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## Guanxi and Ethical Decision Making

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## **Guanxi and Ethical Decision Making**

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*Abstract: Guanxi or gift giving in an international business context can mean the difference between continuing a working relationship versus prematurely discontinuing the working relationship. The analysis of gift giving indicates significant economic, cultural, judicial, and ethical differences exist between the United States and China. These differences can be mitigated through the use of a commonly accepted and frequently cited ethical decision making models proposed by Trevino (1986) which take into account cognitive development, individual, and situational moderators. The expected outcome in terms of ethical behavior should be consistent with the established company protocol and at the same time honor the commitment to United States law yet is culturally sensitive to the practices of China.*

The conflict which emerges in business discussions between United States (U.S.) and Chinese business practices is more about the differences in value systems than what is considered ethical or unethical. For instance, in the Asian culture giving a gift is intended to be more symbolic than an explicit attempt to gain undue favor. Rae and Wong (2004) observe, "In many parts of the world, gift giving is radically shaped by a historical marriage between the structures of patronage and bureaucracy" (p. 235). However, in Western cultures gift giving depending upon the individual and purpose of the gift can be seen as an effort to secure an unfair competitive advantage. The contrasts can be startling and have significant implications for business conduct for U.S. based companies.

The focus of this paper is to examine the economic, cultural, judicial and ethical differences between China and the U.S. as they pertain to the business practice of Guanxi, or giving and receiving gifts. An ethical decision making model proposed by Trevino (1986, 1992) will be used as a method to analyze how and why decisions get made and will provide a basis for assessing several scenarios. In addition, lessons learned and alternative approaches to the ethical dilemmas will be discussed. What follows is a discussion concerning the differences between the U.S. and China from an economic, cultural, judicial and ethical perspective.

### **DIFFERENCES BETWEEN THE UNITED STATES AND CHINA**

#### **Economic Differences**

China has become an economic powerhouse in the past 10 to 15 years. Currently, projections indicate in approximately 20 years China will surpass the U.S. economy (Walker, 2007). The Economist reported that the 2008 growth rate of China's economy is approximately 9.8% whereas the U.S. is approximately 1.5% during that same timeframe (August 23rd, 2008, pp. 81 - 82). With such a fast growing economy, the infrastructure and ethical underpinnings of business related decisions can be stretched beyond their intended purpose. In many cases, while economic growth is coveted often an unintended consequence is change which is unwieldy and difficult to manage (Friedman, 2005).

The tendency from a U.S. perspective is to often retreat and rethink the business approach to conducting operations in an international context where the culture and laws are different. However, globalization of the world's economy are inevitable realities as a result of the increased communication network capabilities, reduction in overall costs associated with transportation of goods and free trade zones (Song, 2002). Consequently, as businesses become more global and more dynamic ethical dilemmas begin to arise. The dilemmas can be attributed to a number of issues; however cultural practices and belief systems exercised in a global business environment driven by competitive forces are

perhaps the most influential (Dunfee & Warren, 2001). This causes additional complexity in the decision making process and can present challenges concerning future business opportunities. The following section discusses cultural differences of how Chinese and U.S. cultures respectively impact the ethical decision making process.

## **CULTURAL DIFFERENCES AS THEY RELATE TO ETHICS**

The Asian business culture is often predicated on relationships. The manner in which relationships are honored is through gift giving or Guanxi and is the basis for conducting business, interaction with political authorities, and is considered a standard of conduct in social institutions (Steidlmeier, 1999). In part this is because the Chinese Culture is a “very nuanced social philosophy of relationships. These embody both the response one person owes another in terms of face (myan dz) as well as obligations of mutual rights and duties (quanli yu yiwu), which bind people together” (Steidlmeier, 1999, p. 123).

