Codes of Conduct for Open-Minded Discussion and Resolution of Ethical Issues in China

CODES OF CONDUCT FOR OPEN-MINDED DISCUSSION AND RESOLUTION OF ETHICAL ISSUES IN CHINA

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Abstract: Developing a consensus on ethical rules has been regarded critical to developing an ethical organization. This study proposes that explicit ethical rules are valuable as a foundation for employees to discuss possible ethical violations open-mindedly, and in a manner that they consider fair to one another and conducive to interpersonal relationships and further discussion. In critical incident interviews, 101 Chinese mainland employees described a specific occasion where their ethical values were at issue. Case examples and structural equation analyses indicated that the presence of clearly formulated ethical rules facilitated the open-minded discussion of opposing views, also called constructive controversy, regarding actual ethical issues, that in turn developed interactive justice, strengthened interpersonal relationships, and promoted confidence in future discussions within the organization about ethical issues. These results were interpreted as suggesting that codes of ethics and constructive controversy helped employees to identify common boundaries and to avoid personal antagonism. However, explicit codes and engagement in constructive controversy had no impact on the furtherance of employees' own ethical values, a result that was interpreted as indicating that ethical codes may fail to empower employees to develop and apply their own ethical values if they are imposed top-down.

Keywords: ethical rules, constructive controversy, conflict, China

Ethical Rules for Open-Minded Discussion to Resolve Ethical Issues in Chinese Organizations

Organizations have been advised to develop codes of conduct, ethical mission statements, and other formulations of ethical rules, as their members will continually encounter such ethical issues as harassment and potentially harmful company products (Conference Board, 2002; Lere & Gaumnitz, 2003; Schweitzer et. al., 2004). These explicit rules are expected to reduce ethically questionable behavior and facilitate recovery when ethical violations have occurred. Ideally, these codes empower employees by helping them recognize situations that have moral implications, appreciate ethically acceptable ways of responding, and understand the rationale for consequences for violations. However, little research has investigated how these rules are effectively applied and integrated into organizational life. This study proposes that ethical

rules can help organizational members discuss ethical issues open-mindedly, also called constructive controversy; this kind of discussion, in turn, facilitates effective resolution in terms of substantive ethical impact, interactive justice, strengthened relationships, and the confidence that they can discuss future ethical issues effectively.

This study makes several contributions to the literature. It identifies how constructive controversy complements ethical rules in the handling of ethical issues. It shows how ethical codes do not simply dictate how organizational members should behave, but provide a context and source of guidance for controversial discussions about ethical issues. Ethics codes encourage organization members to engage in discussions with others who are involved, and such discussions may proceed in a manner that builds, rather than weakens, relationships, and fosters, rather than deters, future discussion of ethical issues. The study builds upon previous research by suggesting that constructive controversy is a useful model of communicative discourse that is conducive to the discussion of ethical issues (French & Allbright, 1998).

The study adopted four measures of the effectiveness of a resolution of an ethical issue. First, the resolution should have a positive ethical impact, where people involved conclude that any harm will be kept to a minimum and that a morally acceptable solution will be implemented, and where they believe that they have prevented unethical action and are more committed to preventing or rectifying harm. The second measure concerns interactive justice, where members believe that they were treated in an enhancing manner as they discussed the issue at hand (Bies, 1987; Bies & Moag, 1986; Tyler & Bies, 1990). They perceive that their response to an ethical issue has helped them and others consider each other's viewpoints and to deal with each other in a truthful, considerate, and fair manner. Interactive justice is especially important because it has been found to be an antecedent to other types of justice (Cohen-Charash & Spector, 2001) and to the quality of leader-member exchange (Masterson et. al., 2000). Third, as organizations require people to continue to work together in the future, an effective resolution includes strengthening interpersonal relationships. Fourth, resolutions should also be achieved in ways that make people more confident that they can discuss ethical issues when they encounter them in the future (Argyris, 1985).

