



Ethics and corporate social responsibility – An analysis of the views of Chinese hotel managers

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ABSTRACT

Based on a sample of 257 Chinese hotel managers, this paper examines the ethical principles to which these managers adhered. The premise is that any application of the principles of corporate social responsibility (CSR) will be facilitated or inhibited by the degree to which management holds to a strong ethical stance. Developing a questionnaire derived from different sources such as the Forsyth Ethics Position Questionnaire and the 12 golden standards of Tao Zhugong developed in the 5th century BCE, a principal components analysis of the scores on a 35 item scale indicated five components to ethical perspectives: namely respect for individuals, tolerance of degree of relativity in moral standards, the role of corporations in current society, expediency in business and adherence to CSR.

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1. Introduction

The purpose of this paper is to identify the nature and strength of Chinese hotel managers' ethical attitudes, based on a sample of 257 senior Chinese managers employed on the mainland of China in 2010. While there is an emergent literature on corporate social responsibility (CSR), both generally (Moon and Bonny, 2001) and more specifically with reference to the hotel industry (Stevens, 1997) and in China (Qu, 2009), the premise of this paper is that the willingness of Chinese hotel managers to implement CSR policies is determined by the strength of ethical beliefs and expressions of empathy toward those affected by a company's action. Consequently the research questions being examined are:

- What are the ethical values to which Chinese hotel managers give priority? and
- What role do structural issues such as chain membership, size of hotel, degrees of managerial experience play in the adoption of ethical positions?

1.1. Rationale for the study

A rationale for the paper lies in the increasing interest in the Chinese concept of business ethics. For example Zutshi et al. (2010)

argue that perspectives of what constitutes corruption must be located within cultural contexts while Michaelson (2010) goes further in calling for a re-examination of the moral imperatives of Western business in the light of experiences of dealing with Chinese companies.

For many reasons the Chinese hotel industry represents an appropriate context for such a study. First, tourism is a major component of China's economic policy to expand domestic consumption and international service trade, and the hotel industry is a major pillar of the tourism industry in China. Second, hotels are meeting points for people from different cultures, expectations and traditions of doing business, and thus hotel staff are focal points for such contacts. Third, the hotel industry was the first industry opened to the outside world after China's reform policy commenced in 1979. It is, arguably, the Chinese industry most influenced by western cultural business practices. Fourth, the employment patterns of hotels also mean that they are commonly first employers of tertiary educated young people, whose work habits and attitudes may be shaped by their initial work experiences (Gu and Hobson, 2008). It can be contended that hotels are a microcosm of the 'new' China where the newly empowered middle classes of China meet people from different countries, and where employers make demands upon staff that require staff to make decisions in their own right – factors very different from more traditional less flexible and hierarchical Chinese managerial practices (Moore and Wen, 2006).

The paper comprises the following sections. After this introduction there is a review of the literature that informed the construction of the questionnaire. Second, the process of data collection is outlined, followed by a description of the sample. Next

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the results are presented and finally these are discussed and implications identified.

1.2. General background to the study

While ethics in business have always been important (Donham, 1929; Rainbal and Payne, 1990; Fort, 2000; Bailey and Spicer, 2007) events dating from approximately the middle of the 1990s have resulted in more commentary and research as the business world grapples with failures of corporate governance and ethical standards. For example, led by various pressure groups and non-governmental organisations, higher standards are being demanded of leading global companies such as Nike, Walmart and McDonalds among others. Companies have responded in certain key areas, such as in the case of child labour (for example in the establishment of the *World Federation of Sporting Goods Industry*, www.wfsgi.com; Van Tulder and Kolk, 2001) while companies such as Adidas, Philips, van Heusen and Reebok among others have adopted the standards of the *Fair Labour Association* (www.lchr.org). China is not immune from these trends. In 2010, faced with mounting pressure from media and labour organisations, FoxConn (a Taiwanese company operating in China) announced wage increases of up to 70 percent and changed working practices to offset conditions that had caused stressed workers to commit suicide (Chan and Pun, 2010). Other global examples of an emerging congruence between profitable business and a 'fairer' distribution of prices and income can be found in other areas such as the Fair Trade arrangements in coffee and other products (www.globalexchange.org/coffee, Jaffee, 2007). An increasing number of companies are seeking to implement the standards of the International Ethical Standard (SA8000) and this includes hotel companies adopting ethical codes of conduct and triple accounting such as Novotel (Weinz, 2001). However, based on a survey of 36 Chinese hotel managers, Gu (2009) examined the use of the SA8000 in promoting CSR policies within the Chinese industry, but concluded there remained a need to better understand the drivers for such policies within a Chinese context. More generally Guo and Wang (2005) identified a series of key failures in Chinese industry that include 'learning but not doing', a lack of cohesion and senses of responsibility, and a weak managerial foundation.

