Chapter 2
Ethical Decision Making: A Review of the Empirical Literature

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Ethical decision making is a topic of great interest in the literature of business ethics. A number of authors have proposed a variety of theoretical models in the effort to explain and predict the process by which a manager makes an ethical decision. These range from the situational-individual interaction model of Trevino (1986) to the contingency framework of Ferrell and Gresham (1985) to the moral intensity model of Jones (1991). While any of these models might serve as a basis for undertaking empirical study of the ethical decision process, there is surprisingly limited effort directed toward theory testing (Randall and Gibson 1990). Indeed, most of the writing on this topic has been nonempirical (Trevino 1986). The paucity of empirical research grounded on theory has substantially impeded the development of the field.

The purpose of this article is to examine the available empirical literature on ethical decision making. By reviewing the extent to which empirical work supports or refutes the ethical decision making models, it will be possible to better understand the extent to which these models are predictive and descriptive of an individual's ethical decision behavior. Further, it will be possible to identify the factors that have been found associated with such behavior and those factors that are not. It is not our purpose to propose another model of ethical decision making behavior but rather to rely on those already developed to identify those factors which merit further study. Thus, the contribution of this paper is to organize the available empirical information in order to see what we know and need to know about the factors which are hypothesized as determinants of ethical decision behavior.

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In general, the ethical decision making models divide the postulated influences on an individual's decision behavior into two broad categories (for a review of those theoretical models which have been proposed see Ford and Hansen 1991; Jones 1991; Randall and Gibson 1990). The first category includes variables associated with the individual decision maker. The second category consists of variables which form and define the situation in which the individual makes decisions.

This paper uses these two broad categories as an organizational scheme to review empirical studies that have been published on the ethical decision process. While it could be argued that the second category should actually be divided into situation specific versus general environmental variables (cf. Bommer et al. 1987), the transitory influences of such variables across decision dilemmas makes such a categorization problematic. Although using only two broad categories may sacrifice specificity for the sake of parsimony, we feel that this approach is preferable to creating "another" model of the process. This general approach should allow researchers to better assess the existing body of empirical work and its applicability to their own theoretical efforts.

Individual Factors

Individual factors have received by far the most research attention in the empirical literature. This category includes all those factors that are uniquely associated with the individual decision maker. Thus, these factors include those variables that are a result of birth (e.g. nationality, sex, age, etc.) as well as those that are a result of the human development and socialization process (e.g. personality, attitudes, values, education, religion, employment, etc.). These factors, then, represent the sum total of the life experiences and circumstances of birth that a particular individual brings to the decision making process.

Table 2.1 depicts the variety of factors which have been investigated. The table is divided into categories representing an individual's personal attributes, education and employment background, and personality.

Personal Attributes

The first four factors reported on Table 2.1 deal with variables associated with an individual's personal attributes. These factors include attributes determined by the circumstances of an individual's birth (religion and nationality) as well as those that are set by birth (age and sex).

Religion

The four studies reported here investigated religious value orientation (Hegarty and Sims 1978, 1979) strength of religious belief (McNichols and Zimmerer 1985),

Table 2.1 Empirical evidence relating the effect of individual factors on ethical behavior

Variable Study (Year)	Sample	Method	Finding
Personal attributes			
Religion			
Hegarty and Sims (1978, 1979)	Grad stud.	Lab experiment	Not significant
Kidwell et al. (1987)	Managers	Ques. Newstrom and Ruch (1975)	No relationship between denomination or church attendance and perceptions of what is ethical
McNichols and Zimmerer (1985)	UG stud.	Scenarios	Strong religious beliefs assoc. with negative attitude toward the acceptability of behaviors
Nationality			
Abratt et al. (1992)	Managers	Questionnaire	No difference in the responses of managers from S. Africa and Australia
Becker and Fritzche (1987)	French, German and U.S. Mgrs.	Questionnaire	French mgrs. believed more strongly in the efficacy of codes of conduct
Hegarty and Sims (1978, 1979)	Grad stud.	Lab experiment	Non-U.S. citizen were more unethical
Whipple and Swords (1992)	U.S. and U.K. bus. stud.	Questionnaire	Not significant
White and Rhodeback (1992)	U.S. and Taiwanese	Vignettes	U.S. managers tended to provide higher ethicality ratings
Sex			
Beltramini et al. (1984)	UG students	Questionnaire	Females more concerned with ethical issues
Browning and Zabriskie (1983)	Members of Pur. Assoc.	Questionnaire	Not significant
Callan (1992)	State emp.	Questionnaire	Not significant
Chonko and Hunt (1985)	Managers	Questionnaire	Males saw fewer ethical problems than females
Dubinsky and Levy (1985)	Salespeople	Questionnaire	Not significant
Ferrell and Skinner (1988)	Marketing researchers	Questionnaire	Females exhibited higher levels of ethical behavior
Hegarty and Sims (1978, 1979)	Grad stud.	Lab experiment	Not significant

Table 2.1 (continued)