The Chinese term for gift giving is Guanxi and can be defined as a relationship which engenders expectations and mutual dependence in working relationships (Chan et al, 2002). The concerns which come up from a Western perspective focus on the intent of gift giving. In most Western contexts gift giving is a symbolic gesture which is intended to express appreciation or acknowledge a special accomplishment. The intent is not in most cases to create a sense of mutual obligation or commitment among individuals conducting business together with the intent of trading favors over the course of the business relationship (Dunfee and Warren, 2001). Often times in a Western context this is referred to as quid pro quo. Nevertheless, the approach of creating obligations fundamentally challenges the mindset of impartiality, perceptions of impropriety, and preferential treatment. The stance taken by the U.S. government has been to continuously address this issue through ethics and business conduct related laws governing business dealings like the Foreign Corrupt Practice Act (FCPA) and Sarbanes-Oxley (SOX) (Smith, 2004).

Interestingly U.S. Government laws requiring ethical practices in the marketplace have not necessarily resulted in moral business conduct (Rae and Wong, 2004). Consequently, while the U.S. laws make it abundantly clear where the line is between a bribe and a non-bribe in many parts of the world a continuum exists which often is based on the marketplace norms. Essentially, the core issues in examining the social and business practice of gift giving in the Asian culture, from a Western perspective, are circumstances associated with the gift giving and whether it can be considered voluntary or compulsory, who gives the gift (i.e. prospective supplier) and the anticipated level of reciprocation between individuals who exchange gifts. Values which serve as a filter for many of our judgments have a significant influence on the decision making process.

Fundamentally cultural value systems have a tremendous impact on the individual making the ethical decision, organizational dynamics, and eventually strategic direction. This is especially the case if the mutual gift giving occurs among family members in a business setting (Steidlmeier, 1999). The Chinese often base their decisions on relationships whereas Americans generally work to a rule based approach as it pertains to ethical decision making. Next, an assessment of China and the U.S. judicial system will be studied to better understand how the issue of giving and receiving gifts is viewed.

## **JUDICIAL DIFFERENCES AS THEY PERTAIN TO ETHICS RELATED ISSUES**

China is trying to achieve in 50 years what it took the U.S. 250 years to accomplish. Thus, many of the judicial infrastructure elements necessary to curb potential corruption are non-existent. This situation, combined with a dynamic economy and cultural tendencies towards gift giving, has ushered the topic of ethical business practices in China to the forefront of many business conduct discussions. For instance, one glaring difference according to Smith (2004) is that, “China in many respects is still a closed society, and depending on the nature of the inquiry (e.g., ethics or corruption), it is difficult to obtain primary sources and interview data, and to verify secondary sources” (p. 301). The deficiency of information to

substantiate ethics related issues can be critical when attempting to build accountability into the judicial system.

In terms of punishment the major difference between Chinese and U.S. law is the use of the death penalty. In the U.S. guilty verdicts in corruptions cases result in prison time, however in China corruption cases can result in the death penalty (Smith, 2004). China's policy of exercising the death penalty in corruption cases stems from a multi faceted explanation. In the Chinese culture mutual dependence and trust within a communist system maintains order and accountability. If the Enron or WorldComm debacle had occurred in China the instigators would probably have received the death penalty. What follows is a discussion concerning the definition of ethical decision making, and the value systems which support each decision making process in the U.S. and China.

## **ETHICAL DECISION MAKING PREFERENCES OF THE UNITED STATES AND CHINA**

Before discussing ethical decision making preferences for the U.S. and China a working definition of what constitutes ethical decision making will be examined. Ethical decision making is a rational and systematic process with the intent of basing those decisions on ethical principles (Whetstone, 2003). Another description of ethical decision making involves developing approaches that allow the decision maker to form an opinion by evaluating and comparing circumstances associated with the ethical issue (Leung, 2004). Both definitions suggest several important elements. First, ethical decision making is thought to be rational and systematic. Secondly, a set of universal ethical principles are ascribed to in the process of forming an opinion. And third, the process of making an ethical decision involves making comparisons.

