

Business Ethics Index in China: An Empirical Study on Young Consumers

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Abstract: Based on the study of China's business ethics index (BEI) in 2009 (Tsalikis & Fu, 2010), this article intends to improve the BEI questionnaire and for this purpose analyzed 1057 questionnaires; it concluded that China's BEI is 99.3, which is much lower than that of 2009's. This means the respondents have a negative opinion of China's performance in the field of business ethics. The four sub-indicators of BEI all fell lower from those in 2009; especially, BEI_{personal/past} and BEI_{vicarious/future} dropped dramatically. However, the results of this study also showed that the subjects are still very optimistic about the future of the ethical behavior of Chinese enterprises, but most are concerned about the levels of vicious competition and product safety.

Keywords: business ethics index; BEI; young consumer; China

Introduction

China, the world's most populous country, has been getting considerable attention by academicians, as well as business professionals (Lu, 2008). China is now the world's second largest economy, and it is expected to overtake the United States to become the largest by 2020 (Yao et al., 2012). The success of China in the global economy is well documented (Tang et al., 2010). Over the last couple of decades, it has strategically harvested its pool of cheap labor to be a production powerhouse. However, like other countries, China also has been hit by various ethical scandals. For example, stories of baby milk tainted with melamine and toys with lead paint highlighted major business ethics problems in China (Gallagher, 2009; Lu, 2009). Thus, it is not surprising to see a negative effect on the perceptions of Chinese consumers on ethical behaviors of businesses in China (Tsalikis & Fu, 2010).

A number of studies have been done recently on business ethics in China. Comegys et al. (2012) compared the attitudes ethics of future managers towards business in the United States, Finland, and China. They found that their attitudes towards business ethics differed by the students' major, class year, GPA, gender, age, and the number of ethics and religious studies courses completed. Deng (2012), through an in-depth interview on 173 respondents, developed a generalized framework of consumers' responses on ethics that provided a number of insightful suggestions about how to motivate a consumer's support for a firm's ethical behavior and to transfer this kind of support into truly positive purchasing. Fu and Deshpande (2012) found that both caring and independent ethical climate types had a significant positive impact on organizational commitment in a survey of 144 employees working at a Chinese private construction company. Zhou et al. (2011) investigated the current status of economic and business ethics in the fields of teaching, training and research in China, Japan, and Korea through questionnaire surveys, desktop analysis, and personal observation.

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A business ethics index (BEI) was first proposed by Tsaliks and Seaton (2006) and was developed in order to systematically evaluate consumers' sentiments towards ethical practices of businesses (Tsalikis & Seaton, 2006, 2007). The success of the BEI in the USA spawned its expansion to more than 20 countries, including China in 2006. Tsakilis and Fu (2010), using the same instrument, measured the BEI of China, which showed the BEI in 2009 was 109.8, much lower than in 2006, which was a 117.8. This study will contribute to the existing research by re-examining the BEI of China with an improved questionnaire based on the methods of Tsalikis and Seaton (2006).

Study Methodology

The Instrument

The BEI questionnaire consists of 4 main questions, which are designed in two dimensions, past-future and personal-vicarious. The first two questions are the same as in the study of Tsalikis and Seaton (2006). However, the last two questions of the future dimension were improved by adding the options from 3 to 5, which are consistent with the first two questions (see Table 1).

Table 1. *Questions Comprising the BEI*

Personal / past

(1) Based on your own experiences as a consumer in the past year, businesses you dealt with generally behaved:
I. A (very unethically); B (somewhat unethically); C (neither nor); D (somewhat ethically); E (very ethically)

Vicarious/Past

(2) Based on what you heard from others or from the media in the past year, businesses behaved:
A (very unethically); B (somewhat unethically); C (neither nor); D (somewhat ethically); E (very ethically)

Personal/Future

(3) Based on your own experience as a consumer in the past, do you think ethical behavior of Chinese enterprises will become:
A (much worse); B (somewhat worse) ;C (same); D (somewhat better); E(much better)