Variable

Study (Year)	Sample	Method	Finding
Jones and Gautschi (1988)	MBA stud.	Open-ended questions	Females less likely to be company loyal in an ethically questionable environment
Kidwell et al. (1987)	Managers	Ques. Newstrom and Ruch (1975)	Males and females differed on only 1 of 17 items / Males more likely to conceal their errors
McNichols and Zimmerer (1985)	Students	Scenarios	Not significant
Ruegger and King (1992)	Students	Questionnaire	Females more ethical than males
Serwinek (1992)	Insurance employees	Questionnaire	No difference on three of four ethical indices
Whipple and Swords (1992)	Students	Questionnaire	Females more critical of ethical issues than male counterparts
Age			
Browning and Zabriskie (1983)	Members of Put. Assoc.	Questionnaire	Younger mgrs. had a more ethical viewpoint than older mgrs.
Callan (1992)	State emp.	Questionnaire	Not significant
Izraeli (1988)	Managers	Questionnaire	Not significant
Jones and Gautschi (1988)	MBA students	Open-ended questions	Weak significance on 2 of 14 items
Kidwell et al. (1987)	Managers	Questionnaire	Not significant
Ruegger and King (1992)	Students	Questionnaire	Older students were more ethical
Serwinek (1992)	Insurance employees	Questionnaire	Older workers had stricter interpretations of ethical standards
Stevens (1984)	Students and executives	Questionnaire Clark (1966)	Not significant
Education and employment background			
Type of education			
Beltramini et al. (1984)	Students	Questionnaire	Business majors more concerned with ethical issues than other majors
Chonko and Hunt (1985)	Managers	Questionnaire	Technical majors more ethical than nontechnical majors
Dubinsky and Ingram (1984)	Salespeople	Questionnaire	Not significant

Study	Sample	Method	Result
Goodman and Crawford (1974)	Students	Scenarios	Not significant
Hawkins and Cocanougher (1972)	Students	Scenarios	Bus. majors more tolerant of questionable practices
Laczniak and Inderrieden (1987)	MBA stud.	In-basket	Technical vs. Nontechnical educ. had no effect
McNichols and Zimmerer (1985)	Students	Scenarios	Not significant
Stevens et al. (1989)	Stud., Mgrs. Attorneys	Ques. Newstrom and Ruch (1975)	Few differences in the views of managers, bus. stud., attorneys, and law students
Years of education			
Browning and Zabriskie (1983)	Members of Put. Assoc.	Questionnaire	Managers with Higher Educ. viewed gifts as unethical
Dubinsky and Ingram (1984)	Salespeople	Questionnaire	Not significant
Jones and Gautschi (1988)	MBA students	Open-ended questions	Graduate degree respondents were less likely than Undergraduate to exhibit loyalty response
Kidwell et al. (1987)	Managers	Questionnaire	Not significant
Lane et al. (1988)	G/UG stud.	Questionnaire	Statistical differences on only 4 of 12 items
Serwinek (1992)	Insurance employees	Questionnaire	Not significant
Employment			
Arlow and Ulrich (1980)	Students and executives	Questionnaire Clark (1966)	Executives more ethical than students
Dubinsky and Gwin (1981)	Sales and Purch. Mgrs.	Scenarios	Purchasing mgrs. see more questionable business practices than do Sales mgrs.
Goodman and Crawford (1974)	MBAs and Mgrs.	Scenarios	Not significant
Stevens (1984)	Students/executives	Questionnaire Clark (1966)	Executives more ethical than students
Stevens et al. (1989)	Stud., Mgrs. Attorneys	Ques. Newstrom and Ruch (1975)	Not significant
Years of employment			
Callan (1992)	State employees	Questionnaire	Length of service not related to ethical values
Dubinsky and Ingram (1984)	Managers	Questionnaire	Not significant
Kidwell et al. (1987)	Managers	Questionnaire	Those with more years employed tended to exhibit more ethical responses

Table 2.1 (continued)

Variable Study (Year)	Sample	Method	Finding
Serwinek	Ins. emp.	Questionnaire	Not significant
Personality/Beliefs/Values			
Machiavellian			
Hegarty and Sims (1978, 1979)	Grad stud.	Lab experiment	High Machiavellian assoc. with unethical beh.
Singhapakdi and Vitell (1990)	Marketing managers	Questionnaire	High Mach. mgrs. perceived ethical problems as less serious and were less likely to take action
Neuroticism, extroversion and value orientation			
Hegarty and Sims (1978, 1979)	Grad stud.	Lab experiment	Neuroticism, extrov. and political orien - n.s.; econ. orien assoc. with unethical behavior
Locus of control			
Hegarty and Sims (1978, 1979)	Grad stud.	Lab experiment	Not significant
Zahra (1989)	Managers	Questionnaire	External LOC mgrs. perceived organizational politics as ethical
Role conflict and ambiguity			
Dubinsky and Ingram (1984)	Salespeople	Questionnaire	Not significant
Acceptance of authority			
Ferrell and Skinner (1988)	Marketing researchers	Questionnaire	Not significant

denomination, and a behavior, frequency of church attendance (Kidwell et al. 1987). Of these factors, only strength of religious belief was significantly and positively related to strength of ethical standards (McNichols and Zimmerer 1985).