## **ETHICAL DECISION MAKING IN CHINA AND THE USE OF VIRTUE ETHICS**

The basis for societal and political order in modern day China originated with Confucius. Essentially, Confucius articulated the importance of virtue and fidelity, reinforced by practices which would align an individual in the proper relationship to the universe and his social group (Spence, 1990). The influence of Confucianism highlights the importance of being in right standing with individuals and making virtue based choices. As it pertains to Guanxi several parallels between Virtue Theory and Confucianism exist. First, virtue ethics is embodied in the individual and not in a rule based approach to decision making. Secondly, stepping outside the box of rule based systems demonstrates the simplicity associated with virtue ethics versus a carefully devised system of rules which defines morality.

## **ETHICAL DECISION MAKING IN THE UNITED STATES AND THE USE OF MORAL RIGHTS THEORY**

The U.S. has struggled to reconcile a rule based approach to dealing with international ethical dilemmas. While companies have churned out Codes of Conduct in response to ethical related issues considerable lapses continue to occur. Consequently, the U.S. government has been forced to consider legal action to curtail corruption in U.S. businesses. Steidlmeier (1999), summarizing the practice of Guanxi in China and contrasting it with the approach taken by the U.S. points out "Business and political corruption are by no means unique to China (Jacoby et al., 1977; Borrus, 1995; Clarke, 1990, Husted, 1994,; Kristoff, 1995; Mellon, 1995; Pearce and Snider, 1995). American business people are often wary, because the U.S. Foreign Corrupt Practice Act (FCPA) as well as company codes of conduct often prohibit any exchange of gifts between a company representative and supplier or customer" (Greanis and Windsor, 1982, p. 124).

According to Velasquez (2006) a legal right is, "an entitlement that derives from a legal system that permits or empowers a person to act in a specified way or that requires others to act in certain ways

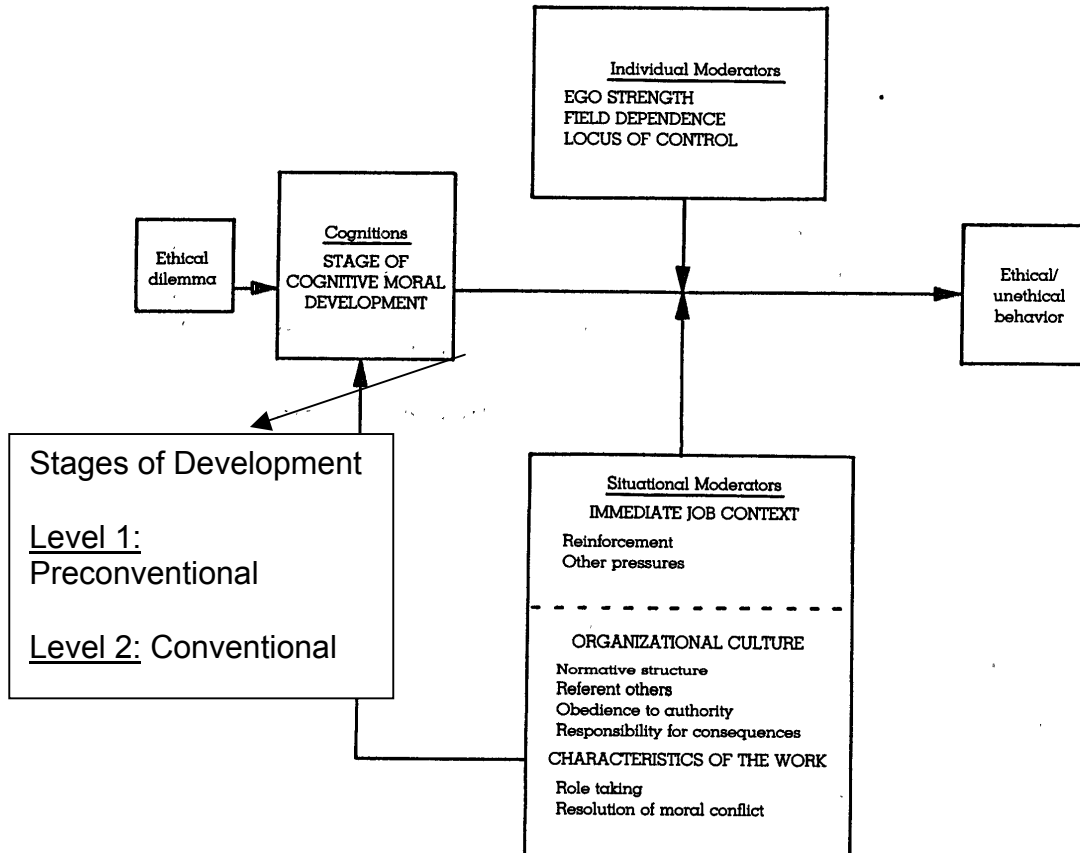
toward that person” (p. 73). Given the topic of Guanxi, or giving in a business environment, legal rights speak to the responsibilities of the business person to avoid perceptions of impropriety. This becomes a difficult proposition at best in a dynamic global business environment and warrants consideration. Rights can be looked at from a variety of perspectives when application is considered, Audi (2005) suggests, “On any conception of rights, they are the sorts of things of which we may predicate (among other things) being claimed, asserted, denied, Philosophical Issues, respected, violated, forfeited, and transferred” (p. 122).