Ethical Issues and Rules

Ethical issues arise at work when actual or potential business conduct challenges one or more moral principles concerning right and wrong; they typically entail the occurrence or prospect of one or more of the following: breach of justice, violation of rights, and failure to achieve acceptable results from a utilitarian point of view (Post et. al., 2002). Although ethical issues can be distinguished analytically from ethical dilemmas (Maclagan & Snell, 1992; Toffler, 1986), in practice they are related (Maclagan, 2003). This study uses ethical issues as a generic term to refer to ethical dilemmas as well as issues; employees may at times find that tackling challenges according to their ethical values conflicts with short-term profit, career advancement, and job retention (Jackall, 1988). How people at work respond when they encounter ethical issues has repercussions for various stakeholders, including superiors, subordinates, peers, suppliers, customers, government agencies, activist groups, and society as a whole (Savage et. al., 1991; Weiss, 2003).

Researchers have proposed that ethical rules of what the organization deems just and right can help organizations deal with these ethical issues (Conference Board, 2002; Lere & Gaumnitz, 2003; Schweitzer et. al., 2004). These rules are to guide organizational members' actions by clarifying what is ethically

questionable and by identifying how these ethical issues should be dealt with. These rules can be written and detailed or more implicit and general.

Ethical rules are expected to reduce the incidence of ethical issues as they communicate a clear commitment on the part of the organization that ethically questionable behavior must be avoided. Organizational members face censure, punishment, and even termination if they engage in these behaviors. Rules are also expected to guide organizational members as they work to halt emerging ethical difficulties and to recover from ethical misdeeds. Rules provide a foundation upon which to deal with transgressions, make restitutions, and reduce the probability of future violations.

Managing and Applying Ethical Rules

However, the possession of clear ethical rules by itself seems unlikely to be sufficient to promote effective resolution of ethical issues (Lere & Gaumnitz, 2003). Researchers have identified two kinds of potential difficulties and shortcomings with the use of rules in governing ethical behavior by employees. First, issuance of ethical rules may fail to empower employees to make ethical judgments. Employees may infer instead that dealing with ethical issues is the organization's responsibility, not theirs, that the role of enforcing the rules resides with top managers and that, if the latter do not identify violations, then they are free to conclude that they do not have an ethical issue (Lere & Gaumnitz, 2003). Issuance of ethical rules may similarly communicate to employees that top managers are responsible for developing resolutions to violations. Rules tend to be imposed top-down rather than developed and revised through open dialogue (Snell & Herndon, 2000), contrary to the advice both of theorists (Collins & O'Rourke, 1993) and practitioners (Business Roundtable, 1988). Developing ethical rules by top-down methods may reduce individual responsibility.

A second type of potential shortcoming in the use of ethical rules is that organizational members may try to implement them in rigid ways. Moral development psychologists Piaget (1965) and Kohlberg (1969) identified stages of moral reasoning for understanding how people develop more mature ways of ethical reasoning. Even adults may consider moral principles in an absolutist manner where they must be enforced rigidly. Moral maturity though is characterized by an understanding that moral principles not only have to be applied to fit the circumstances, but they may also conflict with each other. Morality is not realized through simply following rules, but by considering and incorporating moral principles into one's life. Studies have supported Piaget and Kohlberg's proposal that controversial discussions where people confront the limitations of their absolutist applications and appreciate alternative resolutions induce people to develop more principled, ethically mature reasoning capabilities (Johnson et. al., 2006).

According to French and Allbright (1998), philosophers from Plato to Baier have emphasized the need for discussing different positions and for working toward a consensus for a just and lasting resolution. Confucian perspectives also emphasize the role of weighing potentially conflicting moral obligations and resolving how they apply to a particular situation through reasoning and discussion (Cua, 2002; Roetz, 1993). However, while there is near-unanimity among commentators that it is desirable to resolve ethical issues through reasoned discussion and dialogue, doing so appears difficult in practice (French & Allbright, 1998; Nielsen, 1996). This study argues that controversial discussions are critical for the effective application of ethical rules in organizations. Ethical rules are useful not by taking decision-making responsibility away from individuals, but by encouraging them to discuss ethical issues openly with each

other so that they incorporate each other's ideas to resolve issues. The next section discusses the relevance of the research on constructive controversy for ethical decision-making.

Constructive Controversy

Organizational members often have strong feelings and opinions as they encounter ethical issues. This study proposes that constructive controversy, open-minded discussion of opposing perspectives for mutual benefit, is a useful way to characterize productive interaction as organizational members resolve ethical issues effectively (Snell et. al., 2006; Tjosvold, 1998a; Tjosvold et. al., 1998).

