Chapter 24
Will the Ethics of Business Change? A Survey of Future Executives

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Introduction

The late 1970s and early 1980s are described by Lipset and Schneider (1983) as a period in which American institutions experienced a "crisis of confidence." Their thesis is not surprising given what even the most casual observer might recall from that time period – for example revelations of: (1) illegal political contributions by corporations, (2) bribery of foreign officials, and (3) American governmental helplessness in the presence of foreign terrorists. Since shortly after the advent of the Reagan years, the public mood seems to have become more positive with regard to those same institutions. A July 1985 Gallup poll showed public confidence in the following institutions to have risen over the 1980–1985 period: churches, the military, the U.S. Supreme Court, public schools, Congress, television, and big business. With regard to the last category, those expressing a great deal of confidence had risen from a low of 20% in 1980 to 31% in 1985. Still, big business ranked behind each of the other institutions, with the exception of television.

The reasons for the low level of public confidence are open to debate, but, in part, the explanation lies in a public perception that big business is marked by unethical practices. Union Carbide's role in the Bhopal tragedy, Manville's culpability in the asbestos crisis, and E. F. Hutton's involvement in financial misdealings are only a few examples of well-publicized questionable behavior on the part of big business. The impact of such well known misdeeds manifests itself in the results of another

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Gallup poll taken in August 1985. Respondents were asked the following question: how would you rate the honesty and ethical standards of people in these different fields – very high, high, low, or very low? Business executives received very high or high marks from only 23% of the respondents. This result placed executives behind: clergymen (67%), druggists/pharmacists (65%), medical doctors (58%), dentists (56%), college teachers (54%), engineers (53%), policemen (47%), bankers (37%), TV reporters/commentators (33%), journalists (31%), newspaper reporters (29%), and lawyers (27%). In an identical Gallup poll 2 years earlier, business executives had achieved a very high/high rating from only 18% of the respondents. However, in the 1983 poll the rating for each of the other occupations was also lower than that for 1985.

The low esteem in which the public has held business executives has not been unnoticed by the business community or professional schools of business. Codes of ethics, rare 15 years ago, are commonplace among America's large corporations. Various texts and casebooks discuss the efficacy of such codes and their implementation. Molander (1980), for example, provides an interesting case history of Weyerhaeuser's tribulations involved in designing and implementing a code of ethics in the mid-1970s. Harvard Business School, in a response to a charge from the university's president, has instituted a special project on ethics in business. Business and Society textbooks typically contain a section on business ethics. (See, for example, Sturdivant 1985; Steiner and Steiner 1985; Davis et al. 1980.) In addition, the study of business ethics has become the subject of distinct courses and textbooks in recent years as the result of the shared interests of business scholars and philosophers. Recent texts include DeGeorge (1982), Velasquez (1982), and Matthews et al. (1985). Finally, the recent advent of two journals, the Journal of Business Ethics and the Business and Professional Ethics Journal, demonstrates further the heightened academic interest in ethics in business.

During the 1960s and 1970s the business press explained that business leaders were becoming increasingly concerned with business ethics and corporate social responsibility. Baumhart (1961) and Brenner and Molander (1977), in the two most frequently cited studies, reported results of extensive surveys of business executives that demonstrated this heightened concern. A particularly striking finding of the latter study was the ranking of customers ahead of stockholders as "the group to whom executives feel the greatest responsibility" (p. 69). The authors argued that the traditional caveat emptor relationship had given way to the firm's being the "customer's servant."

At present, however, much attention is being given to making the American economy better able to compete with foreign firms. Productivity, not responsibility, seems to be the major concern for the American business community. A question worth exploring is: How does this changing, muddied environment translate into attitudes toward business ethics and social responsibility held by future executives? It is the aim of this study to provide some answers to this question.

Previous Research

Previous research on attitudes comes under one of three headings: surveys of business executives, interviews with selected executives, and surveys of college/professional school students. In the first category the best known studies are those of Baumhart (1961) and Brenner and Molander (1977). Both studies involved surveys of Harvard Business Review readers. Baumhart focused his attention on the ethical norms of business executives, finding, among other things, that executives surveyed viewed their own behavior to be more ethical than that of their peers.

