CURRENT TRENDS IN BUSINESS ETHICS RESEARCH

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ABSTRACT

This paper examines research focusing on factors affecting managerial ethics. In addition, it discusses research investigating managers' and business students' ethical attitudes as well studies exploring similarities and differences between these two groups. It concludes with a brief discussion of future trends.

INTRODUCTION

Media reports of recent illegal and unethical activities involving large corporations have diminished the public's confidence in the integrity of business executives. As a result, numerous questions have been raised over the extent to which managers are responsive to society's expectations.

FACTORS AFFECTING MANAGERIAL ETHICS

Whether a manager acts ethically depends upon a complex interaction among several factors. Clearly, a person's individual characteristics will have a major impact. These include one's values, that is, basic convictions about what is right and wrong. Every person enters an organization with a set of values. Most of these values were developed at an early age through the influence of parents, teachers, friends, and so on. A manager's "ego strength" is another key variable. It is a measure of the depth of one's convictions and self-regulating skills. Ego strength helps us maintain emotional stability and cope with internal and external stress (Trevino, 1986). Research indicates that those who have high levels of ego strength are more likely to resist impulses than those who are low on ego strength. Also, they tend to demonstrate consistency between their judgment and actions when facing ethical issues.

Integrity is another construct which has been examined. It consists of at least four factors: conscientiousness, agreeableness, emotional stability, and reliability (Sackett and Wanek, 1996). A number of studies have indicated that those who score high on this factor tend to have unethical tendencies. For example, unethical behaviors such as stealing, excessive absenteeism, and violence have been linked to low integrity (Hogan and Brinkmeyer, 1997; Hogan and Hogan, 1989). Finally, although research is inconclusive, some studies suggest that "locus of control" affects one's decisions (Davis, 1997). Those who have an internal locus of control believe their outcomes in life are determined by their own actions and that they can, to a great extent, control their own fate. They tend to take personal responsibility for the consequences of their behavior. Therefore, they are more likely to rely on their own (as opposed to others') standards of right and wrong to guide their behavior.

Several organizational variables help shape ethical behavior. Some companies legitimize the consideration of ethics as an integral part of decision making by providing strong guidance, minimizing ambiguity, and continuously reminding managers of what is ethical (Paine, 2005). Another powerful influence is the behavior of those in positions of authority. Their actions serve as a benchmark for acceptable practices (Fulmer, 2004). The extent to which the employee performance appraisal system emphasizes ethical conduct is another influential factor (Lovicki et al., 2007). Also, various job pressures – such as the amount of time available, the intensity of competition, unreasonable goals, and cost pressures – have a substantial impact on ethical behavior (Martinko et al., 2005). Finally, the organization's reward system sends a clear message about what is (and is not) acceptable behavior. When those who receive important tangible or intangible rewards are unethical, the incentive for compromising ethical standards becomes deep-rooted and an integral part of the organizational culture (Bandura, 1979).

MANAGERS' ETHICS

One of the earliest calls for investigating the ethics of managers and executives was an article by Raymond Baumhart in 1961 aptly titled: "How Ethical is Business?" When he presented managers with some hypothetical situations, he found important differences between what they said they would personally do and what they thought the average manager would do. That is, business executives tended to attribute significantly higher ethical standards to themselves than they did to their associates. He concluded that actual business practices are likely to be closer to what these managers said the "average" business person does than to what they said they would personally do.

Similar results were obtained by Newstrom and Ruch (1976). They found that managers rated their colleagues to be more unethical than they themselves claimed to be. These same managers, however, had a propensity to capitalize on opportunities to be unethical, if those situations arose. This view was later supported by Fritzsche and Becker (1984) who reported that decision makers show a pragmatic orientation when presented with ethical dilemmas and are "likely to take action that would pollute the environment when a competitive advantage could be gained" (p. 174). When one generation of business managers was compared with another, Brenner and Molander (1977) found that "ethical standards have...fallen in business so that practices once considered unethical are now not viewed as such" (p. 60). A decade later, Longenecker, McKinney, and Moore (1989) reached a similar conclusion. They noted that younger managers are more permissive than older ones in what they accept as ethical behavior.

A related stream of research is in response to calls by a number of writers for the study of a person's demographic characteristics as antecedent variables. As increasing numbers of women enter business schools and assume managerial and executive positions, the ethics literature has recognized the value of incorporating the gender dimension in particular into ethics research. Thus a number of researchers have examined differences and commonalities of responses based on gender.