Controversy occurs when decision-makers express their opposing ideas, opinions, conclusions, theories, and information that at least temporarily obstructs resolving an issue. Diversity and conflict promote understanding of complex issues and the development of quality solutions (Amason, 1996; Cosier, 1978; Eisenhardt, 1989; Eisenhardt & Bourgeois, 1988; Mason & Mitroff, 1981; Schweiger et. al., 1989; Valacich & Schwenk, 1995). Researchers have proposed various ways to structure controversy, such as devil's advocacy and dialectic inquiry, to aid decision-making (Cosier, 1978; Schweiger et. al., 1986). Diversity within teams, when properly harnessed, is thought to promote dialogue and debate that stimulate innovation (Leonard & Sensiper, 1998; Leonard & Straus, 1997; Nonaka, 1990).

Studies indicate that controversy can help problem solving. Groups comprising persons with different views and outlooks and groups whose leader encouraged expression of minority opinions made high quality decisions (Maier, 1970; Wanous & Youtz, 1986). Recently, researchers have emphasized that conflict over task issues can contribute significantly to group and organizational performance (De Dreu & Van de Vliert, 1997; Jehn, 1997).

Experiments document the dynamics in controversy and, more specifically, how controversy can promote decision-making (Tjosvold, 1998a; Tjosvold & Sun, 2000). Decision-makers in controversy have been found to be open to new and opposing information. Confronted with an opposing opinion, they have felt uncertain about the adequacy of their own position, indicated interest in the opponent's arguments, and asked questions to explore the opposing views. They have shown that they recognized the opposing arguments and understood the reasoning others used to examine the problem and develop the opposing perspective. They have also taken the information seriously, developed a more complex and accurate view of the problem, and incorporated the opposing position into their own thinking and decisions. Conflictful interaction has also resulted in creation of new solutions not originally proposed. Participants in constructive controversy have used information and ideas from others to develop a more complete awareness and appreciation of the complexity of the problem and have arrived at a solution that responds to the complete information.

Experiments have directly investigated the discussion of ethical issues (Tjosvold & Johnson, 1977, 1978; Tjosvold et. al., 1980; Tjosvold et. al., 1981). Discussants who discussed their opposing views openly about a moral dilemma taken from Rest (1986), compared to those who avoided an open discussion, were found to be more interested, ask more questions, and become more knowledgeable about the other's moral reasoning. Indeed, they accurately understood the stage of moral reasoning the person had used and identified the kinds of arguments their opponent would use in a second moral dilemma. However, it is not just open discussion of controversy that is useful. Decision-makers who emphasize solving problems for mutual benefit are able to incorporate opposing ideas and information into high quality decisions, whereas

trying to outdo each other leads to closed-mindedness (Deutsch, 1973; Tjosvold, 1998b). Trying to win the controversy induces defensiveness and rejection of opposing ideas. Constructive controversy occurs when decision-makers discuss their opposing views for mutual benefit.

These studies identify the key components of constructive controversy; namely, participants expressing their own opinions openly, feeling uncertain about the adequacy of their own positions, inquiring about their opponent's arguments, putting themselves in each other's shoes and seeing the problem from other perspectives, taking new and opposing information seriously and demonstrating that they know the other's arguments, incorporating these arguments into their own thinking and decisions, and creating effective solutions that respond to the more complete set of information. Studies overall suggest that open discussion of opposing views for mutual benefit can promote the effective resolution of ethical issues.

The relationships proposed are summarized in the following hypotheses:

Hypothesis 1. To the extent that ethical rules have been developed, organizational members engage in constructive controversy about ethical issues (H1).

Hypothesis 2. To the extent that organizational members engage in constructive controversy about an ethical issue, they develop a morally sound resolution in terms of: (H2a) protection and enhancement of their own ethical values; (H2b) interactive justice; (H2c) strong relationships; and (H2d) confidence in future discussions.

This study tests a model linking ethical rules with constructive controversy and the resolution of ethical issues (see Figure 1). Ethical rules are expected to promote constructive controversy among organizational members who are then able to resolve ethical issues. Ethical rules are useful, not by dictating behavior and making individuals conform, but by encouraging direct, open-minded discussions.