Nationality

The second personal attribute is nationality. Again, the results are mixed. As in the studies of religion, the studies and their results are not directly comparable. Abratt et al. (1992) found no difference in the responses of managers from South Africa and Australia while the Hegarty and Sims (1978, 1979) and White and Rhodeback (1992) studies showed a significant correlation between unethical behavior and non-U.S. citizenship. The Becker and Fritzsche (1987) study investigated the degree to which French, German, and U.S. managers differed in believing that codes of conduct were effective in influencing managerial behavior with the French having the greatest faith in these ethical devices.

Sex

Sex is reported in more empirical studies than any other single variable. Fourteen are listed on Table 2.1. Of these, seven reveal that females are likely to act more ethically than males; at least in some situations (Beltramini et al. 1984; Chonko and Hunt 1985; Ferrell and Skinner 1988; Jones and Gautschi 1988; Kidwell et al. 1987; Ruegger and King 1992; Whipple and Swords 1992). While seven other studies found that sex had no impact on ethical beliefs (Browning and Zabriskie 1983; Callan 1992; Dubinsky and Levy 1985; Hegarty and Sims 1978, 1979; McNichols and Zimmerer 1985; Serwinek 1992).

Age

The last personal attribute found measured in the empirical literature is age. Here, there are eight studies (Browning and Zabriskie 1983; Callan 1992; Izraeli 1988; Jones and Gautschi 1988; Kidwell et al. 1987; Ruegger and King 1992; Serwinek 1992; Stevens 1984) to report. Only three found a significant relationship between older and younger respondents and their ethical beliefs. Browning and Zabriskie (1983) reported that younger purchasing managers had a more ethical viewpoint than older managers. However, Serwinek (1992) found that older workers had stricter interpretations of ethical standards, and Ruegger and King (1992) found older students to be more ethical than younger students.

Overall, the mixed results for some personal attributes that have been tested and the lack of a significant correlation in many studies between such factors and ethical beliefs, suggests:

Summary

Personal attributes are related to an individual's ethical beliefs and decision making behavior in some studies but not in others.

Education and Employment Background

The next four individual factors reported in Table 2.1 are those relating to educational background and employment experience. These factors include type of education, years of education, type of employment, and years of employment. Here, studies report some significant relationships but, unfortunately, they tend to contradict one another.

Type of Education

Hawkins and Cocanoughec (1972) compared business students with other majors and report that business students are more tolerant of unethical behavior than non-business students. On the other hand, Beltramini and his associates (1984) report that business majors are more concerned about ethical issues than others. Since the two studies were asking different questions and used different methods, these results are not necessarily inconsistent (e.g. business majors may be more concerned than others even though they are more tolerant). In a different approach to the education issue, Chonko and Hunt (1985) found managers with technical backgrounds to be more ethical than managers with non-technical backgrounds, while Laczniak and Inderrieden (1987) found no difference in ethical beliefs for MBA students with technical versus those with non-technical educational backgrounds. Likewise, Stevens and his associates (1989) found few differences between the ethical beliefs of managers and business students or attorneys and law students. Two other studies (Goodman and Crawford 1974; McNichols and Zimmerer 1985) reported in Table 2.1 found no significant differences in type of education.

Years of Education

The number of years of education also exhibited mixed results. Browning and Zabriskie (1983) found that purchasing managers with more education viewed gifts and favors to be more unethical than less educated purchasing managers. This was partially supported by Jones and Gautschi (1988) and Lane et al. (1988). In three

other studies (Dubinsky and Ingram 1984; Kidwell et al. 1987; Serwinek 1992) however, no significant relationship was found.

Employment and Years of Employment

For the next two groupings reported on Table 2.1, employment versus student status and years of employment, the results are again mixed. Two studies comparing students and managers found that managers were more ethical than students (Arlow and Ulrich 1980; Stevens 1984). In a similar study using Newstrom and Ruch's (1975) questionnaire, Stevens et al. (1989) found few differences in ethical beliefs between managers, business students, attorneys, and law students, although the professionals' ethical beliefs were generally higher than their student counterparts.

In addition to these studies, Dubinsky and Gwin (1981) report a comparison between managers from two different functional areas. This comparison between purchasing managers and salespeople shows a significantly different ethical perspective between the two and reveals the need to consider such comparisons in future work. Brenner and Molander (1977) report responses from a variety of functional areas but do not report any statistical analysis of the importance, if any, these functional identifications may have on ethical behavior. Also, a study by Bowman (1976) sought to compare results of a survey of public administrators with the data from an earlier, nearly identical, study by Carroll (1975) of business administrators. Although there are no statistical tests of differences reported (for this reason these studies are not included in Table 2.1), a number of comparisons are reported where the percentage agreement with an ethical issue is clearly different between the two groups of respondents. Finally, a study by Kidwell and her associates (1987) found a relationship between years of employment and. ethical beliefs.