In their study of 1,875 business people, Weeks, Moore, McKinney, and Longenecker (1999) found that females assumed a more strict ethical stance than their male counterparts on 7 out of 19 vignettes. Males, on the other hand, adopted a more ethical stance on 2 out of 19 vignettes. Kidwell, Stevens, and Bethke (1987) concluded that female managers were more ethical for one of seventeen situations. Interestingly, they reported that, when asked to estimate the ethics of the opposite sex in each of the situations, respondents almost universally perceived the opposite sex to be more unethical than themselves. When Harris (1990) examined ethical values of individuals at different levels in the organizational hierarchy, he found that females were more ethical for one of five dilemmas that were presented to them. Similarly, Simga-Mugan, Daly, Onkal, and Kavut (2005) reported that gender does have a significant impact on ethical sensitivity and Deshpande, Joseph, and Maximov (2000) found that compared to male managers, female managers perceive questionable business practices as more unethical. However, a study by Barnett and Karson (1989) found that, among business executives, gender had no impact on ethical beliefs. Also, a more recent study of senior executives found no significant differences between the genders regarding their ethical preferences (Das, 2005).

Other studies have sought greater homogeneity among the respondents by focusing on practitioners within certain business areas. The overall findings have been inconclusive. For example, in a study of marketing professionals that used scenarios to measure a person's ethical score, Akaah and Riordan (1989) reported that females had higher scores for 3 of 11 scenarios. When practicing accountants were surveyed by David, Kantor, and Greenberg (1994), males rated 3 of the 12 components of the AICPA's "Code of Professional Ethics" as more important than did females. When ethical differences in the sales profession were studied, Dawson (1997) concluded that females were more likely to agree that behaviors described in twenty scenarios were unethical. Among insurance employees, Serwinek (1992) reported that females were more ethical for one of the four factors that were examined. On the other hand, two recent studies of accountants (Jones and Hiltebeital, 1995; Radtke, 2000) concluded that no significant differences between the genders regarding the appropriateness of ethical conduct. Similar results were obtained by Browning and Zabriskie (1983). In their study of industrial buyers, they found no significant differences between men and women.

BUSINESS STUDENTS' ETHICS

Today, a sizeable academic literature has focused on the ethics of business students. Business leaders and organizational theorists have long been interested in their attitudes toward the social and economic consequences of business ethics. Also, the ethics literature has recognized the importance of including these prospective leaders and executives in ethics research. Many have called for sustained formal exposure of students to business ethics. In recent years, students majoring in business administration have been exposed to business ethics in a number of courses. Business programs teach business ethics in some form, either in Business-and-Society courses or by infusing ethics throughout their curricula. The goal is to develop the ability to integrate a concern for the welfare of others with an individual's managerial role. It is hoped that this will raise the students' awareness of the impact of ethics and social responsibility upon both business and society. The basic premise is that today's business students aspire to be tomorrow's business leaders. Once these students enter the business world, they will be expected to execute their duties in an ethical manner because of their fiduciary obligations toward shareholders and other stakeholders. As the nation's future business professionals and executives, their values will help to determine the course of organizations over the next three of four decades.

More than three decades ago, Hawkins and Cocanougher (1972) examined students' reactions to ethical matters in business. Their study revealed that those majoring in business were more tolerant of questionable business practices than were non-business students. More recent studies have confirmed these earlier findings. For example, St. Pierre, Nelson, and Gabbin (1990) found that accounting students scored lower on a test of moral reasoning than psychology students. In a survey of individual subscribers to *Business Ethics Quarterly*, Hosmer (1999) reported that accounting and finance students were more likely to view business ethics and social responsibility as generally unimportant. In their research, Glenn and Van Loo (1993) noted that there were indications that business students were making less ethical choices in the 1980s than in the 1960s. More recently, Harmon and Webster (2002) compared today's college students with college students of the 1960s and found "a continuing societal movement toward Machiavellian behavior" (p. 435).

Similar to the research on business practitioners, business students are another group whose demographic characteristics have been examined. When gender was included as an independent variable, the results have been inconclusive. Some studies have reported no significant differences between female and male students. For example, no gender differences were found by Davis and Welton (1991) regarding 17 ethical situations dealing with professional ethics. Similar results were obtained by Tsalikis and Ortiz-Buonafina (1990); Ford and Lowery (1986); Friedman, Robinson, and Friedman (1987); and McCuddy and Peery (1996). Other studies have focused on more homogenous subjects, based on their area of study. For example, Stanga and Turpen's (1991) survey of accounting students found no significant differences between females and males. Similarly, Gilligan and Attanucci's (1988) study of medical students revealed no relationship between gender and moral orientation.