A discussion of the differences in the economic, cultural, judicial, and ethical differences between the United States and China has taken place. The next step is to apply the differentiators to scenarios involving Guanxi utilizing an ethical decision making model.

**ETHICAL DECISION MAKING MODEL**

Numerous ethical decision models exist. However, perhaps the most widely cited ethical decision making model in business ethics literature is the model proposed by Trevino (1986, 1992). Therefore, for the purposes of this paper Trevino’s (1986) ethical decision making model will be used as a basis to analyze several scenarios. The analysis of these scenarios will form the basis for additional discussion about lessons learned and alternative approaches to the ethical dilemma. A review of Trevino’s (1986) model will now be conducted.

Trevino’s (1986) interactionist ethical decision making model takes into account stages of cognitive development first proposed by Kohlberg (1969) situational specific variables (individual and situational moderators) which often factor into ethical decision making, and resulting ethical/unethical behavior:



Adapted from Trevino, L. K. (1986). Ethical decision making in organizations: A person-situation interactionist model.

Essentially, the model proposes that, “ethical decision-making is the result of an interaction between individual and situational components, with the individual’s way of thinking about ethical dilemmas being moderated by three individually based moderators (ego strength, field dependence, and locus of control) and three situational moderators (immediate job context, organizational culture and characteristics of the work itself)” (Bartlett, p. p. 226). However, before further examination of Trevino’s (1986) ethical decision making model key components of the model need to be reviewed. The first key component to review is Kohlberg’s stage of cognitive moral development.

## STAGES OF COGNITIVE DEVELOPMENT

The fundamental basis for Kohlberg’s work originated from Immanuel Kant who proposed the Categorical Imperative which is considered his first formulation can be stated as follows: An individual should never demonstrate behavior which at the same time can’t be universally applied to all individuals (Kant, 2002). Kant, as opposed to Jeremy Bentham who developed the notion of utilitarianism, focused on a second formulation focused on never using individuals as a means to an end, instead allow individuals to decide their own personal direction (Kant, 2002). With this in mind, Kohlberg’s contributions involve understanding an individual’s ability to develop moral standards when making decisions, learn from those decisions, and improve the ability to make better decisions in the future (Velasquez, 2006). Consequently, researchers like Rest (1983, 1994, and 1999), Velasquez (2006), and Trevino (1986, 1992) among others repeatedly verified a number of critical assumptions concerning Kohlberg’s theory:

Velasquez (2006) notes that “although people generally progress through the stages in the same sequence, not everyone progresses through all stages” (p. 27). Kohlberg stated that each individual had to progress each stage in sequence, and once at the more advanced stage of moral development an individual couldn’t move to a lower stage of moral development (Knobe, 2005).