Here, the scarcity of empirical work makes it difficult to conclude anything other than further study is warranted on both age and employment related factors. Intriguingly, such data may be already available from the reported studies since these items are frequently included in the data collection methods used in the majority of the studies reported above. Authors of these studies might easily reanalyse their data to discover any significant differences due to any of these factors. However, it is very likely that age and years of employment would be highly intercorrelated as would managerial position, education, and age (Posner and Schmidt 1987). This makes isolating the primary effects (if any) of such factors very difficult and leads to:

Summary

In some instances, type and years of education and type and years of employment are related to an individual's ethical beliefs and decision making behavior. However, in other situations, ethical beliefs and decision making are independent of education and employment.

Personality, Beliefs and Values

The last group of individual factors reported in the empirical literature on ethical behavior focuses on the personality factors, values and beliefs of the decision maker. Here, only a half dozen studies have appeared. By far the most extensive work in this area is reported in two articles by Hegarty and Sims (1978, 1979). In their lab experiments, they included measures of a variety of personality factors including the Allport-Vernon-Lindzey Scale of Values, the Rotter External-Internal Locus of Control Scales, Eysenck Neuroricism-Extroversion Scales, and the Machiavellianism Scale.

Machiavellianism

In their investigation of the covariates of ethical decision behavior Hegarty and Sims (1978, 1979) found that Machiavellianism explained significant variance in ethical behavior in both studies. A later study by Singhapakdi and Vitell (1990) supports this by finding that Machiavellian managers perceive ethical problems as less serious than others and were less likely to take action to correct the problem.

Values

The Allport-Vernon-Lindzey measure of economic value orientation was significant in the Hegarty and Sims (1978, 1979) studies, while the political value orientation was significant in the 1978 study but not the 1979 study. The Eysenck measures of neuroticism and extroversion showed no significant relationship to ethical behavior (Hegarty and Sims 1978, 1979).

Locus of Control

In the measure of Internal versus External Locus of control, the results were again mixed with significant results in 1978, but no significance was found in the 1979 study (Hegarty and Sims). In a more recent study, Zahra (1989) supports the significance of the earlier results by finding that external locus of control managers viewed organization politics as ethical behavior.

Other Variables

Beyond these few studies, there is little else to report on personality related variables. Dubinsky and Ingram (1984) found no relationship with role conflict – role ambiguity measures in their study and Ferrell and Skinner (1988) found no significant relationship with an acceptance of authority measure they used.

It seems intuitively obvious that certain personality traits should be related to ethical decision behavior. There are many well accepted measures that offer fruitful opportunities for future empirical investigation. Indeed, even replication of the studies noted above could contribute greatly to a better understanding of the relationship between various dimensions of the individual's personality and that person's ethical decision making behavior. In light of the limited evidence, we offer the following:

Summary

Some personality traits of the decision maker are related to his/her ethical beliefs and behavior. Interestingly, the trait which would have the strongest predicted theoretical relationship (i.e. Machiavellianism) to ethical beliefs and decision making has been verified in the empirical work.

Situational Factors

The second category of factors included in most theoretical models are associated with the situation. While several theoretical models make the distinction between situation specific, overall organizational, and general environmental variables, these have been combined together in this review as noted earlier. This category includes a variety of situational forces that are conceptually distinct from the individual factors listed in Table 2.1. These forces, then represent the situational pressures which come to bear on the individual to encourage or discourage ethical decision making. Thus, in our review, this category would include the individual's referent groups, the ethical values and practices of the supervisor, organizational culture, industry norms, and overall social values.

Referent Groups

The studies investigating referent group factors include studies of both peer groups, top management influences on ethical decision behavior, and the use of rewards and sanctions.

Peer Group Influence

The peer group studies listed on Table 2.2 are essentially those of Mary Zey-Ferrell. She reports (Zey-Ferrell et al. 1979) that respondent's perceptions of the beliefs of his or her peers is the best predictor of the respondent's ethical behavior. In a later study with Ferrell (Zey-Ferrell and Ferrell 1982), they found that this predictive

Table 2.2 Empirical evidence relating factors not specific to the individual and ethical decision making