Brenner and Molander updated and expanded the Baumhart study by adding material on social responsibility. In comparing the results of their analysis of 1,227 responses to Baumhart's results, the authors conclude (p. 59) that:

1. Respondents evince considerable disagreement regarding whether ethical standards have changed.
2. Respondents view the ethical standards of their peers less optimistically than they view their own.
3. Respondents favor ethical codes, but feel that such codes will not be effective by themselves.
4. Respondents embrace the concept of social responsibility and rank responsibility to customers ahead of responsibility to stockholders.

These conclusions from responses to survey questions are based on aggregate measures, and, consequently, do not allow one to draw inferences regarding the views of persons at different levels of the organizational hierarchy, or to determine, for example, whether older executives differ from younger executives in attitudes. Further, the male to female ratio in the sample was approximately 19:1. As a result, the authors could not confidently compare the attitudes of men and women executives.

Carroll (1975) conducted a random survey of 400 managers selected from various corporate listings. Using a four point scale (agree, somewhat agree, somewhat disagree, disagree) he asked his respondents to react to a series of statements alleging unethical business behavior as printed in newspapers and magazines. From the 238 respondents Carroll learned that on some issues top managers expressed different views from those of middle and lower level managers. For example, a majority of top managers disagreed with the following statement while a majority of middle and lower level executives agreed with the statement.

> The illegal business campaign contributions of the last year or so are realistic examples of the ethics of today.

On the aggregate level 47% of the respondents expressed at least some level of agreement with the statement "Business ethics today are far superior to ethics of earlier periods," a result similar to that found by Brenner and Molander two years later. Similar to the analysis conducted by Brenner and Molander, Carroll's study relies primarily on aggregate measures. Further, as in the Brenner and Molander study, Carroll does not subject his data to any statistical analysis.

In contrast with the three studies just noted is the work of Posner and Schmidt (1984). The study sought to learn something about the values of American managers. To do so the authors polled 6,000 executives. The results of the analysis of the responses of 1,460 managers allowed the authors to conclude, among other things, that (pp. 214–215):

> Profit maximization and stockholders, contrary to popular opinion and stereotypes [sic] are not the central focus of managers . . . attention to the public-at-large, or government is also not very substantial.
>
> Managers perceive that pressures to conform to organizational standards are strong (and very few see these pressures diminishing).

Although Posner and Schmidt confine much of their analysis to the aggregate level, they do give some attention to ascertaining the nature of differences among managers by level in the organization. For example, an analysis of variance (p. 206) demonstrates that upper, middle, and lower level managers rank differently the importance of 16 categories of organizational stakeholders. Interestingly, it is only upper level managers who rank customers first. Whether the scaled value of importance for the customer category is statistically different across management levels is a question not addressed by the authors. Further, although they have the data that would allow them to do so, the authors do not try to assess the extent to which educational levels and gender differences are associated with varying sets of values of the respondents.

A contrasting approach to the survey is that of the series of interviews. A particularly good example of this approach is found in Clinard (1983). [An earlier, less well-structured use of the approach was used by Silk and Vogel (1976) in their frequently cited study of top level executives.] Clinard conducted lengthy, in-depth interviews with 64 retired middle-level managers from a variety of Fortune's 500 companies. Although the nature of his sample was such that he could not subject his data to statistical analysis, he was able, through a careful reading of the records of the interviews, to draw numerous inferences. For example, the evidence was quite convincing that the respondents believed that top management is an important determinant of ethical behavior within the corporation, in that "…the chief executive officer (CEO), sets the corporate ethical tone." (p. 132) In addition, those persons interviewed provided considerable support for the argument that pressures to show profits are, at least at times, substantial enough to lead middle managers to engage in unethical behavior. Finally, in a finding that bears on the perceived efficacy of corporate codes of ethics, the majority of respondents felt that:

> … industry cannot police itself effectively without some government intervention. . . . [The] unethical behavior of certain top management personnel within an industry, plus the greed and unethical practices of some corporations, have made government regulation necessary. Moreover, they could visualize no way in which industry rules might be effectively enforced. (p. 153)

The last finding reported above contrasts with that reported by Trawick and Darden (1980). Although the sample is not described, this study of the attitudes of marketing academics and practitioners concludes:

1. Improving marketing ethics can be achieved best through formal education.
2. A formal code of ethics coupled with self-regulation is good means of improving marketing ethics.
3. Government regulation to upgrade marketing ethics is not well received by marketing practitioners.

