G.B.; Uhl-Bien, M. (1995). Relationship-based approach to leadership: development of the leader-member exchange (LMX) theory of leadership over 25 years: Applying a multi-level multi-domain perspective. In: *The Leadership Quarterly* 6 (2), p. 219; Hwang, K.K. (1987). Face and Favor: A Chinese Power Game. In: *American Journal of Sociology* 92 (4), p. 945.

¹⁷¹ Hwang, K.K. (1987). Face and Favor: A Chinese Power Game. In: *American Journal of Sociology* 92 (4), p. 949.

firstly, Guanxi research approaches focusing at the individual and interpersonal level of Guanxi like its antecedents, measurements and outcomes; secondly, Guanxi research focusing at a firm-to-firm level like corporate Guanxi and, thirdly, Guanxi research focusing on a newly emerging stream of Guanxi research which is concerned with the social and moral dilemma of Guanxi.¹⁷²

The latter case is also the authors` perspective for this study.

In summary, the Guanxi Orientation construct can be defined as a Chinese extension or enlargement of the Western Social Capital Theory as Chinese researchers regularly adopt Western constructs, but add certain Chinese characteristics. Even if the basic structure of this construct is the same in Western and Chinese management science, in contrast to Western Social Capital theory, interpersonal social networks in terms of Guanxi theory are strongly personalized, ubiquitous and an all-embracing, inherent part of life as such, not only related to work.

The underlying Western theoretical framework of the construct Supervisor-Subordinate Guanxi and the adaption according to Chinese Guanxi theory

As mentioned above, the construct Supervisor-Subordinate Guanxi, focusing on the relations between an employee and his boss, can be primarily compared to the Western Leader-Member Exchange Theory, even if the Western theory cannot capture leader-member relations in Chinese organizations exhaustively in an all-embracing manner because of certain Chinese characteristics.¹⁷³

The Western Leader-Member Exchange Theory has been developed by Dansereau, Grean and Haga in 1975.¹⁷⁴ In short, the Leader-Member Exchange Theory is composed of three dimensions which are trust, respect and mutual obligation; after the development of a strong dyadic relationship between a leader and a member, all members will form an in-group showing their strong commitment by doing more than required by their job description and supporting the in-group in any way.¹⁷⁵ In return for their commitment leaders acknowledge in-group members to particularly deserve extra promotion, face-time, opportunities and intensive

¹⁷² Chen, C.C.; Chen, X.P.; Huang, S. (2013). Chinese Guanxi: An Integrative Review and New Directions for Future Research. In: *Management and Organization Review* 9 (1), p. 168.

¹⁷³ Chen, Y., Chen, Z.X.; Zhong, L.; Son, J.; Zhang, X.; Liu, Z. (2015) Social exchange spillover in leader-member relations: A multilevel model. In: *Journal of Organizational Behavior* 36, p. 673.

¹⁷⁴ Dansereau, F.; Grean, G.; Haga, B. A. (1975). A Vertical-Dyad Linkage Approach to Leadership Within Formal Organizations: A Longitudinal Investigation of the Role Making Process. In: *Organizational Behavior and Human Performance* 13, p. 46.

¹⁷⁵ Hoye, R. (2004). Leader-Member Exchanges and Board Performance of Voluntary Sport Organizations. In: *Non-Profit Management & Leadership* 15 (1), p. 58.

support.¹⁷⁶ As highlighted frequently by prior research the Leader-Member Exchange Theory is one of the most wellknown and highly respected Western leadership frameworks.¹⁷⁷

The biggest difference between the Western Leader-Member Exchange theory and the Chinese Supervisor-Subordinate Guanxi construct as theoretical frameworks is that the Western theory focuses only on work-related relationships between the leader and its teammembers, which is understandable bearing in mind that in Western work organizations employees separate work life and personal life due to their cultural societal preferences and therefore employees only use work-related exchanges with their boss to handle upcoming problems.¹⁷⁸

In transitional economies like China, where societies face substantial economic and social changes, a lumbering, weak bureaucracy as well as intransparent legal and administrative procedures, employees typically rely on their supervisors also with regard to personal ties beyond the work relationship.¹⁷⁹ Chen et al. confirm that the Leader-Member Exchange theory focuses on work-related ties only, while the Supervisor-Subordinate Guanxi construct also focuses on the personal relationship between the leader and the employee, explaining that this kind of personal supervisor-subordinate relationship could be developed “through after-hours leader-member socialization, the exchange of gifts, family visits during holidays and other social activities.”¹⁸⁰ In China personal relationships (Guanxi) bind together the leader and the employee and serve as a kind of an adhesive substance between both sides by maintaining the traditional Confucian ruler-subject mentality rooted deeply into the Chinese culture.¹⁸¹ At this point the author refers to the comments on the Guanxi construct as mentioned above.

In summary, - likewise the Guanxi Orientation construct mentioned above - the Chinese Supervisor-Subordinate Guanxi construct can be described as a Chinese extension or enlargement of the Western Leader-Member Exchange theory by focusing on work-ties but also on personal ties between a leader and its team members altogether.

¹⁷⁶ Northhouse, P.G. *Leadership Theory and Practice*, 2nd. Ed., Thousand Oaks, California: Sage 2001, p. 118.

¹⁷⁷ Walumbwa, F.O.; Mayer, D.M.; Wang, P.; Wang, H.; Workman, K.; Christensen, A.L. (2011), Linking ethical leadership to employee performance: the roles of leader-member exchange, self-efficacy and organizational identification. In: *Organizational Behavior and Human Decision Processes* 115, p. 204.

¹⁷⁸ Zhang, X; Li, N.; Harris, T.B. (2015) Putting non-work ties to work: the case of Guanxi in supervisor-subordinate relationships. In: *The Leadership Quarterly* 26, p. 38.

¹⁷⁹ Chen, Y.; Yu, E.; Son, J. (2014). Beyond leader-member exchange (LMX) differentiation: An indigenous approach to leader-member relationship differentiation. In: *The Leadership Quarterly* 25, p. 612.

¹⁸⁰ Ebd. p. 612.

¹⁸¹ Zhang, X; Li, N.; Harris, T.B. (2015) Putting non-work ties to work: the case of Guanxi in supervisor-subordinate relationships. In: *The Leadership Quarterly* 26, p. 39.

2. ANALYTICAL EXPLORATION OF PREVIOUS STUDIES IN CONTEXT WITH PREDICTORS OF CODE COMPLIANT INTENTION IN A CROSS-CULTURAL SETTING WITH A SPECIAL FOCUS ON GENDER

2.1. Studies focusing on the Theory of planned Behaviour/Theory of reasoned Action in general as well as emphasizing on behavioural Intention

The Theory of planned Behaviour as well as the Theory of reasoned Action have been tested almost innumerable times in management science disciplines regarding almost all corporate aspects - also across cultures - to predict and to understand individual behavioural Intention and behaviour at work.

Both theories has been regularly reviewed, extended and empirically tested covering a wide range of topics from food preferences to commercial sex work in Kenya proving its continuing prominent position within academic behavioural management research.¹⁸² In 2010 Kish-Gephart et al., conducted a meta-analysis on sources of unethical decisions at work and analyzed 80 studies using behavioural Intention as a dependent variable among 136 studies, whereas the remaining 53 studies focused on behaviour itself and 3 studies used both constructs as independent variables.¹⁸³ Sutton conducted a meta-analysis regarding the predictive power of both theories. His findings confirm the quite high predictive power of both theories, especially with regard to behavioural Intention.¹⁸⁴ Sutton confirmed that both theoretical frameworks can explain about 40-50% variance of Intention and about 19-38% of behaviour, which is quite a strong effect size in behavioural science; Sutton notes that it is highly unlikely to achieve a 100% variance explanation in practice.¹⁸⁵ By providing empirical evidence that all three variables of the theoretical model influence and increase the prediction of the construct

¹⁸² Ackermann, C.-L.; Palmer, A. (2014). The contribution of implicit cognition to the Theory of Reasoned Action Model: a study of food preferences. In: *Journal of Marketing Management* 30 (5/6), p.529; Boster, F.; Shaw, A.Z.; Carpenter, C.J.; Massi, L.L.L. (2014). Simulation of a Dynamic Theory of Reasoned Action. In: *Simulation & Gaming* 45 (6), p. 699; Roth, E.A.; Ngugi, E.; Benoit, C.; Jansson, M.; Hallgrimsdottir, H. (2014). A Reasoned Action Model of Male Client Involvement in Commercial Sex Work in Kibera, A Large Informal Settlement in Nairobi, Kenya. In: *Human Organization* 73 (2), p. 174.

¹⁸³ Kish-Gephart J.J.; Harrison D.A.; Trevino L.K. (2010), Bad Apples, Bad Cases and Bad Barrels: Meta-Analytic Evidence about Sources of Unethical Decisions at Work. In: *Journal of Applied Psychology* 95 (1), pp. 8-10.

¹⁸⁴ Sutton, S. (1998). Predicting and Explaining Intentions and Behaviour: How Well Are We Doing? In: *Journal of Applied Social Psychology* 28 (15), p.1317

¹⁸⁵ Ebd. p.1335.

behavioural Intention Damron-Martinez et al. confirmed the excellent forecasting power of the Theory of planned Behaviour.¹⁸⁶

Also prior testings of the theoretical framework in a cross-cultural settings showed strong support for its robustness.¹⁸⁷ Linan and Chen successfully used structural equation modelling technique for data analysis from research populations in Spain and Taiwan. Their findings confirm cultural differences between the two sample groups regarding the antecedents of behavioural Intention, but no differences regarding the direct effect on Intention; so, their results indicate that the construct behavioural Intention -according to Ajzen`s framework- is formed the same way in an European and an Asian country highlighting the universal applicability of the Theory of planned Behaviour across countries and cultures.¹⁸⁸ This is also supported by Moriano et. al. successfully testing the Theory of planned Behaviour in a cross-cultural study in six countries, with one of these countries also located in Asia (India).¹⁸⁹

Carpenter and Reimers successfully applied the Theory of planned Behaviour to manager`s propensity to commit fraud in financial reporting.¹⁹⁰ Their empirical findings confirm the robustness of the Theory of planned Behaviour and its good predicting power towards manager`s ethical or unethical decisions.¹⁹¹ Armitage et al. findings are in line with Carpenter and Reimers` results. They successfully tested a reserach model, based on the Theory of planned Behaviour, on a licit and illicit behaviour, showing that in particular moral norms and social pressure play an important role influencing Intention and behaviour.¹⁹²

Chang findings follow in the same direction, confirming the superiority of the Theory of planned Behaviour over the Theory of reasoned Action and demonstrating that the construct perceived behaviour control is an important predictor of unethical behavioural Intention.¹⁹³ Chang conducted his study using a research population of 181 students in Hongkong, which

¹⁸⁶ Damron-Martinez, D.; Presley, A.; Zhang, L. (2013). A Study of Undergraduate Student Intent to Minor in Business: A Test of the Theory of planned Behaviour. In: *Journal of Education for Business* 88, p. 114.

¹⁸⁷ Linan, F.; Chen, Y.-W. (2009). Development and Cross-Cultural Application of a Specific Instrument to Measure Entrepreneurial Intentions. In: *Entrepreneurship: Theory & Practice* 33 (3), p.609.

¹⁸⁸ Ebd. p.607.

¹⁸⁹ Moriano, J.A.; Gorgievski, M.; Laguna, M.; Stephan, U.; Zarafshani, K. (2011). A Cross-Cultural Approach to Understanding Entrepreneurial Intention. In: *Journal of Career Development*, p.1.

¹⁹⁰ Carpenter, T.D.; Reimers, J.L. (2005). Unethical and fraudulent financial reporting: applying the theory of planned behaviour. In: *Journal of Business Ethics* 60, 2, p. 115.

¹⁹¹ Ebd. p. 115.

¹⁹² Armitage, C.J.; Conner, M.; Loach, J.; Willets, D. (1999). Different Perceptions of Control: Applying an Extended Theory of Planned Behavior to Legal and Illegal Drug Use. In: *Basic and Applied Social Psychology* 21 (4), p. 301.

¹⁹³ Chang, M.K. (1998). Predicting Unethical Behavior: A Comparison of the Theory of Reasoned Action and the Theory of Planned Behavior. In: *Journal of Business Ethics* 17, p. 1825.

proves the applicability of both theoretical frameworks in a Chinese cultural context.¹⁹⁴ Chang successfully uses structural equation modelling for data analysis like many other researchers. This secures in addition structural equation modeling to be highly appropriate for research based on the Theory of planned Behaviour.¹⁹⁵

Yusof and Lai combined both theoretical framework with the fraud diamond theory showing that cognitive and organizational factors have a strong influence on managers to commit tax fraud.¹⁹⁶ Their findings also confirm that both theoretical frameworks are very suitable for academic management research. The results of Yusof and Lai show that researchers can use the Theory of planned Behaviour as a basis to develop extended models by integrating other management theory constructs. The author of this promotional work follows this approach by combining the Theory of planned Behaviour with Trevino`s Person-Situation Interactionist Model.

Summary: Both theories are applicable in Western as well as in Asian cultures, especially in the Chinese context. The Theory of planned Behaviour is a better predictor of unethical Intention. Both theoretical frameworks explain about 40-50% variance of Intention. Both frameworks allow for the integration of other management theory constructs and are very suitable for research regarding ethical choices. Using structural equation modelling for data analysis is highly appropriate for data based on these frameworks.

2.2. Studies focusing on Ethical Decision Making Models/especially on Trevino`s Person-Situation-Interactionist Model

Prior research has consistently shown that for well over four decades the systematic study of (un-) ethical choices at work began to take permanent shape.¹⁹⁷ Literally countless empirical studies based on various management science theories appeared over the last 40 years. Many researchers integrated in particular ethical decision making constructs into frameworks, based on the Theory of planned Behaviour, and tested them successfully. This approach led Celuch and Dill, who tested an extended research model by integrating among others also an ethical judgement construct into the Theory of reasoned Action to confirm that this construct

¹⁹⁴ Ebd. p. 1828.

¹⁹⁵ Ebd. p. 1828.

¹⁹⁶ Yusof, N.A.M.; Lai, M.L. (2014). An integrative model in predicting corporate tax fraud. In: *Journal of Financial Crime* 21, 4, p. 424.

¹⁹⁷ Trevino, L.K.; den Nieuwenboer, N.A.; Kish-Gephart, J.J. (2014). (Un)Ethical Behaviour in Organizations. In: *Annual Review of Psychology* 65, p. 636.

significantly influence behavioural Intention.¹⁹⁸ Their findings are a good evidence for how increasingly important in particular the research on behavioural Intention in combination with ethics-related constructs, based on various theories regarding individual ethical decision making dynamics, has become over the years.

Within the course of this development, also Bobek and Hatfield tested successfully an extended model based on the Theory of planned Behaviour by adding the construct of moral obligation to examine taxpayers` compliance Intentions.¹⁹⁹ The fit of their extended research model was confirmed as well.²⁰⁰ Cherry extended the Theory of planned Behaviour by adding the constructs ethical judgement as well as locus of control confirming that this approach also works well within a cross-cultural setting of Western (U.S.) and Chinese (Taiwan) cultures while focusing on ethical related topics.²⁰¹ Apart from confirming the cross-cultural applicability of this research approach Cherry`s second interesting finding is related to the differences regarding ethical judgement between the Taiwanese and the U.S. research population - Taiwanese respondents had a more favourable Attitude towards a requested bribe and less likely viewed it as an ethical issue.²⁰²

Some reseachers also successfully combined the Theory of planned Behaviour with Trevino`s Person-Situation-Interactionist framework such as the author for this study. Spitzmüller and Stanton successfully integrated both frameworks to analyze the antecedents of employee`s Intention while examining employee compliance with organizational surveillance.²⁰³ Their findings show a good model fit and confirm the importance of Attitude to predict Intention.²⁰⁴ Trevino and Youngblood developed a multiple-influences causal model of ethical decision-making, based on Trevino`s framework, and tested the influence of individual and organizational factors, among others also the construct of cognitive moral development.²⁰⁵ Their findings provide evidence, inter alia, for the significant influence of an individuals`

¹⁹⁸ Celuch, K.; Dill, A. (2011). An Extension of the Theory of Reasoned Action in Ethical Decision Contexts: The Role of Normative Influence and Ethical Judgment. In: *Journal of Education for Business* 86, p. 201.

¹⁹⁹ Bobek, D.D.; Hatfield, R.C. (2003). An Investigation of the Theory of planned Behaviour and the Role of Moral Obligation in Tax Compliance, In: *Behavioural Research in Accounting* 15, p. 13.

²⁰⁰ Ebd. p. 36.

²⁰¹ Cherry, J. (2006). The impact of normative influence and locus of control on ethical judgments and Intentions: a cross-cultural comparison. In: *Journal of Business Ethics* 68, p. 125.

²⁰² Ebd. p. 113.

²⁰³ Spitzmüller, C.; Stanton, J.M. (2006). Examining employee compliance with organizational surveillance and monitoring. In: *Journal of Occupational and Organizational Psychology* 79, p. 245.

²⁰⁴ Ebd. p. 264.

²⁰⁵ Trevino, L.K.; Youngblood, S.A. (1990). Bad Apples in Bad Barrels: A Causal Analysis of Ethical Decision-making Behaviour, In: *Journal of Applied Psychology* 75 (4), p. 378.

cognitive moral development on his ethical decision making behaviour: “Higher stage individuals were more ethical”.²⁰⁶ Their findings show that individual differences are important for understanding ethical decision making behaviour and that individual factors should continuously be incorporated in ethical research.²⁰⁷ Also Church et al. conducted an empirical study by testing Trevino’s framework including an individual factor (moral reasoning) and two situational factors (gains, losses) into their model and additionally testing the effects of gender. Their findings confirm a significant moral development-gender interaction and the impact of the situational factors on behaviour.²⁰⁸

All these studies, among others, provide experimental evidence for the fit of the Person-Situation-Interactionist Model for research on ethical decision making dynamics.²⁰⁹ The recent Business Ethics literature review conducted by Trevino et al. in 2014 underlines significant influences of several situational factors, in particular interpersonal factors such as peers and leaders on the individual ethical decision making process.²¹⁰ In line with this, also Trevino and Victor confirmed prior research results on peer reporting and ethical choices of employees the context of unethical behaviour.²¹¹ Chan et al. confirmed the cross-cultural applicability of an integrative model based on the Theory of planned Behaviour in China by testing dynamics of the ethical decision making process of 503 Chinese computer users.²¹²

Summary: Several researchers successfully integrated in particular the Person-Situation-Interactionist Model into the framework of the Theory of planned Behaviour. Prior empirical findings confirm the model fit of such an extended research framework in the context of individual ethical decision making processes, also in cross-cultural settings. Furthermore, previous studies provided evidence for significant impacts of various individual as well as situational factors on the individual ethical decision making process, and in particular also regarding the specific influences of interpersonal factors, such as peers and leaders in this context.

²⁰⁶ Ebd. p. 382.

²⁰⁷ Ebd. p. 384.

²⁰⁸ Church, B.; Gaa, J.C.; Nainar, S.M.K.; Shehata, M.M. (2005). Experimental Evidence relating to the Person-Situation Interactionist Model of Ethical Decision Making. In: *Business Ethics Quarterly* 15 (3), p. 378.

²⁰⁹ Ebd. p. 379.

²¹⁰ Trevino, L.K.; den Nieuwenboer N.A.; Kish-Gephart J.J. (2014). (Un)Ethical Behaviour in Organizations. In: *Annual Review of Psychology* 65, p. 643.

²¹¹ Trevino, L.K.; Victor, B. (1992). Peer Reporting of Unethical Behaviour: A Social Context Perspective. In: *Academy of Management Journal* 35 (1), p. 38.

²¹² Chan, R.Y.K.; Ma, K.H.Y.; Wong, Y.H. (2013). The Software Piracy Decision-Making Process of Chinese Computer Users. In: *The Information Society* 29, p. 208.

2.3. Studies focusing on Moral Disengagement in context with this research topic

Trevino et al. analyzed previous empirical studies regarding several influencing factors of (un)ethical behaviour at work including the impacts of Moral Disengagement and confirm the power of the Moral Disengagement construct to explain unethical behaviour.²¹³ In particular, they underline the reliability of newly developed 8-item Moral Disengagement measurement scale, developed by Moore et al. in 2012, which has also been used by the author of this promotional work to investigate Moral Disengagement for this study.²¹⁴ In 2012, also Moore et al. undertook empirical research on unethical behaviour in organizations with the focus on Moral Disengagement.²¹⁵ Their findings provide evidence that Moral Disengagement is a significant predictor of a wide range of unethical behaviours in organizations.²¹⁶

Furthermore, Moore et al. developed and successfully validated “a parsimonious, adult-oriented, easily administered measure of the propensity to morally disengage”, since in previous years academic research on Moral Disengagement has increased, but there has been only slow progress regarding the development of reliable measurement scales.²¹⁷ So far, comparatively scant research has examined Moral Disengagement in empirical studies in the corporate world as this construct is pretty new in academic management research as an individual cognitive factor influencing the ethical decision making process. Bandura et al. investigated the influences of Moral Disengagement on detrimental conduct and harmful behaviour as well the underlying psychological processes²¹⁸. Bandura`s empirical findings provide evidence that male children develop a higher level of Moral Disengagement than female children and confirm the significant role this construct in detrimental and prosocial behaviour.²¹⁹

Also the findings of Detert et al. show that using the construct Moral Disengagement in connection with research on individual ethical decision making has become increasingly important in the academic world. They successfully tested several variables of Moral

²¹³ Trevino, L.K.; den Nieuwenboer N.A.; Kish-Gephart J.J. (2014). (Un)Ethical Behaviour in Organizations. In: Annual Review of Psychology 65, p. 648.

²¹⁴ Ebd. p. 648 referring to Moore, C.; Detert, J.R.; Trevino, L.K.; Baker, V.L.; Mayer, D.M. (2012). Why employees do bad things: Moral Disengagement and Unethical Organizational Behavior. In: Personnel Psychology 65, p. 1.

²¹⁵ Moore, C.; Detert, J.R.; Trevino, L.K.; Baker, V.L.; Mayer, D.M. (2012). Why Employees do Bad Things: Moral Disengagement and Unethical Organizational Behavior. In: Personnel Psychology 65, p. 1.

²¹⁶ Ebd. p. 34.

²¹⁷ Ebd. p. 35.

²¹⁸ Bandura, A.; Barbaranelli, C.; Caprara, G. V.; Pastorelli, C. (1996). Mechanisms of Moral Disengagement in exercise of Moral Agency. In: Journal of Personality & Social Psychology 71(2), p. 364.

²¹⁹ Ebd. p. 371.

Disengagement achieving, inter alia, a major finding that Moral Disengagement is positively related to individual unethical decision making.²²⁰

Shu et al. investigated how individuals justify their unethical behaviour through the process of Moral Disengagement to shed more light on ethical discrepancies between immoral actions of individuals and their diametrical ethical goals.²²¹ In this way, Shu et al. support previous research by emphasizing that Moral Disengagement is a flexible and dynamic cognitive construct.²²² The findings of Shu et al. also support previous research that Moral Disengagement as a cognitive orientation helps individuals to re-label their de facto immoral actions into ethically acceptable behaviour by resetting their internal moral coordinate system. Samnani et al. contributed very interesting results in this regard while investigating the role of Moral Disengagement and gender in the relationship between negative affect and individual counterproductive workplace behaviour.²²³ Their results provide proof that both genders show similar high levels of Moral Disengagement, but males tend to behave counterproductive at work more frequently.²²⁴

Also White et al. concentrated on full-time employees as a test group while examining the different practices of Moral Disengagement by type of industry and type of personnel.²²⁵ Their findings, inter alia, underline a high similarity of Moral Disengagement patterns across industries and job profiles.²²⁶

The construct Moral Disengagement is not only applicable across gender, industries and job-profiles, but also across cultures. This has been the central issue of the cross-cultural research of Baron et al. testing Moral Disengagement on a research population of Chinese entrepreneurs.²²⁷ Their findings show a positive relationship between Moral Disengagement orientation and unethical decisions.²²⁸ While conducting this research Baron et al. proved the applicability of the cognitive Moral Disengagement construct in collectivistic cultures like China.

²²⁰ Ebd. p. 374.

²²¹ Shu, L.L.; Gino, F.; Bazerman, M.H. (2011). Ethical Discrepancy: Changing Our Attitudes to Resolve Moral Dissonance. In: Behavioral Business Ethics: Ideas on an Emerging Field. De Cremer D.; Tenbrunsel, A.E. (ed.), Taylor and Francis Group: NY., p. 2.

²²² Ebd. p. 7.

²²³ Samnani, A.K.; Salamon, S.D.; Singh, P. (2014). Negative Affect and Counterproductive Workplace Behaviour: Moderating Role of Moral Disengagement and Gender. In: Journal of Business Ethics 119, p. 238.

²²⁴ Ebd. p. 241.

²²⁵ White, J; Bandura, A; Bero, L.A. (2009). Moral Disengagement in the Corporate World. In: Accountability in Research 16, p. 41.

²²⁶ Ebd. pp. 64-65.

²²⁷ Baron, R.A.; Zhao, H.; Miao, Q. (2012). Personal Motives, Moral Disengagement, and Unethical Decisions by Entrepreneurs: Potential Dangers of the Desire for Financial Success. In: Frontiers of Entrepreneurship Research 32 (6), p. 9.

²²⁸ Ebd. p. 1.

Summary: Moral Disengagement is a relatively new construct in management science as a cognitive individual predictor influencing ethical choices at work. Nevertheless, recent research studies highlighted its great significance in this context. Moral Disengagement has also been successfully tested to be applicable in various industries and for various job profiles. Furthermore, previous research confirms its applicability in Western individualistic, but also in Chinese collectivistic cultures and provided evidence for gender-related influences with regard to Moral Disengagement.

2.4. Studies focusing on Chinese Guanxi in context with this research topic

Chen et al. reviewed about 200 articles from the past 20 years while conducting a meta-analysis of Guanxi literature in 2013. Besides various interesting findings regarding the theoretical background of Guanxi theory in comparison to Western social capital theory and in-depth analyses of Guanxi influences on individual, interpersonal, as well as on firm-to-firm level, one main finding stood out: Chen et al.'s findings on the influence and the increasing or decreasing role of Guanxi on decisions in professional environments show mixed results reflecting the dynamic relationship of the cultural and institutional changes in China.²²⁹ Thus, these findings provide evidence that further research on Guanxi influences on employees is needed and increasingly important in contemporary China.

In 2009, Hwang et al. elaborated an empirical study in Taiwan on Guanxi and Business Ethics in a Confucian society. Their findings confirm previous research by emphasizing the important role of Guanxi in the corporate world where Guanxi-related behaviour can help to boost the business, but may also produce unethical and corruptive behaviour in certain cases, like “under-table commissions or favours”.²³⁰ Regarding the existence of a Code of Conduct and its acceptance by employees, raised in a Confucian culture, Hwang et al. recommend to add specific and explicit Guanxi-related rules to such a codex to give guidance how to deal with certain business cases, where Guanxi is involved.²³¹ Hwang et al.'s findings also confirm previous research that Guanxi can have a significant impact on an individual's ethical judgement.²³² The same results show the findings of Au and Wong, who explored the impact of Guanxi on the ethical decision making process by using 70 Hong Kong auditors as a sample

²²⁹ Chen, C.C.; Chen, X.P.; Huang, S. (2013). Chinese Guanxi: An Integrative Review and New Directions for Future Research. In: *Management and Organization Review* 9 (1), p. 194.

²³⁰ Hwang, D.B.; Golemon, P.L.; Chen, Y.; Wang, T.-S.; Hung, W.-S. (2009). Guanxi and Business Ethics in Confucian Society Today: An Empirical Case Study in Taiwan. In: *Journal of Business Ethics* 89, p. 243.

²³¹ Ebd. p. 244.

²³² Ebd. p. 245.

population for their explanatory study.²³³ Their findings also provide evidence for the impact of Guanxi on ethical judgement, whereby the intensity of the Guanxi impact depends on the level of cognitive moral development/moral reasoning of the individual.²³⁴ In summary, Au and Wong's findings show that not only the level of ethical reasoning influence ethical judgement, but also Guanxi.²³⁵

Ho and Redfern provided evidence that Kohlbergs (1969) stages of moral development relate to Chinese employee's acceptance of Guanxi behavior in ethical dilemmas and gain deep insights into Guanxi-impacts on ethical decisions in Chinese organizations.²³⁶

In particular, Ho and Redfern supported Trevino's (1986) Person-Situation-Interactionist model emphasizing that moral judgements are influenced by a combination of both, individual moral values or philosophies and situational contingencies – also in China.²³⁷

Within the last two decades not only research with regard to the theoretical background of Guanxi has been examined; for instance, Ang and Leong developed a 9-item Guanxi Orientation scale and successfully tested this scale in their research while testing Guanxi influences on corporate ethics.²³⁸ Findings provided evidence for a negative effect of Guanxi, inter alia, on corporate ethics among Hong Kong as well as Singapore youth with a higher degree with regard to the Chinese Hong Kong sample.²³⁹

Dunn's empirical study sheds light on the common prejudices of Westerners against Guanxi. They demonstrated that Canadian research participants assess Guanxi practices as unethical, while Chinese did not show any disturbing emotions with regard to Guanxi-influenced business behaviours.²⁴⁰

As mentioned already above at Chapter 1, Guanxi have been accepted business practices in China for thousands of years and have not been considered to be unethical. Quite the contrary, Guanxi relations are extremely important for every Chinese employee.

²³³ Au, A.K.M.; Wong, D.S.M. (2000). The Impact of Guanxi on Ethical Decision Making Process of Auditors – An Exploratory Study on Chinese CPAs in Hong Kong. In: *Journal of Business Ethics* 28, p. 87.

²³⁴ Ebd. p. 90.

²³⁵ Ebd. p. 91.

²³⁶ Ho, C.; Redfern, K.A. (2010). Consideration of the Role of Guanxi in the Ethical Judgements of Chinese Managers. In: *Journal of Business Ethics* 96, p. 218.

²³⁷ Ebd. p. 218.

²³⁸ Ang, S.H.; Leong, S.M. (2000). Out of the Mouths of Babes: Business Ethics and Youths in Asia. In: *Journal of Business Ethics* 28, p. 137.

²³⁹ Ebd. p. 139.

²⁴⁰ Dunn, P. (2006). The Role of Culture and Accounting Education in Resolving Ethical Business Dilemmas by Chinese and Canadians. In: *Accounting and the Public Interest* 6, p. 130.

In this context, Lin's findings provide important evidence that the boss-employee relationship in a Chinese working environment can be rated as similar as a father-son relationship.²⁴¹ Lin's findings also show that when using the inherent characteristics of Chinese culture in the best way, Guanxi will have a lot of positive advantages for business development.²⁴² In line with the focus of Lin's research approach, Law et al. analyzed the Chinese Supervisor-Subordinate Guanxi construct in comparison to the Western Leader-Member-Exchange construct.²⁴³

Law et al. also developed and successfully tested a 6-item Supervisor-Subordinate Guanxi measurement scale.²⁴⁴ Findings show the Supervisor-Subordinate Guanxi construct to be a distinct concept in comparison to the Western construct and underline the importance of Supervisor-Subordinate Guanxi relations in the Chinese environment; but - despite its immense significance in managing staffs in the Chinese context, „it should not be over-stated that Chinese management is totally relationship- rather than task-oriented“.²⁴⁵ Moreover, also Zhang and Deng investigated the role of Supervisor-Subordinate Guanxi as informal leader-member interactions in a non-Western context.²⁴⁶ Their findings contribute to the ongoing academic debate whether Supervisor-Subordinate Guanxi is a positive or a negative phenomenon. Their results closely match earlier empirical results by showing that Supervisor-Subordinate Guanxi can have simultaneously good as well as bad effects on the work behaviour of an employee, confirming the complexity of this construct and its significant impacts on work outcomes.²⁴⁷

Zhang et al. investigated in 2015 the influences of personal Guanxi ties on supervisor-subordinate relationships at work. Their findings confirm the significant impact of personal ties in supervisor-subordinate relationships in China and highlight the importance of local particularities in organizational research as globalization is not a homogeneity-producing process, but quite the opposite.²⁴⁸ Also in academic research with a focus on Western cultures

²⁴¹ Lin, L. H. (2011). Cultural and Organizational Antecedents of Guanxi: The Chinese Cases. In: *Journal of Business Ethics* 99 (3), p. 449.

²⁴² Ebd. p. 449.

²⁴³ Law, K.S.; Wong, C.S.; Wong, D.X.; Wang, L.H. (2000). Effect of supervisor-subordinate guanxi on supervisory decisions in China: An empirical investigation. In: *International Journal of Human Resource Management* 11, p. 755.

²⁴⁴ Ebd. p. 756.

²⁴⁵ Ebd. p. 760.

²⁴⁶ Zhang, L.; Deng, Y. (2014). Guanxi with Supervisor and Counterproductive Work Behavior: The Mediating Role of Job Satisfaction. In: *Journal of Business Ethics*, p. 437.

²⁴⁷ Ebd. p. 448.