2. Literature review

2.1. Codes of conduct

Codes of conduct have become one means by which companies commit to good practice. Rainbal and Payne (1990) argued that every code of ethics represents a corporate culture from which that code stems and so represents a potential response to the innumerable situations for which it was created. Coughlan (2001) analysed the content of codes of conduct with reference to the Professional Convention Management Association and Hospitality Sales and Marketing Association International among other organisations. He advanced four key values underlying ethical practices in business, these being justice, integrity, competence and utility. The last is defined as 'encompassing efficacy and providing the greatest good for the greatest number' (Coughlan, 2001:151) – a view based on utilitarian philosophy as Coughlan recognises. Generally he found that all the codes examined cover important, but not all the values espoused in his categorisations.

One factor that has driven the need for compliance with codes of ethical conduct is the process of an accreditation of trust. As businesses increasingly hold minimum stocks so their dependence on trustworthy suppliers grows, but that trustworthiness requires not simply the technical delivery of items on time, but also an increased exposure to being vulnerable to suppliers' reputation for good practice. Any questioning, scandal or other disruption of supply hence

affects more than just the good name of one company in a chain – all who deal with a 'rogue' company may be potentially harmed in some way, as was discovered by Fonterra in the San Lu powder milk case in 2009. Such close relationships exist in both directions along any chain of distribution – and hotel companies are little different in this respect. For example Altinay (2006) considers these issues when discussing the establishment of franchise partnerships and joint ventures. It is noted that such processes take time in which mutual trust needs to be established and he also comments that risk assessment is one key component in the establishment of working relationships. In short, will partners deliver both promised product and quality – which question can only be answered through the provision of cognitive and affective evidence that a partner can be trusted. Consequently Hagan and Moon (2001) argue that a new value dynamic links a company with its suppliers, customers and sources of finance and physical assets as well as labour. Within the context of hotels similar considerations arise when considering relationships between different properties of the same chain – the image of all may be vulnerable to the poor performance of management at one hotel. Hence chains face the task of establishing trust across all properties. Codes of conduct help identify common values across a hotel chain.

2.2. Principles of ethical practices

Ethical practices appear to be shaped by at least three factors, which are (a) compliance with a legal framework, (b) an identification of that which is thought to be right and (c) an ability to implement what are considered to be ethical standards of behaviour. The first is often considered to be a minimal approach to ethical behaviours (Schear, 2007), while the second often underlies the establishment of codes of conduct and the third leads to the development and implementation of policies of corporate social responsibility. The concern of this paper lies with the embryo of category (b), namely what is it that, in this instance, Chinese hotel managers perceive as 'ethical behaviour' with reference to a business context? This is arguably made more important in the light of the contention made by Kwan and Frost (2002) that codes of conduct are, in China, of less importance than the rules made by managers within their companies. In the introduction to his book Wank (2001) relates the story of trying to assess the legal status of a company, only to be told that property rights only related to a legal ability to do business – actual business was more importantly determined by relationships (*guanxi*) with officialdom. In many instances the observation retains a truth today. Hence concentration on what managers consider 'ethical' can be justified on many grounds, including the pragmatic.

One of the sources used for questionnaire construction was Forsyth (1980:175) who established a taxonomy of ethical ideology along the perspectives of '(a) situationism, which advocates a contextual analysis of morally questionable actions; (b) absolutism, which uses inviolate, universal moral principles to formulate moral judgments; (c) subjectivism, which argues that moral judgments should depend primarily on one's own personal values; and (d) exceptionism, which admits that exceptions must sometimes be made to moral absolutes.' As discussed below the items that form his Ethics Position Questionnaire were incorporated into the research instrument as being congruent with the issues met by the researchers.

2.3. Ethics, codes and the hotel industry

With specific reference to the hotel industry, Stevens (1997) postulated that those ethical issues that did concern the industry would be revealed by a content analysis of the codes being adopted by the hotel companies. She analysed returns from 42 North Amer-

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