Upon subjecting the responses of the practioners and academics to a chi-square test for differences, the authors found that there were no major differences between the two groups. Instead, any differences were in degree and not substance.

Do external groups share the views on business ethics demonstrated in the studies discussed above? Clearly, the Gallup Poll results cited earlier suggest that the public has a less than sanguine view of the ethical norms of business executives. For the purposes of the current study, it is useful to refer to studies of the attitudes of college and professional school students.

A recent study of the attitudes of college students regarding business ethics is that conducted by Beltramini et al. (1984). In their study the authors analyzed the questionnaire responses from 2,856 students in 28 universities, private as well as public, after having conducted a pre-test on 200 students. The pre-test led to the development of the ten item questionnaire used in the study. The major finding of the study is that women students are more concerned about ethical issues in business than are their male counterparts, regardless of the issue. Although statistically significant differences were found on some items across academic classification and major, these differences were not particularly large in a substantive sense. In fact the authors conclude that college students are quite sensitive to ethical issues in business, regardless of major, gender, or year in school. Still, the authors are led to assert that:

> Not only are the attitudes of future decision makers and managers regarding ethical practices currently in the process of being shaped by educators, but to an extent it is the female students' concerns which may well be establishing a new moral force in tomorrow's business world. (p. 200)

The assertion is worth pondering given the size of the sample and the results obtained. Responses to the ten questions were measured on a six point scale, ranging from Extremely Concerned to Extremely Unconcerned. The magnitude of difference between and among the various groups ranged from 0.1 to 0.3, hardly a large number on a six point scale. Given the size of the sample, and the fact that the male to female breakdown is 57–43%, one ought to expect statistically significant differences between the two groups. Consequently, it is not clear that the results of the study allow for a statement quite as bold as the one quoted above.

Krakhardt et al. (1985) conducted a sophisticated statistical study on MBA students at a particular institution so as to try to discover determinants of the students' judgements regarding ethical issues in business. At the time of its presentation, the study did not address itself to differences within the respondent pool according to demographic factors. Still, the study in its early form provides some useful findings. Specifically, the authors note that there is a strong tendency among MBA students to display a utilitarian perspective on business ethics. When addressing codes of ethics that contain a requirement that employees report code violations, the authors note that:

> … [W]ithin a business context, witnessing unethical behavior does not seem to carry any heavy responsibility for reporting the behavior. This finding may explain why there is such controversy over `whistle-blowing' in organizations. Although organizations may encourage employees to report unethical behavior, it is clear that failure to report such behavior is not considered highly unethical by this sample of MBA students. (p. 14)

What remains to be studied is an extension of the studies just discussed. While we know a good deal about the attitudes of business decision makers, our knowledge of the attitudes of future executives is not extensive. Nor are we particularly well informed as to the effect of demographic factors on attitudes. A systematic, carefully constructed study of current MBA students' attitudes should allow us to learn, for example, whether tomorrow's executives reflect the views of what is considered to be an increasingly conservative American public. It is to this and other similar questions that we turn our attention.

The Study

During the 1984–1985 academic year, we administered a questionnaire to students enrolled in a required MBA course, Context of the Business System, at the University of Washington. The questionnaire contained a series of open-ended questions that asked students, "What would you do if …" followed by the description of a situation that involved an ethical issue or issues. For example, one question asked what the student would do if s/he were told to fire a once productive 62 year old employee in order to make room for a younger employee. In addition to the open-ended questions, bounded questions appeared that asked the students to: (1) rank a series of ethical issue categories according to their perceived importance, (2) compare their own ethical standards to those of other groups, (3) rank stakeholder groups according to their claim upon the firm, and (4) comment on the current and expected future state of ethics in business. From the responses to the questionnaires we were able to refine the survey instrument. (See the Appendix for a reprint of the questionnaire.) Subsequently, we decided to administer the questionnaire to MBA students within a set of schools offering the MBA degree. The set of schools (Harvard, California-Berkeley, Michigan, Duke, Minnesota, Penn State, Pittsburgh, Oregon State, Portland State, Santa Clara, and Cal. State-L.A.) was chosen to provide a diversified sample according to: (1) geographical region, (2) public versus private, (3) academic stature (international, national, and regional), and (4) size. From approximately 1,000 questionnaires that were sent out in 1985 we received 455 usable responses.