²⁴⁸ Zhang, X; Li, N.; Harris, T.B. (2015) Putting non-work ties to work: the case of Guanxi in supervisor-subordinate relationships. In: *The Leadership Quarterly* 26, p. 49.

various studies on peer influence, group norms and influences of leaders and supervisors can be found. Trevino and Victor conducted an empirical study on peer reporting and their findings show, that a Code of Conduct can encourage employees – at least in a Western culture – to report peer misconduct, because role responsibility to report is more important to Western employees than group norms²⁴⁹

Triandis proposed a theoretical framework and empirically tested the cultural constructs Collectivism and Individualism while investigating, among others, also the different in-group behaviours of Western individualists and Eastern collectivists.²⁵⁰

In Eastern collectivistic cultures, like China, individual behaviour is regulated by in-group norms and every individual is socialized for obedience and duty with regard to the in-group, consisting of family members, extended family members, friends, peers and acquaintances; hierarchy and harmony with the in-group are most important and the main value is to constantly promote the welfare of the in-group.²⁵¹ In Western individualistic cultures individuals are emotionally detached from in-groups to a certain extent while individual goals are more important than in-group goals. Previous research emphasized that members of individualistic cultures are socialized for self-reliance and independence.²⁵²

In conclusion, it has been found that culture plays an important role in defining ethical standards and strongly influences ethical conduct.²⁵³ In China maintaining the group's wellbeing is of highest interest for each employee; a certain pressure to cover up an illegal or unethical behaviour of other group members or an own unethical action might be viewed differently by an Chinese employee in comparison to a Western culture perspective.²⁵⁴

Overall, prior studies assume an increased willingness of collectivist in-group members to agree to violations of ethical standards because of in-group pressure.²⁵⁵

Summary: Peers as well as supervisors as situational, interpersonal predictors strongly influence ethical choices of an employee. In this context, also culture and the way how

²⁴⁹ Trevino, L.K.; Victor, B. (1992). Peer Reporting of Unethical Behaviour: A Social Context Perspective. In: *Academy of Management Journal* 35 (1), pp. 56-57.

²⁵⁰ Triandis, H.C.; McCusker, C.; Hui, C.H. (1990). Multimethod Probes of Individualism and Collectivism. In: *Journal of Personality and Social Psychology* 59 (5), p. 1006.

²⁵¹ Ebd. p. 1020.

²⁵² Ebd. p. 1020.

²⁵³ Cohen, J.R.; Pant, L.W.; Sharp, D.J. (1992). Cultural and Socioeconomic Constraints on International Codes of Ethics: Lessons from Accounting. In: *Journal of Business Ethics* 11 (9), p. 690.

²⁵⁴ Ebd. p. 691.

²⁵⁵ Ebd. p. 691.

employees deal with personal ties play an important role and influence ethical conduct. Guanxi influences the moral reasoning process while facing an ethical dilemma and the influence of a peer in-group on the employees' ethical choices differs, depending on his cultural background. There's an ongoing academic debate whether Guanxi is a positive or a negative phenomenon. Especially Chinese management theory constructs such as Guanxi Orientation and Supervisor-Subordinate Guanxi may be helpful to shed more light on this complex phenomenon as it is very important to focus on local particularities in organizational management research. Globalization is not a homogeneity-producing process, but quite the contrary. So, in cross-cultural management research, not only Western management theory constructs should be applied, but a mix of Western and Chinese management theory constructs is strongly recommended.

2.5. Studies focusing on ethnicity in context with this research topic

Kohlberg, the founding father of the landmark moral development framework, proposed that all individuals regardless of their culture could develop from lower to higher stages of moral reasoning.²⁵⁶ Findings from Davison et al. confirm the general validity of the Western-based Kohlberg model cross-cultural also in Eastern Asia (Confucian culture) as Chinese and Japanese participants of their research study could reach the same stages of moral reasoning of the Kohlberg model as any other Western individual.²⁵⁷

In addition, Davison et al emphasize that Chinese and Japanese managers seriously intended to follow rules and regulations, which lead Davison et al. to assume a potential change of Confucian values in East Asia where personal relationships in general have been more important than legal regulations.²⁵⁸ Also Hernandez & McGee, conducting a survey in the U.S.; Brazil, Germany and China in 2014 on individual bribe-taking, show that Germans and Chinese were equally opposed against bribe-taking.²⁵⁹

²⁵⁶ Wright Jr.; R.D. (1999). Are Women More Ethical? Recent Findings on the Effects of Gender upon Moral Development. In: *Journal of Public Administration Research and Theory* 9 (3), p. 460.

²⁵⁷ Davison, R.-M.; Martinsons, M.G.; Ou, C.X.J.; Murata, K.; Drummond, D.; Li, Y.; Lo, H.W.H. (2009). The Ethics of IT-Professionals in China and Japan. In: *Journal of the Association of Information Systems* 10 (11), p. 849.

²⁵⁸ Ebd. p. 849.

²⁵⁹ Hernandez, T.; McGee, R.W. (2014). The Ethics of Accepting a Bribe: An Empirical Study of Opinion in the USA, Brazil, Germany and China. Available at SSRN: <http://ssrn.com/abstract=2426956> or <http://dx.doi.org/10.2139/ssrn.2426956> (last accessed Oct. 7th, 2015), p. 15.

Overall, it has been found that the topic of this study - individual ethical decision making - remains one of the most complex research issues in contemporary China.²⁶⁰

Accordingly, also Rivers highlighted China's stronger efforts for about one decade now to intensify Business Ethics education, because "the Chinese government has explicitly stated its concern about shortcomings in leadership and responsibility in the country."²⁶¹

Wright et al., among others, found a high level of moral confusion in China stating that a lack of core values in the society and even a breakdown of Confucian traditions might serve as a proper explanation.²⁶² Outlining the current Business Ethics developments in China as ambivalent and contradictory Wright et al. conclude that foreign companies, doing business in China, need "to examine domestic practices to determine which ones can be transplanted and which ones will either be rejected or modified".²⁶³

Dunn differentiates between Western and Chinese cultural standards in the context of ethical choices at work underlining that depending on the cultural standard, an employees' action may differ due to different individual views about ethically acceptable behaviour.²⁶⁴ His findings show this fact very clearly by indicating that Chinese participants of his study approve certain behaviours and business practices as ethically acceptable where Canadian participants disagree and show disturbing emotions.²⁶⁵ This was consistently also confirmed by Phau and Kea summarizing the findings of their cross-cultural study by stressing that ethnic culture is the predominant factor explaining differences of individual ethical choices across countries.²⁶⁶ Nevertheless, as most prior studies confirmed a greater sensitivity of Western employees regarding ethical dilemmata, the findings of Phau and Kea show the very opposite. Their Chinese research population exhibited higher ethical values than participants from a Western

²⁶⁰ Rivers, C. (2014). Negotiating Ethics in China. In: *International Studies of Management and Organisation* 43 (4), p. 56, referring to De Bettignies, H.-C.; Tan, C.K. (2003). Values and Management Education in China. In: *International Management Review* 3 (1), p. 33.

²⁶¹ Ebd. p. 33.

²⁶² Wright, P.C.; Szeto, W.F., Lee, S.K. (2003). Ethical Perceptions in China: the reality of business ethics in an international context. In: *Management Decision* 41 (2), p. 186, referring to Luo, Y. (1997). Guanxi: principles, philosophies, and implications. In: *Human Systems Management* 16 (1), p. 49; Lu, X. (1999). The political economy of corruption in China. In: *The China Quarterly* 158, p. 501; Hong, D.S. (1997). Dynamics of Asian workplaces: an introductory essay. In: *Work and Occupations* 24 (1), p. 4.

²⁶³ Wright, P.C.; Szeto, W.F., Lee, S.K. (2003). Ethical Perceptions in China: the reality of business ethics in an international context. In: *Management Decision* 41 (2), p. 186.

²⁶⁴ Dunn, P. (2006). The Role of Culture and Accounting Education in Resolving Ethical Business Dilemmas by Chinese and Canadians. In: *Accounting and the Public Interest* 6, p. 116.

²⁶⁵ Ebd. p. 130.

²⁶⁶ Phau, I; Kea, G. (2007). Attitudes of University Students toward Business Ethics: A Cross-National Investigation of Australia, Singapore and Hongkong. In: *Journal of Business Ethics* 72, pp. 61-62.

cultural background. These opposite previous research results suggest that further research on this topic is needed.

But there is not only a wide stream of - contradicting - research regarding Business Ethics development in Eastern cultures such as China. Significant previous research focusing on Western cultures can be found in this context, too. In 2014 Rausch et al. found that a more individualistic cultural focus (as in the U.S.) leads to a greater ethical awareness than a cultural focus, which is more based on social consensus (as in Austria and Germany).²⁶⁷ Rausch et al. provide empirical evidence that for the phase of recognizing the existence of an ethical dilemma, culture and ethnicity play a significant role.²⁶⁸ This means, ethnicity and the related culture are typical Type II factors, as explained by Brady and Hatch (please see pages 19 and 20) influencing directly the the process of ethical decision making as such.

Litschka et al. note that formal general management decision principles may be applicable also cross-culturally after slight adaption to different cultural backgrounds as a result of their research about decision criteria in ethical dilemma situations by using Austrian managers as a research population.²⁶⁹ Also O'Fallon and Butterfield conclude that ethnicity impacts individual ethical decision making stating that this topic is quite complex to investigate as many researchers compare different nationalities and ethnicities.²⁷⁰ Moreover, the empirical findings of Simga-Mugan et al. show that ethnicity impacts the ethical sensitivity of an individual regarding certain ethical duties towards an employer.²⁷¹

Jeffrey et al. investigated inter alia individual attitudes towards rule-directed behaviour and the perceived importance of a Code of Conduct on auditor's judgments about ethical dilemmas in a collectivistic culture (Taiwan).²⁷² Their findings show mixed results, especially regarding collectivistic in-group membership and its potential impact on ethical judgements of an individual at work. Jeffrey et al. underline the need for further research individual ethical

²⁶⁷ Rausch, A.; Lindquist, T.; Steckel, M. (2014). A Test of U.S. versus Germanic European Ethical Decision-Making and Perceptins of Moral Intensity: Could Ethics Differ within Western Culture? In: *Journal of Managerial Issues* 26 (3), p. 278.

²⁶⁸ Ebd. p. 278.

²⁶⁹ Litschka, M.; Suske, M.; Brandtweiner, R. (2011). Decision Criteria in Ethical Dilemma Situations: Empirical Examples from Austrian Managers. In: *Journal of Business Ethics* 104 (4), p. 483.

²⁷⁰ O'Fallon, M.J.; Butterfield, K.D. (2005). A Review of the Empirical Ethical Decision-Making Literature 1996-2003. In: *Journal of Business Ethics* 59, p. 397.

²⁷¹ Simga-Mugan, C.; Daly, B.A.; Onkal, D.; Kavut, L. (2005). The Influence of Nationality and Gender on Ethical Sensitivity: An Application of the Issue-Contingent Model. In: *Journal of Business Ethics* 57(2), p. 152.

²⁷² Jeffrey, C.; Dilla, W.; Weatherholt, N. (2004). The Impact of Ethical Development and Cultural Constructs on Auditor Judgment: A Study of Auditors in Taiwan. In: *Business Ethics Quarterly* 14 (3), p. 553.

decision making in the context of a collectivistic culture.²⁷³ In 2007 Westerman et al. examined the influence of national culture and peer pressure on an individual's ethical behavioural Intention using a sample population of 165 business students from Germany, Italy and Japan.²⁷⁴ Their findings confirm the significant impact of both national culture as well as peers on an individual's Intention to behave ethically; overall, peers impact even shows a stronger influence than national culture, but the degree of peer impacts depend on cultural constructs such as individualism and power distance in each country according to the authors.²⁷⁵

Moreover, Westerman et al. agree with previous research that peers seem to be the primary source of social impacts on employees' ethical choices confirming that peer impact is even stronger than impacts by managers or superiors.²⁷⁶ Furthermore Westerman et al. emphasizes that decisions in Germanic culture are mainly based on rules and regulations, because "norms and principles are commonly accepted"²⁷⁷ As a consequence, peer pressure has no significant influence on ethical decision making processes in Germany according to Westerman et al.²⁷⁸

Summary: Previous research confirms the influence of ethnicity as a predominant factor on the individual decision making process at work. Depending on which culture the employee comes from – e.g. Western or Chinese Confucian culture – the employee may have different views which behaviour may be ethically acceptable when facing an ethical dilemma. On the other hand, some earlier studies comparing ethical decision making processes of Western and Chinese culture did not produce significant different results. In conclusion, it can be retained that there is a widespread academic consensus in management science that ethnicity is a very important factor influencing individual ethical choices. However, empirical results are often mixed and many scientists call for further research in this context. The author of this promotional work did not find any prior research on ethical decision making with a focus on Germanic and Chinese employees and the potential different implications of these ethnicities so far, so, the author decided to contribute to fill this research gap by conducting this study.

²⁷³ Ebd. pp. 570-571.

²⁷⁴ Westerman, J.W.; Beekun, R.I.; Stedham, Y.; Yamamura, J. (2007). Peers versus National Culture: An Analysis of Antecedents to Ethical Decision-making. In: *Journal of Business Ethics* 75, p. 239.

²⁷⁵ Ebd. p. 247.

²⁷⁶ Ebd. p. 247.

²⁷⁷ Ebd. p. 248.

²⁷⁸ Ebd. p. 249.

2.6. Studies focusing on gender in context with this research topic

There have been countless previous gender-related research on individual ethical decision making at work, but until today the famous question ‘*Who are more ethical – men or women?*’ has not been clearly answered yet.

On the contrary, previous studies show mixed results. A good example for this overall contradictory and equivocal situation are the findings of Borkowski and Ugras, who compiled their meta-analysis while analyzing 47 previous studies on gender effects in this regard. Borkowski and Ugras summarize their findings by pointing out that 29 out of 47 examined studies show a significant relationship between gender and ethical behaviour, 16 out of 47 studies show no significant relationship and 2 out of 47 studies show mixed results, which provides a typical picture that altogether perfectly supports the mixed findings of previous research.²⁷⁹

The author of this study follows prior ‘Gender’ definitions taking gender as a cultural-societal property (e.g. masculinity/femininity) with regard to personal traits and behavioural role-taking, while sex is a biological property (e.g. maleness/femaleness).²⁸⁰

Gender-related research with regard to ethical choices primarily focuses on differences between males and females regarding their perception of an ethical dilemma. More or less all ethical decision making models start with an individual’s perception that a certain situation or future action causes an ethical dilemma. Kohlberg’s Cognitive Moral Development Theory and the further developed Four-Components-Model by Rest are the central key-frameworks in this context as mentioned above. According to Kohlberg females are regarded as belonging to stage 3 and males are categorized as belonging to stage 4, a more developed stage, of moral reasoning.²⁸¹ However, the author of this promotional work draws critical attention to the fact that Kohlberg’s research was based upon data from about 50 years ago.

But, already decades ago there has been a growing criticism of Kohlberg’s statements, for instance by Gilligan while introducing her framework of the ‘Ethics of Caring’ as an alternative

²⁷⁹ Borkowski, S. C.; Ugras, Y.J. (1998). Business Students and Ethics: A Meta-Analysis. In: Journal of Business Ethics 17 (11), p. 1124.

²⁸⁰ Unger, R.K.; Crawford, M. (1993). Commentary: Sex and Gender: The Troubled Relationship between Terms and Concepts. In: Psychological Science 4 (2), p. 122.

²⁸¹ Kohlberg, L.; Kramer, R. (1969). Continuities and Discontinuities in Childhood and Adult Moral Development. In: Human Development 12, p. 104.

to rights and justice obligations in moral judgements.²⁸² Derry summarizes the current stage of research and distinguishes clearly between morality based on justice and morality based on care.²⁸³ Gilligan, the ‘patroness’ of the theory of the concept of morality as care, criticized that Kohlberg’s research population were only males and Kohlberg’s denial that women could catch up with men regarding advancing into the same stages of moral development.²⁸⁴ In 1982 Gilligan published her landmark work in moral development psychology as a book called *In a Different Voice*, “which contains the seminal claim that women speak about ethics “in a different voice” than men do.”²⁸⁵ Stedham et al. summarize that Gilligan emphasizes on the female relationship-orientation and the female focus on care-orientation in contrary to the male justice-orientation while facing an ethical dilemma.²⁸⁶ Stedham et al. also characterize the status quo of gender-related literature in this context as being divided in one stream of research on the ethics of justice and another stream of research on the ethics of care.²⁸⁷

Ittonen et al. stress that “behavioural differences between women and men have been extensively documented in the [...] behavioural economics literature”.²⁸⁸ Moreover, Bampton and Maclagan summarize that a lot of empirical research has been conducted within the last 30 years regarding the effect of gender on the individual ethical decision making process. But, they added critical remarks that most prior gender-related research has been theoretically functional, but practically useless because of testing research populations, consisting of

²⁸² Fraedrich, J.; Thorne, D.M.; Ferrell, O.C. (1994). Assessing the Application of Cognitive Moral Development Theory to Business Ethics. In: *Journal of Business Ethics* 13, p. 832.

²⁸³ Derry, R. (1989). An Empirical Study of Moral Reasoning among Managers. In: *Journal of Business Ethics* 8 (11), p.855.

²⁸⁴ White, T.I. (1992). Business, Ethics, and Carol Gilligan’s “Two Voices”. In: *Business Ethics Quarterly* 2 (1), p. 52.

²⁸⁵ Ebd. p. 51.

²⁸⁶ Stedham, Y.; Yamamura, J.H.; Beekun, R.I. (2007). Gender differences in business ethics: justice and relativist perspectives. In: *Business Ethics: A European Review* 16 (2), p. 164.

²⁸⁷ Ebd. p. 164.

²⁸⁸ Ittonen, K.; Vähämaa, E.; Vähämaa, S. (2013). Female Auditors and Accruals Quality In: *Accounting Horizons* 27 (2), p. 205 referring to Feingold, A. (1994). Gender differences in personality: A meta-analysis. In: *Psychological Bulletin* 116, p. 429; Byrnes, J.P.; Miller, D.C.; Schafer, W.D. (1999). Gender differences in risk taking: A meta-analysis. In: *Psychological Bulletin* 125, p. 367; Costa, P.; Terracciano, A.; McCrae, R. (2001). Gender differences in personality traits across cultures: Robust and surprising findings. In: *Journal of Personality and Social Psychology* 81, p. 323; Dwyer, P.; Gilkeson, J.; List, J. (2002). Gender differences in revealed risk taking: Evidence from mutual fund investors. In: *Economics Letters* 76, p. 151; Eckel, C.; Grossman, P. (2002). Sex differences and statistical stereotyping in Attitudes toward financial risk. In: *Evolution and Human Behavior* 23, p. 281; Nettle, D. (2007). Empathizing and systemizing: What are they, and what do they contribute to our understanding of psychological sex differences? In: *British Journal of Psychology* 98, p. 237; Schmitt, D.; Realo, A.; Voracek, M; Allik, J. (2008). Why can’t a man be more like a woman? Sex differences in big five personality traits across 55 cultures. In: *Journal of Personality and Social Psychology* 94, p. 168; Croson, R.; Gneezy, U. (2009). Gender differences in preferences. In: *Journal of Economic Literature* 47, p. 449.

students, not professionals, and using only experimental settings or unsuitable questionnaires.²⁸⁹ Despite these limitations, prior research has tended to agree that women are more ethical than men.²⁹⁰

This has been also the outcome of a meta-analysis conducted by O'Fallon and Butterfield. They summarize their investigation into 49 previous gender-related studies that in many research studies they couldn't find a significant difference regarding male or female ethical decision making behaviour, but if any difference occurred, women were found to be more ethical than men.²⁹¹

Also Stedham et al. confirm that female judgements of ethical situations seem to be stricter.²⁹² An additional interesting finding of Stedham et al. shows that men are more affected by peer pressure than women in the process of ethical decision making.²⁹³ Just recently in 2015, Bobek et al. provided further evidence regarding the impact of gender on the ethical decision making process as male U.S. accountants took different ethical decisions in comparison to female U.S. accountants.²⁹⁴ Also Ittonen et al. just recently carried out empirical research on gender differences in the context of audit and accounting. Their findings show consistency with previous research confirming gender differences in a way that women are more conservative and more risk-averse in financial and auditing matters; their findings also confirm previous research that women have a higher propensity to comply with rules and regulations.²⁹⁵ In 2014 Pierce arrived at the same conclusion after reviewing previous literature on gender differences in ethical decision making at work.²⁹⁶

The empirical investigations of Simga-Mugan et al. also shed light that - regarding gender - women show a higher ethical sensitivity as men in employee- (peer-) related issues, while in

²⁸⁹ Bampton, R.; Maclagan, P. (2009). Does a care orientation explain gender differences in ethical decision making? A critical analysis and fresh findings. In: *Business Ethics: A European Review* 18 (2), p. 179.

²⁹⁰ Ebd. p. 179.

²⁹¹ O'Fallon, M.J.; Butterfield, K.D. (2005). A Review of the Empirical Ethical Decision-Making Literature 1996-2003. In: *Journal of Business Ethics* 59, p. 379.

²⁹² Stedham, Y.; Yamamura, J.H.; Beekun, R.I. (2007). Gender differences in business ethics: justice and relativist perspectives. In: *Business Ethics: A European Review* 16 (2), p. 171.

²⁹³ Ebd. p. 172.

²⁹⁴ Bobek, D.D.; Hageman, A.M.; Radtke, R.R. (2015). The Effects of Professional Role, Decision Context, and Gender on the Ethical Decision Making of Public Accountant Professionals. In: *Behavioral Research in Accounting* 27 (1), pp. 68-69.

²⁹⁵ Ittonen, K.; Vähämaa, E.; Vähämaa, S. (2013). Female Auditors and Accruals Quality In: *Accounting Horizons* 27 (2), pp. 224-225.

²⁹⁶ Pierce, J.R. (2014). Sex & Gender in Ethical Decision Making: A Critical Review and Recommendations for Future Research. In: *Academy of Management Annual Meeting Proceedings*, p. 982.

principal- (employer-) related issues no gender differences can be found.²⁹⁷ Also the findings of Hernandez & McGee, conducting a survey in the U.S., Brazil, Germany and China in 2014 on individual bribe-taking attitudes, show that there are gender-related differences across all tested four country populations: across all cultures women were significantly more opposed against bribe-taking than men.²⁹⁸

In contrast to these findings mentioned above, Bommer et al denies that women are more ethical than men while referring to the empirical findings of several researchers such as the findings of Lyons, Braverman et al. as well as Freeman & Giefink as follows: “They found that females tend not to progress to postconventional morality as often as males because of differential societal pressures on females, even though at younger ages females tend to be more advanced in terms of moral reasoning.”²⁹⁹ In addition, for instance, also the results of the meta-analysis, conducted by Jaffee and Hyde regarding gender differences in moral obligation didn’t show strong gender differences at all.³⁰⁰

As an intermediate conclusion the author can notice that previous gender-related research has been wide-spread, but has produced mixed results – even across cultures. This impression can be further strengthened by the following research results:

Ma and Chan tested 168 Chinese students and provided evidence that there has been no tendency of gender differences in all of the stage scores of the Rest’s DIT test.³⁰¹ The empirical research of Phau and Kea on student’s attitudes towards Business Ethics in Australia, Singapore and Hongkong underlined that across all three countries males were considered to be more ethically than females.³⁰² Kish-Gephart et al. summarize the findings of their meta-analysis on unethical choices of individuals, that – regarding gender – more or less no effects can be found

²⁹⁷ Singa-Mugan, C.; Daly, B.A.; Onkal, D.; Kavut, L. (2005). The Influence of Nationality and Gender on Ethical Sensitivity: An Application of the Issue-Contingent Model. In: *Journal of Business Ethics* 57(2), p. 154.

²⁹⁸ Hernandez, T.; McGee, R.W. (2014). The Ethics of Accepting a Bribe: An Empirical Study of Opinion in the USA, Brazil, Germany and China. Available at SSRN: <http://ssrn.com/abstract=2426956> or <http://dx.doi.org/10.2139/ssrn.2426956> (last accessed Oct. 7th, 2015), pp. 4-5.

²⁹⁹ Ebd. p. 273, referring to Lyons, N. (1982). Conceptions of Self and Morality and Modes of Moral Choice, Unpublished doctoral dissertation, Harvard University; Braverman, I.; Vogel, S.; Braverman, D.; Clarkson, F.; Rosenkrantz, P. (1972). Sex-Role Stereotypes: A Current Appraisal. In: *Journal of Social Issues* 28, pp. 58-78; Freeman, S. J. M.; Giefink, J. W. (1979). Moral Judgement as a Function of Age, Sex, and Stimulus. In: *Journal of Psychology* 102, pp. 43-47.

³⁰⁰ Jaffee, S.; Hyde, J.S. (2000). Gender Differences in Moral Orientation: A Meta-Analysis. In: *Psychological Bulletin* 126 (5), p. 720.

³⁰¹ Ma, H.-K.; Chan, W.-S. (1987). The Moral Judgements of Chinese Students. In: *The Journal of Social Psychology* 127 (5), p. 491.

³⁰² Phau, I.; Kea, G. (2007). Attitudes of University Students toward Business Ethics: A Cross-National Investigation of Australia, Singapore and Hongkong. In: *Journal of Business Ethics* 72, p. 61.

and “demographics add nothing to the explanation of either unethical Intention or unethical behaviour.”³⁰³ McCabe et al. empirically measured the psychological and social aspects of gender and their influence on ethical perceptions. Their results indicate that the mere biological sex difference does not influence differences in ethical perceptions of individuals.³⁰⁴

Roxas and Stoneback rightly complain about the fact that only little research has been conducted yet regarding the potential influences of culture on gender-related differences in ethical decision making.³⁰⁵ Roxas and Stoneback point out, that based on gender socialization approach men and women will react differently to the same ethical dilemmas, where „men seek competitive success and are more likely to break rules, and woman are more likely to adhere to rules as they are concerned about doing tasks well and harmonious relationships.“³⁰⁶ The gender socialization approach argues that men and women will also react differently in the work context when facing an ethical dilemma because of these different ethical values related to their gender roles. On the other hand, - as shown by prior research - these early socialization differences will completely disappear while employees get socialized into their professional job roles.³⁰⁷ In this context Roxas and Stoneback refer to Betz by explaining that „women will become more like men under similar occupational conditions.“³⁰⁸

However, also Roxas and Stoneback end up with mixed results regarding gender-related impacts across cultures on ethical decision processes after analyzing their empirical data of 750 questionnaires from a research population spanning 8 countries.³⁰⁹ Their findings show significant gender-related differences for most Western country groups, where females were significantly more ethically sensitive. But, regarding their Chinese research group, the results show that Chinese male students developed by far a greater sensitivity with regard to ethical issues in comparison to their female colleagues.³¹⁰ Lam and Shi analyzed professionals from Mainland China and Hong Kong indicating that both Chinese and Hong Kong employees

³⁰³ Kish-Gephart J.J.; Harrison, D.A.; Trevino, L.K. (2010). Bad Apples, Bad Cases and Bad Barrels: Meta-Analytic Evidence about Sources of Unethical Decisions at Work. In: *Journal of Applied Psychology* 95 (1), p. 20.

³⁰⁴ McCabe, A.C.; Ingram, R.; Dato-on, M.C. (2006). The Business of Ethics and Gender. In: *Journal of Business Ethics* 64 (2), p. 108.

³⁰⁵ Roxas, M.L.; Stoneback, J.Y. (2004). The Importance of Gender across Cultures in Ethical Decision-Making. In: *Journal of Business Ethics* 50 (2), p. 150.

³⁰⁶ Ebd. p. 150.

³⁰⁷ Ebd. p. 150.

³⁰⁸ Ebd. p. 150 referring to Betz, M., O`Connell, L.; Shepherd, J. (1989). Gender Differences in Proclivity for Unethical Behaviour. In: *Journal of Business Ethics* 8, p. 322.

³⁰⁹ Ebd. p.162.

³¹⁰ Ebd. pp. 161-162.

consider unethical behaviour which violates certain social norms as less morally reprehensible than a violation of the law.³¹¹ Their findings also showed gender differences with regard to the Hong Kong test group, but not with regard to the Chinese test group.³¹²

Summary: Despite extensive empirical research across countries and cultures, the question regarding any gender-related impact on an employees` ethical choices at work has not been answered clearly yet – in contrary, a wide range of empirical management research on this topic within the last 40 years has produced complex, but mixed results. Further research is needed to shed light on this complex phenomenon.

2.7. Studies focusing on Code of Conduct research in context with this research topic

A Code of Conduct “is a statement that lays out corporate principles, ethics, rules of conduct or company philosophy concerning responsibility to employees, shareholders, consumers, the environment or any other aspects of society external to the company.”³¹³

Barmeyer and Davoine note, a Code “stipulates the rights and the obligations both of the company and the employee in many areas of activity and daily work, such as dealing with conflict of interest, corruption, confidential information, health and safety, colleagues, etc.”³¹⁴

Schwartz defines a Code as a “written, distinct, formal document which consists of moral standards which help guide employees or corporate behaviour.”³¹⁵

For this study, the author follows these definitions. According to all these definitions it applies that Code of Conduct is typically an essential part of a corporate ethics programme. Trevino et al. note that a Code of Conduct “typically identify the organization`s conduct standards, the types of ethical and legal issues employees are likely to face in their organization, and the organization`s core values”.³¹⁶ Tjosvold et al. indicate that “ideally, these codes should empower employees by helping them recognize situations that have moral implications,

³¹¹ Lam, K.C.; Shi, G. (2008). Factors affecting Ethical Attitudes in Mainland China and Hong Kong. In: *Journal of Business Ethics* 77, p. 476.

³¹² Ebd. p. 476.

³¹³ Schneider, S.; Barsoux, J.-L. (1997). *Managing across Cultures*, London, p. 247.

³¹⁴ Barmeyer, C.I.; Davoine, E. (2006). International Corporate Cultures? From helpless global convergence to constructive European divergence. In: Scholz, C. / Zentes, J. (Hg.): *Strategic Management - New Rules for Old Europe*. Wiesbaden, Gabler, p. 236.

³¹⁵ Schwartz, M.S. (2002). A Code of Ethics for a Corporate Code of Ethics. In: *Journal of Business Ethics* 41, p. 28.

³¹⁶ Trevino L.K., den Nieuwenboer N., Kish-Gephart J.J. (2014). (Un)Ethical Behaviour in Organizations. In: *Annual Review of Psychology* 65, p. 638.

appreciate ethically acceptable ways of responding, and understand the rationale for consequences for violations.”³¹⁷

As for many other corporate management instruments also the origin of Code of Conduct regulations lies in the U. S., where Codes of Conduct historically had the purpose to moralize business activities. The beginnings such developments in the U.S. date back to the 19th century, when some U.S. companies already had implemented certain internal ethics regulations. This was necessary due to the Common Law history, where most rules and regulations were not laid down in laws.³¹⁸ While U.S. companies had and still have to precisely formulate internal Codes due to their Common Law background, companies registered in countries like Germany and Austria with a strong Civil Law background in general don't have to fulfil this due to the existence of written laws. But – after the Sarbanes-Oxley scandal and the following legal consequences, as e.g. the U.S. Sarbanes-Oxley Act, multinational companies are keen to implement Codes of Conducts from a legal point of view. Nowadays, this applies in particular also for companies in China. Most internationally active companies have introduced so far internal Code of Conducts integrated in operating manuals as well as in supervisor's job descriptions, and implemented by postings on blackboards and trainings.³¹⁹

Nevertheless, also regarding Code of Conduct research – previous research results are inconsistent. Several prior studies have found significant relationships between a Code and an employees' ethical behaviour, other studies have found only a weak or no influence at all.³²⁰

A very recent Code of Conduct related literature review, conducted by Trevino et al. in 2014, shows that research is still incomplete on the one hand, and -as far as previous research is available-, results on impacts of a Code are still mixed.³²¹

Kish-Gephart et al. came to share the same conclusion after performing a meta-analysis about 23 antecedents of unethical choices investigating inter alia the impact of the existence of a Code

³¹⁷ Tjosvold, D.; Snell, R.; Su, S.F. (2009). Codes of Conduct for Open-Minded Discussion and Resolution of Ethical Issues in China. In: *Journal of International Business Ethics* 2 (2), p. 3.

³¹⁸ Barmeyer, C.; Davoine, E. (2007). Internationaler Transfer von Unternehmenskulturen zwischen Nordamerika und Europa. In: Oesterle, M.J. (ed.) *Internationales Management im Umbruch: Globalisierungsbedingte Einwirkungen auf Theorie und Praxis internationaler Unternehmensführung*. Wiesbaden. Deutscher Universitätsverlag, p. 275.

³¹⁹ Bommer, M.; Gratto, C.; Gravander, J.; Tuttle, M. (1987). A Behavioral Model of Ethical and Unethical Decision Making. In: *Journal of Business Ethics* 6, p. 271.

³²⁰ Schwartz, M.S. (2002). A Code of Ethics for a Corporate Code of Ethics. In: *Journal of Business Ethics* 41, pp. 27-28.