Variable Study (Year)	Sample	Method	Finding
Referent Groups			
Peer group influence			
Dubinsky and Loken (1989)	Salespeople	Questionnaire (Ajzen and Fishbein Model)	Intenders more likely to feel pressure from referents especially top mgmt. and supervisors
Izraeli (1988)	Israeli managers	Ques. Newstrom and Ruch (1975)	What peers do was the best predictor of ethical behavior
Pratt and McLaughlin (1989)	Students	Questionnaire	Students more sensitive to their professors' beliefs as ethical benchmark than peer beliefs
Zey-Ferrell and Ferrell (1982)	Advertising managers	Ques. Newstrom and Ruch (1975)	Interorganizational referent groups less likely to influence behavior
Zey-Ferrell et al. (1979)	Marketing managers	Questionnaire	Perceptions of peers' behavior influenced unethical beh. more than respondents own beliefs
Top management influence			
Akaah and Riordan (1989)	Marketers	Scenarios – (Crawford 1970)	Absence of top mgmt. actions against unethical behavior resulted in stronger approval of questionable practices
Murphy et al. (1992)	Managers	Questionnaire	Actions of Top Mgrs. had minimal influence on organizational ethical behavior
Zey-Ferrell and Ferrell (1982)	Managers	Ques. Newstrom and ruch (1975)	Mixed Results
Zey-Ferrell et al. (1979)	Managers	Questionnaire	Not significant
Rewards & sanctions			
Fritzsche and Becker (1983)	Marketers	Vignettes	Severe consequences leads to actions that are perceived to be supported by top management
Hegarty and Sims (1978)	Grad stud.	Lab experiment	Rewarding unethical behavior increases unethical behavior
Hunt et al. (1984)	Market researchers	Questionnaire	Top Mgmt. actions reduce ethical problems
Laczniak and Inderrieden (1987)	MBA stud.	In-basket	Mixed discipline leads to ethical behavior

Codes of conduct

Study	Sample	Method	Findings
Akaah and Riordan (1989)	Marketers	Scenarios – (Crawford 1970)	Not significant
Chonko and Hunt (1985)	Managers	Questionnaire	Codes affect mgrs. perception of the extent of ethical problems
Ferrell and Skinner (1988)	Marketing researchers	Questionnaire	Enforced Codes assoc. w/higher levels of ethical behavior for data subcontractors and research firms, but not corp. researchers
Hegarty and Sims (1979)	Grad stud.	Lab experiment	Codes of conduct were positively related to ethical behavior
Hunt et al. (1984)	Marketing researchers	Questionnaire	Not significant
Laczniak and Inderrieden (1987)	Students	In-basket	Codes + sanctions leads to more ethical behav. weak support
Murphy et al. (1992)	Managers	Questionnaire	
Singhapakdi and Vitell (1990)	Marketing managers	Questionnaire	Ethical policy determines extent to which sales executives see ethical problems
Weeks and Nantel (1992)	Salespeople	Questionnaire	Well communicated code of ethics related to ethical sales force behavior

Type of ethical conflict

Study	Sample	Method	Findings
Fritzsche and Becker (1983)	Marketing managers	Scenarios	Rejected hypothesis that managerial behavior was invariant across types of ethical problems
Weber (1990)	Managers	Interview	Dilemma type affected moral reasoning of mgrs.

Organizational factors

Organization effects

Study	Sample	Method	Findings
Akaah (1992)	Marketers	Questionnaire	Strong identity w/the org. assoc. w/higher ethical behavior. Org. Warmth assoc. w/unethical behavior
Akaah and Riordan (1989)	Marketers	Scenarios – (Crawford 1970)	Results suggest that healthier ethical env. leads to strong ethical stands
Delaney and Sockell (1992)	Columbia U. alumni	Questionnaire	Ethics training has a positive effect on ethical behavior

(continued)

Table 2.2 (continued)

Variable Study (Year)	Sample	Method	Finding
Ferrell and Skinner (1988)	Marketing researchers	Questionnaire	More formalization assoc. w/ethical decisions. Centralization related to higher perceived ethical behavior in research firms
Victor and Cullen (1987)	MBA students and managers	Questionnaire	Sig. differences in the ethical climate of four sample populations
Organization size			
Browning and Zabriskie (1983)	Members of Pur. Assoc.	Questionnaire	Larger firm respondents more accepting of gifts and favors from ex-suppliers
Murphy et al. (1992)	Managers	Moral Dilemmas	Moral judgement varied by size
Weber (1990)	Managers	Interview	Relationship between org. size and level of moral reasoning
Organizational level			
Akaah and Riordan (1989)	Marketers	Scenarios – (Crawford 1970)	Not significant
Chonko and Hunt (1985)	Managers	Questionnaire	Higher level mgrs. less likely to see ethical problems
Delaney and Sockell (1992)	Columbia U. alumni	Questionnaire	Lower level mgrs. perceived greater need to be unethical to get ahead than upper level mgrs.
Izraeli (1988)	Israeli managers	Ques. Newstrom and Ruch (1975)	Not significant
Mitchell et al. (1992)	Bank employees	Interview	Knowledge of ethical problems and perceived seriousness of ethical problems was influenced by level in the hierarchy
Posner and Schmidt (1987)	Managers	Questionnaire	Lower level mgrs. were more pessimistic concerning the ethical character of their org.
Industry factors			
Industry type			
Akaah and Riordan (1989)	Marketers	Scenarios – (Crawford 1970)	Not significant

Dornoff and Tankersley (1975–1976)	Retailers	Scenarios	Significant perceptual differences among retailers toward the actions taken in purchase conflict situations
Laczniak and Inderrieden (1987)	MBA stud.	In Basket	No diff. in respondents working public vs. private orgs.
Business competitiveness			
Dubinsky and Ingram (1984)	Salespeople	Questionnaire	No relationship between increased competitiveness and unethical behavior
Hegarty and Sims (1978)	Grad stud.	Lab experiment	Increased comp. resulted in unethical behavior

relationship did not hold for managers whose contacts with their peers were less intense or less frequent. These findings would, then, lead to the belief that the influence of the person's peers was related to both the intensity and frequency of contact with that person's peers. Izraeli's (1988) findings lend further support for the importance of the person's peer group in determining that person's ethical decision behavior.