For analysis of the responses we developed a series of aggregate measures and a series of comparative measures by age, education, and gender of the respondents.

(The reader who wishes to see a full statement of each of the questions should refer to the Appendix to this paper.)

The responses to questions 1, 2, 4 and 5 can be considered to represent interval level data. Consequently, the mean aggregate values are appropriate for summary statistic purposes. In addition, we were able to perform t-tests on these questions for differences in means for: (1) older versus younger students, (2) male versus female students, and (3) those students with graduate degrees versus those with undergraduate degrees only. Although we conducted t-tests for differences of means whenever appropriate, we shall report only those intergroup differences that are statistically significant. Question 3, which asks students to rank stakeholder groups, results in the generation of ordinal level data, which lends itself to less powerful statistical tests. Consequently, for the responses to that question we chose to avoid performing non-parametric tests on rank order across the several demographic categories in the set of respondents.

The open-ended questions required that we develop some sort of classification scheme for summary purposes. For question 7, which asked respondents to suggest ways of upgrading corporate ethical norms, the responses fell rather neatly into one or more of five categories: (1) improved legislation/stronger punishment, (2) improved legislation/external audits, (3) increased consumer awareness through media/consumer interest groups, (4) improved education of managers (future and present) to include ethics, and (5) improved corporate culture. The remaining open-ended questions were somewhat less easy to fit neatly into a classification scheme. After some deliberation, we decided that the response pattern could accommodate a classification scheme first articulated by Hirschman (1970). According to Hirschman, organization members, when faced with decision making situations in which their own values conflict with those of the organization and/or a superior, display behavior that fits into one or more of three types: exit (the individual leaves the organization), voice (the individual "speaks out" regarding the conflict), or loyalty (the individual acts in way consistent with the values of the organization and/or the superior). While not all of the responses to the hypothetical situations we posed fit into this taxonomy, the overwhelming majority did. As with the data for question three, we were left with a sizable set of ordinal level data for questions 8–15.

Results

As Table 24.1 shows, our respondents display considerable diversity within the six demographic categories for which we collected data. Notice, though that the "typical" respondent is male, under 30, with a B.A., 1–6 years of experience, previously earning between $20,000 and $30,000 annually, and specializing in finance.

Not surprisingly, our results at times are consistent with those found in studies described earlier, while at other times our results conflict with those of other researchers, as will become clear in the discussion that follows. We begin by describing the responses to the various questionnaire items.

Table 24.1 Profile of respondents

Age		Sex		Education	
Range	Frequency	Category	Frequency	Highest degree	Frequency
20–24	113 (25.3%)	Male	290 (64.4%)	B.A.	343 (76.4%)
25–29	213 (47.7%)	Female	160 (35.6%)	B.S.	46 (10.2%)
30–34	64 (14.3%)	No answer	5 (1.1%)	M.A.	51 (11.4%)
35–39	43 (9.6%)			M.S.	0
40–44	10 (2.2%)			J.D.	1 (0.2%)
45–49	2 (0.4%)			Ph.D.	3 (0.7%)
50 and over	2 (0.4%)			Other	5 (1.1%)
No answer	8 (1.8%)			No answer	6 (1.3%)
MBA concentration		**Experience**		**Income**	
Area	Frequency		Frequency		Frequency
Finance	151 (39.7%)	None	59 (13.3%)	Under $10k	50 (12.8%)
Info. Sys.	21 (5.5%)	1–3 years	146 (33.0%)	$10k–14,999	20 (5.1%)
Int. Bus.	12 (3.2%)	4–6 years	129 (29.2%)	$15k–19,999	43 (11.0%)
Mkting.	87 (22.9%)	7–9 years	41 (9.3%)	$20k–24,999	67 (17.1%)
Hum. Res. Mgmt.	9 (2.4%)	10 and over	64 (14.5%)	$25k–29,999	74 (18.9%)
Bus. Econ.	1 (0.3%)	Other	3 (0.7%)	$30k–34,999	61 (15.6%)
Gen. Mgmt.	43 (11.3%)	No answer	13 (2.9%)	$35k–39,999	38 (9.7%)
Logistics	2 (0.5%)			$40k and up	36 (9.2%)
Accounting	21 (5.5%)			Other	2 (0.5%)
Operations	9 (2.4%)			No answer	64 (14.1%)
Other	24 (6.3%)				
No answer	75 (16.5%)				

As Table 24.2 shows, respondents display considerable sensitivity toward the 14 ethical issue categories listed in the table. (Recall that the list was derived from the pre-test that we conducted in 1984. The question asks the respondent to indicate the extent to which the business community should give attention to the issue category listed).