³²¹ Trevino, L.K.; den Nieuwenboer, N.A.; Kish-Gephart, J.J. (2014). (Un)Ethical Behaviour in Organizations. In: *Annual Review of Psychology* 65, p. 639.

within a business organization.³²² Kish Gephart et al summarize their findings that the mere existence of a Code of Conduct may not be effective to prevent individual unethical Intentions and unethical behaviour of an employee. Kish-Gephart et al. propose this effect could be explained by the widespread availability and implementation of such Codes in the corporate world which leads to the potential results that Codes “have lost their potency. They have become ground rather than figure.”³²³ Another important potential factor for a Codes` un-effectiveness may be the fact that many corporations just use such a Code more or less as a façade and window dressing³²⁴

In contrary, Bommer et al. refer to Hegarty and Sims, which provided evidence already back in 1979 “by using a simulated decision-making exercise, a letter from the fictitious company`s president supporting ethical behaviour and warning of dismissal for unethical behaviour resulted in increased ethical behaviour.”³²⁵ Therefore, in contrast to other researchers mentioned above, Bommer et al. confirm that a company`s Code of Conduct can positively impact individual ethical behaviour at work.³²⁶

Kish-Gephart et al. affirm this view after performing a meta-analysis on the impacts several factors on unethical Intention and unethical behaviour of an employee. Their findings lead to the same outcome by showing that a certain social environment in organizations can help to reduce unethical Intention and ethical behaviour of an individual. The implementation of a Code and a culture-appropriate enforcement of the Code will prevent unethical Intentions and unethical behaviour.³²⁷ However, several previous research suggests that a Code - used in a cross-country setting - need to be customized to the local cultural conditions to be effective.³²⁸ This applies in particular to Chinese culture.

³²² Kish-Gephart J.J.; Harrison, D.A.; Trevino, L.K. (2010). Bad Apples, Bad Cases and Bad Barrels: Meta-Analytic Evidence about Sources of Unethical Decisions at Work. In: *Journal of Applied Psychology* 95 (1), p. 21.

³²³ Ebd. p. 21.

³²⁴ Ebd. p. 21.

³²⁵ Ebd. p. 271, referring to Hegarty, W. H.; Sims, H. (1979). Organizational Philosophy, Policies, and Objectives Related to Unethical Decision Behaviour: A Laboratory Experiment, In: *Journal of Applied Psychology* 64, p. 337.

³²⁶ Ebd. p. 271.

³²⁷ Kish-Gephart, J.; Harrison, D.A.; Trevino, L.K. (2007) The Who, When, and Where of Unethical Choices: A Meta-Analysis. In: *Academy of Management Annual Meeting Proceedings*, p. 4.

³²⁸ Rivers, C. (2014). Negotiating Ethics in China. In: *International Studies of Management and Organisation* 43 (4), p. 56, referring to De Bettingies, H.-C.; Tan, C.K. (2003). Values and Management Education in China. In: *International Management Review* 3 (1), p. 33; Von Weltzien Hoivik, H. (2007). East Meets West: Tacit Messages About Business Ethics in Stories Told by Chinese Managers. In: *Journal of Business Ethics* 74 (4), p. 459.

Barmeyer and Davoine emphasized - in this context – that lots of Codes used by multinational companies in fact follow U.S.-Code-samples, which leads to the result that these Codes are too Americanized causing intercultural problems and refusal while getting implemented.³²⁹

The need for content diversity of Codes in different countries is also confirmed by the empirical findings of Kaptein.³³⁰ Tjosvold et al. state that the existence of a Code is useful to resolve ethical issues in a Chinese organization anyway, even if the rules were based on Western values.³³¹ Their findings highlight that a clearly-formulated Code and open-minded discussions among the Chinese employees about ethical issues are effective to prevent unethical behaviour.³³² This is the important conclusion Tjosvold et al.'s findings. They also confirm various previous research that a simple top-down implementation of Codes in Chinese organizations rather than a constructive controversy discussion among all employees will not be successful at all.³³³

Thus, the mere existence of a Code may not help to prevent individual unethical behaviour; in contrary, several factors such as the quality of Codes` content, the way of communication and the commitment of the senior and local management towards the Code are considered as unavoidable as a precondition.³³⁴ Also Ferrell et al. mention that an effective Code of Conduct is not an one-off matter, but an ongoing process of continuous activities which are designed, introduced and enforced to prevent and detect misconduct.³³⁵

In recent years lots of research have been conducted which supports the role of Codes of Conducts for improving ethical behaviour in organizations, if these Codes have been implemented in the right way.

³²⁹ Barmeyer, C.I.; Davoine, E. (2006). International Corporate Cultures? From helpless global convergence to constructive European divergence. In: Scholz, C. / Zentes, J. (Hg.): Strategic Management - New Rules for Old Europe. Wiesbaden, Gabler, p. 239.

³³⁰ Kaptein, M. (2004). Business Codes of Multinational Firms: What Do They Say? In: Journal of Business Ethics 50 (1), p. 26.

³³¹ Tjosvold, D.; Snell, R.; Su, S.F. (2009). Codes of Conduct for Open-Minded Discussion and Resolution of Ethical Issues in China. In: Journal of International Business Ethics 2 (2), p. 14.

³³² Ebd. p. 14.

³³³ Ebd. p.14.

³³⁴ Kaptein, M. (2011). Toward Effective Codes: Testing the Relationship with Unethical Behaviour. In: Journal of Business Ethics 99 (2), p. 247.

³³⁵ Ferrell, O.C.; LeClair, D.T.; Ferrell L. (1998). The federal sentencing guidelines for organizations, a framework for ethical compliance. In: Journal of Business Ethics 17(4), p. 559.

Also McDonald and Nijhof point out that “some form of normative structure in the form of [...] Codes appear to have an impact on ethical attitudes and possibly behaviour.”³³⁶ Consistently, O’Fallon and Butterfield summarize in their meta-analysis after investigating 20 previous Code-related studies that - with only a few exceptions - the majority of the studies showed a positive effect of a Code on individual ethical decision making.³³⁷

In addition to important questions how to implement a Code of Conduct in the right way, also the focus of a Code – focus on rules or focus on values – plays a crucial role.

Weaver and Trevino confirm that there are two main Code orientations – a rule-based compliance orientation versus a value-based orientation - on how to focus and deal with a Code in the corporate world.³³⁸ Code of Conducts, based on compliance orientation, focus on rules and regulations, on employee monitoring and internal control systems; Codes of Conduct, based on value orientation, focus on the development of shared values and encouragement of employees to develop ethical aspirations.³³⁹ Their findings clearly show a more positive attitude of employees regarding a value orientation Code and a more favourable behavioural outcome.³⁴⁰ This means a company should better focus on shared values and ethical education than on rules, control mechanisms or punishments to encourage employees to accept a Code of Conduct.

Summary: Empirical research results on a potential influence of a Code of Conduct on the individual ethical decision making at work show mixed results. The impact of a Code of Conduct on Attitudes, Intentions and behaviours of an employee still needs to be explored in further research as requested by Trevino et al. just recently in 2014.³⁴¹ This applies in particular for intercultural and cross-country Code-related research as academic management science literature is still very rudimentary in this context. The author of this promotional work aims to contribute to fill this research gap.

³³⁶ McDonald, G.; Nijhof, A. (1999). Beyond codes of ethics: an integrated framework for stimulating morally responsible behaviour in organisations. In: *Leadership and Organization Development Journal* 20 (3), p. 148.

³³⁷ O’Fallon, M.J.; Butterfield, K.D. (2005). A Review of the Empirical Ethical Decision-Making Literature 1996-2003. In: *Journal of Business Ethics* 59, p. 391.

³³⁸ Weaver, G.R.; Trevino, L.K. (1999). Compliance and Values Oriented Ethics Programs: Influences on Employees` Attitudes and Behavior. In: *Business Ethics Quarterly* 9 (2), p. 316.

³³⁹ Ebd. p. 316.

³⁴⁰ Ebd. p. 333.

³⁴¹ Trevino, L.K.; den Nieuwenboer N.A.; Kish-Gephart J.J. (2014). (Un)Ethical Behaviour in Organizations. In: *Annual Review of Psychology* 65, p. 639.

3. PREDICTORS OF CODE COMPLIANT INTENTION: EMPIRICAL DESIGN, METHODOLOGY AND METHODS OF RESEARCH

3.1. Scientific relevance of the research topic, research gaps emerging from the analysis of previous studies and the formulation of the research question

As shown in the previous chapters, predicting and understanding an employees` behaviour regarding ethical decision making at work and identifying reliable determinants of individual ethical business choices is a very complex research topic. Different streams of research in the field of management science, social science, as well as psychology–have been dealing with this topic for many years. Various theoretical research approaches exist and have been tested empirically, also in cross-cultural settings and with a special focus on gender-related influences, as mentioned above in Chapter 2. Several determinants have been developed and tested, some of them also in cross-cultural settings.

But, in conclusion, and explicitly referring to the summaries of the sub-chapters in Chapter 2, previous studies achieved almost entirely mixed results in many ways. With regard to this mixed prior results several research gaps could be identified as follows and request further clarification:

- Are there any gender- and ethnicity-related influences regarding the behavioural Intention of an employee to comply with a Code of Conduct?
- Does the mere existence of a Code of Conduct influences the behavioural Intention of an employee to perform accordingly?
- How to develop for the very first time a new theoretical model by utilizing Western and Chinese management science constructs for cross cultural Business Ethics research in Germany, Austria and China?
- How will the combination of the Western management science construct Moral Disengagement as an individual factor as well as the Chinese constructs Guanxi Orientation and Supervisor-Subordinate Guanxi as situational interpersonal factors influence the behavioural Intention of an employee to perform according to a Code?

Previous research has not fully answered these questions yet as shown in Chapter 2 and most previous studies – despite focusing on a business context, have been using mainly students as research groups, not employees with a professional background and several years of work

experience. This resulted in a lack empirical assessment and testing of these questions in the business world, especially with regard to cross-cultural research involving corporations in different countries.

Furthermore, previous research has not yet investigated the potential influences of predictors such as the quite new Western construct Moral Disengagement and societal culture like Guanxi relations - neither individually nor in conjunction - on the Code-related decision making process of employees in a cross-cultural setting in Germany, Austria, and China.

This leads to the conclusion that the author asks the following main research question:

What are appropriate and reliable predictors of employees' ethical choices at work in a cross-cultural context utilizing both Western and Chinese management theory research constructs in a newly developed theoretical model?

To answer this research question the author developed a new theoretical model by utilizing Western and Chinese management science constructs as predictors of employees' behavioural Intention and tested the model empirically in a cross-cultural corporate setting.

The author carried out this empirical study to extent previous research and to try to better understand potential predictors of Code-related behaviour.

3.2. Derivation of the causal model and proposition of the hypotheses

While aiming to close these identified research gaps by testing the proposed hypotheses, the author relies on Ajzen's Theory of Planned Behavior, in combination with Trevino's Person-Situation-Interactionist Model, both frameworks introduced in Chapter 1, to analyze the individual ethical decision making process of German, Austrian and Chinese employees at work when forming a behavioural Intention to comply with a Code of Conduct.

The following graph presents an overview which theoretical framework belongs to which research construct of the causal model:

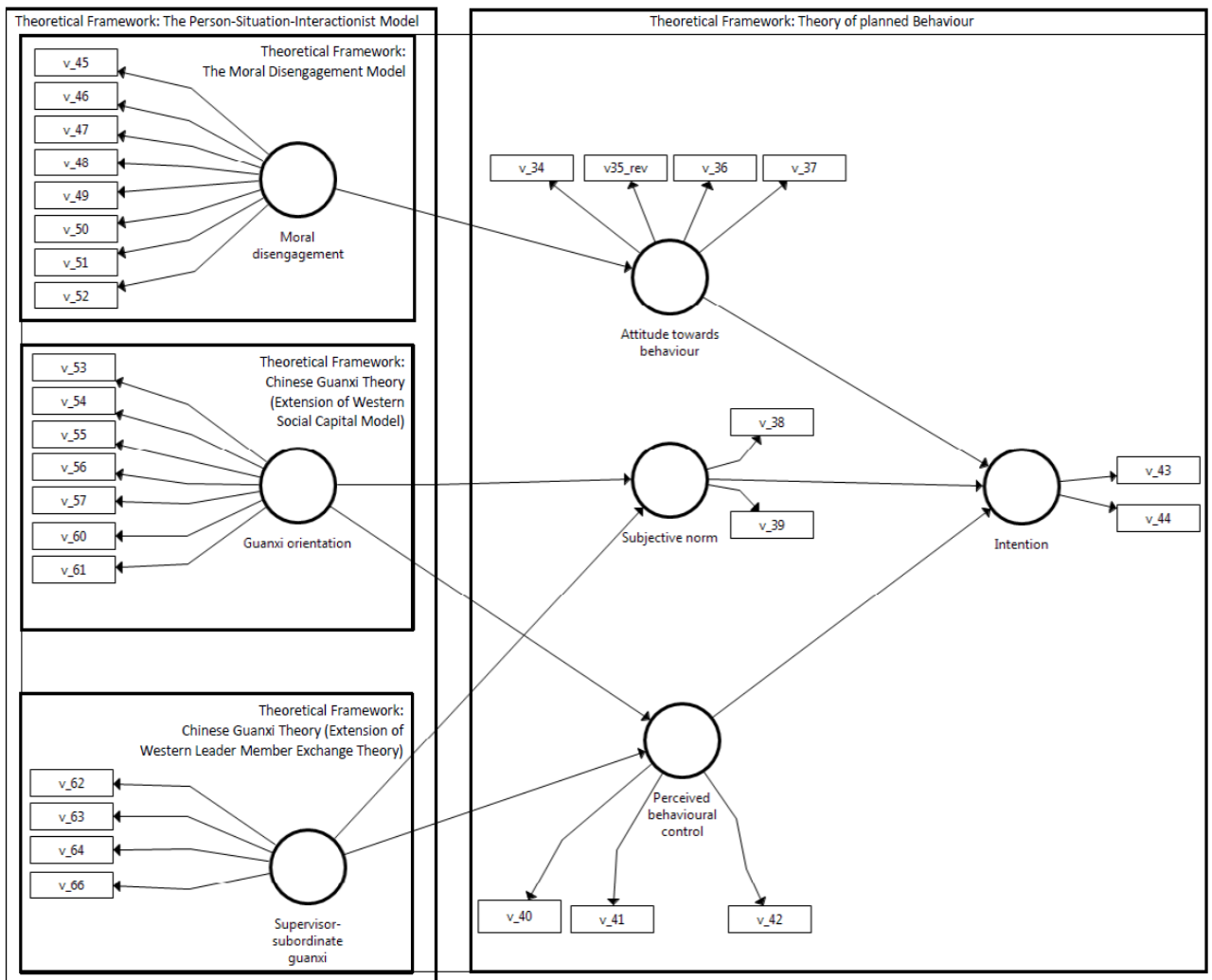


Figure 3.1: Theoretical frameworks of the different research constructs

Source: author

The following considerations guided the author to use these theoretical frameworks and to develop a new theoretical model for analyzing Code-related behavioural Intentions of employees and to extent this theoretical model by using Moral Disengagement, Guanxi Orientation and Supervisor-Subordinate Guanxi as independent predictors:

Firstly, the author assumes that Code-related compliant behaviour is - in general - the result of *rational* choice, but isn't under complete volitional control of an individual.

Secondly, the author assumes that such a Code-related compliant behaviour is predictable by the determinant *behavioural Intention* and can be analyzed and understood through statistical modelling, as shown in Chapter 1 and 2. Behavioural Intention is “the most immediate determinant and valid proxy of actual behaviour” as noted by Chan et. al. referring to Ajzen

and Fishbein.³⁴² Ajzen`s Theory of planned Behaviour is a better predictor of unethical behavioural Intention in comparison to the Theory of reasoned Action.

Regarding statistical modelling, using structural equation modelling for data analysis of models based on the Theory of planned Behaviour is highly appropriate as shown in Chapter 2, too.

Thirdly, Ajzen`s theoretical constructs explain about 40-50% of variance with regard to measuring behavioural Intention towards (un-) ethical behaviour as mentioned in Chapter 2. Furthermore several studies tested successfully the utility of the Ajzen`s framework in predicting Intention particularly with reference to Code-related research.

This underlines that the Theory of planned Behaviour is a robust and widely tested reliable model in behavioural management research and a suitable research approach for this promotional work.

Fourthly - and this is why the author combines Ajzen`s framework with an ethical decision making framework - the topic of this study is related to an ethical context as Codes of Conduct are an instrument aiming to stimulate ethical behaviour as shown in Chapter 2.

An employees` behavioural Intention and subsequent decision whether or not to accept a Code and to behave accordingly, is an ethical decision in business context.

Fifthly, it is “a widely credited model in the Business Ethics literature” that “ethical decisions are a function of two kinds of factors, personal (individual) and situational, and these factors interact with each other.”³⁴³ Therefore, the author extended the Theory of planned Behaviour by combining Trevino`s Person-Situation-Interactionist Model, which is a reliable, widely and successfully tested ethical decision making model as mentioned in Chapter 2. Trevino`s model is the core model of ethical decision making research with regard to individual and situational factors influencing (un-) ethical behaviour.

The antecedents of behavioural Intention in this study are an individual factor (= Moral Disengagement) and two situational factors (=Guanxi Orientation and Supervisor-Subordinate Guanxi. Husted sees Trevino`s model to be most suitable theoretical framework to test

³⁴² Chan, R.Y.K.; Ma, K.H.Y.; Wong, Y.H. (2013). The Software Piracy Decision-Making Process of Chinese Computer Users. In: *The Information Society* 29, p. 206 referring to Ajzen, I.; Fishbein, M. (1980). *Understanding Attitudes and predicting social behaviour*. Englewood Cliffs, NJ: Prentice Hall.

³⁴³ Church, B.; Gaa, J.C.; Nainar, S.M.K.; Shehata, M.M. (2005). Experimental Evidence relating to the Person-Situation Interactionist Model of Ethical Decision Making. In: *Business Ethics Quarterly* 15 (3), p. 363.

influences of societal culture as Trevino's model explicitly involves situational factors as moderators of the relationship between moral reasoning and (un-) ethical behaviour.³⁴⁴ Trevino herself pointed out, according to Husted, that Kohlberg's cognitive moral development theory, which underlays also her model, could be applied as a framework to test the relationship between societal culture and Business Ethics.³⁴⁵ Jeffrey et al. follow the same approach emphasizing that the "situational variables that Trevino relates to organizational culture extent to environmental cultural variables."³⁴⁶

As the specific Chinese management science constructs, Guanxi Orientation and Supervisor-Subordinate Guanxi, need to be understood as societal culture phenomena, the author of this study decided to use the Person-Situation-Interactionist model for this cross-cultural management research.

Another good argument for choosing Trevino's model, is the argument Spitzmüller and Stanton point out: They note that Trevino defines cognitions in her model to be similar to Attitude in the research of Ajzen and Fishbein; this means cognitions predict behaviour within the Person-Situation-Interactionist model like Attitude predict behaviour within the Theory of planned Behaviour.³⁴⁷

In summary, there are several reasons why the author of this study relies on the combination of Ajzen's and Trevino's theoretical frameworks. Furthermore this combination – the Theory of planned Behaviour extended by the Person-Situation-Interactionist model – has already been tested successfully as mentioned in Chapter 2, and the model fit was confirmed.

Sixthly, regarding the Theory of planned Behaviour, Ajzen mentions potential background factors such as age, gender, ethnicity, socio-economic status, education, nationality, group membership, past experiences, presence of in-depth information and social support. He also explains that these background factors can have an impact on the behavioural beliefs of an individual recommending empirical testing to analyze this potential impacts.³⁴⁸ Following this approach, the author will focus on the potential impacts of gender and ethnicity within this

³⁴⁴ Husted, B.W. (2000). Toward a Model of Cross-Cultural Business Ethics: The Impact of Individualism and Collectivism on the Ethical Decision Making Process. In: Academy of Management Proceedings, p. 12.

³⁴⁵ Ebd. p. 12.

³⁴⁶ Jeffrey, C.; Dilla, W.; Weatherholt, N. (2004). The Impact of Ethical Development and Cultural Constructs on Auditor Judgment: A Study of Auditors in Taiwan. In: Business Ethics Quarterly 14 (3), p. 558.

³⁴⁷ Spitzmüller, C.; Stanton, J.M. (2006). Examining employee compliance with organizational surveillance and monitoring. In: Journal of Occupational and Organizational Psychology 79, p. 248.

³⁴⁸ Ajzen, I (2005). Attitudes, personality and behavior. 2nd. Edition. New York: Open University Press, p. 134.

study. While analyzing prior studies on gender- and ethnicity-related impacts, the author found mixed results, identified several research gaps as well as the need for further empirical investigations as shown in Chapter 2. Previous research results provide evidence for the influence of culture and ethnicity as a predominant factor on the individual decision making process. Depending on which culture the employee comes from – e.g. Western cultures or Chinese Confucian culture – the individual may have different views which behaviour may be ethically acceptable when facing an ethical dilemma. On the other hand, some earlier studies comparing ethical decision making processes of Western and Eastern culture participants did not produce significant different results.

In summary, it can be retained that there is a widespread academic consensus that ethnicity is a very important factor impacting ethical decision making, but empirical results are often mixed and many management scientists call for further research in this context. As the author of this promotional work did not find any specific prior studies on ethical decision making with a focus on German, Austrian and Chinese employees and potential different implications of these ethnicities so far, the author decided to contribute to fill this research gap by conducting this study. As mentioned already above, House et al. define Germany and Austria as Germanic Europe culture, together with the German-speaking part of Switzerland and the Netherlands, and they define China as Confucian Asia culture.³⁴⁹ Inter alia, these cultural clusters have been identified by the international research project GLOBE.³⁵⁰ Gupta et al. note that “societies in the Germanic cluster rely on more masculine, assertive, and individualistic approaches, which are futuristic, well-defined, result-oriented, and often harsh.”³⁵¹ In comparison, Monkhouse et al. describe the Confucian Asia cultural cluster as focusing on Confucian values including “face saving, humility, a sense of group orientation, respect for social hierarchy and reciprocity in exchange.”³⁵² In terms of potential ethnicity differences comparing the Germanic cluster respondents and the Confucian Asian cluster respondents, this promotional work will be a cross-cultural study. This will be tested by the first Difference hypothesis (*ethnicity differences*).

Also the question regarding any gender-related impact on ethical decision making processes, especially across cultures, is not yet answered clearly – in contrary, a wide range of empirical

³⁴⁹ House, R.; Hanges, P.; Javidan M.; Dorfman, P., Gupta, V. (2004). The GLOBE Study of 62 Societies. Thousand Oaks, CA: Sage Publications, p. 33.

³⁵⁰ Ebd. p. 33.

³⁵¹ Gupta, V. Hanges, P.J., Dorfman, P. (2002). Cultural Clusters: methodology and findings. In: Journal of World Business 37, p. 14.

³⁵² Monkhouse, L.L., Barnes, B.R., Pham, T.S.H. (2013). Measuring Confucian values among East Asian customers: a four country study. In: Asia Pacific Business Review 19 (3), p 322.

research conducted in this context within the last 40 years did not really shed light on this phenomenon, but produced mixed results. Church et al. tested the Person-Situation-Interactionist model and according to their results the factor gender showed significant impacts; Church et al. suggest a further examination of the factor gender in connection with Trevino`s model.³⁵³ This is an additional research gap as shown in Chapter 2 and sufficient reason to focus on potential gender-related influences for this empirical research. This will be tested according to the second Difference hypothesis (*gender differences*).

Seventhly, the author will also analyze whether the mere existence of a Code of Conduct has any impact on Attitudes and Intention of employees to accept this Code. Empirical research results on a potential influence of a Code on individual ethical decision making still present mixed results as shown in Chapter 2. A very recent -inter alia- Code-related literature review, conducted by Trevino et al. in 2014, shows that research is still scant on the one hand, and -as far as previous research is available-, results on impacts of a Code are mixed.³⁵⁴ Trevino et al. conclude that “researchers need to know much more about the effect of ethics codes on Attitudes and behaviour.”³⁵⁵ This applies in particular for intercultural and cross-country Code-related management research as academic management literature is still very rudimentary in this context. The author of this study aims to contribute to fill this research gap.

The influence of a Code of Conduct will be tested by the third Difference hypothesis (*Code yes/no – differences*).

Eighthly, the author relies on the Theory of planned Behaviour and the Person-Situation-Interactionist model - both frameworks developed by reseachers with a Western cultural background. But, both frameworks also have been successfully tested already in Eastern cultures, especially in China, for several times, as shown in Chapter 2.

Ninthly, the author relies on the relatively new Moral Disengagement construct as a cognitive individual predictor according to Trevino`s framework to stress and to underline the high topicality of this promotional work.

Only developed recently, the Moral Disengagement construct has also been successfully tested to be applicable in various industries and in relation to various job profiles as shown in Chapter

³⁵³ Church, B.; Gaa, J.C.; Nainar, S.M.K.; Shehata, M.M. (2005). Experimental Evidence Relating to the Person-Situation Interactionist Model of Ethical Decision Making. In: *Business Ethics Quarterly* 15 (3), p. 363.

³⁵⁴ Trevino, L.K.; den Nieuwenboer, N.A.; Kish-Gephart, J.J. (2014). (Un)Ethical Behaviour in Organizations. In: *Annual Review of Psychology* 65, p. 639.

³⁵⁵ Ebd. p. 639.

2. Furthermore, previous research confirms its applicability in Western individualistic, but also in Eastern collectivistic cultures. Prior management research also provided evidence for gender-related influences with regard to this construct. All these points, described in detail in Chapter 2, taken together, induce the author to rely on this construct.

Tenthsly and finally, as the focus of this promotional work is cross-cultural, the author decided to explore the research topic partly from a non-Western perspective as far as situational, interpersonal factors influencing the ethical decision making process are concerned. The Code- and ethical decision making management literature have almost exclusively taken the Western perspective up to now, even if prior research in a few exceptional cases has successfully tested Western constructs in Confucian society as described in Chapter 2.

Situational factors according to Person-Situation-Interactionist model are in particular interpersonal factors as shown in previous Chapters. Peers as well as supervisors strongly influence an employees` ethical decision making process, but also culture and the way how employees deal with personal ties play an important role and influence ethical conduct. Also Guanxi impacts the moral reasoning process while facing an ethical dilemma. The influence of a peer in-group on the employees` ethical decision making process differs, depending on the cultural background. There`s an ongoing academic debate whether Guanxi is a positive or a negative phenomenon.

Especially Chinese management constructs such as Guanxi Orientation and Supervisor-Subordinate Guanxi could shed more light as it is very important to focus on local particularities in organizational management research. Globalization is not a homogeneity-producing process, but quite the contrary. So, in cross-cultural studies, not only Western management constructs should be applied, but a mix of Western and Chinese management constructs is strongly recommended as shown in Chapter 2. Taking the cross-cultural context of this study into account, the author did not rely on the classical Western management constructs regarding peer- and leader influences in a work context as explained in Chapter 1.

The author relies on the non-Western management constructs Guanxi Orientation as a situational, interpersonal factor to test peer influences as well as on the construct Supervisor-Subordinate Guanxi as a special interpersonal factor to test the influence of the supervisor on the ethical decision making process of an employee. As described in Chapter 2 previous studies provided evidence for these two non-Western management constructs, both focusing on personal ties, to be key antecedents to a wide range of work Attitudes and subsequent

behaviours of employees. Jia et al. analyzed how Chinese academic management theories contributed to general international management research within the last decades.³⁵⁶ They emphasize that the Chinese management research on Guanxi is the most important contribution to the contemporary international management research and recommend inter alia more “outside-in research, using interesting phenomena in international research and conceptualize them in China or - the other way around - using Confucian logic to explain certain effects or causal links, also in cross-cultural settings.”³⁵⁷

Also Li notes the importance to familiarize Western management researchers with Eastern theoretical frameworks and local research to use this inside-out research - from Eastern origin to a global perspective – and export these Eastern management insights.³⁵⁸

Ang and Leong successfully combined Western and Eastern management constructs and note that’s appropriate to integrate Eastern and Western culture management constructs “in fostering cross-cultural fertilization of insights into important phenomena.”³⁵⁹ The author wishes to support this course of management research approach.

Based on this conclusions the author of this promotional work formulated the following hypotheses:

(1) Causal Hypotheses

Initial Research Hypothesis

H_{IR} Intention is highly predictable influenced by the three variables Attitude, Subjective Norm and Perceived Behavioural Control.

Assumptions:

Attitude influences Intention.

Subjective Norm influences Intention.

Perceived Behavioural Control influences Intention.

³⁵⁶ Jia, L; You, S.; Du, Y. (2012). Chinese context and theoretical contributions to management and organization research: A three-decade review. In: Management and Organization Review 8 (1), p. 173.

³⁵⁷ Ebd. p. 199.

³⁵⁸ Li, P.P. (2011). Toward an integrative framework of indigenous research: the geocentric implications of Yin-Yang balance. In: Asia Pacific Journal of Management 29 (4), p. 862.

³⁵⁹ Ang, S.H.; Leong, S.M. (2000). Out of the Mouths of Babes: Business Ethics and Youths in Asia. In: Journal of Business Ethics 28, p. 140.

Basic Hypothesis

H_B Moral Disengagement, Guanxi Orientation and Supervisor-Subordinate Guanxi influence Intention using Attitude, Subjective Norm and Perceived Behavioural Control as mediators.

Assumptions:

Moral Disengagement influences Attitude towards Intention.

Guanxi Orientation influences Subjective Norm towards Intention.

Guanxi Orientation influences Perceived Behavioural Control towards Intention.

Supervisor-Subordinate Guanxi influences Subjective Norm towards Intention.

Supervisor-Subordinate Guanxi influences Perceived Behavioural Control towards Intention.

(2) Difference Hypotheses

Ethnicity

H₀ Ethnicity has no impact on the employees` Intention to comply (Germanic versus Chinese ethnicities).

H₁ Ethnicity has an impact on the employees` Intention to comply (Germanic versus Chinese ethnicities).

Assumptions:

Ethnicity impacts the relationship of:

- Attitude towards Intention.
- Guanxi Orientation towards Perceived Behavioural Control.
- Guanxi Orientation towards Subjective Norm.
- Moral Disengagement towards Attitude.
- Perceived Behavioural Control towards Intention.
- Subjective Norm towards Intention.
- Supervisor-Subordinate Guanxi towards Perceived Behavioural Control.
- Supervisor-Subordinate Guanxi towards Subjective Norm.

Gender

H₀ Gender has no impact on the employees` Intention to comply.

H₁ Gender has an impact on the employees` Intention to comply.

Assumptions:

Gender impacts the relationship of:

- Attitude towards Intention.
- Guanxi Orientation towards Perceived Behavioural Control.
- Guanxi Orientation towards Subjective Norm.
- Moral Disengagement towards Attitude.
- Perceived Behavioural Control towards Intention.
- Subjective Norm towards Intention.
- Supervisor-Subordinate Guanxi towards Perceived Behavioural Control.
- Supervisor-Subordinate Guanxi towards Subjective Norm.

Mere existence of a Code of Conduct

H₀ The mere existence of a Code has no impact on the employees` Intention to comply.

H₁ The mere existence of a Code has an impact on the employees` Intention to comply.

Assumptions:

The mere existence of a Code of Conduct impacts the relationship of:

- Attitude towards Intention.
- Guanxi Orientation towards Perceived Behavioural Control.
- Guanxi Orientation towards Subjective Norm.
- Moral Disengagement towards Attitude.
- Perceived Behavioural Control towards Intention.
- Subjective Norm towards Intention.
- Supervisor-Subordinate Guanxi towards Perceived Behavioural Control.
- Supervisor-Subordinate Guanxi towards Subjective Norm.

3.3. Construction of a causal analytical research model for the empirical testing

This section introduces the causal analytical research model and the different variables as well as their measurement methods.