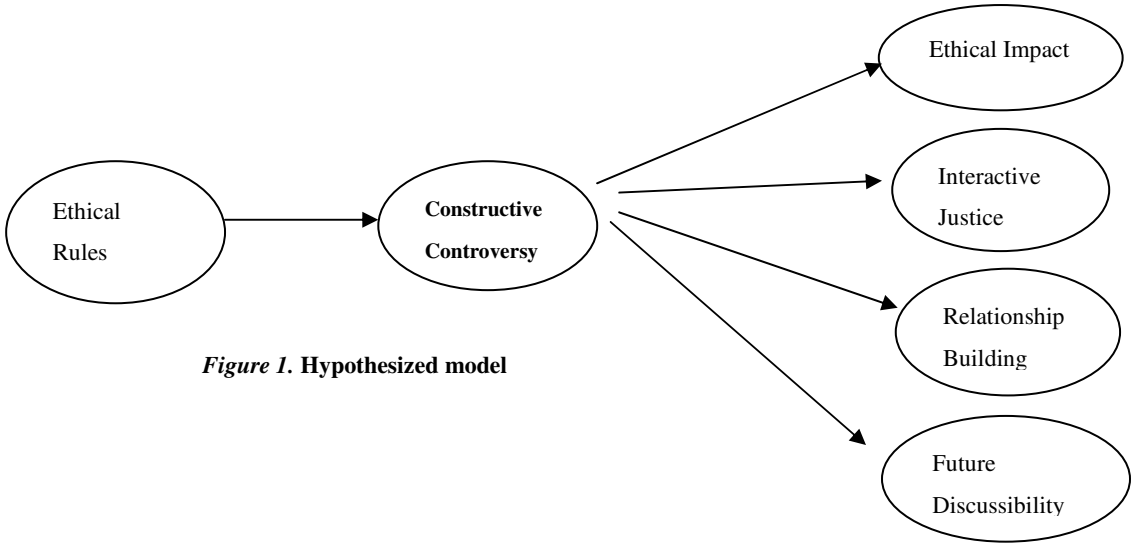


Figure 1. **Hypothesized model**

Method

Participants

One hundred and twenty employees were approached, of whom 110 completed the interviews and had their questionnaires collected, while ten employees explicitly refused to complete the interviews. Among those refusing, four said that they felt it hard to understand the questions and six were unwilling to disclose their personal information. Of the 110 employees who agreed to proceed through the interview, and whose questionnaires were collected, nine did not provide all the data asked for. The 101 participants who provided complete responses were from organizations in various sectors, specifically: manufacturing; electronic equipment and technology development; agencies of foreign companies; construction and architecture; trading; marine transportation, airline and harbor; storage, wholesale and retail; banking, insurance, securities and investment; real estate; IT, software, telecommunications, radio and television; power stations, power machinery and petroleum exploitation; consultation, accounting and services; health care, social welfare and hospitals; chemistry and medicine; and education, culture and entertainment.

Regarding personal information, 67 were male and 34 were female; 9 were under 25 years old, 57 were 25-30, 17 were 30-35, 6 were 35-40, 10 were 40-50, and 2 were 50-60; 53 were married and 48 were not. In terms of educational attainment, one had not graduated from high school, 6 were high school graduates, 61 were university graduates, and 33 had postgraduate degrees. Thirty-seven were non-managerial employees, 35 were junior managers, 25 were intermediate-level managers, and four were senior managers.

Interview Schedule

The critical incident technique (CIT) (Flanagan, 1954) was used in this study to develop our interview structure. CIT has been considered to be particularly useful when studying complex interpersonal phenomena (Walker & Truly, 1992). This method is thought to help moderate errors compared to when persons are asked to summarize across many incidents as required in most surveys (Schwartz, 1999). The interviews were conducted in Shanghai and each lasted one hour.

Interviewees were informed that the objective of the study was to investigate how people interact with others when dealing with issues that may be inconsistent with the organization's values and rules about right and wrong. Interviewees were asked to describe a recent, significant incident in detail when they worried that their values about what is right might be undermined by what was being proposed, planned, and done or not done at work. They were advised, "For example, you might be concerned about whether information is being kept confidential in accordance with the organization's procedures, whether proper records are being kept, that budgetary authority is being abused, or that customers are not treated in the respectful ways the organization expects". They were told that the example can be one that they thought the result of which was satisfactory or unsatisfactory. Each interviewee reported one incident, for a total of 101 cases. Interviewees were assured that their responses would be kept totally confidential.