Vicarious/Future

(4) Based on what you heard from others or from the media in the past year, do you think ethical behavior of Chinese enterprises will become:
A (much worse); B (somewhat worse) ;C (same); D (somewhat better) ;E(much better)

The responses to the above four questions will be calculated finally according to the following formula. If the result is above 100, it means that the respondents will have a positive attitude towards Chinese enterprises' ethical behavior, while they will have a negative attitude if the result is below 100.

$$(%E - \%A) + (%D - \%B) + 100 \quad (1)$$

According to the above four questions and the formula, we can calculate four sub-indicators, which are BEI (personal/past), BEI (vicarious/past), BEI(personal/future), BEI(vicarious/future) The mean of these four indices is the final BEI value. In order to gather more information, an open question was added to this study, which was Question 5: Please describe one or more examples of unethical behavior that you

had experienced or had heard from others or from any other media.

Sample Information

There were 1300 questionnaires sent to the four universities in Beijing, Tianjin, and Guangxi province and, finally, 1057 effective questionnaires were gathered (See Table 2). There are 517 male samples (48.9%) and 540 female samples (51.1%). More than 80% of the respondents' ages varied from 17-30, since most of the samples (about 90%) are college students.

Table 2. *Sample Information*

	No.	%
Gender		
Male	517	48.9
Female	540	51.1
Sum	1057	100
Age		
17-19	123	11.6
20-25	901	85.2
26-30	26	2.5
Sum	1050	
Missed	7	0.7
Education		
Undergraduate	958	90.6
Masters and doctorate	73	6.9
Sum	1016	96.1
Missed	41	3.9

Results

After the analysis of 1057 questionnaires through SPSS16.0, it is shown that China's BEI is 99.3, which is below 100 and lower than 2006's BEI (Tsalikis & Seaton, 2006), and this means the consumers in China have a negative attitude on Chinese enterprises' ethical behavior. The four sub-indicators are shown in Table 3.

Table 3. *Result of BEI*

BEI	99.3
BEI _{personal/past}	81.6
BEI _{vicarious/past}	59.7
BEI _{personal/future}	133
BEI _{vicarious/future}	122.8

BEI personal/past. BEI personal/past mainly involves consumers' attitudes towards business ethics of Chinese enterprises from their personal experience in the past. As shown in Table 4, 59 of 1057 samples (5.6%), which included 5 females and 54 males, think that the behaviors of Chinese enterprises were

unethical. Nearly half of the consumers (47.3%) think that China's enterprises are unethical, which is slightly higher than the results of 2009 (39.7%). A total of 134 consumers, accounted for 12.7% of the total, holding neutral attitudes, and it is 16% lower than the 2009's results. Of the respondents, 33.6% think that the business ethics of China's enterprises in the last year were worse, and more female consumers hold this attitude than male consumers do (211/145). Only 8 consumers, accounting for 0.8% of the total, think that China's enterprises were very ethical in the last year. Consumers who hold this attitude were the least, which is similar to 2009's results. According to Formula 1, the calculated $BEI_{personal/past}$ was 81.6, which is 15.1 points less than in 2009, and this means that the consumers hold negative attitude towards the business ethics of our country in terms of personal/past dimension.

Table 4. *Personal/past- $BEI_{personal/past}$*

$BEI_{personal/past}=81.6$						
	Male	%	Female	%	Sum	%
A. Very unethical	54	5.1	5	0.5	59	5.6
B. Somewhat unethical	240	22.7	260	24.6	500	47.3
C. Neither nor	72	6.8	62	5.9	134	12.7.0
D. Somewhat ethical	145	13.7	211	19.9	356	33.6
E. Very ethical	6	0.6	2	0.2	8	0.8
Sum	517	48.9	540	51.1	1057	100