- **The derived causal analytical model**

The causal analytical model for the relationship of the three independent variables, the three intervening variables and the dependent variable is proposed as follows:

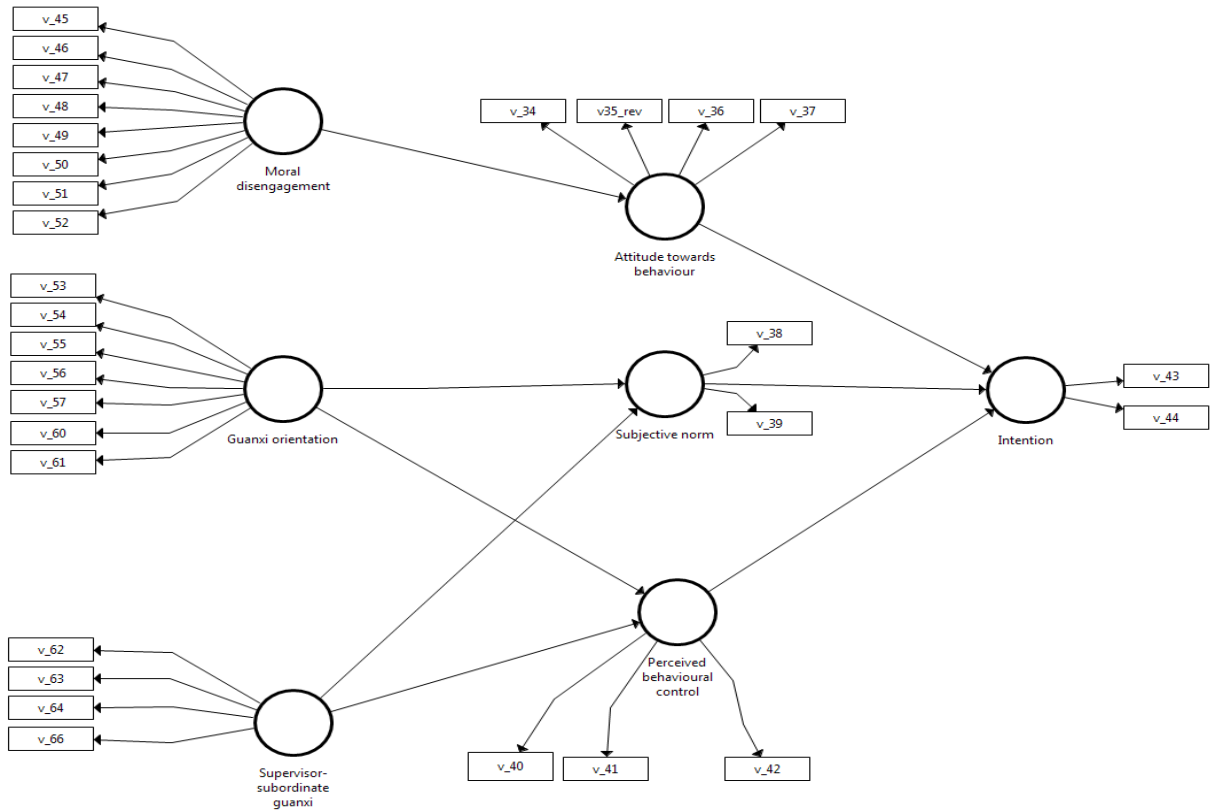


Figure 3.2: Causal analytical model

Source: author

The aim of this causal analysis is to examine how the Western construct Moral Disengagement as an individual factor and the Chinese constructs Guanxi Orientation and Supervisor-Subordinate Guanxi as interpersonal factors impact an employees` Intention to comply with a compliance codex via the intervening constructs Attitude, Subjective Norm and Perceived Behavioural Control. The author also takes the control variables gender, ethnicity and Code-existence into account. The author aims to gain a clearer picture of the influencing factors on employees` Intention to comply with a Code in a cross-cultural setting.

- **The variables and their measurement methods**

All variables of the proposed causal analytical model have various indicators, which operationalize these variables to guarantee that they are measurable for empirical testing.

The author defined all items as reflective items as the participant`s answers to the survey questions are derived from their cognitive moral development stages. This is the reason why all

pathways from all latent variables lead outwards to each of the items. The independent variables and their measurement methods are as follows:

Moral Disengagement

The author used a 8-item scale developed by Moore et al. in 2012 to measure Moral Disengagement.³⁶⁰ Respondents were asked to indicate the extent to which they agree or disagree with each statement.

The items were assessed on a 7-point Likert scale ranging from „Disagree strongly“ to „Agree strongly.“ Sample items include „People shouldn’t be held accountable for doing questionable things, when they were just doing what an authority figure told them to do,“ and „Considering the ways people grossly misrepresent themselves, it’s hardly a sin to inflate your own credentials a bit.“ Cronbach’s alpha for this scale was 0.80.³⁶¹

Guanxi Orientation

The author used a 9-item scale developed by Ang and Leong in 2000 to measure Guanxi Orientation.³⁶² Respondents were asked to indicate the extent to which they agree or disagree with each statement.

The items were assessed on a 7-point Likert scale ranging from „Disagree strongly“ to „Agree strongly.“ Sample items include „Doing business involves knowing the right people“ and „Being in the inside-circle helps in obtaining preferential treatments.“ Cronbach’s alpha for this scale was 0.82.³⁶³

Supervisor-Subordinate Guanxi

The author used a 6-item scale developed by Law et al. in 2000 to measure Supervisor-Subordinate Guanxi.³⁶⁴ Respondents were asked to indicate the extent to which they agree or disagree with each statement.

The items were assessed on a 7-point Likert scale ranging from „Disagree strongly“ to „Agree strongly.“ Sample items include „During holidays or after office hours I would call my

³⁶⁰ Moore, C.; Detert, J.R.; Trevino, L.K.; Baker, V.L.; Mayer, D.M. (2012). Why Employees do Bad Things: Moral Disengagement and Unethical Organizational Behavior. In: *Personnel Psychology* 65, pp. 12-13.

³⁶¹ Ebd. p. 20.

³⁶² Ang, S.H.; Leong, S.M. (2000). Out of the Mouths of Babes: Business Ethics and Youths in Asia. In: *Journal of Business Ethics* 28, p. 137.

³⁶³ Ebd. p. 137.

³⁶⁴ Law, K.S.; Wong, C.S.; Wong, D.X.; Wang, L.H. (2000). Effect of supervisor-subordinate guanxi on supervisory decisions in China: An empirical investigation. In: *International Journal of Human Resource Management* 11, p. 756.

supervisor or visit him/her," and „When there are conflicting opinions, I will definitely stand on my supervisors` site.“ Cronbach`s alpha for this scale was 0.84.³⁶⁵

The intervening variables and their measurement methods:

Attitude

The author used a 4-item scale developed by Taylor and Todd in 1995 to measure Attitude towards behavioural Intention.³⁶⁶ Respondents were asked to indicate the extent to which they agree or disagree with each statement.

The items were assessed on a 7-point Likert scale ranging from „Disagree strongly“ to „Agree strongly.“ Sample items include „Using a Code is a good idea,“ and „I like the idea of using a Code.“ Cronbach`s alpha was 0.85.³⁶⁷

Subjective Norm

The author used a 2-item scale developed by Taylor and Todd in 1995 to measure Subjective Norm.³⁶⁸ Respondents were asked to indicate the extent to which they agree or disagree with each statement.

The items were assessed on a 7-point Likert scale ranging from „Disagree strongly“ to „Agree strongly.“ Sample items include „People who influence my behaviour would think that I should use the Code,“ and „People who are important to me would think

that I should use the Code.“ Cronbach`s alpha for this scale was 0.88.³⁶⁹

Perceived Behaviourial Control

The author used a 3-item scale developed by Taylor and Todd in 1995 to measure Perceived Behaviourial Control.³⁷⁰ Respondents were asked to indicate the extent to which they agree or disagree with each statement.

³⁶⁵ Ebd. p. 756.

³⁶⁶ Taylor, S.; Todd, P.A. (1995). Understanding Information Technology Usage: A Test of Competing Models. In: Information Systems Research 6 (2), p. 156.

³⁶⁷ Ebd. p. 156.

³⁶⁸ Ebd. p. 156.

³⁶⁹ Ebd. p. 156.

³⁷⁰ Ebd. p. 156.

The items were assessed on a 7-point Likert scale ranging from „Disagree strongly“ to „Agree strongly.“ Sample items include „I would be able to use the Code,“ and „Using the Code is entirely within my control.“ Cronbach’s alpha was 0.70.³⁷¹

The depending variable and their measurement method:

Behaviourial Intention

The author used a 2-item scale developed by Taylor and Todd in 1995 to measure behavioural Intention.³⁷² Respondents were asked to indicate the extent to which they agree or disagree with each statement.

The items were assessed on a 7-point Likert scale ranging from „Disagree strongly“ to „Agree strongly.“ Sample items include „I intend to use the Code from now on,“ and „I intend to use the Code frequently.“ Cronbach’s alpha for this scale was 0.91.³⁷³

The control variables and their measurement methods:

Gender

Gender was coded as a dummy variable (female = 1, male = 2).

Ethnicity

Ethnicity was coded as follows: (Austria = 1, China = 2, Germany = 3, other = 4).

The mere existence of a Code of Conduct

The existence of a Code in the company was coded as a dummy variable (yes= 1, no = 2).

- **The measurement of social desirability**

Social desirability can affect the measure of an individual’s ethics-related beliefs and behaviours.³⁷⁴ As Dunn note, survey respondents tend to describe themselves to be more altruistic and honest and less egoistic than it is actually the case; test persons, participating in ethics-related management surveys, are likely to bias their responses by stating that they avoid ethcially undesirable traits and behaviors while indicating that they would not personally

³⁷¹ Ebd. p. 156.

³⁷² Ebd. p. 156.

³⁷³ Ebd. p. 156.

³⁷⁴ Moore, C.; Detert, J.R.; Trevino, L.K.; Baker, V.L.; Mayer, D.M. (2012). Why Employees do Bad Things: Moral Disengagement and Unethical Organizational Behavior. In: Personnel Psychology 65, p. 16.

perform actions that they consider unethical.³⁷⁵ Cohen et al. provided evidence that the social desirability bias is not only a Western, but a cross-cultural phenomenon.³⁷⁶ Therefore, the author used the 13-item short form scale Marlowe-Crowne Form C that was extracted from the original 33-item Marlowe-Crowne scale developed in 1960 and evaluated by Reynolds in 1982 to measure social desirability.³⁷⁷ Respondents were asked to indicate if they agree or disagree with each statement. The items were scored in a true-false response manner. Sample items include „I am always willing to admit it when I make a mistake,“ and “I am always courteous, even to people who are disagreeable“. The Marlowe-Crowne Form C is considered a valuable improvement in fit over the full 33-item measurement scale and shows good internal consistency scores such as a Cronbach’s alpha of 0.74.³⁷⁸

- **The structural model of directed dependencies among the variables**

Based on the theoretical frameworks of Ajzen and Trevino as well as according to the proposed hypotheses the author conducts a path analysis to select the relevant causal predictors and, in a second step, to develop the relationships between the independent, the intervening and the dependent variables. The latent exogenous variables are Moral Disengagement, Guanxi Orientation and Supervisor-Subordinate Guanxi. The intervening variables are Attitude, Subjective Norm and Perceived Behavioural Control. The dependent variable is Intention. The latent exogeneous variables which are the independent structural variables influence the intervening variables as well as the dependent variable, which is the latent endogenous variable.

3.4. Research methodology and research methods

To test the proposed hypotheses, the author relies on a quantitative research approach for this promotional work supplemented by five expert interviews. Therefore, the author has developed a theoretical model and proposed hypotheses on the basis of an extensive literature review with regard to underlying major theoretical frameworks in the context of ethical decision making and previous studies testing these theoretical models empirically. The focus of a quantitative research approach is mainly to work with “hard facts”, which are empirically collected and

³⁷⁵ Dunn, P. (2006). The Role of Culture and Accounting Education in Resolving Ethical Business Dilemmas by Chinese and Canadians. In: *Accounting and the Public Interest* 6, p. 120.

³⁷⁶ Cohen, J.R.; Pant, L.W.; Sharp, D.J. (1995). An Exploratory Examination of International Differences in Auditors’ Ethical Perceptions. In: *Behavioral Research in Accounting* 7, p. 49.

³⁷⁷ Reynolds, W.M. (1982). Development of reliable and valid short forms of the Marlowe-Crowne social desirability scale. In: *Journal of Clinical Psychology* 38 (1), p. 121.

³⁷⁸ Ebd. p. 123.

reproducible data, measured on the basis of a systematic and standardized procedure, and to test proposed predetermined hypotheses. This deductive approach aims to test and to show cause-effect relationships and the generalizability of sample testing results. To claim representativeness of the study the selection of an appropriate sample of respondents is required. The appropriate instrument for a quantitative research approach is to use a self-administered, structured and anonymous questionnaire, whereby all items used should be based on previously tested reliable scales. That's what the author of this promotional work did.

- **Sample and statistical representativity**

In statistics, population means this set of items, which the researcher would like to make statements about and which share at least one common feature that is subject of a statistical analysis.³⁷⁹

The population of this research covers persons, who (1) are employees and who (2) work with internationally active companies in Germany, Austria or China and who (3) are Germans, Austrians (=Germanic culture group) or Chinese (=Confucian Asian culture group) in terms of the ethnic group they belong to.

All individuals, who bear these three features, belong to the population of this research. These three features distinguish these people from people of other nations, from students, from retired persons and from local employees working with exclusively locally-active companies without any international business network.

Quite often in management research, the exact size of a population can not be quantified in detail, even if the research question and the subsequent hypotheses have been formulated very precisely.³⁸⁰

As in the vast majority of such research projects not every single item of the population can be investigated due to time and cost constraints, a subset of the population will be selected and is called statistical sample.³⁸¹

³⁷⁹ Kuckartz, U.; Rädiker, S.; Ebert, T.; Schehl, J. (2013). Statistik. Eine verständliche Einführung. 2nd revised edition, Springer Fachmedien, Wiesbaden, p. 111.

³⁸⁰ Mossig, I. (2012). Stichproben, Stichprobenauswahlverfahren und Berechnung des minimal erforderlichen Stichprobenumfangs. Beiträge zur Wirtschaftsgeographie und Regionalentwicklung, No. 1-2012, p. 2.

³⁸¹ Ebd. p. 2.

So, a statistical sample is a subset drawn from the research population to represent this population in the statistical analysis.³⁸² The aim of the sample selection is to analyze the sample results so that general conclusions on the characteristics of the population can be drawn.³⁸³ Therefore it's important to choose the sample according to relevant representativity criteria, because only in this case characteristics of the entire population, where the sample is drawn from, can be deduced from the corresponding characteristics of the sample. If this is the case, the sample is called statistically representative.³⁸⁴

For mathematical calculation each item of a population of a random sample has to be chosen entirely by chance and each item of the population has to have an equal chance of being included in the sample.³⁸⁵

According to Mossig two steps have to be taken to ensure a statistically representative sample:

- A proper selection process regarding the selection of the sample
- A precise calculation process to determine the minimum sample size³⁸⁶

A proper selection process regarding the selection of the sample

As the population, the author of this promotional work is interested in, isn't small enough to survey the entire population, the author had to choose a sample of this population. The selection of a sample can take two forms: by the random principle or by conscious choice.³⁸⁷

Mossig recommends the following potential sample selection approaches:

³⁸² Kuckartz, U.; Rädiker, S.; Ebert, T.; Schehl, J. (2013). Statistik. Eine verständliche Einführung. 2nd revised edition, Springer Fachmedien, Wiesbaden, p. 111.

³⁸³ Ebd. p. 111.

³⁸⁴ Bahrenberg, G.; Giese, E.; Mevenklamp, N.; Nipper, J. (2010). Statistische Methoden in der Geographie, Band 1: Univariate und bivariate Statistik, 5. Auflage, Stuttgart, p. 19.

³⁸⁵ Mossig, I. (2012). Stichproben, Stichprobenauswahlverfahren und Berechnung des minimal erforderlichen Stichprobenumfangs. Beiträge zur Wirtschaftsgeographie und Regionalentwicklung, No. 1-2012, p. 8.

³⁸⁶ Ebd. p. 2.

³⁸⁷ Ebd. p. 3.

Sample selection approaches

<u>Selection by random principle</u> (= representative samples)	<u>Selection by conscious choice</u> (= non-representative samples)
<ul style="list-style-type: none"> • Simple random sample <p>As a pre-condition, the population has to be completely known and finitely. The sample will be drawn from entire population using lottery method (usually computerised using specific software programmes).</p>	<ul style="list-style-type: none"> • Quota principle <p>This is the non-random form of stratified sampling: Division of the population into subsets/strata like for the stratified random sample. In the next step follows a decision how many items of each stratum should be taken for the total sample. If this quota is reached, the selection process will be stopped.</p>
<ul style="list-style-type: none"> • Systematic sample <p>Selection of every xth subject on a list or a sequence. Also here, as a pre-condition, the population has to be completely known and finitely</p>	<ul style="list-style-type: none"> • Concentration principle <p>The deliberate exclusion of certain elements of the population is the main characteristic of the sample selection process according to the concentration principle. This can also minimize the data collection efforts.</p>
<ul style="list-style-type: none"> • Stratified random sample <p>Division of the population into subsets called strata and selection of a simple random sample from each stratum. This method is recommended for a very heterogeneous population.</p>	
<ul style="list-style-type: none"> • Cluster sample <p>Cluster sampling is for populations, where not every single member of a population is known by name and couldn't just get identified on a name's list: Division of the unknown population into groups and subsequently a simple random selection of those groups is made. Then every member within the selected groups will be surveyed.</p>	

Table 3.1: Sample selection approaches

Source: compiled by author based on Mossig, 2012, pp. 3-6.

In summary, there are several methods to select a sample. The author decided to choose the cluster sample method for the following reasons and to achieve statistical representativity:

- The population of this research covers persons, who (1) are employees and who (2) work with internationally active companies in Germany, Austria or China and who (3) are Germans, Austrians (=Germanic culture group) or Chinese (=Confucian Asian culture group) as mentioned already above. Even if various chambers of commerce, embassies, general consular offices, public media as well as many bilateral and multilateral business associations in all three countries regularly publish new estimates regarding the total number of internationally active companies based in these three countries, nobody could provide accurate figures or make reliable forecasts. This applies especially to the total numbers of employees working with these internationally active companies in Germany, Austria and China. Therefore, it must be assumed that the total number of the population of this research is unknown. There are no name`s lists, manuals, books, data files or anything else available to get access to all members of the population of this research. The members of this research population could not be specified by name and it is impossible to get access to every member of this population.
- In a next step, the author divided the population into clusters by using the member lists of business associations promoting international business in all three countries. Each business association with its corporate and individual members could be considered to be a cluster. As selected clusters the author used various business associations such as Chinaforum Bayern, German Chamber of Commerce China, International Chamber of Commerce Austria, East Asia Business Association, German-Chinese Chamber of Commerce and China Business Club Salzburg. Moreover, the Shanghai subsidiary of the German Association of Material Management, Purchasing and Logistics has been used as a cluster and an intermediate to distribute the online survey. All these business associations have corporate member firms located in Germany, Austria and China and all these member firms are engaged in international, cross-border business. All these business associations aim to enhance and to support international business relations between their home countries and China or vice versa. Therefore, all corporate members of these business associations focus on international business; furthermore, being an internationally active company is even a pre-condition for becoming a corporate member of these business associations. All these intermediates distributed the online-link to their employees using their corporate member databases. So, the employees of these member firms either received the online survey directly by email in case their email account has been registered directly with the business association or the

employees received the online-survey forwarded internally by the main contact person of a member firm. Every member (=employee of corporate members of business associations) of the cluster had an equal chance of being included in the sample.

- At the same time, the author has also randomly selected corporations in Germany, Austria and China with international business background through the author`s vast professional corporate networking contacts in all three countries. The author has used them as clusters in the sense of sampling units. These sampling units (= the corporations) were evenly spread over the whole, unknown population of internationally active companies in Germany, Austria and China. The online-survey has been distributed among all employees of these corporations. Every member (=employee) of the cluster had an equal chance of being included in the sample.

In summary, the relevant representativity criteria for the sample of this research are:

(1) employee status, (2) working in internationally active companies from various industries in Germany, Austria or China and (3) being German, Austrian or Chinese.

Data collection via online-survey took place from Feb. 15 until March 31, 2015.

Descriptive statistical analysis of the employer characteristics of the respondents show the following results:

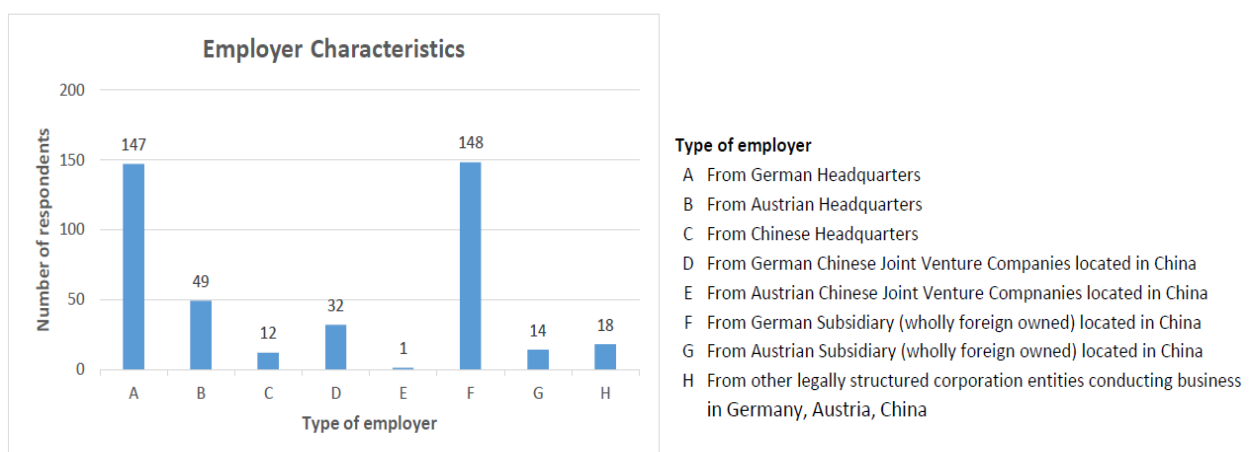


Figure 3.3: Results of Descriptive Statistics/ Employer Characteristics

Source: author

Regarding representativity of the sample size n=421, altogether 208 respondents work for headquarters of internationally active companies in Germany, Austria and China. 195

respondents work for Chinese entities, invested fully or partly by German or Austrian companies. 18 respondents work for other legally structured corporate entities conducting international business in Germany, Austria or China. Although 432 employees participated in the survey, 11 respondents did not meet the requirements and have been excluded from the analysis. The final sample consisted of 421 employees.

A precise calculation process to determine the minimum sample size

To carry out such calculation, at the first step one has to assess whether the population of the research is a finite or an infinite population. A finite population consists of a determinable fixed number of units.³⁸⁸ So, a population is finite if it is possible to count all units of that population. The total number of units in a finite population is marked by **N**; **N** means the size of the population.³⁸⁹ If it is impossible to count the all units of a population, the population is called infinite.³⁹⁰

According to Mossig, the determination of the minimum sample size for a finite population should be calculated as follows:

$$n \geq \frac{N}{1 + \frac{(N-1) \cdot \varepsilon^2}{z^2 \cdot P \cdot Q}}$$

[Equation 3.1: Determination of minimum sample]

where n = minimum sample size for a finite population

N = total number of units of a population

z = value of confidence probability; this degree of confidence is usually defined a 95% for statistical analysis in management research or $p=0.05$; according to Mossig`s table this means:

$$D(z)=95\% =z=1,96$$

ε = chosen tolerated error; it`s standard practice to determine $\varepsilon=5\%=0,05$ in social science

P = actual mean of population; the value of P is between 0% and 100%; this means $0 \leq P \leq 1$

³⁸⁸ Mossig, I. (2012). Stichproben, Stichprobenauswahlverfahren und Berechnung des minimal erforderlichen Stichprobenumfangs. Beiträge zur Wirtschaftsgeographie und Regionalentwicklung, No. 1-2012, p. 8.

³⁸⁹ Ebd. p. 21.

³⁹⁰ Ebd. p. 8.

$Q = 1-P$, the value of Q is likewise $0 \leq Q \leq 1$

According to Mossig, $P=0,5$ the product $P \cdot Q = 0,25$, which is the maximal value. So, as $Q=1-P$, also for Q one should take $Q=0,5$.³⁹¹

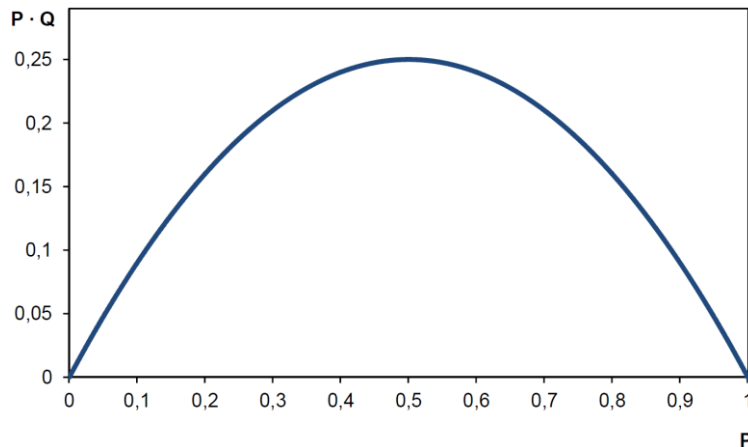


Figure 3.4: Graphical Representation of $P \cdot Q$ with $Q=1-P$ and $0 \leq P \leq 1$; $P \cdot Q$ has its maximal value if $P=Q=0,5$.

Source: Mossig, 2012, p. 20

Taking:

- the standard value for the chosen tolerated error $\epsilon=0,05$ and the standard value for the confidence level ($S=95\%$) into account as well as
- several values for N (the population)

the author calculates the influences of N , ϵ and S on the minimum sample size as follows:

Chosen values	N=2700	N=6965	N=100 000	N=1 Million	N=10 Million	N=100 Million
S=95% $\epsilon=0,05$	337	365	383	384	385	385

Table 3.2: Minimum sample sizes for finite populations (rounded)

Source: compiled by author based on Mossig, 2012, p. 22

³⁹¹ Mossig, I. (2012). Stichproben, Stichprobenauswahlverfahren und Berechnung des minimal erforderlichen Stichprobenumfangs. Beiträge zur Wirtschaftsgeographie und Regionalentwicklung, No. 1-2012, pp.19, 20.

Thus, the amount for the minimum sample size of a finite population taking S=95% and $\epsilon=0,05$ into account settles and stabilizes at the level of $n=385$.

In conclusion, it can be seen that the minimum sample size (n) is not directly proportional to the size of population (N), but n increases more slowly with expanding size of N . This explains why for relatively large populations, e.g. for parliament elections, a relatively small proportion of N is sufficient for a representative sample, but – in contrary – for a comparatively small population the relative proportion of N is significantly greater. This confirms the evidence that representativity is not generated through the relative share of the sample in the population, but rather the absolute size of the sample is the decisive factor.³⁹²

When applying this statement on the research of the author it can be summed up as follows:

- N =covers persons, who (1) are employees, who (2) work with internationally active companies in Germany, Austria or China and who (3) are Germans, Austrians or Chinese.
- N =is a finite group (per se this population is countable), but the actual size of N is unknown as mentioned above.
- Even if N is estimated at 100 million employees or even more, the minimum sample size is $n=385$ as representativity is not generated through the relative share of the sample in the population as mentioned above.

To crosscheck these results, the author also calculated the minimum sample size for an infinite population using Mossig`s formula as follows:³⁹³

$$n \geq z^2 \frac{P \cdot Q}{\epsilon^2}$$

[Equation 3.2: Sample size infinite population]

where n = minimum sample size for an infinite population

z = value of confidence probability; this degree of confidence is usually defined a 95% for statistical analysis in management research or $p = 0.05$; according to Mossig`s table this means:

$$D(z)=95\%=z=1,96$$

³⁹² Mossig, I. (2012). Stichproben, Stichprobenauswahlverfahren und Berechnung des minimal erforderlichen Stichprobenumfangs. Beiträge zur Wirtschaftsgeographie und Regionalentwicklung, No. 1-2012, p. 22.

³⁹³ The following calculations according to: Ebd. p. 19

ϵ = chosen tolerated error; it's standard practice to determine $\epsilon=5\%=0,05$ in social science

P = actual mean of population; the value of P is between 0% and 100%; this means $0 \leq P \leq 1$

$Q=1-P$, the value of Q is likewise $0 \leq Q \leq 1$

As one can see in Mossig's equation, n as the minimum sample size is strongly determined by the product of $P \cdot Q$. With an increasing value of the product of $P \cdot Q$, also the value of n will increase. The actual mean of P and subsequently also of Q is unknown. Therefore, it's standard practice to take the maximum value of the product of $P \cdot Q$, to have a sufficiently large number of the minimum sample size n even in the worst case.³⁹⁴ As already mentioned above, for $P=0,5$ the product $P \cdot Q=0,25$, which is the maximal value. So, as $Q=1-P$, also for Q one should take $Q=0,5$ as mentioned already above.³⁹⁵

Taking all values as determined above into account, the minimum sample size for an infinite population is according to Mossig:³⁹⁶

$$n \geq z^2 \frac{P \cdot Q}{\epsilon^2} = 1,96^2 \cdot \frac{0,5 \cdot 0,5}{0,005^2} = 384,16 - \text{rounded: } \underline{\underline{n=385}}$$

The result shows that a minimum sample of 385 respondents would be necessary for achieving statistical representativity of this promotional work even if an infinite population would be considered.

The figures for the minimum sample size for (1) a very large finite population (10 Million, 100 Million, and so forth) and for (2) an infinite population come mathematically very close. Both calculations – taking the rounded figures into account – lead to the same result of a minimum sample size of $n=385$.

Mossig explains that it is possible to use the formula for infinite populations also for finite populations, because the statistical evidence regarding the results quality is the same; only from a practical perspective, one would usually not proceed in this way because an infinite population is always larger than an finite population, which will also lead to a larger figure of the minimum sample size for infinite populations.³⁹⁷ As has just been seen, the results obtained came very close because of the relatively large amount of the population of this research.

³⁹⁴ Ebd. p. 19.

³⁹⁵ Ebd. pp.19, 20.

³⁹⁶ Ebd. p. 20.

³⁹⁷ Ebd. p. 21.

As the sample size of this research is $n=421$ and the minimum sample size is set with $n=385$ according to both calculations methods - for finite and for infinite populations – the question regarding the statistical representativity of the sample of this promotional work can be answered in the affirmative.

Furthermore, also according to Cohen the statistical representativity of this promotional work is confirmed. Cohen developed elaborate recommendations regarding the determination of the minimum sample size.³⁹⁸ Cohen defines sample size requirements necessary to detect minimum R^2 values of 0.10, 0.25, 0.50 and 0.75 in any of the endogenous constructs in the structural model for significance levels of 1%, 5% and 10%, assuming the commonly used level of statistical power of 80% and taking the maximum number of arrows pointing at a construct into account.³⁹⁹ According to Cohen's guidelines, the minimum sample size for this research study at 5% significance to detect R^2 values of 25% and given 3 structural paths, would be 59 respondents. Taking a 1% significance level it would be 84 respondents. The most stringent requirement according to Cohen's guidelines, assuming 1% significance and a minimum R^2 value of 0.10%, would lead to the result of a minimum sample size of 176 respondents.

Hair emphasized that the minimum sample size in a PLS-SEM analysis should be 10 times the largest number of structural paths directed at a particular construct in the structural model.⁴⁰⁰ The largest number of structural paths is 3, directed at the construct of Intention. Ten times that would result in a minimum sample size of 30 respondents according to Hair to empirically test the theoretical model of this promotional work.

In summary, according to all three methods to calculate the minimum sample size - Mossig requires 385 respondents, Cohen requires 176 and Hair requires 30 respondents - the sample size of $n=421$ for this research can be assumed as acceptable to achieve representativity.

- **Instruments**

The research instrument of this study was based on a quantitative research method as a self-report survey in the form of an online-questionnaire. A full sample of the online-questionnaire can be found in the Appendix II of this dissertation. The data used in this study was collected via questionnaires completed online by employees in Austria, Germany and China. This

³⁹⁸ Hair Jr., J.F.; Hult, G.T.M.; Ringle, C.M.; Sarstedt, M. (2014). A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM). Sage Publicazion Inc., Thousand Oaks, California, p. 20, referring to Cohen, J.A. (1992). A power primer. In: Psychological Bulletin, 112 (1), p. 158.

³⁹⁹ Ebd. p. 20.

⁴⁰⁰ Ebd. p. 23.

questionnaire as the research instrument was designed by the author to collect information regarding the independent, the intervening and the dependent variable. The cover page of the questionnaire briefly introduced focus, aim and nature of the study. The author guaranteed the confidentiality of all provided answers and each participant was assured of complete anonymity as the author aggregated the results of the questions before analyzing the data.

Moreover, the author explained the term “Code of Conduct” for the participants in the introduction. The author also indicated that this survey examines individual **Intentions** towards compliant behaviour, so that it is not relevant if the employer company has a Code already implemented or not. So, in the introduction to the survey the author stated clearly in all three languages, that the existence of a Code of Conduct at the employer is not a necessary precondition to participate and that the participants don't have to imagine to work with a Code, if they – in reality – don't have one. The author stated clearly in the introduction that the focus of this survey lays on individual ethical behavioural Intentions, Attitudes and motivations – so, the focus lays on the **mental state** of each participant towards his commitment to comply with a Code of Conduct.

Starting with a brief introduction, the author collected demographic data information by asking 14 questions, including questions regarding age, gender, ethnicity, professional experience and educational background. Some of the demographic data such as ethnicity, gender and the mere existence of a Code at the employer company were collected and used as control variables in the subsequent analysis. Respondents further completed five inventories, whereas the first set of questions, in summary 11 questions, refers to the 11-item scale of the Theory of planned Behaviour. The next set of questions belongs to the 8 item scale of Moral Disengagement, while the next two sets of questions refer to the 9-item Guanxi Orientation scale and the 6-item Supervisor-Subordinate Guanxi scale. The questionnaire ends with the 13-item social desirability scale, followed by a comment field, where the participants could enter additional information.