After describing the ethical incident in detail, interviewees rated aspects of the context, the process, and the outcomes on specific scales during the rest of the interview. All scales were based on the recalled incident and used a 7-point Likert Scale (from 1 = strongly disagree to 7 = strongly agree).

Measures

Three items in the form of seven-point Likert scales indicated interviewees' perceptions of the clarity of their organization's ethical rules and prohibitions. These items measured the extent to which interviewees perceived that their organization: identifies unethical behaviors that are forbidden; communicates clear expectations about how employees are to act in this kind of situation; and warns that organizational members will be disciplined for unethical actions in this kind of situation. These three items were combined to form the code of conduct or 'ethical rules' variable with a Cronbach alpha reliability of .75.

Interviewees then responded to five items using the seven-point Likert scales about the discussion in which they engaged concerning the ethical issue (Tjosvold et. al., 1986). The interviewees rated the extent they and the other worked together for the benefit of both, expressed their own views freely, considered each other's views open-mindedly, tried to understand each other's concerns, and used each other's ideas. These five items were combined to form the constructive controversy variable with a Cronbach alpha reliability of .86.

A four-item ethical impact scale measured the extent that their interaction with the other had served to protect and enhance their ethical values. Thus, the interviewees evaluated the extent that the interaction had helped them to resolve their ethical dilemma, conclude that what would happen was morally acceptable, anticipated that there was less likelihood that someone would be harmed, and empathize with the people who might have been harmed. This scale had a Cronbach alpha reliability of .70.

A three-item scale developed from Moorman (1991), also comprising seven-point Likert items, measured interactive justice, i.e., the extent to which the interaction helped the interviewees believe that the other is considering their viewpoint, treats them with kindness and consideration, and provides fair interpersonal treatment. The interactive justice scale had a Cronbach alpha of .93.

A four-item future discussibility scale, comprising seven-point Likert items, measured the extent that their interaction with the other had served to encourage future discussion of ethical issues. For example, the interviewees evaluated the extent that the interaction had helped them to be more confident that they could discuss ethical issues constructively with people involved in this incident. This scale had a reliability of .90.

Relationship building was measured by a three-item scale, comprising seven-point Likert items. For example, interviewees rated the extent that the interaction strengthened their relationship with the other person in the incident. This scale had a Cronbach alpha of .79.

Results

Hypotheses Testing and Other Analysis

Correlational analysis was performed first for initial hypothesis testing. For more rigorous testing, structural equation analysis was then used to examine the underlying covariance structure between ethical rules, constructive controversy (open-minded discussion), ethical impact, interactive justice, relationship building and future discussibility. A nested model test, which is commonly adopted in causal model analysis, was used and the Indirect Effects Model that proposed mediating effects was compared to the Direct Effects Model. The Direct Effects Model holds that ethical rules impacts outcomes directly. The Indirect Effects Model holds that open-minded discussion mediates the relationship between the antecedent variables and the outcomes.

Correlational Analyses

The correlations (see Table 1) support the first hypothesis that ethical rules and constructive controversy were positively related ($r = .37$, $p < .01$). Results were also consistent with other hypotheses that organizational members who engaged in constructive controversy developed a morally ethical impact, interactive justice, relationship building, and future discussibility ($r = .24$, $p < .05$; $r = .45$, $p < .01$; $r = .43$, $p < .01$; $r = .52$, $p < .01$).

Table 1. ***Correlations among variables and reliabilities***

	Mean	**Std. D.**	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
(1) Ethics formulation	4.06	1.31	0.75					
(2) Constructive Controversy	4.02	1.25	.366(**)	0.86				
(3) Ethical Impact	4.17	1.16	.198(*)	.242(*)	0.7			
(4) Relationship Building	4.27	1.27	.213(*)	.426(**)	.467(**)	0.79		
(5) Interactive Justice	4.03	1.28	.204(*)	.451(**)	.261(**)	.654(**)	0.93	
(6) Future Discussibility	3.99	1.41	.293(**)	.516(**)	.347(**)	.655(**)	.502(**)	0.9

** Correlation is significant at the 0.01 level. * Correlation is significant at the 0.05 level.

Notes:a. N=101; b. Values in bracket are reliability (coefficient alpha) estimates; c. **p<.01; *p<.05.