Kohlberg, points out moral judgments are the most significant determining factor when trying to understand and explain what influences moral behavior (Jorgensen, 2006).

Moore and Chang (2006) point out that “moral judgment is the ability to make a decision based on some moral ideal. Moral judgment differs from social norms, which are role patterns of behavior. Social norms make no provision for allocating rights or distinguishing between moral behavior and other forms of socially regulated behavior, such as dress codes or dining manners”. (p. 168).

Kohlberg’s theory has three basic levels, each of which can be divided into two stages (Knobe, 2005, p. 329):

Preconventional (stages 1 and 2): Moral behavior is seen as an effective means to attain ends that are fundamentally nonmoral (e.g., avoiding punishments and obtaining rewards).

Conventional (stages 3 and 4): Morality is identified with social convention. Moral behavior stems from an effort to gain social acceptance or from a more abstract loyalty to societal norms.

Postconventional (stages 5 and 6): Moral decisions are based on general principles. The individual believes that these principles should be obeyed even when they come into conflict with societal norms.

Fundamentally Kohlberg’s theory suggests individuals move from stage to stage as they grow in their intellectual capacity to reason and draw appropriate conclusions given the context of the ethical dilemma. The early stages are defined by a self-centered approach while the later stages require decision making

using moral reasoning (Velasquez, 2006). The other two components of Trevino's ethical decision making process will be discussed. First, individual moderators will be examined and then situational moderators.

### **Individual Moderators**

The individual moderators in the interactionist ethical decision making model "influence the relationship between cognition and action in ethical decision making in organizations" (Trevino, p. 609). The individual Moderators are ego strength, field dependence and locus of control. The definitions for each moderator are as follows:

**Ego Strength:** "Ego strength is a construct related to strength of conviction or self regulation skills. Individuals high on a measure of ego strength are expected to resist impulses and follow their convictions more than individuals with low ego strength" (Trevino, p. 609).

**Field Dependence:** This concept focuses on the ambiguity of a situation and the ability referents to "provide information that helps remove the ambiguity", whereas, "field dependent individuals make greater use of external social referents to guide their behavior" (Trevino, p. 610).

**Locus of Control:** "Rotter's internal/external scale measures an individual's perception of how much control he or she exerts over the events in life. An "internal" believes that outcomes are the result of his or her own efforts, while an "external" believes that life events are beyond control and can be attributed to fate, luck, or destiny" (Trevino, p. 610).

As the ethical dilemma is discussed each moderator will be applied with the intent of completely understanding how Trevino's interactionist decision making model can be applied when navigating through ethical dilemmas.

### **Situational Moderators**

Situational moderators are intended to provide the context which often dictates how individuals respond to ethical dilemmas. The supposition of how individuals move through the ethical decision making process focuses on the practicality of how decisions are made given the interaction between the individual and the circumstances surrounding the situation (Trevino, 1986). The situational moderators are immediate job context, organizational change and characteristics of the work. The definition of each moderator is as follows:

**Immediate Job Context:** This moderator involves reinforcement contingencies and other pressures. According to Trevino (1986) the focus of this moderator emphasizes the importance of understanding the "social context within which behavior takes place" (p. 614). This involves determining the organizational means which reinforce, or in some cases discourage ethical behavioral. Additionally, work environment issues and organizational pressures exists which place undue pressure (i.e. costs, schedules, and technical designs) on the decision maker.

**Organizational Culture:** This moderator involves normative structure, referent others, obedience to authority, and responsibility for consequences. According to Trevino (1986) this moderator can have significant influence on how decisions are made because, "Organizational culture influences thoughts and feelings, and guides behavior" (p. 611). Organizational culture involves what the organizational norms are, whose in a position to ultimately influence an ethical decision, whether a culture exist which supports obedience to authority, and if a decision "goes south" who steps up and takes responsibility for the consequences.



**Characteristics of the Work:** This moderator involves role taking and resolution of moral conflict. Trevino (1986) “defined as taking account of the perspective of others. The centrality of the individual to the communications and decision making of the group increases role-taking opportunities” (p. 611). Essentially the ability to resolve moral conflict while at the same time functioning in an organizational role in effect advances the moral development of an individual (Trevino, 1986).