The online-questionnaire was prepared in a trilingual version offering language versions in German, English and Chinese. The author used English to develop the questionnaire, which was subsequently translated into Chinese and German by bilingual persons. Two other persons translated the German and Chinese version back into English without referencing to the original English version. Four other qualified translators independently compared the original English version of the questionnaire with each new English version as results of the backward-

translations. In order to ensure the consistency of German and Chinese respondents' scales, any discrepancies were noted and the iterative process of translation and backward-translation has been continued until no semantic differences between the three language versions were noted anymore. Thus, linguistic equivalence was ensured. After opening the online-link, at the very first, all participants were automatically asked which language version they prefer and after indicating the preferred language, the respondents were automatically referred to the corresponding survey.

A 7-point Likert-scale was used by the author, requiring answers ranging from „strongly disagree“ (1), „disagree“ (2), „somewhat disagree“ (3), „neither agree or disagree“ (4), „somewhat agree“ (5), „Agree“ (6), „strongly agree“ (7). The social desirability scale questions required only answers stating „yes“ or „no“.

3.5. Data analytic methodology

- **Reliability, validity and representativity of the chosen empirical methods**

Reliability and validity analyses will be performed to assess the adequacy of this instrument in Chapter 4 of this dissertation. In general, assessments have to be free of bias and distortion. Reliability refers to the extent to which assessments are consistent and validity refers to the extent to which the assessments are accurate. Representativity focuses on the content of the study and examines if the sample of the study is a representative sample in the sense that the content, which was measured by the study, is the same content the study was originally designed to measure. To assure content reliability and content validity, on the one hand the author carried out a detailed analysis of previous research. However, the derived theoretical model can only replicate reality by simplification and abstractions, as theoretical models per se can never achieve to fully and exactly replicate reality. Baetge notes that for the development of a research model homomorphism between the model and the reality is sufficient, which means the structural similarity of the model and the reality can be confirmed.⁴⁰¹

Furthermore, the focus of this promotional work, -individual ethical choices at work-, is a phenomenon, which is a very common, every day issue and a frequently repeated cognitive process of every employee all over the world. Therefore, content reliability and content validity of the theoretical model can be confirmed in general. In case of the consistency of measures,

⁴⁰¹ Baetge, J. (1974). Betriebswirtschaftliche Systemtheorie In: Westdeutscher Verlag GmbH Opladen, p. 48.

construct reliability needs to be analysed. Construct reliability can be assessed by calculating internal consistency reliability, by analyzing how consistently and stable all items measure the same construct.

The author only used already tested scales to measure the constructs with a Cronbach`s Alpha ranging from 0.70 til 0.91. The Cronbach`s Alpha of the constructs for this study will be calculated in Chapter 4. Also regarding construct validity_a validity analysis will be conducted and described in Chapter 4. Furthermore, the author of this promotional work carried out a pre-test of the questionnaire before collecting data in three countries and consequently used this instrument of pilot testing for quality improvements of the different language versions of the questionnaire as well as to find out if all questions were clearly and comprehensibly formulated and may not lead to biased answers.

Through this pilot study, using three native speakers each for the German, English and Chinese version, the measurement items for the survey instrument were refined.

- **Structural equation modelling**

The author relies on structural equation modelling, the so called PLS-SEM statistical modeling technique, which is increasingly relevant in management science.

An analysis, conducted by Hair et al. clearly shows: from 2005 til 2010 the number of PLS-SEM studies per anno has quadrupled.⁴⁰² PLS-SEM as a statistical modeling technique is in particular a strong, reliable and robust technique when it comes to handle latent phenomena such as Attitudes or Intentions, as it is also the case here for this study. Especially in this context, PLS-SEM „has become one of the most prominent statistical analysis techniques today.“⁴⁰³ Hair et al. describe PLS-SEM as follows:“SEM is a class of multivariate techniques that combine aspects of factor analysis techniques that combine aspects of factor analysis and regression, enabling the researcher to simultaneously examine relationships among measured variables and latent variables as well as between latent variables.“⁴⁰⁴

As the author aimed to investigate relations between latent variables as well as the influences of control variables such as gender, ethnicity and the mere existence of a Code, the selection

⁴⁰² Hair Jr., J.F.; Hult, G.T.M.; Ringle, C.M.; Sarstedt, M. (2014). A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM). Sage Publicazion Inc.,Thousand Oaks, California, p. xiii.

⁴⁰³ Ebd. p. xii.

⁴⁰⁴ Ebd. p. xii.

and application of PLS-SEM for statistical analysis of the data, collected for this study in three countries, seems to be highly appropriate.

Also Chang Man Kit, carrying out a study on the topic of how to predict unethical behavior, comparing the Theory of reasoned Action and the Theory of planned Behaviour - which is a quite similar approach to the derived theoretical model of this study – notes: “One additional advantage of using PLS-SEM is that it can test the measurement model and the path model simultaneously.”⁴⁰⁵ PLS-SEM takes a confirmatory, hypotheses testing approach and follows two procedural steps: the causal processes of the model are represented by a series of structural regression equations, whereby these structural equations can be modelled pictorially to present a clearer conceptualization of the theoretical framework underlying the derived and test model.

3.6. Method of post-survey evaluation

To obtain a full picture the author relied not only on an intensive literature review as well as the quantitative empirical survey. The author also added various qualitative expert interviews at the end of Chapter 4 to ensure an even better understanding of the results and to complete the triangulation of this research. This has been the purpose of the expert interviews.

In this context, experts are persons who possess an excellent field know how and a vast store of skills based on many years of experience. This specific know how is the main selection criterion for the choice of experts for experts interviews; other fields of knowledges or a good general education are not relevant for the choice of experts for an expert interview on a scientific basis.⁴⁰⁶ Within a scientific research context, a person could be identified as an expert because it could reasonable be expected that this person has a certain knowledge and insights – not necessarily solely and exclusively – which are only accessible to a privileged few; an expert interview targets exactly this advanced knowledge in the given research area.⁴⁰⁷

So, the focus of the interviews laid on the exclusive knowledge of the chosen experts.

The interviews were conducted with experts from Germany, Austria and China. All chosen experts have more than twenty years of international experience in Germany/Austria – China

⁴⁰⁵ Chang, M.K. (1998). Predicting Unethical Behavior: A Comparison of the Theory of Reasoned Action and the Theory of Planned Behavior, p. 1828.

⁴⁰⁶ Mieg, H.A.; Näf, M. (2005). Experteninterviews. 2nd. Edition: Zürich, p. 7.

⁴⁰⁷ Meuser, M.; Nagel, U. (2009). Experteninterviews und der Wandel der Wissensproduktion. In: Bogner, A.; Littog, B.; Menz, W. Experteninterviews: Theorien, Methoden, Anwendungsfehler, 3rd edition, VS Verlag für Sozialwissenschaften, Wiesbaden, Germany, p. 37.

related business. In all, five experts were questioned. To choose these five experts has been a personal decision of the author.

The author carefully selected these experts according to their international, intercultural experience in corporate governance matters as well as according to their professional background. To represent slightly different views in this regard and to obtain different perspectives, the author questioned:

- (1) A trilingual German sinologist and President of the German/Bavarian – Chinese Business Association, with more than 20 years of work experience in China and Germany:

Mr. Stefan Geiger, President of the Business Association Chinaforum, Munich/Germany - Date of the interview: May, 31th, 2016 (Munich)

- (2) A German attorney-at-law, specialized on China Compliance advisory and former Head of the China Compliance practice in Siemens and Osram, with more than 20 years of work experience in China and Germany:

Mrs. Julia Kahlenberg, Attorney-at-law, Principal, Pohlmann & Company, Munich/Germany - Date of the interview: July, 25th, 2016 (Munich)

- (3) A trilingual Chinese attorney-at-law and tax consultant, former head of Siemens China tax group and specialist in German-Chinese governance and tax matters, with more than 20 years of experience in China, Austria and Germany:

Mrs. Hongxiang Ma, Attorney-at-Law (China), Tax Consultant (China), Founder and Managing Partner of M.Y. Associates Ltd., Shanghai/China - Date of the interview: July, 05th, 2016 (Munich)

- (4) An Austrian corporate top manager (C-level) and Board member of an Austrian-Chinese joint venture company in Beijing/China, with more than 20 years of work experience in China and Austria:

Mr. Ernst Schacherl, KEBA AG. Linz/Austria – Date of the interview: May, 19th, 2016 (Linz)

- (5) A trilingual Chinese expert, a graduate interpreter and President of the Austrian-Chinese Business Association, with more than 20 years of work experience in Austria and China:

Mrs. Jianzhen Schaden, President of the China Liaison Office, State/City Government of Salzburg/ Austria - Date of the interview: June, 13th, 2016 (Salzburg)

At a glance, all five chosen experts possess an extraordinary level of prior knowledge of the subject.

To invite the identified experts for the interviews, the first contact to the experts was made by phone, followed by written email correspondence to set the time, the date and the place of interview as well as further information about the objective, the aim and the scope of the interview.

All one-on-one interviews with the author were conducted in the office rooms at the corporate headquarters of the experts. An interview lasted for 1.5 hours on average and was based on the same interview guidelines. The author took detailed notes during each interview. All interviews were structured interviews with a set of direct questions highlighting the main results of this research.

So, based on the results of the quantitative survey, the author defined 10 questions for the interview guidelines, which were presented to each participant at the very beginning of each interview. Each interview was divided into three parts, three opening questions, six questions for the main part of the interview and one concluding question to sum up the discussion and to give each expert voice the possibility to further comment on a personal basis.

The interview guidelines are attached in Appendix IV.

The author concluded each interview by expressing her immense gratitude and heartfelt thanks for participating. All expert interviews were recorded, evaluated and the answers were grouped according to the different question categories. In the next step the author consolidated and condensed the gathered interview material while grouping the answers according to question categories into text modules. In the last step, the collected expert knowledge was combined to create semantic contexts.

4. PREDICTORS OF CODE COMPLIANT INTENTION: EMPIRICAL RESULTS

4.1. Explanation of the statistical analysis process

In this Chapter the author will use descriptive and inferential-statistical methods to analyze the collected data, to test the proposed hypotheses and to investigate cause-effect relationships regarding certain predictors of employees' behavioural Intention to comply with a Code of Conduct. Descriptive statistical methods are typically limited to the description of the sample data basis with regard to indicators of distributions and different statistical correlations. Inferential statistical methods focus on the estimation of the parameters of the population, confidence intervals and the examination of the level of significance of the proposed relationships of the variables.⁴⁰⁸ However, before investigating empirical results, one should be aware of the factual limitedness of knowing and remember the famous expression of Socrates, the Greek philosopher (470/469-399 BC): "I know that I know nothing". In general, hypotheses and theories make statements and assessments about infinite objects, which can't be verified by a finite set of observations; only falsification of hypotheses are possible, which means that a null hypothesis can't be proven true, but it can be proven false and can be rejected as Diekmann notes.⁴⁰⁹ This procedure of falsification follows the approach of critical rationalism as developed by Popper, who states that one can never be sure that a hypothesis is irrevocably correct, but the set of potential falsifiers is infinite.⁴¹⁰ Popper notes that even if a hypothesis can be verified on the basis of all present scientific observations, in future always an event or a new observation can occur which leads to the falsification of the hypothesis.⁴¹¹ Against this background the author applies procedurally adequate statistical methods to analyze the degree of plausibility and the level of robustness of the hypotheses.

4.2. Descriptive statistical results

This sections provides an overview about the demographic data and computes means as well as standard deviations for different variables and items on the questionnaire. The gender identification was largely female with 67% ($n = 284$) compared to 33% ($n = 137$) male ratio.

⁴⁰⁸ Diekmann, A. (2011). Empirische Sozialforschung. In: Rowohlt's Enzyklopädie in Rowohlt Taschenbuch Verlag, 5th edition, Hamburg, Germany, p. 704.

⁴⁰⁹ Ebd. p. 174.

⁴¹⁰ Ebd. p. 175.

⁴¹¹ Ebd. p. 174.

The ethnicity identification was 50% Germans and Austrian ($n = 212$) compared to a 50% Mainland Chinese ($n = 209$) ratio. 412 respondents reported their age, the mean age is 39 years. The youngest participant was 18 years old, the oldest participant was 69 years old. Regarding their highest education level, most participants (26,37%) had completed their master degree ($n = 111$), followed by 20,42% high school graduates ($n = 86$), followed by 17,10% bachelor degree holders ($n = 72$), followed by 13,06% both college graduates and trainees, each ($n = 55$), followed by again 3,57% both basic school graduates and persons with other degrees each ($n = 15$) and finally 2,85% PhD holders ($n = 12$).

In terms of the size of the employer staff on a global basis, 50% of the participants reported, that they work for companies exceeding 5000 staff ($n = 210$), followed by 20% of the participants, working for companies between 100 til 499 staff ($n = 86$) and 13% of the participants each work for companies with 500-999 and 1000-5000 employer staff ($n = 55$) each. Only 4% of the participants work for small companies with 1-100 employer staff ($n = 15$). In terms of job titles the respondents of this study reported as follows: 23,52% staff ($n = 99$), 21,85% manager ($n = 92$), 19,71% senior manager ($n = 83$), 13,3% worker ($n = 56$), 11,88% master ($n = 50$), 6,41% C-level managers ($n = 27$), 2,61% directors ($n = 11$), 0,48% trainees ($n = 2$) and finally 0,24% interns ($n = 1$).

Only 4,99% of the participants reported a relevant working experience of less than 2 years ($n = 21$), all other participants reported as follows regarding their relevant working experience: 14,96% between 2 til 5 years ($n = 63$), 25,18% between 5 til 10 years ($n = 106$), 20,19 % between 10 til 15 years ($n = 85$) and the largest group with 34,68% reported a relevant working experience of more the 15 years ($n = 146$).

Not only in terms of relevant working experience in general, but also in terms of length of service with the current employer, the largest group of respondents (27,8%) can be considered as veteran staff, working for their company for more than 10 years. The second largest group (24,94%) has worked for their current employer between 5 til 10 years, followed by 23,04% of employees, staying with their current company between 2 til 5 years. 10,42% of the participants were employed between 1 til 2 years and last but not least, 13,3 % of the respondents were hired just recently staying with their current employer less than one year.

In terms of employer characteristics, the results are as follows: the largest group of participants (35,15%) worked at a German wholly foreign owned subsidiary in China ($n = 148$) and the second largest group (34,92%) worked at a German company in Germany ($n = 147$). The third

largest group (11,64%) worked at an Austrian company in Austria ($n = 49$) and the fourth-largest group (7,6%) worked at a German-Chinese joint venture company located in China ($n = 32$).

These results are supplemented by 4,28% of the participants working for other set ups ($n = 18$), 3,33 % of the participants working for an Austrian wholly foreign owned subsidiary in China ($n = 14$) and finally 2,85% of the participants working for a Chinese company in China ($n = 12$) as well as 0,23% of the participants working for an Austrian-Chinese joint venture company located in China ($n = 1$).

It is also interesting to have a look at the different natures of business of the employer companies: a large majority of the respondents (74,35%) were employed by a production company ($n = 313$), 7,6% of the participants were employed by a service company ($n = 32$), followed by 7,4% of the respondents hired by companies with another business scope ($n = 31$). 4,75% of the participants worked for a consulting firm ($n = 20$) and a group of 4,27% worked for a trading company ($n = 18$). Only 7 participants ($n = 7$) were hired by a company focusing mainly on R&D calculated as 1,66% of the participants.

This broad-based study has covered a sample population of employees working at different departments and divisions of companies. The results are as follows (percent of participants per department): 22,56% production department ($n = 95$), 12,58% sales department ($n = 53$), 12,11 % other departments ($n = 51$), 10,21% engineering department, 7,6% purchase department ($n = 32$), 7,12% finance/audit department ($n = 30$), 6,88% administration department ($n = 29$), 5,46% C-level management ($n = 23$), 4,75% human resources department ($n = 20$), 3,08% quality department ($n = 13$), 2,85% logistics department ($n = 12$), 2,38% R&D department ($n = 10$), 1,9% strategy department ($n = 8$) and no participants working at customs departments.

Finally, the author surveyed the existence of a Code at the employer companies at the time of the survey. 76% of the respondents ($n = 321$) confirmed the existence of a Code, whereas 24% denied the existence of a Code ($n = 100$) at the time of the survey.

The author also calculated and compared mean, median, modus, skewness, kurtosis and standard deviation of the latent variables as follows:

	Mean	Median	Modus	Skewness	Kurtosis	Standard Deviation
Attitude	5,65	6,00	6,00	-1,24	1,72	1,23
Subjective Norm	5,12	6,00	6,00	-0,74	0,25	1,36
Perceived Behavioural Control	5,55	6,00	6,00	-1,33	1,87	1,25
Intention	5,50	6,00	6,00	-0,89	0,81	1,16
Moral Disengagement	2,13	2,00	2,00	1,41	1,82	1,27
Guanxi Orientation	5,56	6,00	6,00	-1,10	1,42	1,16
Supervisor- Subordinate Guanxi	3,63	4,00	4,00	-0,06	-0,52	1,52

Table 4.1: Results of Descriptive Statistics

Source: author

Furthermore, the author analyzed frequency, relative frequency and normal distribution of each latent variable. All data can be found in detail at Appendix III of this dissertation. The author also created a comparison of relative frequency according to the data set and the normal distribution indication for each latent variable. All details and graphs can be found at Appendix III, too.

In summary, the author observed that the data set of this study is not normally distributed. However, PLS-SEM performs very well for non-normal distributed data, and – in general – PLS-SEM is a preferable option because of its ability to identify relationships among latent variables in complex models.⁴¹²

4.3. Statistical evaluation of the measurement model and the structural model

The author uses SmartPLS as the primary statistical tool to analyze the measurement model as well as the structural model for hypothesis testing. As Hair notes, the statistical evaluation delivers – on the one hand – empirical measures of the relationship between the indicators (or

⁴¹² Hair, J.F., Sarstedt, M.; Pieper, T.M.; Ringle, C.M. (2012). The Use of Partial Least Squares Structural Equation Modeling in Strategic Management Research: A Review of Past Practices and Recommendations for Future Applications. In: Long Range Planning 45, p. 333.

so called items) and the constructs, which is called evaluation of the measurement model; on the other hand, the empirical measurement of the relationships between the construct is called evaluation of the structural model.⁴¹³ Hair emphasizes that in PLS-SEM the evaluation of the measurement model as well as the structural model builds on a set of nonparametric evaluation criteria and applies procedures such as bootstrapping and blindfolding.⁴¹⁴

The whole evaluation process follows a two-step-process, which is a widely adapted approach regarding structural equation modelling as mentioned by Hulland.⁴¹⁵ The process starts with the evaluation of the measurement model:

- **Statistical evaluation of the measurement model**

The evaluation of the multi-item measurement model using PLS-SEM focuses on the reliability and the validity of the construct measures. A prerequisite for the assessment of this measurement model is, that none of the constructs is a single-item construct.⁴¹⁶ The present study only uses multi-item constructs, such as Moral Disengagement (8 items), Guanxi Orientation (9 items), Supervisor-Subordinate Guanxi (6 items), Attitude (4 items), Subjective Norm (2 items), Perceived Behavioural Control (3 items), and Intention (2 items). So, the applicability of the PLS-SEM multi-item measurement model can be confirmed so far.

In a second step, one should distinguish between reflectively and formatively measured constructs as point out by Hair.⁴¹⁷ All indicators/items the author relies on, are reflective indicators. The reflective measurement model has a long tradition according to Hair, being directly based on classical test theory and a set of reflective indicators/items commonly called a scale.⁴¹⁸ Hair emphasizes that according to the classical test theory the measures (=indicators) represent the effects of an underlying construct, whereby “causality is from the construct to its measures.”⁴¹⁹ This means, “reflective indicators can be viewed as a representative sample of all the possible items available within the conceptual domain of the construct”; Hair further points out “since a reflective measure dictates that all indicator items are caused by the same construct,

⁴¹³ Hair Jr., J.F.; Hult, G.T.M.; Ringle, C.M.; Sarstedt, M. (2014). A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM). Sage Publication Inc., Thousand Oaks, California, p. 96.

⁴¹⁴ Ebd. p. 96.

⁴¹⁵ Hulland, J. (1999). Use of partial least squares (PLS) in strategic management research: A review of four recent studies. In: Strategic Management Journal 20 (2), p. 198.

⁴¹⁶ Hair Jr., J.F.; Hult, G.T.M.; Ringle, C.M.; Sarstedt, M. (2014). A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM). Sage Publication Inc., Thousand Oaks, California, p. 99.

⁴¹⁷ Ebd. p. 98.

⁴¹⁸ Ebd. pp. 42, 43.

⁴¹⁹ Ebd. p. 43.

indicators associated with a particular construct should be highly correlated with each other and, additionally, individual items should be interchangeable and any single item can generally be left out without changing the meaning of the construct as long as the construct has a sufficient reliability.”⁴²⁰ Based on this background, the author has decided to leave out two items of the Guanxi Orientation scale (v_58 and v-59) and two items of the Supervisor-Subordinate Guanxi scale (v_65 and v_67) to achieve a better data quality. Furthermore, the author has designed right from the start the scale for Intention by using only a two-item scale and left out the third item of the Taylor & Todd scale for measuring behavioural Intention. The author only used the items BI₁ (“I intend to use the ... this term”) and BI₃ (“I intend to use ... frequently this term”) according to Taylor and Todd as these two items perfectly support the focus of this study.⁴²¹ The third item, BI₂, developed by Taylor and Todd (“I intend to use ...to print projects, papers and assignments this term”)⁴²² would make no sense in the context of this study; furthermore the two items BI and BI₃ perfectly and conclusively represent the core focus of this construct. Hair proposes to concentrate on Composite Reliability as the first criterion to evaluate the measurement model.⁴²³ Bagozzi and Youjae note that in fact while using SEM reporting of reliability is unnecessary, “because the information provided in factor loadings and error variances incorporates reliability so to speak.”⁴²⁴

Nevertheless, also Bagozzi and Youjae recommend to report reliability as this is traditional sense and required by many academic journals.⁴²⁵ Composite reliability takes the different outer loadings of the indicators into account, which is an advantage in comparison to the traditional criterion for internal consistency, which is called Cronbach`s Alpha. Hair points out that Cronbach`s Alpha anticipates that all indicators are equally reliable and have equal outer loadings.⁴²⁶

Hair continues to describe Cronbach`s Alpha to be sensitive to the number of items and tends to underestimate the internal consistency reliability, which has the consequence, according to

⁴²⁰ Ebd. p. 43.

⁴²¹ Taylor, S.; Todd, P.A. (1995). Understanding Information Technology Usage: A Test of Competing Models. In: Information Systems Research 6 (2), p. 174.

⁴²² Ebd. p. 174.

⁴²³ Hair Jr., J.F.; Hult, G.T.M.; Ringle, C.M.; Sarstedt, M. (2014). A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM). Sage Publicazion Inc.,Thousand Oaks, California, p. 101.

⁴²⁴ Bagozzi, R.; Youjae, Y. (2012). Specification, evaluation, and interpretation of structural equation models. In: Journal of Academy of Marketing Science 40, p. 16.

⁴²⁵ Ebd. p. 17.

⁴²⁶ Hair Jr., J.F.; Hult, G.T.M.; Ringle, C.M.; Sarstedt, M. (2014). A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM). Sage Publicazion Inc.,Thousand Oaks, California, p. 101.

Hair, that Cronbach`s Alpha is known as the conservative, traditional measure of internal consistency reliability, whereas composite reliability is the modern advanced way of measurement.⁴²⁷ According to Hair, the following formula should be used to calculate composite reliability:

$$\rho_c = \frac{(\sum_i l_i)^2}{(\sum_i l_i)^2 + \sum_i var(e_i)}$$

[Equation 4.1: Formula Composite Reliability]

Source: Hair, 2014, p. 101

where,

l_i symbolizes the standardized outer loading of the indicator variable i of a specific construct, according to Hair.⁴²⁸

e_i stands for the measurement error of the indicator variable i ,

$var(e_i)$ marks the variance of the measurement error, which is defined as $1-l_i^2$, according to Hair.⁴²⁹

Hair further notes that the composite reliability varies between 0 and 1, with higher values indicating higher reliability, which means that composite reliability is interpreted in general in the same way as Cronbach`s Alpha.⁴³⁰

Composite reliability values ranging from 0.60 til 0.70 are acceptable in exploratory research, whereas values ranging between 0.70 til 0.90 are satisfactory.⁴³¹ Even if Bagozzi and Youjae note that there are no universally accepted standards about the minimal values of composite reliabilities, in fact they agree with the values mentioned by Hair.⁴³²

⁴²⁷ Ebd. p. 101.

⁴²⁸ Ebd. p. 102.

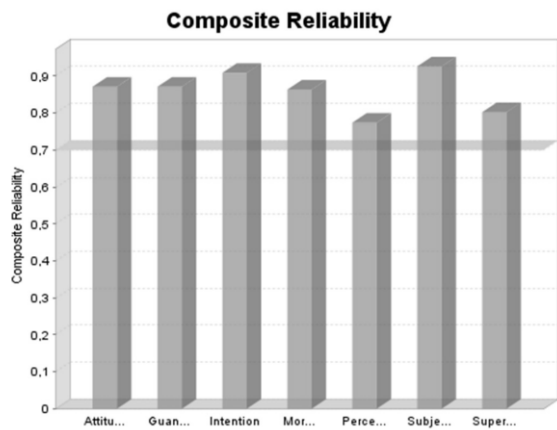
⁴²⁹ Ebd. p. 102.

⁴³⁰ Ebd. p. 102.

⁴³¹ Ebd. p. 102.

⁴³² Bagozzi, R.; Youjae, Y. (2012). Specification, evaluation, and interpretation of structural equation models. In: Journal of Academy of Marketing Science 40, p. 17.

Composite reliability values of the present study are:



	Composite Reliability
Attitude	0,872
Guanxi Orientation	0,871
Intention	0,909
Moral Disengagement	0,864
Perceived Behavioural Control	0,774
Subjective Norm	0,926
Supervisor-Subordinate Guanxi	0,803

Figure 4.1: Composite Reliability

Source: author

In summary, these results show a satisfactory composite reliability value, with a minimum value of 0,774 for Perceived Behavioural Control and a maximum value of 0,909 for Intention. This demonstrates that all 7 reflective constructs have highly levels of internal consistency reliability.

Cronbach's Alpha is calculated as follows:

$$\alpha = \frac{n}{n - 1} \left(1 - \frac{\sum \sigma_i^2}{\sigma_x^2} \right)$$

[Equation 4.2: Cronbach's Alpha]

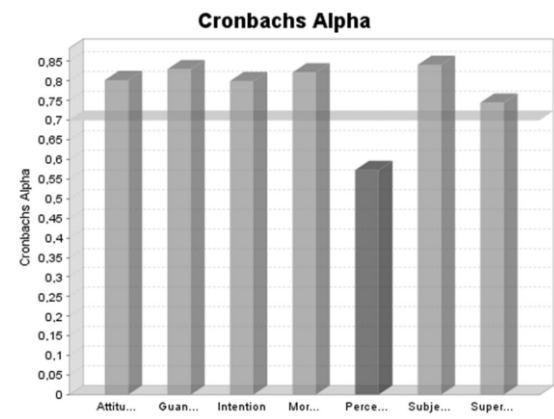
whereas n is the number of indicators,

σ_i^2 is the variance of the indicator and

σ_x^2 is the variance of the test.⁴³³

⁴³³ Cronbach, L. (1951). Coefficient Alpha and the Internal Structure of Tests. In: Psychometrika 16 (3), p. 299.

The author of this study calculates Cronbach`s Alpha as follows:



Attitude	0,802
Guanxi Orientation	0,830
Intention	0,800
Moral Disengagement	0,822
Perceived Behavioural Control	0,573
Subjective Norm	0,841
Supervisor-Subordinate Guanxi	0,745

Figure 4.2: Cronbachs Alpha

Source: Author

In summary, according to Hairs` statement that Cronbach`s Alpha is interpreted in the same way as composite reliability, the results are satisfactory with the exception of Perceived Behavioural Control, where the result can not reach 0.60. On the other hand, regarding the limit value of Cronbach`s Apha the opinions still differ. Francis et al. note, that for in studies based on the Theory of planned Behaviour Cronbach`s Alpha should exceed 0.60.⁴³⁴ But Peter notes that a Cronbach`s Alpha which exceeds 0.40 should be acceptable in cases of only two to three indicators per construct.⁴³⁵ As the Perceived Behavioural Control construct has only three indicators in this study and the Cronbach`s Alpha value is 0,573 for this construct, the result is overall is acceptable. Furthermore, the Perceived Behavioural Control value regarding composite reliability of 0,774 is satisfactory. The author can summarize that altogether the internal consistency reliability of the measurement model is satisfactory.

This is also in line with Bagozzi, who recommends that only Cronbach`s Alpha values less than 0,4 should be eliminated from the model.⁴³⁶

In a next step, convergent validity of the measurement model should be evaluated. Hair defines that „convergent validity is the extent to which a measure correlates positively with alternative measures of the same construct“ and „a common measure to establish convergent validity on

⁴³⁴ Francis, J. J., Eccles, M. P., Johnston, M., Walker, A., Grimshaw, J., Foy, R., Bonetti, D. (2004). Constructing questionnaires based on the theory of planned behavior: A manual for health services researchers. In: United Kingdom: Centre for Health Services Research, p. 60.

⁴³⁵ Peter, S.I., (1997) Kundenbindung als Marketingziel: Identifikation und Analyse zentraler Determinanten. Wiesbaden, p. 180.

⁴³⁶ Bagozzi, R.; Youjae, Y. (1988). On the evaluation of structural models. In: Journal of the Academy of Marketing Science 16 (1), p. 80.

the construct level is the Average Variance Extracted⁴³⁷. Hair notes that Average Variance Extracted as a criterion can be defined as the grand mean value of the squared loadings of the indicators associated with the construct.⁴³⁸ Furthermore, Hair clearly states that „an Average Variance Extracted value of 0.50 or higher indicates that the construct explains more than half of the variance of its indicators“; in contrary, „an Average Variance Extracted less of 0.50 indicates that more errors remain in the items than the variance explained by the construct.“⁴³⁹

As Hair suggests, the author has evaluated the Average Variance Extracted of each reflectively measured construct and has received the following results:

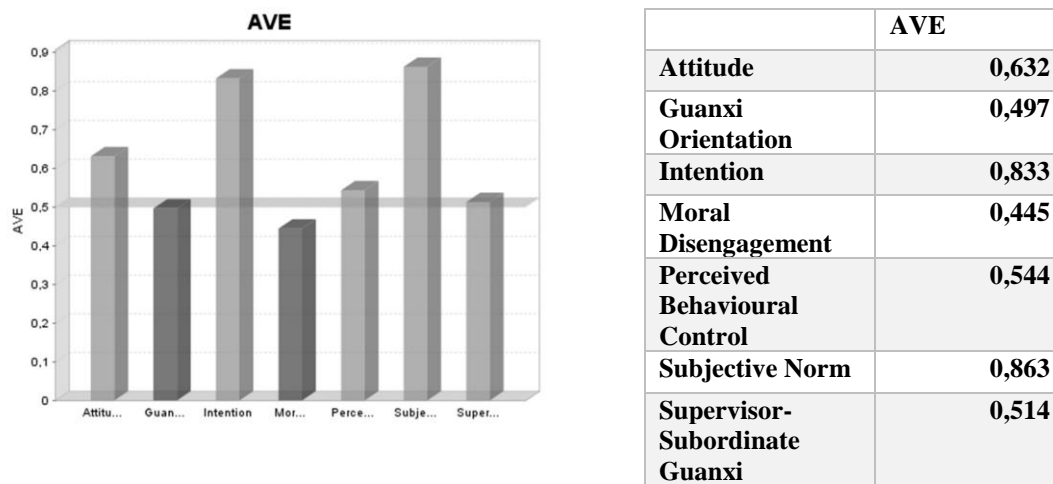


Figure 4.3: Average Variance Extracted

Source: author

In brief, it has been found, that only two values, Guanxi Orientation (0,497) and Perceived Behavioural Control (0,445) can't reach the desired value of 0,50 or above. For Guanxi Orientation it has been a very close run, only missing 0,003, whereas for Perceived Behavioural Control 0,055 are missing. This means that especially regarding Perceived Behavioural Control probably more errors remain in the items than the variance explained by the construct as pointed out already above. Basically, the overall results are still satisfactory, as all other constructs are well above the required level of 0,50.

The final step to evaluate the measurement model should measure the Discriminant Validity. Hair defines “discriminant validity is the extent to which a construct is truly distinct from other

⁴³⁷ Hair Jr., J.F.; Hult, G.T.M.; Ringle, C.M.; Sarstedt, M. (2014). A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM). Sage Publicazion Inc., Thousand Oaks, California, pp. 102-103.

⁴³⁸ Ebd. p. 103.