BEI vicarious/past. The vicarious/past dimension explored consumers' attitudes towards Chinese Enterprises' Business Ethics in response to media reports or information heard from others. Statistical results are shown in Table 5. Of the 1057 respondents, 112, including 70 male samples and 42 female ones, accounting for 11.6% of the total sample, think that Chinese enterprises are very unethical. More than half of the respondents think that Chinese businesses were somewhat unethical according to the past media reports and other experiences. There were 255 males and 318 females, accounting for 24.1% and 30% of the total sample. Of the 1057 respondent samples, 114, accounting for 10.8%, kept a neutral attitude. There were 250 respondents, which is less than 2009's result (26.7%), who think Chinese businesses are ethical when their responses were measured in terms of the vicarious/past dimension. Only 8 respondents (0.8%) think Chinese businesses are ethical. According to Formula 1, it is calculated that $BEI_{vicarious/past}$ is 55.9, which is below 100 and about 7 percent lower than 2009's $BEI_{vicarious/past}$. This indicates that consumers think that Chinese businesses are unethical when the consumers come under the influence of media and other vicarious dimensions.

Table 5. *BEI vicarious/past*

BEI vicarious/past=59.7						
	Male	%	Female	%	Sum	%
A. Very unethical	70	6.7	42	4.9	112	11.6
B. Somewhat unethical	255	24.1	318	30.0	573	54.1
C. Neither nor	78	7.3	36	3.5	114	10.8
D. Somewhat ethical	110	10.4	140	13.3	250	23.7
E. Very ethical	4	0.4	4	0.4	8	0.8
Sum	517	48.9	540	51.1	1057	100

BEI (personal/future). This sub-indicator refers to consumers' views in the personal/future dimension, which aims to measure their expectations on how China's business ethics are going to be in the future according to their personal experience. Statistical results are shown in Table 6. Of the respondents, 67 (6.3%), including 46 male samples and 21 female samples, accounting for 4.4% and 1.9% respectively, think that business ethics of Chinese enterprises are much worse than the previous year according to their personal experience. Of the respondents, 196 (18.5%), including 6.2% male samples and 12.3% female samples, think that the business ethics of Chinese enterprises would be somewhat worse than last year, according to personal experience. It is shown that fewer samples hold a neutral attitude than in 2009 after the improvement of the questionnaire. In 2009's survey, nearly half of the respondents chose the neutral choice in this dimension. Five hundreds and forty-eight (548) consumers (51.8%) are optimistic about the future ethical behavior of enterprises in our country. Sixty-three respondents think that future business ethics of Chinese enterprises would be much better than in the previous years. According to Formula 1, it is calculated that *BEI (personal/future)* is 133, which is slightly lower than the 135.4 of 2009 but still over 100. It is indicated that consumers are still positive about the future business ethics of Chinese enterprises even though the enterprises did not show good performance in the past.

Table 6. *BEI personal/future*

BEI personal/future =133						
	Male	%	Female	%	Sum	%
A. Much worse	46	4.4	21	1.9	67	6.3
B. Somewhat worse	66	6.2	130	12.3	196	18.5
C. Same	93	8.8	90/273	8.5	183	17.3
D. Somewhat better	272	25.7	276/-	26.1	548	51.8
E. Much better	40	3.8	23	2.3	63	6.1
Sum	517	48.9	540	51.1	1057	100

BEI (vicarious/future). The last sub-indicator is to investigate the attitudes about future ethical behavior of Chinese enterprises in terms of the vicarious/future dimension. Statistical results are shown in Table 7. Eighty-nine of 1057 respondents (8.9%), including 60 male samples and 34 female samples, think that future business ethics of Chinese enterprises would be much worse than last year. Of the