Structural Equation Analysis

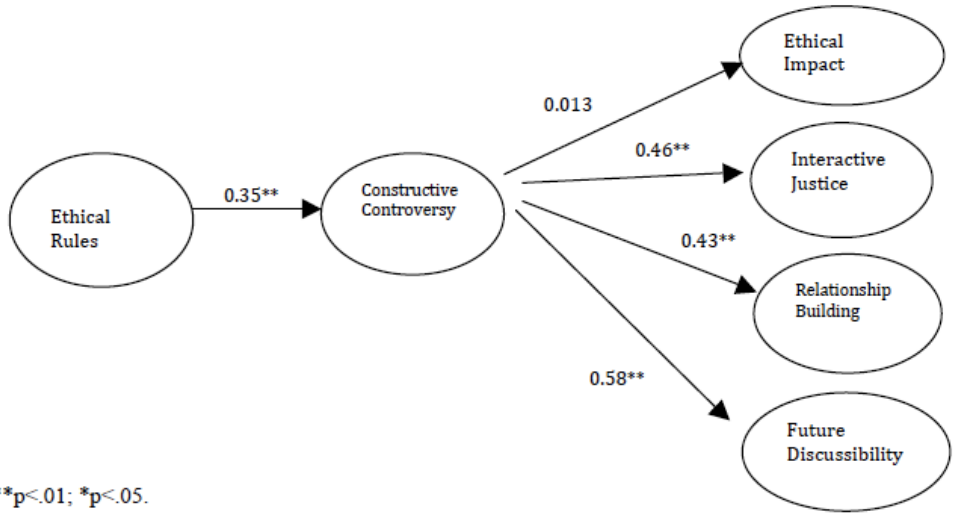
Using the nested model test in causal model analysis, the Indirect Effects Model, which hypothesized that constructive controversy mediates the relationship between the antecedent of ethical rules and the outcomes of ethical impact, interactive justice, relationship building, and future discussibility, was compared with the Direct Effects Model, which proposed a direct relationship between ethical rules and these outcomes.

Table 2. ***Results of the Nested Model Analyses***

Indirect Effects Model a			**Direct Effects Model b**		
Path from	Path to	Path Coefficient	Path from	Path to	Path Coefficient
Ethical Rules	Constructive Controversy	.35**	Ethical Rules	Ethical Impact	.18
Constructive Controversy	Ethical Impact	.013	Ethical Rules	Interactive Justice	.20
Constructive Controversy	Interactive Justice	.46**	Ethical Rules	Relationship Building	.21
Constructive Controversy	Relationship Building	.43**	Ethical Rules	Future Discussibility	.29
Constructive Controversy	Future Discussibility	.58**			
Model χ^2	2.72		Model χ^2	44.59	
d.f.	4		d.f.	5	
NFI	.98		NFI	.77	
CFI	.99		CFI	.77	

Notes: 1) Hypothesized model, 2) After dropping paths to and from constructive controversy, 3) **p<.01; *p<.05

The fit statistics for the hypothesized model and alternative model are displayed in Table 2. The chi-square of the Indirect Effects Model was 2.72 (d.f. = 4) and the chi-square of the Direct Effects Model was 44.59 (d.f. = 5). The hypothesized model thus represented substantial improvements in chi-square over the alternative model. The NFI (.98 versus .77) and CFI (.99 versus .77) fit statistics also indicated that the Indirect Effects Model fitted the data better than the Direct Effects Model. Path coefficients of the accepted model explore the findings more specifically (see Figure 2). Results indicate that ethical rules has significant positive effects on constructive controversy (ß = .35, $p < .05$), thus supporting H1. Constructive controversy has significant effects on three of the four outcomes, namely, interactive justice, relationship building, and future discussibility (ß = .46, $p < .05$; ß = .43, $p < .05$; ß = .58, $p < .05$), thus supporting H2b, H2c and H2d, but not on ethical impact (ß = .0.13, $p > .05$). H2a was not supported.



	χ^2	*df*	χ^2 / *df*	*p*	NFI	CFI
Hypothesized model	2.73	4	0.68	.605	.98	.99

Figure 2. **Path coefficients of the indirect effects model**

Summary of Ethical Incidents

Interviewees reported a range of ethical issues. We classified each of the 101 incidents into one of 9 categories, according to the ethical issue that was its main focus. The categories and their frequency (in brackets) were: employees not receiving proper payment, or otherwise being unfairly treated (29 mentions); whether work procedures met company standards (27); whether product/service quality conformed to requirements (20); teamwork and open discussion (7); whether particular expenditures were warranted/ reasonable (5); maintaining confidential information (4); (im)proper record-keeping (4); company strategies that may harm the community or otherwise be unethical (4); and information (in)accuracy (one).