The demonstration of ethical decision making using Trevino’s (1986) model will now be tested involving Guanxi or gift giving scenarios. Be consistent about capitalizing or not capitalizing Guanxi. These scenarios will focus on the stages of moral development, and how the interaction occurs between situational and individual moderators.

## **APPLICATION OF THE INTERACTIONIST ETHICAL DECISION MAKING MODEL TO ETHICAL SCENARIOS**

The next step in the process is to apply the Interactionist ethical decision making model (Trevino, 1986) to analyze several scenarios concerning ethical decision making. This analysis will be followed by lessons learned, and additional considerations.

### **Scenario 1**

A U.S. business person is approached by a Chinese salesperson at the U.S. company’s business office located in China. The Chinese salesperson offers the U.S. business person a complimentary dinner with no strings attached if the business person will attend a sales presentation. A company policy expressly prohibits the U.S. business person from taking advantage of the overture. However, the U.S. business person intends to make an exception in this case.

#### ***Analysis of the Situation***

The U.S. business person is operating at stage 1 (preconventional) of Kohlberg’s (1969) cognitive moral development which results in behavior where the means justify the benefits which will be gained. Given Kohlberg’s (1969) description of the sequential stages individual’s move through its evident the U.S. business person’s intellectual capacity given the situation is diminished. Additionally, since the preconventional stage is characterized by an ego-centric approach to decision making (Velasquez, 2006) it is apparent the U.S. business person has decided to focus on his/her own self interest. The individual moderators as outlined in Trevino’s (1986) model the U.S. business person show low ego strength, low field dependence (autonomous actions), and is exercising internal locus of control. The combination of how the U.S. business person is responding to the ethical dilemma would indicate the individual moderators are having marginal influence on a positive outcome or ethical behavior. The U.S. business person’s situational moderators indicate no reinforcement exists for ethical behavior and therefore no accountability, and the opinions of others isn’t referenced as being important. Evidently, the organizational culture suggests along with the work environment interaction between individual and situational moderators are marginal. The resulting behavior, if the U.S. business person takes advantage of this opportunity, can be considered unethical.

#### ***Lessons Learned***

Management oversight of individuals at foreign locations requires a concerted effort, especially if the country has a reputation for unethical conduct. The analysis demonstrates the U.S. business person is acting autonomously concerning decisions in a Multi-National Corporation (MNC) which usually reflects a decentralized organizational structure. This situation could place the MNC at unnecessary risk. One of several ways to mitigate the risk is to understand the business environment at the foreign locations. One of the many ways to do this is through the use of information gained from Transparency International (2008) which ranks countries based on their various business practices. Another excellent source of

information is the Corporate Government Quotient (2008) which outlines how companies (U.S. Domestic and International) rate in terms of corporate governance. In situations like scenario 1 where individuals have the ability to act autonomously without any accountability structure the risk of having an ethical lapse can be significant. As noted earlier, given the rule based approach to ethical decision making, a company violation could occur.

### ***Additional Considerations***

The Chinese salesperson has indicated the gift has no strings attached. As discussed earlier in the paper gift giving is a common practice in China. The U.S. business person has to consider the intent of the gift and whether retaining it will in anyway compromise his integrity. Consultation with management about the gift (free meal) should occur.

## **Scenario 2 (Continuance of Scenario 1)**

### ***The U.S. business person chooses to attend the sales presentation***

The U.S. business person attends the presentation and finds the services being presented by the Chinese salesperson could be useful to the U.S. company in China. The Chinese salesperson knows that the U.S. business person is the key decision maker and with additional encouragement may purchase the services being offered. The Chinese salesperson offers as a “token of his appreciation” a beautiful vase for attending the sales presentation. The U.S. business person graciously accepts the vase. The next day the Chinese salesperson pays a sales call to the U.S. business person. By now the U.S. business person has had an opportunity to think about the implications of attending the sales presentation and accepting the gift from the Chinese Salesperson. The U.S. business person explains that the vase is “very nice;” however he cannot accept the vase because the company policy prohibits accepting gifts. The Chinese salesperson receives the returned gift.