Other studies have reported very different results. Significant differences in ethical judgments of female and male business students have been found by a number of authors. For example, Arlow's (1991) study found that females place greater emphasis on ethical values and social responsibility than males. A study by Church, Gaa, Nainar, and Shehata (2005) revealed that gender does influence ethical decisions. Ruegger and King (1992) reported that female students rated behavior as less ethically acceptable than males in 6 of 10 situations. Also, Whipple and Wolf (1991) and Whipple and Swords (1992) concluded that females are more ethical when different business scenarios were presented to them. Galbraith and Stephenson (1993) reported that, when dealing with issues of self-interest, males and females use different decision criteria.

Concerning the role of ethics in social and interpersonal relationships, Smith and Oakley (1997) found that females had higher expectations for ethical behaviors which reflect concern for social and interpersonal relationships. In a study among undergraduate business students, males and females offered different perceptions of a just society (Prasad et al., 1998). When Lawson (2004) examined classroom cheating, he concluded that, on average, women held more ethical beliefs than men. Betz, O'Connell, and Shepard (1989) observed that men were more than twice as likely than women to say they would engage in certain actions regarded as less ethical. Khazanchi (1995) concluded that women are better able to recognize unethical actions in information systems than men. Landry, Moyes, and Cortes (2004) found that female students, compared with the men, had a higher degree of ethical sophistication. The women demonstrated strongervrespoonses with respect to situations involving unfairness, injustice, and moral wrongness. Also, Loe and Weeks (2000) found that women demonstrated higher levels of moral development than did the men. Finally, Ameen, Guffey, and McMillan (1996) reported that, among accounting students, females were less tolerant than males of unethical behavior.

COMPARING STUDENTS' AND MANAGERS' ETHICS

Studies regarding the similarities and differences between managers and business students with respect to business ethics have produced mixed results. One of the earliest investigations was conducted by Goodman and Crawford (1974) who failed to find any meaningful difference in the ethical behavior of marketing executives, MBA students, and undergraduate business students. However, contradictory findings were reported by others. For example, Stevens (1984), and DeSalvia and Gemmill (1971) reported that, compared to practicing managers, students - mostly business students - typically manifest slightly lower ethical standards. Similarly, Hollon and Ulrich (1979) found that the business ethics of managers exceed those of business students. Also, Glenn and Van Loo (1993) reported that students consistently made less ethical choices than practitioners. More recently, Lawson (2004) found a general belief among business students that business practitioners fail to act in an ethical manner. Interestingly, he reported that students believe they may need to act unethically in the business world to advance their careers.

Other researchers reported different results. For example, Ibrahim and Angelidis (1993) found that, compared to business executives, business students exhibit greater concern about corporate ethical conduct and philanthropic activities. Similar results were reported by Smith, Skalnik, and Skalnik (1999) who compared managers and students and found that students exhibit a greater degree of sensitivity to the ethical dimensions of business decision making.

THE FUTURE

The term "business ethics" has become firmly entrenched and an established part of our vocabulary. All evidence points to a growing emphasis on business ethics in the future. The many high-profile scandals have added urgency to this issue. The public is constantly reminded of the important role business decisions play in their lives and, consequently, expects a business to exhibit a very high degree of ethical performance. Regulators are keen to promote transparency. Politicians are no longer opposed to legislating ethical behavior for business. Businesses have responded to legislative and popular pressure in a variety of ways. Self-monitoring of adherence to a corporation's stated principles and standards is becoming more common. Managers are increasingly aware that ethics cannot be divorced from business. Many have embraced a new business model in which ethics and profitability are treated as complementary rather than as mutually exclusive. Their real challenge is to treat ethics as a corporate asset by creating an environment that develops, sustains, and advances an unambiguous commitment to ethical behavior. When fully integrated into the organizational culture, the moral fabric created will have a potent and durable influence on day-to-day behavior.

As an academic field, business ethics contributes discussion forums, research, and instruction. Many universities have established Business Ethics Centers and conduct regular seminars for business managers. Globalization, the march into the Information Age, and work force diversity are changing the way business is conducted and the ethical issues businesses face. If business ethics is to remain relevant, it must change its focus accordingly.

In 1994, John Elkington coined the phrase Triple Bottom Line, also known as Sustainability. It expands the traditional company reporting framework to take into account social endeavors and environmental stewardship in addition to financial performance. Although this notion has been criticized by many as a misguided approach, it has been adopted by some large corporations such as General Electric, Toyota, and Dupont.

Business ethics is neither "a frivolous, transient, utopian fad" as some declared early on, nor an oxymoron as others allege. It is a vibrant, potent, and complex undertaking developing on many levels. Its three strands (financial, social, and environmental concerns) are intertwined in intricate, dynamic and fascinating ways. It is safe to predict that all three will remain vigorous and closely linked for the foreseeable future.

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