⁴³⁹ Ebd. p. 103.

constructs by empirical standards”, which means “establishing discriminant validity implies that a construct is unique and captures phenomena not represented by other constructs in the model.”⁴⁴⁰ One method to assess discriminant validity is to examine the cross loadings of the indicators, where specifically, an indicator`s outer loading on the associated construct should be greater than all of its loadings on other constructs.⁴⁴¹ According to Hair, a second more conservative approach to evaluate discriminant validity, is the Fornell-Larcker criterion, comparing the square root of the Average Variance Extracted values with the latent variable correlations, where the square root of each construct`s Average Variance Extracted should be greater than its highest correlation with any other construct.⁴⁴² Fornell and Larcker argue that their calculation method is internally consistent.⁴⁴³

The author analysed the discriminant validity/Fornell-Larcker-criterion as follows:

	Attitude	Guanxi Orientation	Intention	Moral Disengagement	Perceived Behavioral Control	Subjective Norm	Supervisor-Subordinate Guanxi
Attitude	<u>0,795</u>						
Guanxi Orientation	0,345	<u>0,705</u>					
Intention	0,621	0,273	<u>0,913</u>				
Moral Disengagement	-0,343	-0,234	-0,290	<u>0,667</u>			
Perceived Behavioral Control	0,619	0,409	0,658	-0,345	<u>0,737</u>		
Subjective Norm	0,478	0,282	0,551	-0,178	0,446	<u>0,929</u>	
Supervisor-Subordinate Guanxi	0,117	0,181	0,139	-0,048	0,215	0,078	<u>0,717</u>

Table 4.2: Discriminant Validity

Source: author

⁴⁴⁰ Ebd. p. 104.

⁴⁴¹ Ebd. p. 105.

⁴⁴² Ebd. p. 105.

⁴⁴³ Fornell, C.; Larcker, D.F. (1981). Evaluating structural equation models with unobservable variables and measurement error: Algebra and Statistics. In: Journal of Marketing Research 18, p. 382.

In summary, the square roots of the Average Variance Extracted 's for all 7 reflective constructs (the underlined figures in Table 4.2) are all higher than the correlations of these constructs with other latent variables. This result is very satisfying and the Fornell-Larcker-criterion-test confirms discriminant validity. The results regarding loadings and cross loadings for every indicator can be found at Appendix III. Discriminant validity can also be confirmed when an indicator`s loading on a construct is higher than all of its cross loadings with other constructs. Also cross loadings confirm discriminant validity regarding all 7 constructs.

- **Statistical evaluation of the structural model**

After confirming, that the constructs are reliable and valid, in this section, the author analyses the structural model that represents the underlying theoretical framework of the path model. The results will help to assess how well the empirical data support the theoretical framework, presented by the author, and to answer the question whether this theoretical concept has been empirically confirmed or not with regard this study.⁴⁴⁴ Therefore, the author will analyze the forecasting power of the model and the relationships between the constructs.

In a first step, the author will examine each set of constructs in the structural model for collinearity. According to Hair, collinearity arises when two indicators are highly correlated; if even more than two indicators are highly correlated, than one talks of multicollinearity.⁴⁴⁵ The Variance Inflation Factor quantifies the severity of collinearity among the indicators, as explained by Hair, whereby the Variance Inflation Factor of each construct should be higher than 0.20 (lower than 5), otherwise, Hair recommends, one should think of eliminating a construct or merge two constructs into one construct.⁴⁴⁶

⁴⁴⁴ Hair Jr., J.F.; Hult, G.T.M.; Ringle, C.M.; Sarstedt, M. (2014). A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM). Sage Publicazion Inc.,Thousand Oaks, California, p. 168.

⁴⁴⁵ Ebd. p. 163.

⁴⁴⁶ Ebd. p. 186.

The author examined each set of constructs separately and received the following results for the Inner Variance Inflation Factor values as follows:

	Attitude	Intention	Perceived Behavioral Control	Subjective Norm
Attitude		1,766		
Guanxi Orientation			1,034	1,034
Moral Disengagement	1,000			
Perceived Behavioral Control		1,702		
Subjective Norm		1,361		
Supervisor-Subordinate Guanxi			1,034	1,034

Table 4.3: Inner Variance Inflation Factor Values

Source: author

Overall, Variance Inflation Factor results show that collinearity issues do not apply for this study, because all values don't show abnormalities and remain within the recommended bandwidth.

In a next step, the author follows Hulland, who recommends that “researchers employing PLS-SEM should report R^2 values for all endogenous constructs included in their models.”⁴⁴⁷ As Hulland points out, a primary objective of PLS-SEM is the minimization of error, or, in other words, the maximization of variance explained, in all endogenous constructs. Hulland emphasizes that „the degree to which any particular PLS model accomplishes this objective can be determined by examining the R^2 values for the dependent, endogenous constructs.“ and summarizes that R^2 values are the primary indicator for a structural model to measure how much

⁴⁴⁷ Hulland, J. (1999). Use of partial least squares (PLS) in strategic management research: A review of four recent studies. In: Strategic Management Journal 20 (2), p. 202.

of the variances in the endogenous constructs are explained by the exogenous constructs. ⁴⁴⁸

The author presents the results of the structural analysis as follows:

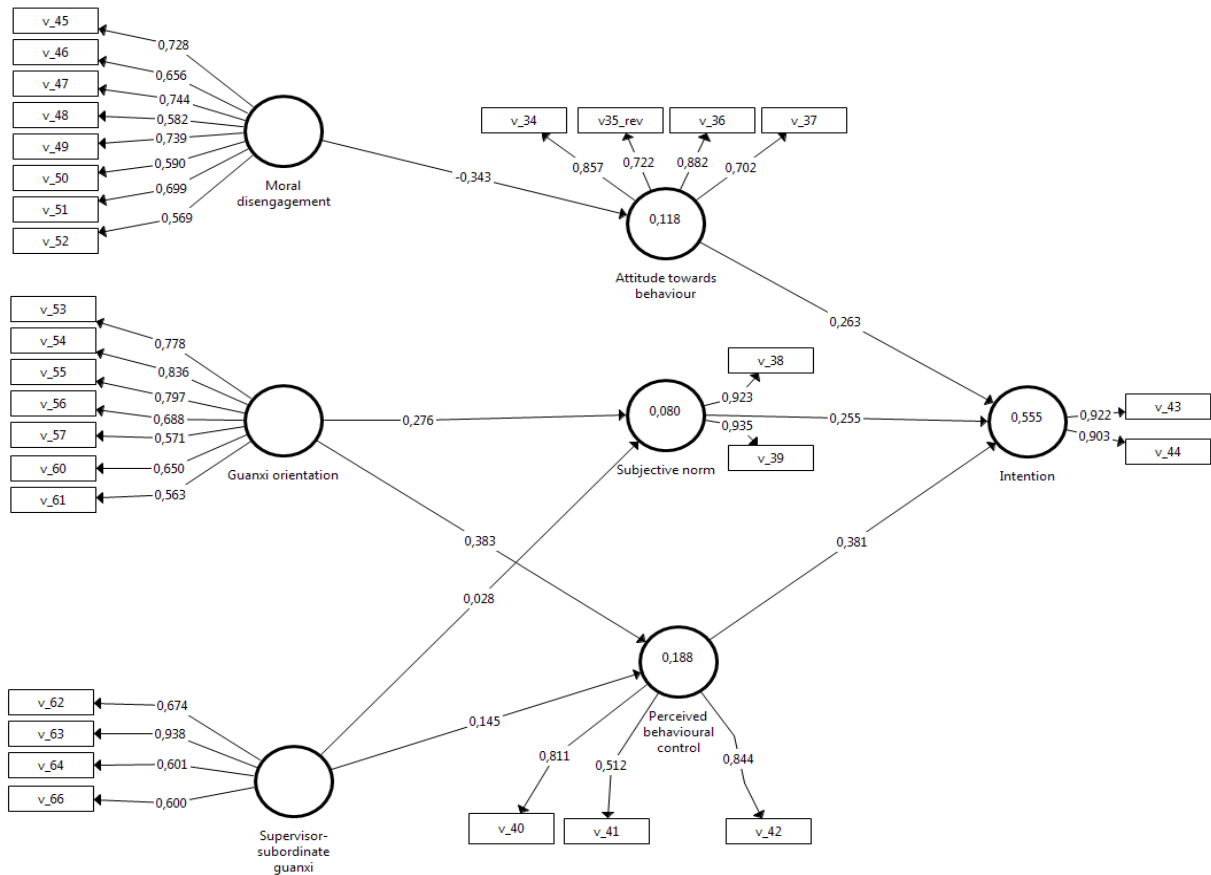


Figure 4.4: Results of Structural Analysis

Source: author

The R² value for the endogenous, dependent variable Intention is 0.555, which indicates that the variables in the author's theoretical model explain about 56% of the variance in the dependent variable. This is quite a high value, especially in the field of management sciences, where it is understandably quite difficult to measure future human behaviour by using latent variables. The constructs Attitude (R² value = 0.118/ 12%), Subjective Norm (R² value = 0,080/ 8%) and Peceived Behavioural Control (R² value = 0.188/ 19%) are in a reasonable range. Overall, the structural model shows a good fit to the underlying structure in the data set.

In a next step, the author examines the p-value (probability value) to observe the significance of all structural model relationships. The p-value assesses the statistical probability and can take on any values between 0 and 1. Assessing the p-value is important to be able to assume the truth

⁴⁴⁸ Ebd. p. 202.

of the null hypothesis. The p-value is the probability of obtaining an effect at least as extreme as the one in the current sample and, according to Hair, should be compared with the significance level selected prior to the analysis to decide whether the path coefficient is statistically significant.⁴⁴⁹ The significance level is usually fixed at $p < .05$ to be significant and $p < .01$ to be very significant according to Hair.⁴⁵⁰

The author assessed the p-values as follows:

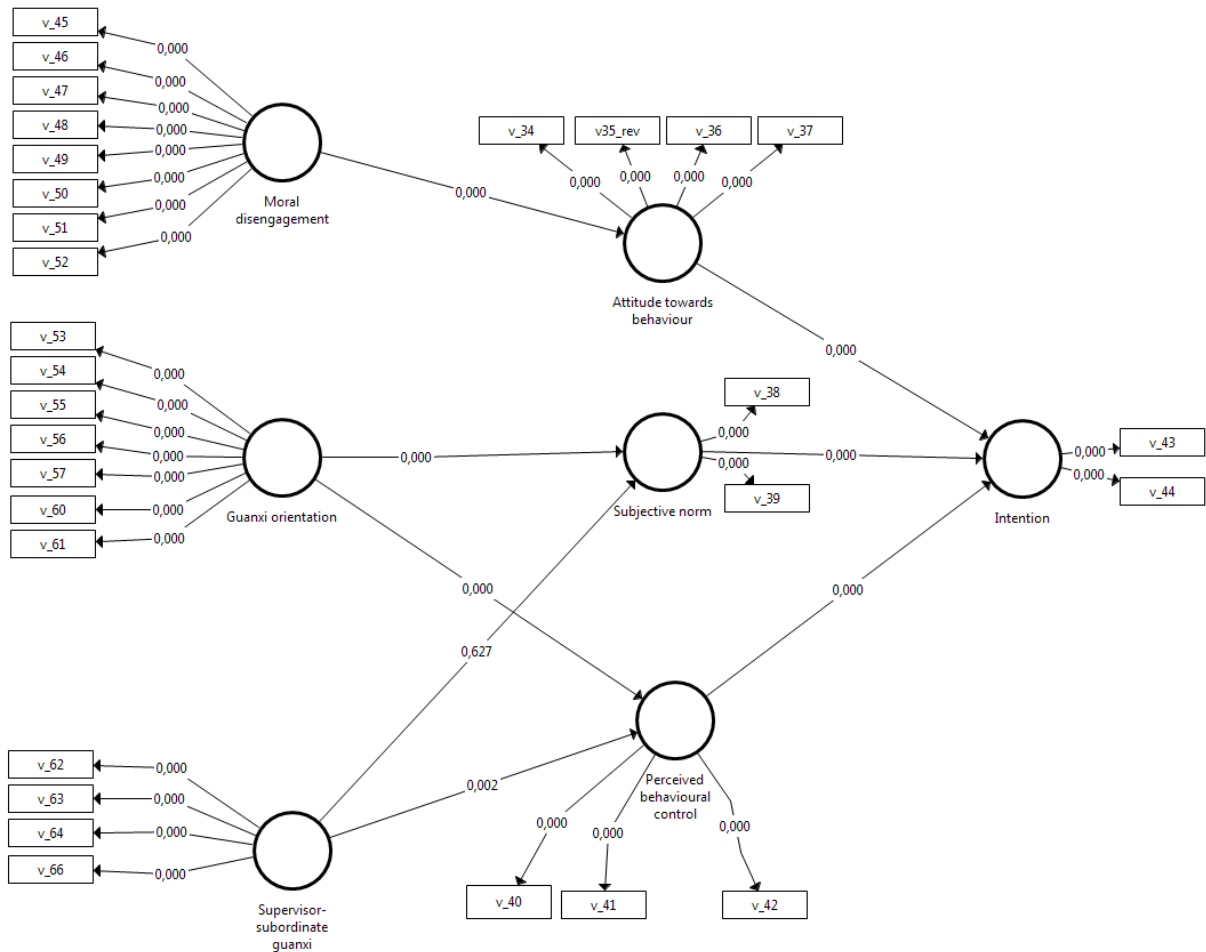


Figure 4.5: p-Values

Source: author

In a last step, the author of this study assessed the f^2 effect size, a measure which is used to analyse the relative impact of an exogenous predictor variable on an endogenous construct.⁴⁵¹

In particular, the f^2 effect size assesses how much a predictor variable contributes to the R^2 value

⁴⁴⁹ Hair Jr., J.F.; Hult, G.T.M.; Ringle, C.M.; Sarstedt, M. (2014). A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM). Sage Publicazion Inc., Thousand Oaks, California, p. 203.

⁴⁵⁰ Ebd. p. 203.

⁴⁵¹ Ebd. p. 201.

of a target construct in the structural model; as explained by Hair, this should be done by estimating the R^2 value in a first step with the particular predecessor construct and - in a second step – without the predecessor construct. On the basis of the difference of the resulting R^2 values for estimating the model with and without the predecessor construct, the f^2 effect size can be obtained, whereby f^2 effect sizes of 0.02, 0.15 and 0.35 are interpreted as small, medium and large.⁴⁵²

The author assessed the f^2 effect sizes as follows:

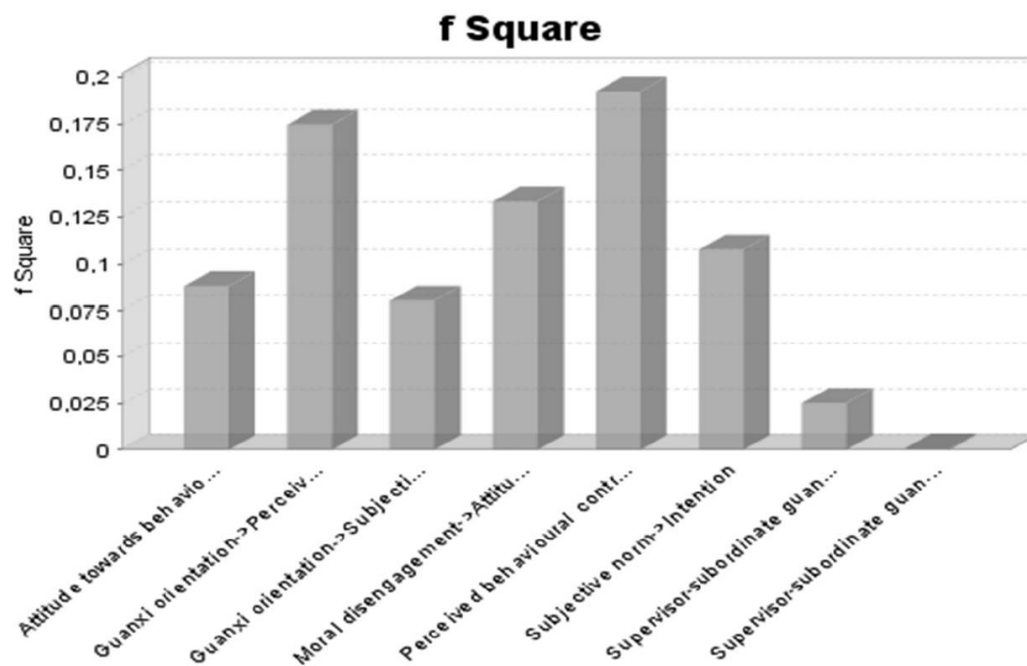


Figure 4.6: f-Square

Source: author

⁴⁵² Ebd. p. 198.

The f-Square Values displayed in detail:

	Attitude	Intention	Perceived Behavioural Control	Subjective Norm
Attitude		0,088		
Guanxi Orientation			0,174	0,080
Moral Disengagement	0,134			
Perceived Behaviorual Control		0,192		
Subjective Norm		0,108		
Supervisor-Subordinate Guanxi			0,025	0.001

Table 4.4: f-Square Values

Source: author

The result is considered to be satisfactory. The effect of variable Perceived Behaviour Control on the dependent variable Intention has the greatest impact ($f^2 = 0.192$), the variable Guanxi Orientation on Perceived Behaviour Control ($f^2 = 0.174$) also shows a slightly greater impact than the other variables. In summary, all variables show noticeable effect sizes, only the variable Supervisor-Subordinate Guanxi shows virtually no effect. Therefore, the hypothesis, that Supervisor-Subordinate Guanxi influences Subjective Norm towards Intention in the end can't be supported as shown below.

4.4. Statistical analysis and discussion: Testing of causal hypotheses

The author of this promotional work tested the causal hypotheses as follows:

- **Statistical analysis and discussion: Testing of the initial research hypothesis**

The initial research hypothesis implies:

Initial Research Hypothesis

H_{IR} Intention is highly predictable influenced by the three variables Attitude, Subjective Norm and Perceived Behavioural Control.

Assumptions:

Attitude influences Intention.	<i>-supported</i>
Subjective Norm influences Intention.	<i>-supported</i>
Perceived Behavioural Control influences Intention.	<i>-supported</i>

H_{IR} is supported.

The results show a high R^2 value for the dependent variable Intention (0.555) which indicates a strong explanation power of the model. All three propositions can be confirmed, because the p-values of 0.00 each show a very high significance for the influences of Attitude, Subjective Norm and Perceived Behavioural Control towards Intention. Regarding the beta coefficients in the multiple regression function, Attitude shows a beta coefficient of 0.263, Subjective Norm shows a beta coefficient of 0.255 and Perceived Behavioural Control shows a beta coefficient of 0.381. In general, beta coefficient values range between +1 and -1, with values at or around 0 showing a weak influence and with values close to +1 or -1 showing a strong influence of a latent variable on another variable.⁴⁵³

In summary, among the three determinants of Intention, Subjective Norm shows the smallest effect and Perceived Behavioural Control shows the strongest effect on Intention, but all of the three constructs of the Theory of planned Behaviour correlated positively and highly significantly with behavioural Intention. Overall, the initial research hypothesis is confirmed by the empirical results of this cross-cultural study.

This result also confirms previous research showing that the Theory of planned Behaviour works within a cross-cultural setting focusing on ethical related topics as also pointed out by Cherry.⁴⁵⁴

- **Statistical analysis and discussion: Testing of the basic hypothesis**

The basic hypothesis implies:

⁴⁵³ Ringle, C.; Spreen, F. (2007). Beurteilung der Ergebnisse von PLS-Pfadanalysen. In: Wirtschaftswissenschaftliches Studium 36 (2), p. 214.

⁴⁵⁴ Cherry, J. (2006). The impact of normative influence and locus of control on ethical judgments and Intentions: a cross-cultural comparison. In: Journal of Business Ethics 68, p. 113.

Basic Hypothesis

H_B Moral Disengagement, Guanxi Orientation and Supervisor-Subordinate Guanxi influence Intention using Attitude, Subjective Norm and Perceived Behavioural Control as mediators.

Assumptions:

Moral Disengagement influences Attitude towards Intention. - *supported*

Guanxi Orientation influences Subjective Norm towards Intention. - *supported*

Guanxi Orientation influences Perceived Behavioural Control towards Intention. - *supported*

Supervisor-Subordinate Guanxi influences Subjective Norm towards Intention.

-*NOT supported*

Supervisor-Subordinate Guanxi influences Perceived Behavioural Control towards Intention.

- *supported*

H_B is widely supported.

The relationship between **Moral Disengagement and Attitude towards Intention is supported**, showing a beta coefficient of -0.343 and a p-value of 0.000. The beta coefficient shows a negative value (-0.343) which confirms that the construct Moral Disengagement inversely influences Attitude towards Intention to comply with a Code as proposed. As described in Chapter 1, Attitude towards behavioural Intention in this study is the individual's degree of a favourable or unfavourable evaluation of a Code compliant behaviour. Extensive previous research based on Ajzen's Theory of planned Behaviour has successfully tested and proved that Attitude is a reliable predictor of Intention. The author extended Ajzen's theory by adding the Person-Situation-Interactionist framework as a theoretical base to supplement the theoretical model with an individual predictor, Moral Disengagement, and to test its influence on Attitude. The findings show a strong inverse effect of Moral Disengagement on Attitude in this study and highly significant relationship. Moral Disengagement is a cognitive process that deactivates the self-regulatory mechanism of an individual which leads on to the result that the self-regulatory mechanism would not keep an individual from actions inconsistent with his or her own moral norms anymore, as described in detail in Chapter 1.

The empirical results of this study provide evidence, that morally disengaged individuals show a weakening readiness and Attitude to comply with a Code. If an employee will not behave according to a Code, because his self-regulatory system doesn't restrain him from actions

inconsistent with his own moral values, e.g. paying bribes or performing any other corruptive behaviour, the probability to get involved in unethical actions increases a lot.

These results show that Moral Disengagement can be an important predictor why employees don't accept a Code and don't behave according to a Code at work. Overall, this finding supports previous research that Moral Disengagement increases the likelihood of unethical actions in corporations.⁴⁵⁵ The results of this dissertation as well underline Trevino et. al.'s findings, which confirmed that the individual's general propensity to morally disengage is positively related to increased unethical behaviour; they confirmed the power of the Moral Disengagement construct to explain unethical behaviour in the workplace.⁴⁵⁶

The findings of this promotional work send out the same message. Furthermore, the findings regarding Moral Disengagement in this cross-cultural study support previous studies that the Moral Disengagement construct transcends cultures and can be used in a Western and in an Eastern cultural context.⁴⁵⁷

The relationship between **Guanxi Orientation and Subjective Norm towards Intention is supported**, too. The beta coefficient is 0.276 and the p-value is 0.000, confirming that the relationship is highly significant. As introduced in Chapter 1, Subjective Norm as one of the predictors of Intention, is the individual's perception of how he ought to behave according to the anticipated expectations of important others. Ajzen defines important others as closely related persons like "parents, spouse, close friends, co-workers [...]."⁴⁵⁸ While referring to the relevance of Subjective Norm in determining behaviour, Ajzen and Fishbein note "the more a person perceives that others important to him think he should perform a behavior, the more he will intend to do so".⁴⁵⁹ The findings of this study indicate that an employees' normative beliefs how he ought to behave with regard to Code compliance behaviour is strongly affected by his social Guanxi network and peer connections.

⁴⁵⁵ Baron, R.A.; Zhao, H.; Miao, Q. (2012). Personal Motives, Moral Disengagement, and Unethical Decisions by Entrepreneurs: Potential Dangers of the Desire for Financial Success. In: *Frontiers of Entrepreneurship Research* 32 (6), p. 110.

⁴⁵⁶ Trevino, L.K.; den Nieuwenboer, N.A.; Kish-Gephart, J.J. (2014). (Un)Ethical Behaviour in Organizations. In: *Annual Review of Psychology* 65, p. 635.

⁴⁵⁷ Baron, R.A.; Zhao, H.; Miao, Q. (2012). Personal Motives, Moral Disengagement, and Unethical Decisions by Entrepreneurs: Potential Dangers of the Desire for Financial Success. In: *Frontiers of Entrepreneurship Research* 32 (6), p. 115.

⁴⁵⁸ Ajzen, I (2005). *Attitudes, personality and behavior*. 2nd. Edition. New York: Open University Press, p. 124.

⁴⁵⁹ Ajzen, I.; Fishbein, M. (1980). *Understanding Attitudes and predicting social behaviour*. Englewood Cliffs, NJ: Prentice-Hall, p. 57.

Not only in China as an Eastern Confucian relationship culture country, also in Western countries, interpersonal relations play a very important role. Also Trevino et al. confirm that peer influences significantly impact the ethical decision making process of an individual.⁴⁶⁰ Other peoples` opinions and norms are a proxy for the individuals` normative beliefs regarding a certain behaviour, which is here the Code compliant behaviour. The reason for this strong influence of peers on the individual decision making process of an employee can be found by considering Kohlberg`s (1969) theory of cognitive moral development, where Kohlberg suggests that people develop from childhood to adulthood through six stages of moral development as mentioned in Chapter 1. Trevino notes that Kohlberg places most adults in stages three or four in terms of their moral development level.⁴⁶¹ As explained in Chapter 1, according to Kohlberg`s model, at stage three the individual focuses on significant others like family or peer groups and tries to perform according to their expectations; at stage four the individual assesses “rightness” in the context of what a wider population of society may expect to be “right”. Stedham and Beekun conclude accordingly “adults are likely to look outside themselves for guidance in ethical decision making, either to referent others (peers, leaders) or to rules and laws of society.”⁴⁶²

Against this background the empirical finding of a highly significant relationship of Guanxi Orientation as a construct of social networks and peer influence on Subjective Norm towards Intention to comply with a Code of Conduct, is not surprising at all, but confirms previous research.

The relationship between **Guanxi Orientation and Perceived Behavioural Control towards Intention is supported**. The beta coefficient is 0.383, which is even the highest value for a beta coefficient of the whole model, and the p-value is 0.000, confirming that the relationship is highly significant, too. Perceived Behavioural Control, as one of the three predictors of Intention according to the Ajzen`s framewok, is usually defined as the individuals` perceived ease or difficulty of performing a certain behaviour, which is here to comply with a Code. With regard to the Theory of planned Behaviour, Ajzen makes a distinction between actual behavioural control factors and Perceived Behavioural Control factors. According to Ajzen

⁴⁶⁰ Trevino, L.K.; den Nieuwenboer N.A.; Kish-Gephart J.J. (2014). (Un)Ethical Behaviour in Organizations. In: Annual Review of Psychology 65, p. 635.

⁴⁶¹ Trevino, L.K. (1986). Ethical Decision Making in Organizations: A Person-Situation Interactionist Model In: Academy of Management Review 11 (3), p. 606.

⁴⁶² Stedham, Y; Beekun, R.I. (2013). Ethical judgment in business: culture and differential perceptions of justice among Italians and Germany. In: Business Ethics: A European Review 22 (2), p. 191.

individual's actual behavioural control factors are non-motivational factors like the individual's access to appropriate resources such as cooperation with others.⁴⁶³ Ajzen emphasizes that all non-motivational factors collectively accumulate into the individual's actual control over the targeted behaviour.⁴⁶⁴ Furthermore, as described in Chapter 1, Ajzen points out that the perceptions of the individual of the extent to which he has control over a behaviour quite accurately reflect their actual control.⁴⁶⁵ However according to Ajzen, Perceived Behavioural Control is also assumed to be a function of the individual's beliefs about the presence or absence of factors, which will make it easier or more difficult, to act; in this context, Ajzen gave the example, that the individuals' beliefs can be influenced by second-hand information about the behaviour or by observing the experiences of acquaintances and friends.⁴⁶⁶

In view of Ajzen's comments above, the author of this promotional work proposes two points of reference how to explain and to analyze the findings in terms of the strong effect of Guanxi Orientation on Perceived Behavioural Control and the highly significant relationship between these variables.

In summary, the finding indicate a significant influence of social Guanxi network and peer connections on the employees' perceived ease or difficulty to comply with a Code. Firstly, one can refer to Ajzen's comment on individuals' actual behavioural control factors like the individuals' access to appropriate resources such as cooperation with others. Since individual Code compliant behaviour, e.g. not offering/ paying a bribe to others, directly involves - in most cases – these other persons as well (the business partners or public officials on the other side of table asking/not asking for a bribe), their expectations, their moral values, but also e.g. their mere bribing/non-bribing actions, strongly influence the employees' ability to successfully follow a Code (e.g. not offering/paying a bribe). Being a member of a social Guanxi network means focusing on the cultivation of personal connections, in particular also in a business context.

As Ang and Leong put it: "With Guanxi one becomes an insider and negotiation can proceed smoothly".⁴⁶⁷ If members of the social Guanxi network of an employee, insist or push him to

⁴⁶³ Ajzen, I. (1991). The theory of planned behaviour. In: *Organizational Behavior and Human Decision Processes* 50 (2), p. 182.

⁴⁶⁴ Ebd. p. 182.

⁴⁶⁵ Ajzen; I (2005). *Attitudes, personality and behavior*. 2nd. Edition. New York: Open University Press, p. 111.

⁴⁶⁶ Ebd. p. 127.

⁴⁶⁷ Ang, S.H.; Leong, S.M. (2000). Out of the Mouths of Babes: Business Ethics and Youths in Asia. In: *Journal of Business Ethics* 28, p. 131.

perform any action which is not compliant to a Code, the employee seems to believe that his own ability to successfully follow a Code, is weak. Or – to put it the other way around, if a member of the social Guanxi network strongly approves Code related behaviour, the employees`perceived behaviour control, to comply with a Code could be strong, according to his beliefs, – because the other person(s) involved, e.g., would not ask him to offer/pay a bribe, but encourage him to comply with the Code.

Furthermore, it`s important to recognize, that a Guanxi network connection is always based on an unlimited exchange of favours by an unspoken code of reciprocity to make more or less every effort to repay favors to Guanxi network members as Ang and Leong point out; without paying back favours, the Guanxi relationship and the social harmony will be destroyed and the damage for the employee and his closer family will be immense.⁴⁶⁸ Given the sheer importance of social obligations in terms of this code of reciprocity it is obvious that Guanxi network connections highly influence the employees` perceived ease or difficulty of performing according to a Code. In addition, Ang and Leong emphasize another characteristic of Guanxi network connections: “the practice of Guanxi to smoothen bureaucracies and gain a competitive edge, which opens up the possibility of unethical practices”.⁴⁶⁹ Ang and Leong mention that companies in China sometimes employ power broker to exploit their strong ties with authorities and governmental officials to the company`s advantage.⁴⁷⁰

In this context, especially the Guanxi etiquette of gift giving “implies unethical overtones” as Ang and Leong note: “There is a common saying in the Chinese business community that an individual in a capacity to make key decisions may declare to a negotiating party that he needs to *yanjiu* (study) the proposal. In Chinese, the word *yanjiu* for "study" is also a homonym of the words "cigarettes and liquor." Therefore, the suggestion is that the individual is asking for an inducement (in the form of cigarettes and liquor) to render the service and smoothen the negotiation.”⁴⁷¹ It`s obvious that these business practices are quite often contrarily to corporate Code regulations which allow gift giving, if at all, only under restricted and controlled conditions. But Guanxi lobbying and power broking activities are not only a phenomenon of the Chinese business world. In Western democracies corporate lobbying activities are as well a questionable, but common contemporary phenomenon as Yadav explains by mentioning that

⁴⁶⁸ Ebd. p. 132.

⁴⁶⁹ Ebd. p. 133.

⁴⁷⁰ Ebd. p. 133.

⁴⁷¹ Ebd. p. 133.

special interest groups are key constituencies for political parties and politicians in both democratic and non-democratic systems.⁴⁷²

In summary this means that an employee in the East and in the West, who - due to the nature of business – highly depends on others to perform assigned tasks at work and to fulfill his work duties, will be significantly influenced by social network and peer connections with regard to his final actual control to comply with a Code.

Secondly, as Ajzen notes, not only the actual behavioural control factors like the employee's access to appropriate resources such as cooperation with others, but also his control beliefs can be influenced by second-hand information about the behaviour or by observing the experiences of acquaintances and friends. This means, that Guanxi network connections wouldn't only be very influential in case of an actual negotiation situation, where the employee will directly depend on the reactions of others (e.g. offering/paying bribes or not). Guanxi networks also influence -in general and in principle - the own control beliefs of an employee, even if he only observes the experiences of other members in the Guanxi network or just hears about their actions and behaviours in compliance context cases.

Overall, it's obvious that the Guanxi Orientation phenomenon is complex and delicate, but not in principle negative. Depending on the views and actions of Guanxi network contacts regarding Code related issues, like supporting or not supporting bribes or any other corruptive behaviour, the influences on the employee, who is part of the Guanxi and peer network, will be positive or negative regarding Code compliance. Therefore, this results provide evidence for previous researchers like Xin and Pearce who emphasized that Guanxi in general has no negative connotation in China.⁴⁷³

The relationship between **Supervisor-Subordinate Guanxi and Subjective Norm towards Intention is not supported**. The beta coefficient is 0.028 and the p-value is 0.643, which means that no relationship between Supervisor-Subordinate Guanxi and Subjective Norm can be assumed. This is a very surprising and a very interesting result at the first sight, given the fact that usually, in Western as well as in Chinese cultures, the supervisor is regarded as an important authority, leading figure and opinion maker for employees at work. Bommer et al. emphasize

⁴⁷² Yadav, V. (2008). Business lobbies and policymaking in developing countries: the contrasting cases of India and China. In: *Journal of Public Affairs* 8, p. 67.