Illustrative Cases

The full paper has two cases (A and B), illustrating how the critical incident accounts described considerable variation in terms of perceived clarity of ethical rules and prohibitions, perceived incidence of constructive controversy, and perceived desirability of outcomes in terms of ethical impact, interactive justice, relationship building, and future discussibility. However, they have been deleted to reach the page restrictions.

Discussion

The results of the study provide qualified support for the Indirect Effects model. Those participants who indicated that their organization had clearly-formulated rules concerning ethical behavior tended to report also that they were able to engage in open-minded discussion of various views with others involved in dealing with an ethical issue. Open-minded discussions were, in turn, found to lead to three kinds of effective outcome: interactive justice, strengthened relationships, and confidence that constructive

discussions about ethical issues would take place in the future. Qualified support for the Indirect Effects model but not for the Direct Effects model indicates that constructive controversy supplements ethical rules in enhancing some outcomes of critical incidents involving ethical dilemmas. While identifying and announcing ethical rules are first steps in developing an ethically responsible organization, constructive controversy, which entails skilled, open-minded discussion, is also needed to help organizational members consider ethical issues more effectively (Snell et. al., 2006).

Ethical rules were found to encourage open discussion and debate among organizational members. Knowing that ethical behavior is valued by the organization may lead employees to believe that discussing ethical issues is also appreciated and welcomed, and may thus embolden them to identify ethical problems and voice their views about them. Constructive controversy supported by ethical rules may spread optimism among organization members about their ability to discuss ethical issues in an interactively just manner, since they provide a foundation for working out how ethical issues can be resolved once identified. Future research is needed to explore and document further the dynamics through which rules foster constructive controversy.

In supporting H2b, H2c and H2d, the results are consistent with social psychological theory and research indicating that agreement on the content of norms and other rules promotes social order (Coleman, 1990; Hechter, 1984; Parsons, 1952; Scott, 1971). The combination of agreement about what the rules are and the phenomenon of constructive controversy may seem like a paradox in that organizational members are seen simultaneously to agree and yet also to disagree. Nonetheless, as Piaget (1965) and Kohlberg (1985) have argued, applying ethical rules or principles in practice requires controversial discussion in order that solutions can be developed that resolve contradictions among such rules or principles while also responding to non-moral values, such as the efficient use of resources.

However, as manifested in the lack of support for H2a, ethical rule formulation followed by constructive controversy did not appear to protect and enhance organization members' own ethical values. This particular lack of ethical impact may reflect that, in the great majority of organizations, codes of ethics tend to be imposed top-down rather than developed and revised through constructive controversy involving organizational members (Business Roundtable, 1988; Collins & O'Rourke, 1993; Snell & Herndon, 2000). While constructive controversy that takes place after ethical rules have already been formulated may help to increase understanding among organizational members about what the rules are, and about how behavior may be brought into alignment with rules, it may not empower members to develop new understanding about what the ethical rules should be and why this should be the case.

This line of analysis suggests that, in certain contexts, constructive controversy might guide and facilitate the development of ethical rules, and not merely facilitate common understanding about their application. Further research is needed to explore the proposition that ethical rules that are developed through constructive controversy may be more robust impediments to the escalation of unethical practices than are codes that are imposed top-down.

Limitations

In terms of internal validity, the salient statistics comprise relational constructs that are subject to biases associated with self-reporting, and may only provide partial and inaccurate representations of the incidents that were referred to. Furthermore, arranging for the interviewees to provide full descriptions of a critical

incident, while also rating specific aspects of this incident, may have reduced the scope for distortion or bias, as compared with studies that ask informants for broad generalizations across events (Podsakoff & Organ, 1986; Schwartz, 1999; Sudman et. al., 1996).

While the study faced the possibility of common method variance, commentators have pointed out that this may not be as much of an artifact as is often assumed (Spector, 1987; Avolio et. al., 1991). Furthermore, as shown in Table 1 and reported in the scale validation subsection, a one-factor solution (M4) was tested and was found to be a relatively poor fit with the data. Notwithstanding this, further research studies, between them using a variety of methods, are needed to further test and refine the propositions argued here (Spector & Brannick, 1995). For example, it would be desirable to provide direct experimental verification of the role of ethical rules and constructive controversy in resolving ethical issues.