respondents, 227 (21.5%), including 84 male samples and 143 female samples, accounting for 7.9% and 13.6% respectively, think that business ethics of our country's enterprises would be somewhat worse than in the previous year. It can be calculated from the first two items that 30.4% of consumers, which are much higher than 11.4% of 2009, were negative about the future business ethics development in China. Of the sample, 16.5% have a neutral attitude, and they think that in the future China's business ethics will be the same as before. Of the respondents, 46.3%, including 234 male samples and 255 female samples, thought that the future business ethics of Chinese enterprises would be somewhat better than in the previous year. There were 73 respondents (6.9%), including 3.9% of the males and 3.0% of the females, who think that the future business ethics of Chinese enterprises would be much better than before. We calculate from first two items that 53.2% of consumers are optimistic about the future business ethics in China. It can be calculated that $BEI_{\text{vicarious/future}}$ is 122.8 and is above 100, suggesting that the respondents show a positive attitude towards the development of business ethics in China in terms of the vicarious/future dimension.

Table 7. $BEI_{\text{vicarious/future}}$

$BEI_{\text{vicarious/future}}=122.8$						
	Male	%	Female	%	Sum	%
A. Much worse	60	5.7	34	3.2	94	8.9
B. Somewhat worse	84	7.9	143	13.6	227	21.5
C. Same	98	9.3	76	7.2	174	16.5
D. Somewhat better	234	22.1	255	24.2	489	46.3
E. Much better	41	3.9	32	3.0	73	6.9
Sum	517	48.9	540	51.1	1057	100

Overall, consumers hold a negative attitude towards the business ethics of Chinese enterprises, and the respondents also thought that the Chinese enterprises lack business ethics in these two dimensions, personal/past and vicarious/future. In contrast, $BEI_{\text{(personal/future)}}$ and $BEI_{\text{(various/future)}}$ are above 100, which mean the respondents hold a positive attitude towards future business ethics of our country's enterprises.

Unethical Behavior

Question 5 in this survey is used to gather information about the issues concerning business ethics of China's enterprises. Statistical results are shown in Table 8. Among 1057 consumers, 784 gave examples of unethical behavior from their personal or vicarious experience. These examples of unethical behavior were divided into 32 items, which are categorized under the sectors of service, product, price, advertising, selling, labor/management, and general ones.

Table 8. *Statistical enterprise unethical behavior*

	No	Percent
SERVICE		
1. Poor service/not helpful	1	0.1%
2. Rudeness/discourteousness	6	0.8%
3. Poor quality work	30	3.8%
PRODUCT		
4. Defective/low quality products	125	15.9%
5. Fake/expired products	8	1.0%
6. Did not replace defective product/warranties	1	0.1%
7. Unsafe product	55	7.0%
8. Misrepresented/lied about product	7	0.9%
9. Lack of information about product/labels/user guides	2	0.3%
PRICE		
10. Overcharging/Price gouging	29	3.7%
11. Bait & switch	29	3.7%
ADVERTISING		
12. False advertising/ exaggerated info, lying, and misinformation.	17	2.2%
13. Too many ads	2	0.3%
SELLING		
14. Sales pressure/hard sell.	1	0.1%
15. Fake sales	16	2.0%
LABOR/MANAGEMENT		
16. Bad management policies, does not honor contracts/promises	32	4.1%
17. No social contribution/responsibility	49	6.3%
18. Poor treatment of employees/low pay	33	4.2%
19. High level of profits	1	0.1%
20. Theft/embezzlement/fraud/problems with law	9	1.1%
21. Insider trading/stock market mischief	1	0.1%
22. Ask for bribe/corruption	7	0.9%
GENERAL		
23. Greed	1	0.1%
24. Dishonesty/cheating (general unspecified)	15	1.9%
25. Vicious competition	275	35.1%
26. Others	32	4.1%

It is shown from the result that about 5% of unethical behavior is in the services sector, among which poor service quality was reported the most by the respondents. In this survey, product issues were observed to be the most prominent problems reported by the consumers, since 25% of the reports of unethical behavior belonged to this dimension. Meanwhile, defective or low-quality products are the most reported unethical behaviors in this study. We can also find more than 7 percent of the unethical behavior

examples were about price, almost 3 percent of the total was about advertisement, and about 2 percent were about selling issues. It is shown that labor management was another sensitive issue in this survey, as about 17 percent of the examples of unethical behavior fell into that scope and social responsibility is the most prominent one in Chinese consumers' eyes (6.3%). Meanwhile, vicious competition is, also, another unethical issue that consumers are concerned a lot about (35%).