⁴⁷³ Xin, K.R.; Pearce, J.L. (1996). Guanxi: connections as substitutes for formal institutional support. In: *Academy of Management Journal* 39 (6), p. 1642.

that “the conduct of the Board of Directors, the CEO and other senior management can signal subordinate managers as to which behaviours are acceptable.”⁴⁷⁴

According to Bommer et al. authority figures such as the employees’ supervisor have a strong influence on his behaviour in one way or another. In Bommer et al.’s view, this is because of the supervisors’ capacities “for rewarding and punishing”, which is the reason why supervisors are generally accepted as authority figures.⁴⁷⁵ Bommer et al. also refer to the well known Milgram studies (1963, 1965) as examples “of how authority figures can exert extreme pressure to comply to orders even when compliance is unethical.”⁴⁷⁶

As described in Chapter 1, the Supervisor-Subordinate Guanxi construct can be described as an extension or enlargement of the Western Leader-Member-Exchange construct by focusing on work-ties, but also on personal ties altogether between a supervisor and the employee. As Law et al. note, Supervisor-Subordinate Guanxi covers work-related as well as non-work-related exchange between the supervisor and the employee, whereas this relationship will be developed not only at work, but in particular “through home visits after working hours and other social functions.”⁴⁷⁷ The Supervisor-Subordinate Guanxi construct aims to measure how intensively supervisors and subordinates focus on exchanging social and economic benefits because of their Guanxi relationship.⁴⁷⁸ However, Law et al. clearly note that, even if Chinese subordinates may expect their supervisors to treat them differently because of their guanxi connection and even if this relationship plays a significant role in managing staff in China, it should not be overstated “that Chinese management is totally relationship- rather than task-oriented.”⁴⁷⁹

Law et al. conclude that “the usual practice for Chinese managers is consistently to recommend and promote their in-group members, i.e. those they have good Guanxi with, in front of higher-level managers, but - on the other hand the Guanxi relationship had no effect e.g. on supervisors’ performance ratings”; this indicates that Chinese supervisors can be objective and rational in

⁴⁷⁴ Bommer, M.; Gratto, C.; Gravander, J.; Tuttle, M. (1987). A Behavioral Model of Ethical and Unethical Decision Making, In: *Journal of Business Ethics* 6, p. 272.

⁴⁷⁵ Ebd. p. 272.

⁴⁷⁶ Ebd. p. 272 referring to Milgram, S. (1963). Behavioral Study of Obedience, In: *Journal of Abnormal and Social Psychology* 67, pp. 317-378; Milgram, S. (1965). Some Conditions of Obedience and Disobedience to Authority, In: *Human Relations* 18, pp. 57-76.

⁴⁷⁷ Law, K.S.; Wong, C.S.; Wong, D.X.; Wang, L.H. (2000). Effect of supervisor-subordinate guanxi on supervisory decisions in China: An empirical investigation. In: *International Journal of Human Resource Management* 11, p. 755.

⁴⁷⁸ Ebd. p. 753.

⁴⁷⁹ Ebd. p. 760.

their evaluation of their subordinates' performance.⁴⁸⁰ This previous research results provide evidence that not all areas and aspects of work are moved and influenced by Supervisor-Subordinate Guanxi. This argument can be an initial indication why according to the findings of this study, Supervisor-Subordinate Guanxi doesn't impact Subjective Norm.

Probably, the context of ethical decision making as such and related to Code compliant behaviour in particular, is not a topic, where employees typically involve their supervisors or recognize them as reference others in this regard. Furthermore, Westerman et al. summarize their analysis of previous empirical research regarding choice of reference others by stating that peers are the primary referents for employees with regard to their ethical decision-making process.⁴⁸¹

Of particular importance is the facet of Westerman et al.'s conclusion that after a comparison of the relative influence of peers versus supervisors in determining an employees' Intention to behave ethically, the results consistently show "that peers exert a more substantial effect than managers in employee ethical behaviour in organizations."⁴⁸²

This argument - that peers are by far more influential regarding perceived social pressure - can be a second indication, why Supervisor-Subordinate Guanxi doesn't impact Subjective Norm in this study, - particularly with regard to the other empirical findings of the author: a highly significant impact of Guanxi Orientation (peer influences) on Subjective Norm can be confirmed as mentioned above. This is consistent with the argumentation of Westerman et al. The findings of Stevens also confirm these results by showing that family and friends are the most important reference groups for employees to discuss ethical issues, the second most important group are peers while supervisors aren't a very important reference group in this context, but were only ranked among remote groups of influence.⁴⁸³

So, this -at first sight- somewhat surprising finding indicating that an employees' supervisor seems not to belong to the decisive and crucial reference group of important others impacting the employees' ethical choices at work, can be explained upon closer examination and confirms prior research. Furthermore, suggestions on the immense influence of a supervisor on

⁴⁸⁰ Ebd. p. 760.

⁴⁸¹ Westerman J.; Beekun, R.I.; Stedham, Y.; Yamamura, J. (2007). Peers versus National Culture: An Analysis of Antecedents to Ethical Decision-making. In: *Journal of Business Ethics* 75, p. 242.

⁴⁸² Ebd. p. 241.

⁴⁸³ Stevens, B. (1999). Communicating Ethical Values: A Study of Employee Perceptions. In: *Journal of Business Ethics* 20, p. 117.

employees in particular with regard to their Code acceptance have largely remained theoretical than empirical so far. This research proves the opposite of this theoretical assumption. A Supervisor-Subordinate Guanxi relationship seems to be important with regard to various issues such as internal promotions, rewards and punishments as mentioned above, but not with regard to Code compliance and ethical decision making.

Another reason could be, that employees simply don't care about the opinion of their supervisors regarding compliance issues. This possible explanation for this phenomenon was offered by Stevens, who came to the same results of a weak supervisor influence on employees with regard to ethical decision making.⁴⁸⁴ Even if one may not agree with Stevens' apparently simple explanation, another argument could be more convincing.

As proven time and again, employees quite often take Codes just as corporate fig leaves hiding corporate unethical behaviour and merely serve for corporate window-dressing. McCabe et al. note, that a Code will only be effective in preventing unethical behaviour, if the Code is "strongly implemented and deeply embedded" in the corporate culture and not at all a mere window-dressing document.⁴⁸⁵ Also Kish-Gephart et al. assess the fact that many corporations just use their Codes more or less as a facade as a potential factor for Code un-effectiveness.⁴⁸⁶ If employees view a Code just as a lip service to cover unethical actions of the top management and of the supervisors, they will hardly consider them as playing an important role as reference others influencing the employees' ethical choices. In such cases, employees don't consider their supervisors as ethical benchmarks at all.

Trevino et al. note: "Finally, a program must avoid conveying the message to employees that it exists to protect top management from blame. Having a program that is perceived in this way by employees may be worse than having no program at all."⁴⁸⁷

The relationship between **Supervisor-Subordinate Guanxi and Perceived Behavioural Control towards Intention is supported**. The beta coefficient is 0.145 and the p-value is 0.001, confirming that the relationship is highly significant.

⁴⁸⁴ Stevens, B. (1999). Communicating Ethical Values: A Study of Employee Perceptions. In: *Journal of Business Ethics* 20, p. 118.

⁴⁸⁵ McCabe, D.L.; Trevino, L.K.; Butterfield, K.D. (1996). The influence of collegiate and corporate codes of conduct on ethics-related behaviour in the workplace. In: *Business Ethics Quarterly* 6 (4), p. 464.

⁴⁸⁶ Kish-Gephart J.J.; Harrison, D.A.; Trevino, L.K. (2010). Bad Apples, Bad Cases and Bad Barrels: Meta-Analytic Evidence about Sources of Unethical Decisions at Work. In: *Journal of Applied Psychology* 95 (1), p. 21.

⁴⁸⁷ Trevino L.K.; Weaver, G.R.; Gibson, D.G.; Toffler, B.L. (1999). Managing Ethics and Legal Compliance: what works and what hurts? In: *California Management Review* 41 (2), p. 140.

This finding provides evidence, that the supervisor-subordinate relationship has an impact on the employees' perceived ease or difficulty to comply with a Code. This means, that not only the social Guanxi network and peer connections, but also the Supervisor-Subordinate Guanxi relationship influences the employees' Perceived Behaviour Control towards Code compliance. As aforementioned, Supervisor-Subordinate Guanxi measures how intensively supervisors and subordinates focus on exchanging social and economic benefits because of their Guanxi relationship.⁴⁸⁸

One explanation why the employees' perceived ease or difficulty of Code compliance is significantly impacted by the social Guanxi connection with the supervisor could be obedience. According to labours laws in Germany, Austria and China an employee - in general - has the obligation to follow his supervisors' instructions. As mentioned above, Perceived Behaviour Control means, among others, actual control over the targeted behaviour. This actual control of an employee is of course limited because of the supervisors' instructions. This could also be the case with regard to Code compliance of the employee.

Also the Person-Situation-Interactionis model explicitly defines the individual's obedience to authority as an significant interpersonal situational factor to explain (un-)ethical behaviour. According to Trevino the degree of an employees' obedience to authority shapes the relationship of an employee to the authorities within a company, which means to supervisors and superiors.⁴⁸⁹ Trevino notes in work cultures with tight structures and legitimate hierarchical orders most employees are expected to follow and to fulfill the orders and to execute instructions of the supervisors, "even if those orders are contrary to the person's determination of what is right".⁴⁹⁰ Also Jones and Kavanagh conclude that employees could feel they have to comply with the supervisors' instructions "to succeed in their organizations "and that such kind of pressure "exert a major impact on unethical behaviour."⁴⁹¹

In summary, a behaviour according to Trevino's Model, is a result of the individual's interaction with his environment, but not at all only a result of the individual's character traits. A supervisor could force the employee to fulfill instructions and order impacting the employees' Perceived

⁴⁸⁸ Law, K.S.; Wong, C.S.; Wong, D.X.; Wang, L.H. (2000). Effect of supervisor-subordinate guanxi on supervisory decisions in China: An empirical investigation. In: *International Journal of Human Resource Management* 11, p. 753.

⁴⁸⁹ Trevino, L. K. (1986). Ethical Decision Making in Organizations: A Person-Situation Interactionist Model In: *Academy of Management Review* 11 (3), p. 612.

⁴⁹⁰ Ebd. p. 612.

⁴⁹¹ Jones, G.E.; Kavanagh, M.J. (1996). An Experimental Examination of the Effects of Individual and Situational Factors on Unethical Behavioral Intentions in the Workplace. In: *Journal of Business Ethics* 15 (5), p. 513.

Behavioural Control. Depending on the instruction, the impact can be positive or negative on the employees' ethical choices.

4.5. Statistical analysis and discussion: Testing of the difference hypotheses concerning the impact of ethnicity, gender and the mere existence of a Code

To test all three difference hypothesis the author carried out a Partial Least Squares Multi-Group Analysis (PLS-MGA) each, which is a non-parametric significance test for the difference of group specific results that builds on PLS-SEM bootstrapping results.

When applying this method, a result is significant at the 5% probability of error level, if the p-value is smaller than 0.05 or larger than 0.95 for a certain difference of group-specific path coefficients.

This PLS-MGA method, as implemented in SmartPLS, is an extension of the original non-parametric Henseler's MGA method.⁴⁹²

To double-check for the results the author has also conducted a parametric significance test for each of the three hypothesis to test for the difference of group-specific PLS-SEM results that assumes equal variance across groups.

Ethnicity

The hypothesis implies:

H₀ Ethnicity has no impact on the employees' Intention to comply (Germanic versus Chinese ethnicities).

H₁ Ethnicity has an impact on the employees' Intention to comply (Germanic versus Chinese ethnicities).

According to the assumptions, listed at Chapter 3 of this promotional work, the author has tested every relationship between two variables in this model regarding a potential difference for a group specific result.

H₁ is supported.

⁴⁹² Sarstedt, M.; Henseler, J.; Ringle, C. M. (2011). Multi-Group Analysis in Partial Least Squares (PLS) Path Modeling: Alternative Methods and Empirical Results. In: *Advances in International Marketing* 22, p. 195.

The Partial Least Squares Multi-Group Analysis (PLS-MGA) shows the following results:

	Path coefficients-difference: Germanic Ethnicity – Chinese Ethnicity	p-value: Germanic Ethnicity – Chinese Ethnicity
Attitude -> Intention	0,205	0,021
Guanxi Orientation-> Perceived Behavioural Control	0,162	0,959
Guanxi Orientation-> Subjective Norm	0,258	0,995
Moral Disengagement-> Attitude	0,02	0,574
Perceived Behavioural Control -> Intention	0,052	0,686
Subjective Norm -> Intention	0,102	0,841
Supervisor-Subordinate Guanxi-> Perceived Behavioural Control	0,075	0,225
Supervisor- Subordinate Guanxi-> Subjective Norm	0,231	0,156

Table 4.5: PLS-MGA Ethnicity

Source: author

The findings show two group-specific differences:

- The path coefficient **Attitude → Intention** shows for the Germanic group > Chinese group a value of 0,205 and a p-value difference of 0,021, which is smaller than the reference limit of 0.05 (5%).
- The path coefficient **Guanxi Orientation → Subjective Norm** shows for the Germanic group < Chinese group a value of 0,258 and a p-value difference of 0,995, which is larger than the reference limit of 0,95 (95%).

The first finding indicates, that Germanic employees have a more favourable evaluation of Code compliance in comparison to Chinese employees, because the individual Attitude of Germans and Austrians towards a Code-related behavioural Intention shows a stronger effect.

The second finding indicates, that Guanxi Orientation plays a more important role for Chinese employees with regard to their own perceptions of what important others would expect them to do in terms of Code compliance. This means, Guanxi Orientation impacts Chinese employees`

perceived social pressure more intensively than the perceived social pressure of Germanic employees to perform according to a Code.

One argument to explain the first finding, why Germanic employees have a more favourable evaluation of Code compliance, could be their more positive Attitude towards rule observance in general and a better understanding of the concept of a Code in particular. Rivers` emphasize that Chinese employees might have the view that a Code is more an optional tool and that it`s ok to find a way around, whereas employees, influenced and educated by Western laws and Western rules observance values see a Code as a corporate communication tool for the purpose to influence and guide employees, which is not optional, but binding for every employee.⁴⁹³ Rivers notes that Chinese employees may see a Code as a limiting factor as it is important to “try every possible way” to make business in contemporary China.⁴⁹⁴

Furthermore, as Rivers concludes, many Chinese employees don`t even link the intent of a Code to their own behaviour, they even „expressed a belief that the code`s purpose was to earn income for the company or to facilitate market entry.“⁴⁹⁵ It is important to understand that Business Ethics in general and the concept of Codes of Conduct in particular are quite new in contemporary China. For more than 2000 years, China had no history in terms of a rule of law. China was ruled by the authority of the emperor and guided by Confucian philosophy. Yeung and Tung emphasize that „under Confucianism, governance by ethics is preferred over governance by law, which developed into a general and deeply rooted aversion to law and litigation.⁴⁹⁶

For centuries, personal relationships have been by far more important than rules or laws. Legal regulations hardly existed in China for more than 2000 years. The opposite is true for Germany and Austria, where our legal tradition dates back more than 2000 years. Against this background, it`s not surprising that some Chinese employees may lack a deeper understanding, what the idea of a Code of Conduct is all about. This is in particular the case, if foreign corporate Codes hadn`t been carefully adapted to the Chinese values and needs.

Von Weltzien Hoivik criticizes that „many Western companies still simply translate Codes into Chinese, while paying little attention to what is really considered ethical by the Chinese

⁴⁹³ Rivers, C. (2014). Negotiating Ethics in China, In: International Studies of Management and Organisation 43 (4), p. 47.

⁴⁹⁴ Ebd. p. 47.

⁴⁹⁵ Ebd. p. 51.

⁴⁹⁶ Yeung, I.; Tung, R. (1996). Achieving Business Success in Confucian Societies: The Importance of Guanxi (Connections). In: Organizational Dynamics 25 (2), p. 56.

themselves” and argues that Chinese employees` aren`t comfortable with the individualistic focus of Western Codes at all.⁴⁹⁷ After implementing a judicial system based on laws for the last about 30 years, Lu summarizes the current situation in China as „we have many laws [now], but Chinese corporations still need to build their own mature ideology and ethics.“⁴⁹⁸

In this context, von Weltzien Hovik note that Chinese employees „have learned to be fast-forgetting about company codes because they learned to be fast-forgetting about Chinese laws, which are powerfully enforced in the first month following enactment, but are weakly enforced thereafter.“⁴⁹⁹

So, if Chinese employees are used to circumvent the laws, for several reasons, it`s no wonder, that they also view a Code as a law which to circumvent is appropriate and common practice.

In contrast, Westerman et al.`s empirical results confirm that decisions in German speaking culture are mainly based on rules and regulations, because “norms and principles are commonly accepted”.⁵⁰⁰ Against this background, the first finding of this section, that Chinese employees developed a weaker Attitude towards Code-related Intention is not suprising at all.

To take these arguments further, one could add, that employees socialized in a more individualistic culture such as Germany and Austria have strong individualistic values, emphasize autonomy, independence and individual initiative.⁵⁰¹

This is also confirmed by Triandis, who defines individualism as “a social pattern that consists of loosely linked individuals who view themselves as independent of collectives [and] are primarily motivated by their own preferences, needs, rights, and the contracts they have established with others”, whereas - in contrary -, Triandis describes collectivism as a “social pattern consisting of closely linked individuals who see themselves as parts of one or more collectives (family, co-workers, tribe, nation) [and] are primarily motivated by the norms of, and duties imposed by, those collectives.”⁵⁰²

⁴⁹⁷ Von Weltzien Hoivik, H. (2007). East Meets West: Tacit Messages about Business Ethics in Stories Told by Chinese Managers. In: *Journal of Business Ethics* 74 (4), p. 458.

⁴⁹⁸ Lu, X.H. (2009). A Chinese perspective: Business ethics in China now and in the future. In: *Journal of Business Ethics* 86, p. 457.

⁴⁹⁹ Von Weltzien Hoivik, H. (2007). East Meets West: Tacit Messages about Business Ethics in Stories Told by Chinese Managers. In: *Journal of Business Ethics* 74 (4), p. 465.

⁵⁰⁰ Westerman, J.W.; Beekun, R.I.; Stedham, Y.; Yamamura, J. (2007). Peers versus National Culture: An Analysis of Antecedents to Ethical Decision-making. In: *Journal of Business Ethics* 75, p. 248.

⁵⁰¹ Hofstede G., 1980, 2001, *Culture`s Consequences: Comparing Values, Behaviors, Institutions and Organizations across Nations*. 2nd Edition, Thousand Oaks CA: Sage Publications, 2001

⁵⁰² Triandis, H. C. (1995). *Individualism & collectivism*. Boulder, CO: Westview, p. 2.

Therefore, the empirical finding is not surprising that Germans and Austrians focus mainly on their individualistic values and consequently show a stronger individual Attitude towards code-related behavioural Intention.

The second finding of this section indicates, that Guanxi Orientation plays a more important role for Chinese employees with regard to their own perceptions of what others would expect them to do in terms of Code compliance. Westerman et al.'s findings confirm the significant impact of national culture as well as peers on an employees' ethical choices, whereas peer impact even shows a stronger influence than national culture, but the degree of peer impact depends on cultural constructs such as individualism and power distance in each country according to the authors.⁵⁰³

Phau and Kea summarize that "among several determinants identified to influence business ethical Attitudes, most practitioners and researchers have attributed culture to be the predominant factor influencing the differences in Business Ethics Attitudes across countries."⁵⁰⁴ This is also confirmed by Triandis' definition of collectivism as mentioned above. Au and Wong's findings provide evidence for the impact of Guanxi on ethical judgement, whereby the intensity of the Guanxi impact depends on the level of cognitive moral development/moral reasoning of the individual.⁵⁰⁵

Moreover, Au and Wong's findings show that not only the level of ethical reasoning influence ethical judgement, but also Guanxi.⁵⁰⁶

The empirical finding of this study confirms the results of prior research in this way. Liu et al. refer to previous Chinese management research results of Zheng et al., by emphasizing that „in highly Guanxi-oriented China less than 20 % of those who had engaged in unethical behaviors evaluated their ethical judgment based on their ethical beliefs, while most evaluated their actions based on the quality of their Guanxi with each other regardless of ethical norms.“⁵⁰⁷

Regarding the Chinese work context, also Law et al. summarize that for Chinese employees

⁵⁰³ Westerman, J.W.; Beekun, R.I.; Stedham, Y.; Yamamura, J. (2007). Peers versus National Culture: An Analysis of Antecedents to Ethical Decision-making. In: *Journal of Business Ethics* 75, p. 247.

⁵⁰⁴ Phau, I; Kea, G. (2007). Attitudes of University Students toward Business Ethics: A Cross-National Investigation of Australia, Singapore and Hongkong. In: *Journal of Business Ethics* 72, pp. 61-62.

⁵⁰⁵ Au, A.K.M.; Wong, D.S.M. (2000). The Impact of Guanxi on Ethical Decision Making Process of Auditors – An Exploratory Study on Chinese CPAs in Hong Kong. In: *Journal of Business Ethics* 28, p. 90.

⁵⁰⁶ Ebd. p. 91.

⁵⁰⁷ Liu, Z.; Yang, Z.; Zeng, F.; Waller, D. (2015). The Developmental Process of Unethical Consumer Behaviour: An Investigation Grounded in China. In: *Journal of Business Ethics* 128, p. 413 referring to Zheng, F.; Luo, X.; Tu, C.; Li, P. (2011). Online unethical consumer behaviour: Characteristics, dimensions and measurement. In: *Nankai Business Review* 14 (2), pp. 26-36.

“it’s extremely hard to imagine working in an organization in the absence of broad or far-reaching personal interactions with co-workers”.⁵⁰⁸

Against this background it’s merely being consistent, that the empirical finding of this study confirms a stronger impact of social Guanxi network relations on Subjective Norm for the Chinese employees.

Furthermore, Ajzen recognizes that Subjective Norm is a stronger predictor of Intention in collectivistic cultures due to the more significant impacts of social networks and reference others on an employee socialized in a collectivistic culture.⁵⁰⁹

Also this argument is confirmed by the empirical finding of this promotional work.

Gender

The hypothesis implies:

H₀ Gender has no impact on the employees` Intention to comply.

H₁ Gender has an impact on the employees` Intention to comply.

According to the assumptions, listed at Chapter 3 of this dissertation, the author has tested every relationship between two variables in this model regarding a potential difference for a group specific result (male vs. female).

H₁ is supported.

⁵⁰⁸ Law, K.S.; Wong, C.S.; Wong, D.X.; Wang, L.H. (2000). Effect of supervisor-subordinate guanxi on supervisory decisions in China: An empirical investigation. In: *International Journal of Human Resource Management* 11, p. 753.

⁵⁰⁹ Ajzen, I. (2001). Nature and operation of Attitudes. In: *Annual Review of Psychology* 52, p. 44.

The Partial Least Squares Multi-Group Analysis (PLS-MGA) shows the following results:

	Path coefficients-difference: Gender Female– Gender Male	p-value: Gender Female – Gender Male
Attitude -> Intention	0,078	0,77
Guanxi Orientation-> Perceived Behavioural Control	0,265	0,998
Guanxi Orientation-> Subjective Norm	0,031	0,389
Moral Disengagement-> Attitude	0,02	0,579
Perceived Behavioural Control-> Intention	0,112	0,858
Subjective Norm -> Intention	0,124	0,095
Supervisor- Subordinate Guanxi-> Perceived Behavioural Control	0,002	0,528
Supervisor- Subordinate Guanxi-> Subjective Norm	0,099	0,244

Table 4.6: PLS-MGA Gender

Source: author

The findings show only one group-specific difference:

- The path coefficient **Guanxi Orientation → Perceived Behavioural Control** shows for the Female group < Male group a value of 0,265 and a p-value difference of 0,998, which is larger than the reference limit of 0,95 (95%).

This finding indicates, that male employees are subject to a stronger influence of social Guanxi network relationships and peers on their own perceived behaviour control whether or not to comply with a Code. Females appeared not to be influenced by any of the variables in a specific or exceptional way. All empirical results for the female group are unremarkable.

The relationship between Guanxi Orientation and Perceived Behavioural Control towards Intention has already shown the highest value for a beta coefficient of the whole model and a great significance while testing the basic hypothesis of this dissertation.

This finding indicates, that male employees are even more influenced by peer pressure than females with regard to their Perceived Behavioural Control. This construct as one of the three predictors of Intention according to the Theory of planned Behaviour, is usually defined as the employees` perceived ease or difficulty to perform a Code-related behaviour, as explained already above. In most cases, an employees` Code compliance is somehow linked to others and therefore particularly sensitive to interpersonal influences as most areas of work are related to a personal interchange with other people, within the company, but also externally.

A possible explanation for this finding can be based on theoretical frameworks of evolutionary biology and sociobiology with regard to studies on competitiveness between males and females. As Gneezy and Rustichini summarize, the key to understand gender differences in competitiveness lies in the cost of reproduction. For males, costs to participate in reproduction are very low which leads to the attempt to mate with as many partners as possible.

A logical consequence is a high competitiveness among males in order to do so. In contrary, females invest and endure a much higher cost in parenthood and so “are inherently much more choosy, rather than competitive.”⁵¹⁰

A further logical consequence of high competitiveness is the increased likelihood to be exposed to intensive influential peer pressure. Gneezy and Rustichini conclude that even the performance of male children is significantly affected by peer pressure while having no effect on the performance of female children.⁵¹¹

This result suggests that groups of reference others, of peers and acquaintances, are more important and more influential to men than to women. Bellemare et al. provide evidence for this phenomenon while summarizing their research results that there is a positive relationship between productivity of men at work and peer pressure; Bellemare et al. successfully based their study on a theoretical framework of conformism.⁵¹²

Furthermore the findings of Cull indicate that males are more susceptible to conformity pressure than females, especially, if the conformity pressure is also produced by males.⁵¹³

⁵¹⁰ Gneezy, U.; Rustichini, A. (2004). Gender and Competition at a Young Age. In: American Economic Review Papers and Proceedings 94, p. 377.

⁵¹¹ Ebd. p. 379.

⁵¹² Bellemare, C.; Lepage, P.; Shearer, B. (2009). Peer Pressure, Incentives, and Gender: An Experimental Analysis of Motivation in the Workplace. In: IZA discussion paper No. 3948, p. 15.

⁵¹³ Cull, J.G. (1976). The Relationship between Sex Role and Modification of Judgments. In: The Journal of Psychology 93, p. 316.

In summary this means, that peer pressure, which is in general strongly influential on Perceived Behavioural Control as shown above, impacts males even more due to their susceptibility to conformity pressure. This argument is also confirmed by Stedham et al., who carried out a study on gender differences in Business Ethics. Stedham et al. summarize that peer impact is significantly related to the employee`s behavioural Intention and this applies in particular for men as men seem to depend more on peers` influence than women.⁵¹⁴ Also Simga-Mugan et al. confirm men to show a lower ethical sensitivity in peer-related cases as women.⁵¹⁵

The explanation for this empirical finding can be further supplemented by the argument of a stronger career orientation of males in comparison to females. Due to their stronger career orientation men are more susceptible for interpersonal influences and less independent regarding their ethical decision making. Eagly et al. developed the social role theory of sex differences, stating that - based on tradition – women take the caregiving social role and concentrate mainly on the family, but not on the professional career, while men still fulfill the “breadwinner role”.⁵¹⁶

Even if contemporary working conditions do not fit this traditional approach anymore, Konrad et al. conclude that males and females still show different ethical sensitivity to various aspects of work and stick to gender roles because these traditional values are deeply internalized by the individual socialization process and influence - until today – an employees` cognitions.⁵¹⁷

Consequently, male employees focus in particular on their status, on prestige, on recognition by others and on their career. Males wish to maintain job and status, which consequentially boosts their susceptibility to conformity pressure to be safe as a member of a group and to behave according to the expectations of influential and important others.

⁵¹⁴ Stedham, Y.; Yamamura, J.H.; Beekun, R.I. (2007). Gender differences in business ethcis: justice and relativist perspectives. In: Business Ethics: A European Review 16 (2), p. 172.

⁵¹⁵ Simga-Mugan, C.; Daly, B.A.; Onkal, D.; Kavut, L. (2005). The Influence of Nationality and Gender on Ethical Sensitivity: An Application of the Issue-Contingent Model. In: Journal of Business Ethics 57(2), pp. 154.

⁵¹⁶ Eagly, A.H.; Wood, W.; Diekman, A.B. (2000). Social role theory of sex differences and similarities: A current appraisal. In: Eckes, T; Trautner, H.M. (Eds.). The developmental social psychology of gender, Mahwah, NJ: Erlbaum, p. 169.

⁵¹⁷ Konrad, A.M.; Ritchie Jr, J.E.; Lieb, P.; Corrigan, E. (2000). Sex differences and similarities in job Attituderibute preferences: A meta-analysis. In: Psychological Bulletin 126, pp. 593-594.

Mere existence of a Code of Conduct

The hypothesis implies:

H₀ The mere existence of a Code has no impact on the employees' Intention to comply.

H₁ The mere existence of a Code has an impact on the employees' Intention to comply.

According to the assumptions, listed at the Chapter 3 of this dissertation, the author has tested every relationship between two variables in this model regarding a potential difference for a group specific result (existence of a corporate Code yes/no). **H₁** is supported. The Partial Least Squares Multi-Group Analysis (PLS-MGA) shows the following results:

	Path coefficients-difference: Code Yes – Code No	p-value: Code Yes – Code No
Attitude -> Intention	0,206	0,96
Guanxi Orientation-> Perceived Behavioural Control	0,041	0,343
Guanxi Orientation-> Subjective Norm	0,248	0,024
Moral Disengagement-> Attitude	0,103	0,807
Perceived Behavioural Control-> Intention	0,055	0,309
Subjective Norm-> Intention	0,053	0,281
Supervisor- Subordinate Guanxi-> Perceived Behavioural Control	0,017	0,604
Supervisor- Subordinate Guanxi-> Subjective Norm	0,039	0,434

Table 4.7: PLS-MGA Code Yes/No

Source: author

The findings show two group-specific differences:

- The path coefficient **Attitude → Intention** shows for the Code existence YES group < Code existence NO group a value of 0,206 and a p-value difference of 0,960, which is larger than the reference limit of 0.95 (95%).
- The path coefficient **Guanxi Orientation → Subjective Norm** shows for the Code existence YES group > Code existence NO group a value of 0,248 and a p-value difference of 0,024, which is smaller than the reference limit of 0,05 (5%).

The first finding indicates, that employees, who don't work with a corporate Code until now, have a more favourable evaluation of Code compliance in comparison to employees already working with a Code, because the degree of Attitude towards Code compliant Intention of the "No Code already in place group" shows a stronger effect. In contrary, O'Fallon and Butterfield confirmed after reviewing academic literature on ethical decision making, that the majority of their investigated studies show a positive effect of a Code on ethical decision making with only a few exceptions.⁵¹⁸ But O'Fallon and Butterfield's findings represent only one research stream with regard to Code compliance and ethical decision making.

The finding of this study provides evidence that the mere existence of a Code doesn't strengthen an employees' Attitude towards Code compliance, rather the opposite seems true. As shown in Chapter 2, previous research presented ultimately mixed results on the effectiveness of a Code in preventing unethical behaviour. As Kaptein notes "these mixed findings can be attributed to the fact that the mere existence of a BCE [Code] does not necessarily amount to its effectiveness."⁵¹⁹ Tjosvold et al. conclude their research results on Code compliance in China by stating that "explicit codes [...] had no impact on the furtherance of employees' own ethical values" and interpreting that „ethical codes may fail to empower employees to develop and apply their own ethical values if they [the codes] are imposed top-down.“⁵²⁰ Tjosvold et al. argue that implementing Codes top-down reduce the responsibility of the employee, because „employees may infer instead that dealing with ethical issues is the organization's responsibility, not theirs“.⁵²¹

As many corporations introduce their Codes top-down rather than involving their employees to participate in discussing and drafting the Codes' regulations, this could have also been the case at the employer companies of the research population of this study. But this hasn't been the focus of this study and needs further investigation.

Another, more important explanation for this empirical finding could be a phenomenon, which has been described by Franck and Zellner and is called the collectivization of decision making. Franck and Zellner explain that the collectivization of decision making reduces the emotional

⁵¹⁸ O'Fallon, M.J.; Butterfield, K.D. (2005). A Review of the Empirical Ethical Decision-Making Literature 1996-2003. In: *Journal of Business Ethics* 59, p. 375.

⁵¹⁹ Kaptein, M. (2011). Toward Effective Codes: Testing the Relationship with Unethical Behaviour. In: *Journal of Business Ethics* 99 (2), p. 234.