Practical Implications

The ideas of ethical rules and constructive controversy, although developed in the West, have proved useful in this study for understanding the resolution of ethical issues in China (Deutsch, 1973). In addition to developing theoretical understanding, those hypotheses that have received support from our findings have important practical implications for helping organizational members to manage ethical issues that arise at work.

The results overall suggest that organizations should develop a consensus both on ethical rules and on the value of open-minded discussion of these rules as aids to an ethically responsible organization. They broadly support the suggestion that organizations should develop and distribute codes of ethical conduct, along with exhortation and practical application by top management, and group sessions to discuss these rules. We suggest also that code items themselves should be developed through constructive controversy involving employees at all levels, since ethical codes that are imposed top-down are unlikely to engage employees in developing and applying their own ethical values.

The present study suggests also that constructive controversy facilitates the application of ethical rules. Managers can include constructive controversy in the same vehicles that they use to develop ethical rules so that employees understand that there is consensus for open discussion as well as ethical rules. In addition, employees can be trained on the central skills of constructive controversy, namely, expressing views directly and forcefully, understanding and rephrasing the opposing views, combining diverse ideas into new solutions, and agreeing to high quality alternatives (D. Tjosvold, & M. Tjosvold, 1995). Employees should also recognize the need for constructive controversy and be skilled in its use, so that they can discuss ethical issues open-mindedly for mutual benefit. In this way, they would be prepared to apply ethical rules and promote ethical values in sensitive, practical ways.

Our findings indicate that to the extent that constructive controversy takes place, it is an effective means to tackle ethical issues in mainland China, serving to build relationships, foster interactive justice, and encourage further discussions. The results of the study also support the theorizing that ethical rules encourage open discussion of ethical issues. With a consensus on rules, organizational members have reason to believe that discussing ethical issues will be welcomed and that they will be able to discuss their diverse views openly for mutual benefit to create solutions. Qualitative data also suggests that conditions for constructive controversy would be more favorable if those involved in an issue were to assume that it is appropriate to discuss ethical issues and were to accept that organizational practices are open to challenge,

even if they were initially preferred by a superior. In practical terms, organizations may prevent the escalation of unethical activities by training members to engage in constructive controversy, arranging for them to use this as a means of developing ethical rules, and reminding members about the need for constructive controversy as soon as they detect potential code violations. We interpret the results of our study as suggesting that ethical rules and constructive controversy are important foundations for ethical organizations in China and perhaps other countries as well.

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Appendix

Sample Questionnaire

Ethical Rules

- Our organization specifies the kinds of unethical behaviors that are forbidden in this kind of situation.
- We in this organization know clearly what the organization requires from us in terms of ethical behavior in situations like this.
- Members know that they will face disciplinary action if the organization discovers that they have done something unethical in this kind of situation.

Constructive Controversy

- How much did you and the other work together for the benefit of both of you?
- How much did you and the other express your views fully?
- How much did you and the other consider each other's views open-mindedly?
- How much did you and the other try to understand each other's concerns?
- How much did you and the other try to use each other's ideas?

Ethical Impact

- To what extent did this interaction help you resolve your ethical dilemma?
- To what extent did this interaction help you conclude that what would happen was morally acceptable?
- To what extent did this interaction help you conclude that there was less likelihood that someone would be harmed?
- To what extent did this interaction help you empathize with the people who might have been harmed?

Interactive Justice

- How much did this interaction help you believe that the other will consider your viewpoint?
- How much did this interaction help you believe that the other treats you with kindness and consideration?
- How much did this interaction help you believe that the other provides fair interpersonal treatment?

Relationship Building

- How much did this interaction with the other make you more confident that you could work successfully with him/her in the future?
- To what extent did this interaction strengthen your relationship with the other person?
- To what extent did this interaction make you more trusting of the other person?

Future Discussibility

- The incident made it more likely that I would discuss similar ethical issues in the organization.
- After this incident, I was more confident that I could discuss ethical issues constructively with people involved in this incident.
- As a result of this incident, I and others involved in this situation are more open about discussing issues such as this one.
- As a result of this incident, it has become more acceptable for us to discuss ethical issues.