At the aggregate level there are three findings that are worth noting. First, clearly, "product related" issues rank highest. Second, a closer examination of the responses shows that product safety has a dominant position in the view of our respondents, since 71.6% gave the category a 1 and 93.6% gave it a 1 or a 2. Finally, some of the "timeless" social policy issues – apartheid, comparable worth, and minority hiring – have relatively little salience with MBA students, while others – whistle-blowing and bribery – retain their importance. This result, as it pertains to apartheid, is a bit of a surprise, given the substantially increased divestment activity taking place among colleges/universities and public sector agencies in recent months. Recall, though, that the questionnaire was completed several months prior to the accelerated divestment activity.

Another point of note regarding the social policy issues is illustrated by a comparison of females and males in the sample. There are three statistically significant

Table 24.2 Importance of ethical issues

Issue	Mean response	Rank
Product safety	1.324	1
Product quality	1.522	2
Product information	1.753	3
Bribery	2.053	4
Whistle-blowing	2.145	5
Disclosure to shareholders	2.148	6
Community relations	2.231	7
Plant closures	2.355	8
Arbitrary discharges	2.448	9
Relations with foreign governments	2.476	10
Minority hiring	2.506	11
Executive compensation	2.695	12
Comparable worth	2.794	13
Apartheid	2.827	14

Measured on a 5 point scale, where *1* – a great deal of attention

Table 24.3 Intergroup differences on ethical issues

Issue	Score (women)	Rank	Score (men)	Rank
Product information	1.610	3	1.834	3
Minority hiring	2.340	9	2.583	11
Comparable worth	2.439	12	2.993	14

differences between male and female MBA students on question 1, as the table below shows.

Each of the differences is significant at the 0.05 level with the difference on comparable worth significant at better than the 0.01 level. Notice that, in general, women and men do not show sizable differences in their views. In the first two items from Table 24.3, it is clear that although there is a difference between the two groups, the magnitude of the difference is not large, being approximately 0.2 for each. It is only when one looks at comparable worth that there is a substantial difference. Specifically, the difference in magnitude is greater than 0.5, or large enough to suggest that women feel considerably more strongly about where this issue ought to be on corporate America's agenda than do men. Interestingly, although it is an issue that affects them directly, women rank the issue 12th on the list of 14.

The only other statistically significant intergroup differences on ethical issues occur for older students (30 and older) versus younger students. Similar to what was just discussed, the differences are of rather modest degree. Specifically, the two groups differ on only two issues, executive compensation and apartheid, with older students showing more concern regarding the first category and younger students showing more concern regarding the latter issue. But the ranks for the two groups are very close, 12 versus 12 and 13 versus 14, respectively. The two sets of scores are within 0.2 of each other, hardly a striking magnitude. One can speculate that the

Table 24.4 Comparison of respondents ethical norms

Reference group	Score
Current business school faculty	2.858
Fellow MBA students	2.479
Past peers	2.358
Past supervisors	2.280
Current business executives	2.136

differences are explained as follows. First, older students are more concerned about executive compensation because they are more aware of compensation levels. Second, those same students may show less concern about Apartheid because of their more sophisticated sense of the limits of corporate influence in this area.

Consistent with the results of earlier research, our respondents indicate that they regard their own ethical standards to be higher than those of other groups. In question 2, we asked the respondents to compare their own ethical standards to those of five other groups: (1) current MBA students, (2) current business executives, (3) past peers, (4) past supervisors, and (5) current business school faculty members. The responses on a 5 point scale range from "much higher than" (1) to "much lower than" (5). The mean values for the four groups are shown in Table 24.4.