⁵²⁰ Tjosvold, D.; Snell, R.; Su, S.F. (2009). Codes of Conduct for Open-Minded Discussion and Resolution of Ethical Issues in China. In: *Journal of International Business Ethics* 2 (2), p. 3.

⁵²¹ Ebd. p. 5.

influence of the individual employee on the decision which leads to the effect that collectivization functions as a filter sorting out the emotions of the group members.⁵²² A Code typically collectivizes ethical decision making in corporations as it is in particular the reason for implementing a Code to remove the burden of ethical decisions from the individual employee. The employee should only make routine decisions according to a Code, so that autonomous decision making by employees on ethical issues is heavily restricted to avoid legal and other risks as well as widespread damages.⁵²³

As a logical consequence the employee is well aware of his limited ethical decision-making scope, if a Code is in place.

So to say, the employees' ethical decision making process is sedated, his individual sensitivity with regard to an ethical dilemma has been greatly scaled down, because enormous efforts would be needed from an employees' point of view to stand out, to argue against the group and to defend one's own opinion on an ethical issue which may lead in the end even to job loss.⁵²⁴ Instead, the sedated employees hand over their own responsibility regarding ethical issues to „the rules“ or to „the company“.

Against this background, the findings of this promotional work, showing the mere existence of a Code weakening the employees' Attitude towards a Code compliance, if a Code is in place, are consistent. The employees seem to better think twice before standing out and arguing against the group while the Code as ethical behaviour has been collectivized by the Code implementation. Also Kaptein notes that „sometimes a Code can even be counter-effective under certain circumstances and lead to more observed unethical behavior in the workplace“.⁵²⁵

The second finding indicates, that Guanxi Orientation plays a more important role for employees of the “Code already in place group” with regard to their Subjective Norm, their own perceptions of what others would expect them to do in terms of Code compliant behaviour. This means, employees, who work already with a corporate Code, are subject to a stronger

⁵²² Franck, E.; Zellner J. (2011). Emotionale Grenzen der Vernunft und ihre Konsequenzen für die Neue Institutionenökonomie. In: Emotionen und Management/Managementforschung Band II. Gabler Verlag, Wiesbaden, p. 268.

⁵²³ Schmutte, J.; Duncan, J.R. (2014). Making Independence Decisions under the Code of Professional Conduct. In: The CPA Journal, p. 69.

⁵²⁴ Franck, E.; Zellner J. (2011). Emotionale Grenzen der Vernunft und ihre Konsequenzen für die Neue Institutionenökonomie. In: Emotionen und Management/Managementforschung Band II. Gabler Verlag, Wiesbaden, p. 268.

⁵²⁵ Kaptein, M. (2011). Toward Effective Codes: Testing the Relationship with Unethical Behaviour. In: Journal of Business Ethics 99 (2), p. 245.

influence of social Guanxi network relationships on their own beliefs of social pressure of important referent groups on them with regard to Code compliance. As mentioned above, in general the highly significant relationship between Guanxi Orientation and Subjective Norm can be explained with the strong interpersonal influence of peers and acquaintances on the ethical decision making process of an employee. Also Zey-Ferrell and Ferrell confirm that peers are the closest and most important reference group to an employee.⁵²⁶

The findings of this promotional work show in particular, that this significant impact of social Guanxi networks and peers on the employee is even stronger, when a Code is in place. To explain this empirical result, the argumentation of the first finding of this section needs to be taken further. Two explanations are possible.

Firstly, if sedated employees hand over their own sensitivity and responsibility regarding ethical issues to „the rules“ or the impersonal organization as such, ethical principles aren't anymore in their focus. Since the sedated individuals` ethical consciousness is not subjected to a critical scrutiny anymore, the individual will even more focus on social Guanxi network and peer connections instead.

Secondly, since the ethical decision making process has been collectivized by Code implementation, the employee is well aware, that it`s difficult and dangerous to oppose to the Code, to defend one`s own opinion in front of the group and to risk the job. This thought guides the employees in developing their evaluations of how the social Guanxi network may influence and how important others may think of the Code compliance.

In summary, the employee reacts more strongly on the interpersonal influences if a Code is implemented, because the employee has to achieve a balance between interpersonal relations and Code compliance. The employee recognizes the topic`s explosiveness and concentrates more actively on the interpersonal social Guanxi network influences in this context. Furthermore, Trevino et al. show that supervisors and executives in general have a “rosier” and more positive view of the organizational ethics in the company, in contrary to employees, who have less positive ratings because of cynicism about their organizations in general and about organizational ethics in particular, which leads to their psychological distancing from their employers.⁵²⁷ Especially, if employees would just believe that a Code is mainly designed „to

⁵²⁶ Zey-Ferrell, M.; Ferrell, O.C. (1982) Role-Set Configuration and Opportunity as Predictors of Unethical Behavior in Organizations. In: *Human Relations* 35 (7), p. 601.

⁵²⁷ Trevino, L.K.; Weaver, G.; Brown, M. (2008). It`s lovely at the top: hierarchical levels, identities, and perceptions of organizational ethics. In: *Business Ethics Quarterly* 18(2), pp. 233, 237.

protect top management from blame“, as Trevino at al. note, it`s not surprising at all, that employees can be influenced by their social Guanxi connections and peer networks.⁵²⁸

4.6. Statistical analysis and discussion: Testing the influence of social desirability

The author of this promotional work has used the short form C social desirability scale to control for the so called social desirability bias, which means that the participant`s responses tend to reflect what is presumed to be desired rather than the truth.

The respective null hypothesis is that there is **no** difference between (1) Germanic group versus (2) the Chinese group respondents regarding a social desirability bias.

The author would have to reject the null hypothesis if one of the two groups would show a social desirability bias portraying themselves as more altruistic and less self-centered than it is actually the case.⁵²⁹

As Edens et al. point out it is important to be aware that there is “no categorical standard for differentiating between socially desirable and no socially desirable responding on the social desirability scale“.⁵³⁰ Edens et al. note „that our use of 1.5 standard deviations above the sample mean as a cut off is a somewhat arbitrary definition“.⁵³¹ Standard Deviation is a measure for the representativity of the mean of a data set measuring how spread out answers are.

The author calculated a small standard deviation for the two groups respondents, which indicates that the answers, respectively their numbers, are clustered closely around the mean. Therefore it can be concluded that the mean values of the two groups imply a good representativity.

Furthermore, almost no differences between the Germanic group and the Chinese group can be found after conducting a *t*-test, which is an additional indication that neither the Germanic group nor the Chinese group show a social desirability bias.

The results are as follows:

⁵²⁸ Ebd. p. 238.

⁵²⁹ Dunn, P. (2006). The Role of Culture and Accounting Education in Resolving Ethical Business Dilemmas by Chinese and Canadians. In: Accounting and the Public Interest 6, p. 120.

⁵³⁰ Edens, J.; Buffington, J.; Tominic, T.; Riley, B. (2001). Effects of positive impression management on the Psychopathic Personality Inventory. In: Law and Human Behaviour 25(3), p. 249.

⁵³¹ Ebd. p. 249.

Group Statistics

	Gruppe	N	Mean	Std. Deviation	Std. Error Mean
Mittelwerte	1,00	212	1,6658	,22391	,01538
	2,00	209	1,6901	,19668	,01360

Table 4.8: Results Group Statistics Social Desirability

Source: author

Means calculated separately for Germanic (Group 1) and Chinese (Group 2) participants, when analyzed via *t*-tests, did not differ significantly. Two-tailed *t*-tests were used to assess potential differences. The mean of the Germanic group is 1,66, the mean of the Chinese group is 1,69. The standard deviation of the Germanic group is 0,22 and of the Chinese group 0,19.

According to the Levene`s test assessing the equality of variances of the two groups the *f*-value shows a value of 5,832 and a *p*-value of 0,016. The Levene`s test result is not significant, because the *p*-value is higher than the typical significance level of 0.05. Regarding the 2-tailed *t*-test the *p*-value is 0,281 with means the *p*-value is not significant and the null hypothesis can be retained. This means, the data set shows no social responsibility bias.

The results are as follows:

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means	
		F	Sig.	t	df
Mittelwerte	Equal variances assumed	5,832	,016	-1,181	419
	Equal variances not assumed			-1,182	413,552

Independent Samples Test

		t-test for Equality of Means			
		Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence ... Lower
Mittelwerte	Equal variances assumed	,238	-,02428	,02055	-,06468
	Equal variances not assumed	,238	-,02428	,02053	-,06464

Independent Samples Test

		t-test for Equality of Means
		95% Confidence Interval of the ...
		Upper
Mittelwerte	Equal variances assumed	,01612
	Equal variances not assumed	,01608

Table 4.9: Results *t*-Test Social Desirability

Source: author

Also the results of the non-parametric test regarding hypothesis test summary is as follows (significance level is 0,05):

Null Hypothesis	Test	Sig.	Decision
The distribution of means_94 til _106 is the same across categories of v6_mod (Groups 1 + 2).	Independent samples Mann-Whitney U Test	,592	Retain the null hypothesis

Table 4.10: Results Mann-Whitney U Test Social Desirability

Source: author

Overall, after conducting the *t*-test as well as the Mann-Whitney U test, the result is the same and the author assumes that a social desirability bias does not exist for this study.

4.7. Exploration of the expert interviews as post-survey evaluation

Through the use of five expert interviews the author explored and further investigated the results of the quantitative research. So, the author could enhance insights into the research area and supplement the findings of the empirical survey.

As introduced at chapter 3.6. as well as at Appendix IV, the following interviewees have been questioned by the author:

- Mr. Stefan Geiger, President Chinaforum, Munich/Germany
- Mrs. Julia Kahlenberg, Principal Pohlmann & Company, Munich/Germany
- Mrs. Hongxiang Ma, Managing Partner M.Y. Associates, Shanghai/China
- Mr. Ernst Schacherl, China Manager & Board Member (KEBA Joint Venture in Beijing), KEBA AG, Linz/Austria

- Mrs. Jianzhen Schaden, President China Liaison Office, State/City Government Salzburg/Austria

In accordance with the classification of the 10 questions in the interview guidelines, the author combines and summarizes all five expert voices question by question as follows:

(1) How relatively important in your opinion is currently the topic area Corporate Governance/Business Ethics/ Corporate Compliance Policies in daily business practice?

Four experts have classified the topic as “important” in daily business, one expert even spoke of a very important topic for international managers nowadays.

(2) What are the differences regarding the level of importance of this topic area for (a) Austrian/German companies and (b) Chinese companies?

All experts agreed that the topic is of utmost importance for managers in Austria and Germany because of the strict legal requirements. Regarding China, all experts confirmed that the local managers’ awareness with regard to Business Ethics significantly increased in recent years, not least because of the current official Anti-Corruption Campaign of the Chinese Government.

Nevertheless two Chinese experts pointed out that for Chinese managers in practice there is a great deal of difference between e.g. willing to act according to a Code of Conduct and actually acting compliant according to a Code of Conduct. The legal risks are known and much has changed, but Chinese managers often feel helpless when being confronted with Business Ethics and related conduct requirements.

(3) How do companies behave towards other stakeholders which do not yet have a corporate compliance policy in place in their domestic market and/or in China?

All experts emphasized the growing corporate awareness – in every country – that a company shouldn’t only focus on internal corporate compliance matters, but also actively conduct compliance checks at the subsidiaries of their suppliers or business partners.

However, four out of five experts pointed out that compliance checks in China are still considered subordinate to technical and quality checks. But more and more managers attempt to actively conduct compliance and anti corruption checks of their suppliers in every country and are often forced by their own customers to do so, e.g. in the automotive industry. Generally, the standards for compliance checks were tendendiously higher in Europe than in China in the past, but these differences begin to melt away at a rapid pace as every expert acknowledged.

- (4) *The findings of my quantitative research show that Moral Disengagement of an employee negatively influences his attitude towards compliant behaviour. What do you think about this result? Which practical implications do you draw from this result?*

All experts agreed that this finding makes perfectly sense also from their practical perspective. As a practical implication four out of five managers pointed out that this is the reason why companies should focus on ethical education programmes, joint trainings for employees and an integrity-centered approach, not merely on rules and regulations. One Austrian expert explained precisely, that it is extremely important to him to listen carefully to his Chinese business counterparts and to spend as much time as possible with them - as – to his opinion – this is the only chance to get an impression of the level of moral (dis-) engagement of the local partners and local employees. Two out of five experts confirmed to already use specific integrity checks for job applicants throughout the world and two other experts plan to implement tailor-made integrity programmes and assessment centers for both staff already employed and new applicants in China.

One expert critically noted that for more than thirty years while international companies have been doing business in China, many international companies somehow enjoyed the local advantage of a weak legal framework back then and a supposed weak personal integrity level of Chinese employees (weak from a Western perspective) to do business “in the grey zone”. From day to the next, these companies now ask their Chinese employees to strictly follow a Code of Conduct, there is potential for improvement in this regard.

- (5) *The findings of my quantitative research show that social networks (Guanxi) and peer connection play a highly significant role as predictors influencing an employees` ethical decision making process. What do you think about this result? Which practical implications do you draw from this result?*

All experts emphasized the tremendous influence and fundamental importance of Guanxi relationships in China. The influence of Guanxi relationships on an employee in China was assessed of being very high by all experts. Three experts pointed out that according to their practical experience no business secret is kept for long. Also European experts know that especially school friendships in China are very strong, but all experts had to admit that foreign companies in China do not really know how to deal with this issue accordingly. Many companies - not only in China – see Guanxi as a challenge and try to make best use of the relationships of their employees in various ways. In particular the Chinese experts noted that for an Chinese employee it`s very difficult to uphold company ethics against

Guanxi influences. All experts agreed that the only way to strengthen the influence of company ethics is to involve all employees from the very beginning while setting up and implementing a local corporate compliance programme.

Furthermore, all experts also pointed out, that from their practical experience, Guanxi is not per se a negative issue – quite the contrary. Guanxi influence may even amplify the effects of a corporate anti- corruption programme – it all depends on the individual quality of Guanxi of every single employee and this is what makes things so difficult and complex in practical business.

(6) The findings of my quantitative research show that - in contrary to (5) - an employee`s relationship with his supervisor plays only a minor role with regard to an employees` ethical decision making process at work. What do you think about this result? Which practical implications do you draw from this result?

Two out of five experts were less surprised with regard to this finding, but three experts had to admit that according to their practical experience the majority of foreign enterprises in China rely solely on their top management to control compliant behaviour of the local employees as is usual especially in Germany and Austria.

One expert added critically that from her experience Chinese top managers do not automatically invest a lot of time and energy into their boss-employee relationships, they just rely on the local cultural hierarchical system on the one hand and on the other hand prefer to concentrate on their own Guanxi relations. All experts discussed intensively, that being a model character, a role model for ethical behaviour, is in all countries and cultures of utmost importance for a supervisor and his/her potential level of influence on his/her team`s ethical decision making at work. Without being a model character, the influence of a supervisor with regard to ethical behaviour of the employees at work is weak - in every country. Four of five experts recommended that according to their experience specific Business Ethics training programmes should be offered for Chinese supervisors while cascading trainings in top-to-bottom order.

(7) The findings of my quantitative research show that ethnicity is a predominant factor influencing the individual ethical decision making process at work. Results show that (a) Germanic employees show a more favourable attitude towards compliance behaviour and (b) Chinese employees are subject to a stronger social pressure of peers and social networks while making ethical choices at work. What do you think about this result? Which practical implications do you draw from this result?

These findings were unsurprising to all experts. But two expert voices wanted to underline that these findings should not give rise to the impression that German and Austrian employees aren't influenced by values and relationships, too. They warned against the risk to reduce German or Austrian employees merely on rules orientation per se. Also the implementation process of a Code of Conduct in Germany or Austria needs to be orchestrated with trainings, workshops, coachings and so on – not just by presenting the written Code of Conduct to the teams.

Nevertheless, the attitude towards respect for rules is much stronger in Germany and Austria than in China. Practically, as all experts pointed out, could every manager take these findings as a strong argument to individually customize all compliance processes – from drafting to implementing and training the Code of Conduct – according to these different needs from country to country and culture to culture. These findings practically show that a “One size fits it all” approach is wrong, even dangerous, if not legally explosive in business practice.

- (8) *The findings of my quantitative research show that gender also impacts ethical choices of employees. The findings show that male employees are subject to a stronger pressure of peers and social networks than females while making ethical choices at work. What do you think about this result? Which practical implications do you draw from this result?*

All experts, especially the two Chinese experts underlined the extraordinary career pressure in contemporary China, especially on male managers and male employees. Due to the former One-Child-Policy as well as age-old traditions men still have a specific and prominent role within a Chinese family. Therefore male managers depend to a greater extent on their business Guanxi relationships as a career booster on the one hand, and have to protect their face and the face of their families on the other hand by not taking individual (ethical) decisions at work which may hurt someone within their network.

So, in practice, Chinese male managers are described as very ambitious and competitive. However, four out of five experts could demonstrate prior experiences that targeted training and coaching programmes for male sales teams turned out to be very successful as these trainings call for a different vision like “only clean business is sustainable and safe business”.

The experts confirmed that many companies already realized that gender differences could play an important role when it comes to individual ethical decision making processes at

work. But, this also has been obvious, many companies are still at the very beginning of understanding this approach and acting accordingly by defining specific strategies.

(9) The findings of my quantitative research show that also the existence of a compliance codex (Code of Conduct) influences the ethical decision making process of employees as follows: (a) employees, not yet working with a Code of Conduct have a more favourable individual attitude towards such a Code and (b) employees, already working with a Code, perceive a stronger social pressure from peers and networks on their ethical choices at work. What do you think about this result? Which practical implications do you draw from this result?

According to all experts these final findings underscore the necessity for companies in practice, to never use Code of Conducts just as a window-dressing instrument. If the employee's attitude to work with a Code decreases after implementation, then something have gone wrong. All experts confirmed that this situation is quite common in practice in many companies, regardless of the country where they do their business. This finding also shows that employees, not yet working with a Code, often underestimate the influence of a Code on their individual ethical decision making at work.

Furthermore, these findings show the dilemma where employees find themselves in after working with a Code of Conduct on the one hand and still being connected to a peers network on the other hand. Particularly with regard to this finding, all experts agreed that this precisely describes business reality everywhere. One expert suggested that these findings could serve as a base for a new practical approach in Human Resource management in China: Let not only the new job applicant sign the Code of Conduct on his/her first day of work. Let his/her whole family sign the Code of Conduct to commit the whole family network to act according to the Code and to influence their family member to do so.

Well, this practical proposal would be an interesting starting point for further scientific research on this topic.

(10) Many thanks for your contributions so far – finally, I would like to ask you whether you would like to make any further proposals with regard to the findings of my research mentioned above?

All experts consistently affirmed, that the topic of Business Ethics and Corporate Compliance Management in China is a very complex, but very important topic to business. Much has changed in recent years, especially regarding the local legal framework. However, the challenges ahead are still immense.

As a summary so far, it may be stated that this promotional work on Business Ethics and individual ethical decision making at work followed the clear mission to analyze employees' ethical choices in Germany, Austria and China.

This highly complex subject has been widely discussed in academic research, but also in normal business life Business Ethics and Corporate Governance are of highest relevance and topicality for international managers.

Before deriving conclusions and suggestions, the author outlines the course of this promotional work as follows:

After performing an intensive academic management literature review a new theoretical model utilizing Western as well as Chinese management theory constructs has been developed. This new theoretical model, based on Trevino's Person-Situation Interactionist Model and Ajzen's Theory of planned Behaviour, integrates the variable Moral Disengagement (Western management theory construct) as well as two variables from Guanxi theory (Chinese management theory constructs).

Several causal as well difference hypotheses have been formulated. To test these hypotheses, the author developed a survey instrument (online questionnaire) and collected quantitative empirical data in Germany, Austria and China from 421 employees.

After interpreting the results of the quantitative research, the author conducted five post-survey expert interviews for further deepening and consolidation of the research results.

In the following chapters, the author derives conclusions from an academic as well as from a practical management perspective and submits suggestions for future academic management research as well as for international business practice.

CONCLUSIONS

The findings highlight the importance of Business Ethics research as a key discipline of management science. The valuable conclusions drawn from these findings confirm the contemporary management science approach to focus on actors in business, not only on economic processes. The results of this study are satisfactory since the hypothesis has been confirmed. This study contributes to extend management theory on individual ethical decision making in organizations.

Prior research has been intensively reviewed, confirmed and supplemented in many ways.

The author concludes as follows:

1. These findings highlight that individual cognitive decision making processes at work from perceptions to behavioural Intention are the same for employees from Germanic and Chinese ethnicities. At most, the relative importance and the influence of each antecedent towards Intention may vary across cultures, but behavioural Intention would always be formed in the same way. Cultural differences and particularities only impact the way how an individual employee perceives business reality and transforms it into perceptions towards a behaviour.
2. Based on this, this study confirms that the Theory of planned Behaviour is applicable in Western as well as in Chinese cultures, which is consistent with previous research. The author highlights the notably high explanation power of the theoretical constructs explaining 56% of variance in this empirical research which is even more than the average 40-50% variance explanation power in prior studies. The extended, newly developed theoretical model, based on the Theory of planned Behaviour and the Person-Situation-Interactionist model fits corporate compliance management research very well and has proven its worth. This is obvious after checking for the r^2 values of the latent variables and the highly significant p-values.
Previous management research can be supplemented in this way as this study is the first to use this extended theoretical model for corporate compliance research (to the author`s knowledge).
3. The author`s approach, to utilize both Western management theory constructs and Chinese management theory constructs for this proposed extended theoretical model, has proven to be successful.

4. Moral Disengagement, a relatively new construct as a cognitive individual predictor influencing ethical decision making at work, definitely has proven its value as an important individual predictor of an employees` ethical choices in business. This is in line with previous studies showing its great significance in this context. Furthermore, previous research is also confirmed in terms of the constructs` applicability in Western individualistic, but also in Chinese collectivistic cultures. Moral Disengagement influences an employees` Attitude towards Code compliance in a negative way. Individuals, who are disengaged from the own moral value system, show only a weak Attitude towards Code compliance.

Therefore, Moral Disengagement is a very important predictor for individual ethical decision making in business. This applies in both, Western and Chinese cultural corporate settings.

5. Moreover, the author concludes that peer networks as well as supervisors as situational interpersonal factors strongly influence an employees` ethical choices at work. Prior research is confirmed. Social networks were found to be a very strong predictor influencing the whole process of individual ethical decision making at work. The specific employee-supervisor relationship seems not to influence the whole process, it`s rather a predictor impacting in a more channeled way only certain variables within this process. Therefore, the author concludes, that the employee-supervisor relationship construct as a predictor of compliance related ethical behaviour at work needs to be treated in a very sensitive and differentiated way.

The commonly accepted, but often not reflected opinion in management science, that a supervisor would be the most important person of reference for an employee in any case, isn`t true – at least when it comes to individual ethical choices at work.

This finding is confirmed for both Western and Chinese cultural work contexts.

6. Previous management research results regarding the particularities of ethnicity on the individual ethical decision making process at work can be confirmed:

Particularities of the Germanic ethnicity as an individualistic culture ethnicity:

The author concludes that Germanic employees have a more favourable evaluation of Code compliance in comparison to Chinese employees. This conclusion is reached because of the more individualistic, rules-oriented approach of Germans and Austrians towards compliance Codes. Due to a centuries long legal tradition in those countries, individuals are not used to circumvent the laws, like in China, but to follow the laws and regulations.

Furthermore, the Germanic ethnicities focus more on their individualistic values, more independent from social influences, and consequently show a stronger individual Attitude towards compliance.

Particularities of the Chinese ethnicity as a collectivistic culture ethnicity:

The immensely relationship oriented, collectivistic Chinese ethnicity shows a more significant impact and reflection of social influences on their ethical decision making process at work. For Chinese employees, peer relationships and peer pressure play a far greater role with regard to their own perceptions of what others would expect them to do in terms of Code compliance in business.

As the Chinese society is very much relationship-oriented and characterized by a collectivistic culture in comparison to the individualistic cultural values in Germanic ethnicity, the empirical findings of this research are not surprising: social network and peer relations impact tremendously the ethical decision making process of Chinese employees at work.

The loyalty to the group overrides the independence of mind of each employee when facing an ethical dilemma and his capacity to follow a rules-oriented compliance Code.

Outside the Guanxi group moral obligations against third parties are drastically reduced in comparison to Western cultures.

7. Regarding any gender-related impacts on the individual ethical decision making process at work the empirical findings of this study confirm previous research.

The author found a greater impact of peer relations for male employees regarding their ethical choices.

Male employees perceive to have less behavioural control over their Code compliance behaviour than females, as men report a greater perceived pressure of social networks and seem to feel a more intensive demand to stay and remain in conformity with reference others at work.

8. Furthermore, the findings of this dissertation confirm the influence of a Code of Conduct on the ethical decision making process of an employee. Previous research is confirmed. Additionally, this study supplements prior Code-related management research with regard to intercultural aspects.

The author concludes that the mere existence of a Code could have a sedative effect on the individual Attitude of an employee to follow a Code. An employees` own involvement and confrontation with Code-related issues seem to decrease when a Code is already in place.

Sedated employees hand over their own ethical awareness and responsibility regarding ethical issues to „the rules“ or the impersonal organization, since the ethical decision making process has been collectivized by the Code implementation.

Furthermore, the author concludes, that in such situations social networks even play a stronger role as the employee is very well aware that he needs to find a balance between social influences and corporate compliance obligations. This, among others, has been also confirmed by expert interviews.

In conclusion, a Code can minimize (not maximize!) the individual ethical awareness of employees and maximize (not minimize!) social network influences on the employee. This means, a Code can be counter-effective.

SUGGESTIONS

For further practical consideration:

This research results may help managers in both cultures to attain a deeper understanding for cross-cultural differences regarding individual ethical choices at work. With greater knowledge, more experience and a better comprehension of other cultures it may be easier to avoid misunderstandings and to dismantle negative stereotypes both regarding external business partners and stakeholder as well as regarding own colleagues in an international company.

The insights from this management research may provide also practical advise how to manage corporate compliance programmes in a cross-cultural context.

International managers, responsible for corporate compliance systems, should be well aware of the significant traditional differences regarding Business Ethics development when comparing the Germanic ethnicity and the Chinese ethnicity. This has direct influences on the individual decision making process of Chinese employees when facing an ethical dilemma at work.

Based on the findings and conclusions of this study, the author suggests the following practical actions when drafting and implementing a corporate compliance programme in China:

1. In China, it's recommendable that companies implement integrity-based compliance programmes, not just rules-based programmes as it is suitable and adequate in Germanic countries. As the Chinese society traditionally never has been rules-oriented like the Germanic ethnicity, a Code per se may not show any positive effect as „circumventing the rules“ is a typical traditional Chinese reflex when confronted with written regulations.
2. Companies should develop holistic corporate compliance trainings, which don't mainly aim at the individual employee, but address cross-functional teams within the firm and, furthermore, integrate all important and current business partners, such as customers, suppliers, external consultants and so on:
 - A holistic integrity-based corporate governance programme, focusing long-term on applied ethical education of Chinese employees to increase the individual's ethical awareness and his ability of moral judgement in business situations.
 - These integrity-based ethical training programmes may consist of various individual as well group trainings spanning ethical value creation in business, practical models of individual ethical decision making when facing ethical

dilemmas at work and workshops to increase the employees` ability to judge outcomes of business situations not only economically, but also morally.

- To address this phenomenon practically from a management perspective, the author suggests to re-shape the usual compliance trainings in corporations which are usually either computer-based or often designed as individual surveys working with multiple-choice-questionnaires. These kind of training concepts based on individualistic cultural values addressing each employee individually may have no or minor effect in China. Integrity-based corporate governance trainings should explicitly address teams, not individual employees and may also be extended to combined team trainings with customers or supplier companies, as already mentioned above.
 - So, the typical Western individualistic focus of employee education needs to be changed to a new concept of collectivistic team training methods.
 - Furthermore, these new training concepts for ethical business education in China should be deeply imbedded in the Confucian philosophy concepts of lifelong learning to get accepted by the Chinese employees and to re-shape corporate governance rules to something to be proud of, not to be afraid of because of potential punishment. Only with a wider, deeply in the Chinese Confucian philosophy rooted training approach ethical business education may result in sustainable success and a real change of individual business behaviour of Chinese employees.
 - Author supports suggestion of one expert, that not only the employee, but the whole family should sign the Code of Conduct to show joint commitment.
3. Taking the findings into consideration that male employes are more strongly affected by peers and social networks with regard to ethical choices at work, executive managers may consider on a case-to-case basis whether female employees could be a better alternative for certain job positions rated as high compliance-risk or – at least – whether a targeted use of mixed teams and mixed gender-specific 4-eyes-control-systems for those job positions, which involve particular compliance-related risks, would be more appropriate.

- This means, these gender-related findings should be promoted further as an important issue for internal top level management discussions on certain HR development processes in high compliance-risk jobs.
 - Furthermore, new training concepts for specific male group ethical trainings should be offered to male employees working in high compliance risk-jobs to better educate them and to make them sensitive to and more aware of potential risks of peer influences and how to deal with them.
4. A Code of Conduct is not a panacea to prevent unethical behaviour, in contrary, the findings of this study show, that the mere existence of a Code can even lead to counter-effective results. Therefore, the implementation of a Code should never be a hasty development due to current demands, especially in cross-country settings. The communication of just a copy and paste version of a Code, without embedment in a sustainable, long-term and holistic ethical education programme, would clearly miss the point and could end up as a leap which fell by far too short.
5. Executive managers should be very aware, that a supervisor would not be the most important person of reference for an employee in any case— at least when it comes to individual ethical choices at work. Regarding individual ethical choices peers have a much greater impact on an employee. Therefore, executive managers should not lead themselves into error by focusing mainly (only) on a professional recruiting process and trainings for persons, working in a management position and believing, that these persons as supervisors will afterwards settle everything alone, in particular with regard to compliant behaviour of their teams. This will not work. Of course, a professional and moral supervisor, supporting the corporate Code of Conduct, is important, but - to successfully prevent individual unethical behaviour of an employee-, additional efforts are necessary such as specific business ethics training programmes and mixed gender-specific 4-eyes-control-systems.
6. Moreover, executive managers should implement a strict and reliable monitoring system combined with regular internal and external audits, periodic interviews with focus groups and specific observations. All corporate monitoring and audit activities should also involve the stakeholders of the Chinese entity.

7. Last, but not least ethical issues should be already addressed during the recruitment process. Specific assessment centers testing the level of ethical awareness and moral disengagement of job applicants and their ability to appropriate moral judgements in business contexts should be developed and implemented in Chinese entities as it is sometimes already the case in Western companies.
- But also regarding these assessment centers international managers should not only copy Western concepts, but develop new test instruments on the basis of Chinese Confucian cultural values.
 - Also the way how to evaluate the results will differ. Besides assessment centers, the whole toolbox of recruitment instruments needs to be adapted to address the fact, that Chinese employees will be more committed to their lifelong individual social network and not so much to their temporary supervisor or the employer company itself. Therefore specific interview tools, a specific reference check and in-depth dialogues will be needed to uncover the individual social network of applicants at least up to a certain degree and to draw conclusions if the respective job applicant would really fit the ethical standards of the Chinese entity.

Suggestions for further academic research:

1. As the approach to utilize both Western and Chinese management theory constructs in cross-cultural management studies has proven to be successful, the author would like to encourage future researchers to apply this approach, too. Researchers should put a stop to the usual procedure and common practice to only use Western management theory constructs for empirical studies comparing business phenomena in Confucian culture countries and in Western individualistic countries.
2. It is recommendable, to use this newly developed theoretical model in future for continuing research with regard to the individual ethical decision making process as this newly developed theoretical model has very much proved its worth and has shown excellent statistical values.
3. The complex influences of supervisors on employees in the context of ethical decision making at work need further academic investigations to better understand the circumstances and predictors, when a supervisor will impact an employees` ethical decision process and why.

Furthermore, additional research on how to generate positive, not negative supervisor influences on an employee with regard to corporate compliance behaviour would be welcome.

4. Further research on how to avoid moral disengagement of employees would be helpful, especially taking different cultural backgrounds of employees into account. Where to start in the cognitive process of an individual to avoid Moral Disengagement and – just as important – how to heal it, if an employee already morally disengaged? Which factors, such as individual, situational or environmental factors, will influence a potential healing process and weaken the negative impact of moral disengagement on an individual's ethical decision making process?

5. The author of this study encourages further academic research in the context of corporate compliance behaviour. Further management theory research should help to shed light on the various influences of peer pressure on employees at work, and the special influences on males in connection with the theoretical background of stronger conformity needs of males.

6. As shown the mere existence of a Code of Conduct can lead to counter-effective results. Further research on the theoretical backgrounds of these effects and sound academic avoidance strategies are strongly recommended.

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APPENDIXES

Appendix I: Spreadsheet: Overview of Related Research/Analytical Exploration of Previous Studies in context with this Research Topic

Appendix II: Questionnaires for the Evaluation – three Language Versions

Appendix III: Empirical Data & Evaluation

Appendix IV: Expert Interview Guidelines