Interestingly, there are a number of studies (Brenner and Molander 1977; Baumhart 1961; Ferrell and Weaver 1978; Hunt et al. 1984; Izraeli 1988; Jones and Gautschi 1988; Kidwell et al. 1987; Krugman and Ferrell 1981; Newstrom and Ruch 1975; Stevens et al. 1989; Vitell and Festervand 1987) that all report that respondents saw themselves as more ethical than their peers, supervisors, or other people they knew. The weight of the evidence that the peer group has a significant influence on ethical behavior coupled with the evidence that individual managers see themselves as more ethical than peers or colleagues leads to:

Summary

The direct influence of the person's peers increases as the intensity and frequency of contact with that person's peers increases. People see themselves as more ethical than their peers, co-workers, and supervisors in their ethical beliefs and decision making behavior.

Top Management Influence

Another type of referent group influence is that exerted by top management on the decision maker. The actions of top management can influence a decision maker in several ways. First, top management actions can serve as a model or referent for desired behavior. Second, what top management rewards and punishes can also influence behavior. Several of the many studies investigating the influence of top management follow the Brenner and Molander (1977) and Baumhart (1961) approach. These two studies surveyed *Harvard Business Review* readers who were asked to indicate what they believed most influenced their own ethical behavior. By a wide percentage margin, the responding managers ranked the behavior of superiors as the most important in both the 1961 and 1977 studies. Much less frequently mentioned influences (in descending order) included the existence of a formal company policy, the industry's ethical climate, and the behaviors of one's equals (peers) in the company. These rankings were supported in later studies by Posner and Schmidt (1984) and by Vitell and Festervand (1987). Posner and Schmidt (1984) reported, for example, that the managers surveyed believed that their ethical behavior was directly dependent upon their supervisor's ethical behavior. While the evidence derived from these descriptive studies would indicate that top management does play a very important role in influencing an individual's ethical decision making, other studies using more rigorous methods provide only mixed support for this conclusion.

Akaah and Riordan (1989) found that the absence of top management actions against unethical behavior resulted in stronger approval of questionable practices in the organization. However, Murphy and his colleagues (Murphy et al. 1992) report that leadership has minimal influence on ethical behavior. Two additional studies reported either no significance (Zey-Ferrell et al. 1979) or mixed results (Zey-Ferrell and Ferrell 1982), respectively regarding the influence of top management on ethical behavior.

Rewards and Sanctions

While the influence of top management is frequently seen through its manipulation of the reward and sanctions available through its organizational position as discussed above, some research has been done which specifically investigates the influence of rewards and sanctions on ethical decision making behavior. All the studies noted in the rewards and sanctions section of Table 2.2 found a relationship between rewards and the ethical behavior of the individual decision maker (Fritzsche and Becker 1983; Hegarty and Sims 1978; Hunt et al. 1984; Laczniak and Inderrieden 1987). If top management can be considered a special case of group influence then the findings concerning top management influence amplifies the findings on the importance of peer influence. It is clear that top management does have an impact on an individual's ethical decision making over and above an employee's peers both through how it acts and through its granting or withholding organizational rewards and sanctions.

Summary

An individual's ethical beliefs and decision making behavior will increasingly become congruent with top management's beliefs as defined through their words and actions as rewards provided for compliance congruency are increased.

Codes of Conduct

Codes of conduct have been examined in a large number of studies (9 are listed on Table 2.2) in the empirical literature. Here, for the most part, the existence of a code of conduct or corporate policy statement on ethical behavior has been found to be consistently and significantly related to ethical behavior. If top management is thought of as a special case of peer and group influences, then the existence or non-existence of a code of conduct can be thought of as a special case of top management support for ethical behavior. Obviously, if top management takes the trouble to develop a code, they are trying to influence ethical behavior in a positive way. Laczniak and Inderrieden (1987) reported that sanctions coupled with codes of conduct resulted in more ethical behavior for students participating in an in-basket exercise. Their results support earlier studies by Hegarty and Sims

(1979) and coincide with more recent work by Singhapakdi and Vitell (1990) and Weeks and Nantel (1992).

It may be that corporate codes are surrogate indications of top management's commitment to ethical behavior. However, the efficacy of codes in an organization will be determined by top management's willingness to enforce such codes. This leads to:

Summary

The existence of corporate codes of conduct will positively increase an individual's ethical beliefs and decision behavior. The existence of corporate codes and top management's use of rewards and sanctions for code adherence and violations will increase ethical beliefs and decision making more than the existence of codes.