In addition to the general result noted above, there are other points of significance suggested by the table. First is the result that our respondents hold the norms of current executives in rather low regard. What this suggests is that the students have views similar to those expressed by the general public as evidenced by recent Gallup Polls. This result is even more striking in that 329 of the 455 respondents saw their own standards as higher than those of current executives, while only 4 respondents considered their own standards to be lower than those of executives. Second, there is an encouraging note in that current business school faculty rank highest in terms of ethical norms. 100 respondents saw their own norms as higher than those of faculty members; 57 respondents viewed their own norms as being lower than those of faculty members. There is the possibility that the business school faculty member, and the business school itself, can serve as a model for MBA students. This is particularly true for students with undergraduate degrees only (versus students with graduate degrees). The mean score for the former group is 2.894 and for the latter, 2.679. The difference between the two scores is significant at the 0.05 level. Although the magnitude of the difference is not large, we have reason to conclude that the first group of MBA students is more confident of the ethical standards of current faculty members. Finally, consistent with what Brenner and Molander (1977) found, our respondents viewed their own norms to be higher than those of their peers.

Interestingly, when respondents were asked to comment on progress made in the improvement in the state of business ethics to date and likely to be made in the future (Questions 4 and 5), they were generally optimistic on both counts. Although there was considerable disagreement regarding the current state of ethics in comparison to that of 10 years ago (another finding consistent with that of Brenner and Molander), the mean score on this question, 2.796 (1 indicates strong agreement with the statement, "There is good reason to believe that business practices are more

Table 24.5 Stakeholders rankings

Stakeholder group	Score	Ranking
Stockholders	2.440	1
Customers	2.562	2
Employees	2.754	3
Society-at-large	4.816	4
Local community	4.830	5
"Neighbors"	5.533	6
Suppliers	6.049	7
Government agencies	6.810	8

ethical today than 10 years ago."), shows that, overall, respondents feel that ethical standards have improved over the last 10 years. By a slightly less positive score, 2.804, respondents feel, overall, that ethical norms are likely to improve over the next 10 years, a period in which they will be in a position to influence business practices.

A striking feature of the response patterns for question 5 is that very few respondents expressed strong feelings about the future state of business practices – only 7.5% strongly agreed or strongly disagreed with the statement. Although the respondents view themselves as having high ethical standards, they appear to feel that their own high standards will be of rather modest consequence in the typical corporate "culture." Or, it may be as Clinard (1983) learned, that pressure for profit can make even the most high minded individual willing to compromise his/her standards. Finally, we are able to understand more fully the meaning of the results for questions 2, 4 and 5 by examining the response pattern in question 3.

In question 3 we presented the respondents with a list of eight corporate stakeholder groups. We asked the respondents to rank "… the groups [in] the order in which constituency interests ought to be served by the firm." Table 24.5 shows the result of the ranking.

One of the major findings from the Brenner and Molander study was that the concept of social responsibility had taken hold within corporate America, as evidenced by the respondents' ranking responsibility to customers ahead of responsibility to stockholders. More recently, Posner and Schmidt (1984) reached a similar conclusion, as it applies to the views of upper level executives. Our results indicate that a more traditional ranking exists within tomorrow's executives. We suggest that this outcome helps to explain our respondents' reactions to question 5. That is, notice that our respondents rank stockholders, customers, and employees quite close to one another, with the scores for other stakeholder groups being quite distant from those of the first three groups. Recall that in discussing the responses to question 1 we noted that MBA students tend to be more sensitive to product issues than to, for example, "timeless" social issues. This suggests that their concerns about ethical issues in business focus primarily on product rather than process issues. The results for question 3 are consistent with this outcome in that process issues are typically associated with groups outside the traditional tri-partite conception of the corporation, i.e., stockholders, customers, and employees.

Table 24.6 Means of upgrading corporate ethical norms

Approach	Response frequency (%)
Improved legislation/stronger punishment	18.3
Improved legislation/external audits	4.4
Increased consumer awareness through media/ consumer interest groups	12.8
Improved education to include ethics	20.5
Improved corporate culture	30.0
Other	13.9

The second clustering in question 3 is of societal groups (society-at-large, local community, and "neighbors"). In contrast, Posner and Schmidt's respondents displayed little attention to the public-at-large.