### ***Analysis of the Situation***

The U.S. business person is now operating at level two of Kohlberg’s (1969) stages of cognitive moral development (conventional – working to company identified expectations) because he has elected to return the gift and do the right thing while still acknowledging the social custom. This allows the U.S. business person to make decisions based on a rule based system and at the same time balance the expectation of working in an environment where gift giving is intended to create mutual commitment. The individual moderators as outlined by Trevino (1986) indicate the ego strength has increased and field dependence has become more dependent on others (i.e. expectation of immediate supervisor). This increase field dependence may be attributed to knowing the difference between the company policies versus personal gain, reinforced by an accountability structure (employee disciplinary action). Field dependence as a concept (Trevino, 1986) is intended to making an ethical decision clear as opposed to vague. Subsequently, through the process of rethinking the circumstances and becoming clearer about the implications of the decision the U.S. business person advances from pre-conventional to conventional (Kohlberg, 1969) thinking. Additionally, the situational moderators indicate the organizational norm to not accept gifts. Generally, the circumstances which bring the most tension to organizational norms are the ability to rationalize the potential outcome. Subsequently the U.S. business person let the Chinese salesperson know what the company policy is while at the same time resolving the ethical dilemma.

### ***Lessons Learned***

A number of important “navigational” signs can be identified in scenario 2. First, the decision maker (i.e. U.S. business person) has to make every effort to understand where they fall on Kohlberg’s (1969) moral development continuum and the implications to the decision making process. This will acquaint the U.S. business person with their moral development and how it potentially influences the ethical

decision making process. In this case, if the U.S. business person simply reflects carefully on how the decision will send the wrong signal to the Chinese salesperson about their willingness to accept gifts many of the issues concerning gift giving can be avoided. Secondly, an acknowledgement of how Guanxi or gift giving is perceived from both a Chinese versus a U.S. perspective is critical. This understanding will provide context to the individual (i.e. ego strength, field dependence, and locus of control) and situational moderators (i.e. immediate job context, organizational culture, and characteristics of work) as discussed earlier in Trevino's (1986, p. #) decision making model. Without this understanding of the cultural differences it becomes easy to rationalize the decision and not comply with U.S. business norms because "in China gift giving is an accepted custom... and I wouldn't want to offend anyone." Finally, the U.S. business person needs to know the company rules and norms which govern behavior on ethical dilemmas. While this is a rule based approach to cultural issue which is steeped in cultural tradition the U.S. business person has to determine whether they intend to follow company guidelines or cultural norms.

### ***Additional Considerations***

Rule based decision making can lead to binary results. In many cases yes and no answers to issues like Guanxi or gift giving oversimplifies the situation and discounts the working relationships in a culture where establishing, building, and maintaining relationships are critical to business. A plausible option for the U.S. business person is to consult with their management about accepting the gift. If management approves a waiver or exception then the U.S. business person could accept the gift on behalf of the company. This effectively mitigates any undue influence placed on the individual and at the same time maintains the working relationship with the Chinese salesperson.

### **Scenario 3**

The next scenario focuses on the amount of the gift and when the gift is given. In this scenario a Chinese company is currently a supplier to a U.S. based company. The U.S. based company is sending representatives to the Chinese company headquarters' to negotiate terms for a new contract. The arrival of the U.S. representatives happens to coincide with the Chinese New Year. During the Chinese New Year it is customary to give gifts to business associates.