Type of Ethical Decision

Fritzsche and Becker (1983) found that managerial decision behavior would vary across types of ethical problems. Their findings were based on a series of scenarios developed to see if different types of dilemmas would lead to variations in a manager's ethical decision making. In a similar study, Weber (1990) found that the type of dilemma also affected the manager's moral reasoning.

A number of studies (Izraeli 1988; Kidwell et al. 1987; Stevens et al. 1989; Zey-Ferrell and Ferrell 1982) utilizing the Newstrom and Ruch (1975) questionnaire supported the notion that some activities (e.g. falsifying reports, passing blame for errors versus giving gifts, not reporting others' violations) are viewed as more unethical than other activities.

Organizational Factors

The next three factors of Table 2.2 are related to organization characteristics. These studies examine various organization effects (e.g., climate, structure, etc.), the size of the organization, and employee's level in the organization.

Organization Effects

Five studies examine different organization effects relating to ethical decisions. Delaney and Sockell (1992) noted that company ethics training programs had a positive effect on ethical behavior based on their survey of Columbia Business School alumni. Akaah and Riordan (1989) concluded that healthier ethical environments, as defined by the extent of ethical problems within an organization, would improve the chances that marketing professionals would make ethical decisions. Victor and

Cullen (1987) tested for and found the presence of distinct, different ethical climates by examining military, academic, and corporate organizational members. Akaah (1992) studied social inclusion as an ethics correlate by using Litwin and Stringer's (1968) operationalization of organizational climate. Two variables, organizational warmth and organizational identity, were used in the study. Akaah (1992) found marketing professionals with higher organizational identity to have higher ethical behavior while professionals in warm organizations were less ethical.

The number of empirical studies investigating the influence of structural factors is very limited. In a major study of market researchers in three different types of organizations (data subcontractors, marketing research firms, and corporate research departments), Ferrell and Skinner (1988) found a number of organizational factors that were related to ethical behavior. The authors examined formalization, centralization, and controls using scales adapted from John (1984). They also examined acceptance of authority using a scale developed by Withey (1965). Ferrell and Skinner (1988) report that higher levels of formalization are related to greater perceived ethical behavior in all three types of firms. Centralization is related to higher perceived ethical behavior in research firms only. The measures on acceptance of authority and control were not found to be related to ethical behavior.

While there is some evidence of a relationship between the ethical climate and ethical decision making behavior, there is a need for further research to better understand the relationships found here. This is especially true in light of the increasing body of literature on organizational culture. Further, the significant relationships found in the Ferrell and Skinner work (1988) indicate a fertile opportunity for investigation which could build on a large body of knowledge in the organizational structure and design literature.

Summary

The more ethical the climate and culture of an organization is, the more ethical an individual's ethical beliefs and decision behavior will be. The strength of this influence may be moderated by the structure and design of some organizations.

Organization Size

Three studies examined organization size and found that firm size impacted ethical perception and moral judgement. Browning and Zabriskie (1983) found that respondents from larger firms were more accepting of gifts and favors from ex-suppliers. The Murphy et al. (1992) study showed that smaller companies tended to avoid unethical behavior in marketing issues while larger firms tended to avoid unethical issues in operational areas. Although no statistical analysis was performed, Vitell and Festervand (1987) found that respondents from smaller firms believed unethical practices were more common in their industries. They (Vitell and Festervand 1987) concluded that smaller firms might be under greater pressure to engage in unethical behavior in order to remain competitive with larger firms.

Weber (1990) in analyzing responses to moral dilemmas found that there was a small but consistent relationship between organization size and stage of moral reasoning. Weber suggested that members of large bureaucratic organizations are more likely to perceive themselves as cogs in a machine, and may use a lower level of moral reasoning in their decision making. Further, employees of smaller companies may face fewer rules and feel a greater sense of importance to the firm resulting in a higher level of moral reasoning. In spite of the contradictory arguments made concerning the relationship between organization size and ethical decision behavior, the limited empirical evidence suggests the following:

Summary

As the size of an organization increases, individual ethical beliefs and decision making behavior decreases.

Organization Level

The studies investigating organization level have yielded mixed results. On one hand, Chonko and Hunt (1985) found that higher level managers were less likely to perceive ethical problems, and studies by Posner and Schmidt (1987) and Delaney and Sockell (1992) looking at the issue from the other end of the organization tended to support this by finding lower level managers were more pessimistic concerning the ethical character of the organization. On the other hand, Mitchell et al. (1992) found that higher level bank employees were more aware of ethical problems than lower level employees. Two other studies (Akaah and Riordan 1989 and Izraeli 1988) found no relationship between organization level and ethical behavior. These findings lead to:

Summary

As an employee's level in the organization increases, that employee's ethical beliefs and decision making behavior decreases.

Industry Factors

The last two factors discussed in Table 2.2 investigate factors associated with industry type and the level of overall business competitiveness.