Two other characteristics of the response pattern are noteworthy. First, the fact that the MBA students ranked governmental agencies last suggests a continuation of an adversarial (versus cooperative) relationship with government. Posner and Schmidt showed a similar result. Second, the ranking of suppliers (seven out of eight) suggests a substantial difference in attitude towards "arm's length transaction" constituents – the firm owes little to firms from which it buys, but much to those to whom it sells, its customers.

Whether despite or because of the views expressed in the responses to questions 1–5, the students surveyed were quite clear in their feelings toward upgrading corporate ethical norms. Only 17% of the respondents felt that the norms did not need to be upgraded, while 11% were uncertain. Fully 72% expressed a need for upgrading ethical norms. Consistent with some of the results that we presented earlier, women were seen to differ significantly from their male counterparts on this issue, in a direction that one might predict. Specifically, women were more positive than men on the need to upgrade ethical norms. (Statistical significance obtained at the 0.05 level). Similarly, students with prior graduate degrees were more convinced than their peers without graduate training of the need for upgrading ethical norms. (Again, statistical significance obtained at the 0.05 level.)

The 72% who indicated that ethical norms needed to be upgraded suggested a variety of means for bringing about the improvement as Table 24.6 shows.

In summarizing the figures in the table we note three results. First, 22.7% favor legal means of improving ethics either through stiffer penalties or increasing the chances of getting caught. Second, 35.5% favor external monitoring of corporate ethics, either through legal means (above) or improved monitoring by outside groups. Finally, 50.5% favor improvement in the ethical content of professional curricula or in the ethical component of corporate culture. Recall that Clinard's respondents were quite clear that some sort of external intervention is necessary to upgrade ethical behavior. Trawick and Darden's marketing professionals, on the other hand, were not particularly sympathetic toward increased external intervention. Interestingly, the Trawick and Darden respondents support Beltramini et al.'s (1984) assertion that student perceptions are shaped by educators. The Trawick and Darden respondents indicated that improved formal education held the greatest potential for improving marketing ethics.

The fact that a sizable portion of our respondents indicated that improved formal education could help is somewhat encouraging, particularly in comparison to the call for improved corporate culture. Recall that our respondents indicated that they viewed their own ethical norms to be (1) about on a par with current business school faculty members and (2) clearly superior to those of current business executives. Given these views, one could argue that there is good reason for devoting resources of business schools to upgrading the ethical content of the various curricula. Surely, doing so is not an easy task, but compared to the suggestion to improve corporate culture, the potential for success is bright. (Of course, it can be argued that the two suggestions are neither mutually exclusive nor necessarily independent. Further, our interpretation is not likely to resolve the debate in academic circles regarding whether courses in ethics are worth including in the professional school curricula – see, for example, Cavanaugh (1984), Chap. 5, for a discussion of the issue – but it should lend some comfort to the proponents of the idea.)

Further, recall that various studies have shown that professionals and students alike have expressed some confidence in the ability of formal codes of ethics to improve behavior. In addition, studies of specific companies have suggested the same confidence. For example, Tuleja (1985) argues (p. 203) that codes can be of great value, because "… [t]here are corporations that actually try to live by the principles set forth in their codes …." For whatever reasons, our respondents are overwhelmingly unsympathetic toward the possibility of a code of ethics being of much value. In fact, the frequency of the ethical code suggestion was negligible. One can infer that even those MBA students who suggested improving the corporate culture did not have the institution of ethical codes in mind.

Finally, the majority view expressed by our respondents is consistent with that of Trevino (1986) who argues that

> Codes of ethics will affect ethical/unethical behavior significantly only if they are consistent with the organizational culture and are enforced.

The eight open-ended questions that concluded the questionnaire required the respondents to forecast what they would do when faced with a decision in an ethically difficult situation. The difficulty could be caused by uncertainty as to what constitutes the "right" thing to do in the situation or by the individual's proximity to the behavior at issue and/or by the individual's position within the organizational hierarchy. The set of hypothetical situations chosen for this portion of the questionnaire allowed us to vary each of the three dimensions just mentioned. Although it was not always possible to do so, we attempted to fit the response patterns into Hirschman's exit, voice, and loyalty taxonomy. The results of our attempt are discussed below.