The results of Question 5 in this study show some differences from those of 2009's survey. In 2009's survey, the most reported ethical issues by consumers are low product quality (31%), corporate social responsibility related issues (8.7%), false advertising (8.3%), expired products (7.9%), and labor contract related issues (6.6%). It is indicated that the malignant activities of some industries have a very deep impact on the consumers' attitudes, like Sanlu milk powder incident in 2009 and the vicious competition between 360 and Tencent in 2009. The results are the same as research results of Carson (2003) in which he pointed out that the Enron scandal weakened the confidence of consumers in American integrity and indirectly led to the decline of American stock during the period of 2000-2002 (30). So, enterprises should try to create a good ethical impression in the minds of consumers so as to avoid the consequences of the occurrence of malignant events again.

Conclusion and Discussion

The results of this study show that China's BEI, based on young consumers, has dropped to 99.3, which indicates that most of the young consumers hold negative attitudes toward the ethical performance of Chinese enterprises. The four sub-indicators also have experienced a dramatic decrease compared to those of 2006 and 2009. BEI (personal/past) decreased from 101.6 in 2006 to 81.6, and BEI (vicarious/past) decreased from 77.9 in 2006 to 59.7 and is about 7 percent lower than that of 2009. BEI (personal/future) declined from 147.8 in 2006 to 133, which is the same as in 2009, while BEI (vicarious/future) decreased from 143.8 to 122.8, which is 21 percent less than 2009's, and this is the biggest decline among the four indices.

The authors think that the reasons Chinese consumers have more negative attitudes about business ethics of China's enterprises could be explained from two different perspectives. First, the global financial crisis of 2008 had an extremely disastrous and continuous impact on the world's economy. The Chinese economy maintained stable growth, but it was very hard for many small enterprises to recover from such a big crisis. Under this situation, it would be easier to understand why many enterprises may make some unethical decisions for their survival, and this lead to a negative attitude in their consumers. Second, consumers would be more sensitive towards unethical behavior of the enterprises and their attitudes may be influenced for a long time once they become aware of even a single incident of unethical behavior on the part these enterprises. So, it is implied that if the Chinese enterprises don't improve their ethical performances, the BEI might keep declining. So, Chinese enterprises must change at once and stop behaving unethically in order to improve consumers' attitudes if the enterprises want to acquire and retain consumers' confidence.

At present, only a few studies have been conducted on measuring business ethics of a country through empirical methods, so the future research can be carried out in terms of the following aspects: first, measuring BEI annually in order to observe and measure the changes in enterprises' ethical behaviors; second, through Tsalikis' (2011) analysis of America's BEI in the recent years, it was found

that the consumers' expectations of ethical behaviors increased in 2009 when compared to the past two years. It is indicated that consumers hold a positive attitude towards the American economy in the future, or that at least the worst years have passed. So, by comparing BEI with economic development, researchers in the future can try to build some relationship between BEI and some economic indexes; and third, the research results during the recent three years show that there is a big decline in the standards of Chinese enterprises' ethical behavior, so future studies should deal with the main factors that affect corporate ethical behaviors in order to provide some suggestions for them to rebuild a good ethical impression in the minds of the consumers. Finally, the enterprise ethical index is a relatively general and macro-level index. Therefore, researchers can also try to design a set of indices from micro-level that are aimed to measure ethical behavior of a single company.

While this study helps us better understand consumers' attitudes about the ethical behaviors of enterprises in China, it has some limitations. For example, most of the samples are college students, and this may affect the final result. Therefore, the future study could examine China's BEI based on a larger sample of different ages through cooperating with some enterprises or ethics organization.

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