Industry Type

Each of the three studies listed under industry type found no difference in responses by industry. It seems possible that the variable has not been properly

tested for its effect. In the case of Akaah and Riordan (1989), for example, the authors acknowledge that their broad classification scheme may have dissipated the variable's effect. Dornoff and Tankersley (1975–1976) study had only three different types of retailers, while Laczniak and Inderrieden (1987) were able to only divide respondents into public versus private organizations. At issue here is the attitude of the industry itself. While this may be a product of industry survival needs, it is likely to also reflect a long history of accepted industry practices and customs. The crudeness of the operationalization of this factor in the available studies may have led to obfuscation of significant industry differences. However, it appears to be an important issue worthy of further investigation.

Summary

Industry ethical standards are not related to an individual's ethical beliefs and decision making behavior.

Business Competitiveness

The final factor considered is closely related to industry type and has been labeled business competitiveness. The rationale underlying the study of this factor is that increased market place competition is likely to bring greater pressure to sacrifice ethical ideals for the sake of survival. The two studies cited here provide mixed results. In their lab experiment, Hegarty and Sims (1978) found that competitiveness tends to decrease ethical decision behavior, while Dubinsky and Ingram (1984) found no such relationship. It seems reasonable to believe that the influence of such a situation where the survival of the organization and hence the security of the decision maker's job may rest on acting unethically, the pressure to act unethically would be strong.

Summary

The level of overall business competitiveness may influence an individual's ethical beliefs and decision making behavior.

Discussion

There is a great deal of work to be done in better understanding the influence of the many factors discussed here on the ethical approach used by the decision maker. Indeed, there are even some obvious factors for which no studies are apparently available. Such demographic factors as marital status, children, and career type are

not mentioned in any studies reported here. Other obvious factors, including level of education, age, number of years employed, and income level are seldom reported and poorly understood. Since many studies rely on questionnaires to gather data, it seems that these factors would be relatively easy to capture in future studies allowing a considerable expansion in the body of knowledge about how these demographic variables influence ethical decision behavior. While such factors may ultimately hold little explanatory power, further research on these factors is warranted to test the existing models.

The study of personality factors while more complex than demographic variables is again an area with enormous potential for ethical decision research. Many instruments already exist to measure a variety of individual traits. Many of these measures lend themselves to paper and pencil tests that could be easily incorporated into the questionnaire formats frequently used in ethics research. Indeed, studies of the ethical decision-making process using the available standard measures could readily be implemented with student samples without severely threatening generalizability and offer the advantage of laboratory research designs (Randall and Gibson 1990). Even more surprising is the omission of the many attitudinal factors frequently noted in the behavior literature. No study found in this review, for example, investigated the relationship between such obvious factors as job or organizational commitment and ethical decision making behavior.

The factors not specific to an individual have received even less empirical attention than individual factors. If we are to learn more pertaining to ethical decision processes, the context in which ethical decisions are made must be examined. Many of these variables might be obtained from archival data. Presence of ethical codes, professional codes, and the specifics of reward systems might be obtained from annual reports, company publications, and case studies. Given the level of interest in decision making in general and ethical decision making in particular, it is surprising how few organizational variables have in fact been studied. Such factors as the general economic climate, level of industry competitiveness, existence of professional codes of conduct, or other aspects of the task and organizational structure have not been studied and offer fertile opportunities for future research.

One additional note concerns the general lack of common terminology. Most studies on ethical decision making offer no clear definition of "ethical" behavior or conduct (Randall and Gibson 1990). While defining ethics may be like "nailing jello to a wall" (Lewis 1985), meaningful progress in this field will continue to be impeded by the lack of clear constructs upon which cumulative efforts can be built. These comments are also related to our opening remarks concerning model development. The study of ethics does not currently need additional models of ethical behavior just as it does not need additional definitions of key constructs. What is needed is further testing of plausible existing models (Ferrell and Gresham 1985; Jones 1991; Trevino 1986) and usage of clearly stated terminology (Bowman 1976; Brenner and Molander 1977; Browning and Zabriskie 1983; Jones 1991).

Finally, a comment concerning the focus of the studies on ethical issues. Based on the review of the literature it appears safe to say that people perceive themselves to be more ethical than their peers. Future studies focusing on respondents' beliefs

as compared to their perception of peer beliefs do not seem warranted without examining interaction effects with other factors. Future research comparing the beliefs of students and practitioners fall into the same category. However, studies examining the decision processes of students might be quite informative. Well-designed lab experiments might be useful in exploring factors impacting ethical decision processes.

Conclusion

This review of the empirical literature offers a number of opportunities for researchers to consider in their future efforts. In this review we have indicated areas that could easily be incorporated into the typical questionnaire study design. Further, there are a number of issues that have been investigated but the results are inconclusive or contradictory. Regardless of the difficulty of defining what ethical behavior is, there have been a number of studies which have attempted to operationalize this factor and then test its relationship to a variety of dependent variables noted in this review. In a sense, this review is discouraging in that the number of empirical studies is distressingly small. In another sense, this review is exciting in that it identifies a large number of opportunities for fruitful research in an area in which we still know so little and need to know so much.

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