The U.S. representatives arrive at their final destination after a long trip and check into their hotel. When the U.S. representatives checked in they received a fruit basket worth approximately \$20 U.S. from the Chinese company they intend to negotiate with in the coming weeks. The next day the U.S. representatives arrive at the Chinese company headquarters. Upon their arrival the senior manager in charge of negotiating on behalf of the Chinese company asks whether they received the fruit baskets. The U.S. representatives respond that they did and enjoyed the fresh fruit after a long trip. The Chinese senior manager indicates that because it is Chinese New Year and it is customary to give gifts the company felt it would be appropriate to provide the fruit basket at a nominal cost. The U.S. representative, realizing prior to the trip, Chinese New Year involves giving and receiving gifts purchased a variety of gifts (coffee mugs, hats, shirts, posters) with the company logo clearly printed on each item. Overall, the working relationship between the two companies has been very successful and the U.S. representatives were optimistic recent quality and cost issues would be addressed.

### ***Analysis of the situation***

The U.S. representatives are functioning at level two of Kohlberg's (1969) stages of cognitive moral development (Conventional – taking into account cultural customs and still maintaining neutrality in business dealings). The behavior demonstrated in this situation is usually described as doing the right thing, yet at the same time acknowledging the cultural societal norms (i.e. gift giving during Chinese New Year). It should be noted moral judgment and moral behavior are actually aligned and results in the U.S. representatives modeling integrity. The individual moderators according to Trevino's (1986) decision

making model indicate that ego strength is high, field dependence is independent (autonomous), and locus of control is internal. The individual moderators are closely aligned with the U.S. representative's cognitive moral development thereby mitigating the need to justify decisions being made on personal interest or individual needs. The situational moderators suggest immediate job context reinforces culturally sensitive ethical decision making, pressures to compromise ethical conduct are nonexistent, and the organizational culture is to accept local customs without assuming the Chinese company is attempting to unduly influence the negotiation process. The situational moderators create an environment where it is easy to make decisions based on what should be done as opposed to what's convenient. Additionally, the U.S. representatives made a point of acknowledging the fruit basket while at the same time reciprocating by providing a gift to the Chinese company representatives.

### ***Lessons learned***

The U.S. representatives handled a difficult situation in a very culturally sensitive manner by acknowledging Chinese New Year and reciprocating with an exchange of gifts with their Chinese counterparts. The Chinese in turn were very transparent about their intentions (i.e. gift giving is a custom observed during Chinese New Year) which mitigated any perception of impropriety on the part of the U.S. representatives. An ethical dilemma was essentially defused as a result of both the U.S. and China representatives giving forethought and consideration to the kind of gift, approximate value of the gift, reason for the gift, and the way in which it was presented. This exchange strengthened existing working relationships as opposed to raising suspicions.

### ***Additional considerations***

The factor which played a significant role in this scenario was the cost of the gift and how it was presented to both parties. If the Chinese company (supplier) had presented a gift valued at approximately \$500 U.S. while both companies were in negotiation the intent of the gift may have raised suspicions.

## **CONCLUSIONS**

The purpose of this paper was to understand the differences between U.S. and China as it pertains to Guanxi or gift giving. These differences were then integrated into the analysis of various gift giving scenarios using Trevino's interactionist ethical decision making model, lessons learned, and additional considerations. Through this process a number of critical items have become evident. First, people are the byproduct of their culture. Rae and Wong (2004) suggest, "Moral choice in every society is founded in the cultural character of a person and the way he or she sees the world. We are cultural creatures who make sense of our lives by means of a narrative that distinguishes between the good and the evil" (p. 236).

The notion that people are cultural creatures leads to the next observation: ethical decision making is a complicated process involving an individual's cognitive moral development, individual and situational moderators, and ethical or unethical behavior. Consequently, it becomes imperative individuals make every effort to understand the context they find themselves in, appropriately assess the situation, and focus on insuring the behavior aligns with company expectations.

Finally, while rule based approaches to ethical dilemmas provide simple and immediate responses some decisions aren't easily answered with a yes or no response. However, when these decisions show up on your proverbial doorstep consider dialoguing with a coach, mentor, or your immediate management so you can maintain perspective about the most appropriate direction. This will provide the necessary reflection time to consider all the issues and how best to navigate through the ethical dilemma.

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