Question 8 asked the respondent to consider a situation in which s/he has been told by a supervisor to fire a 62 year old employee in order to: (1) make room for a younger employee, (2) make room for a member of a minority race, or (3) save the firm the cost of full benefits. As Table 24.7 shows, as the reason for pressuring the

Table 24.7 Response summary for question 8

	Frequency (%)		
Response	(1)	(2)	(3)
Pure loyalty	22.5	19.1	14.9
Voice and loyalty	3.0	2.8	3.4
Modified loyalty	18.6	17.5	17.0
Highly modified loyalty	26.4	25.0	20.5
Total loyalty	70.1	64.4	55.8
Voice	15.4	19.8	25.5
Voice (?)(a)	2.5	3.0	4.1
Voice (?)(b)	5.1	5.7	5.1
Total voice	26.0	31.3	38.1

Where the various categories above are made up of the following sets of raw responses:
Do it, unqualified (loyalty)
Object, but do it (voice and loyalty)
Transfer, demote, etc., but do not fire (modified loyalty)
Suggest early retirement, but do not pressure (highly modified loyalty)
Don't do it, not right (voice)
Don't do it, not my job (voice (?)(a))
Point out possible legal problems (voice (?)(b))

older employee into retirement changes, respondents change their preferences for voice versus loyalty responses. Specifically, making room for a younger employee found relatively few willing to voice objections in either a pure or modified form but many willing to adopt loyalty positions. Making room for a minority employee made respondents less "loyal" and more willing to voice disagreement. Finally, saving the cost of full benefits elicited even fewer loyalty responses and even more voice responses. Apparently, making room for a younger employee is more acceptable to these respondents than is making room for a minority employee, which, in turn, is preferable to simply trying to save the company the full cost of benefits. Interestingly, in each variation of the question men were significantly (at the 0.01 level) more likely to "do as ordered" than were women. Finally, the number of exit responses was negligible.

Questions 9 and 10 pertain to the respondent's being a company president who had the opportunity to hire away a competitor's employee. Question 10 adds the fact that the employee asks for a guaranteed annual salary of $100,000 for his 5 years of experience. As Table 24.8 shows, in the first case the vast majority (76.5%) would hire the competitor's employee. In the second case a majority (50.8%) would still opt to hire the employee, assuming that it was profitable to do so. Clearly, the high level of the salary demand prompted some misgivings in our respondents. Two intergroup differences are of significance here. First, on question 9 older students were more inclined to consider legal implications before acting than were

Table 24.8 Response summary for question 9

Response	Frequency (%)
Hire him	55.0
Hire, if legal	17.5
Hire, if profitable	4.0
Don't hire, increase research and development	7.5
Don't hire, unqualified	8.9
Wait, monitor competition	2.0
Depends on industry practice	0.4

Table 24.9 Response summary for question 10

Response	Frequency (%)
Hire him	7.9
Hire, if profitable	42.9
Hire, if at competitive salary (i.e. don't hire)	11.3
Don't hire, questionable loyalty	3.6
Don't hire	26.6

their younger counterparts (significant at the 0.01 level). This perhaps reflects an increased awareness of legal ramifications (that indeed may exist) on the part of older students. Second, on question 10, women and men differed significantly in their willingness to hire the employee under the modified circumstances (at approximately the 0.05 level), with women being less inclined to hire.

Comparison of the response patterns for questions 9 and 10 along with the questions themselves leads to the following conclusions. In question 10 a high salary is specified, suggesting a purchase of information as well as an employee (Table 24.9). This caused: (1) respondents to choose don't hire options in strikingly greater numbers (41.5% versus 16.4%), and (2) among those who would still hire the employee, many more apparently delve into the economics of the situation before hiring; this suggests no higher ethical standard, but simply an increased awareness that costs may exceed benefits when the price goes up.

Question 11 asked the respondent what s/he would do as a middle manager when s/he discovered that the company's executives had given false testimony before a governmental agency. As Table 24.10 shows, 28.3% gave responses that fit into the loyalty category, 44.0% gave responses that fit into the voice category, and 6.6% gave responses that fit into the exit category. The only intergroup difference of significance is for students with graduate degrees versus all others. In this case nearly 30% of those with undergraduate degrees only chose the loyalty response compared to less than 19% for those with graduate degrees. (This difference reaches statistical significance at the 0.1 level, but not quite at the 0.05 level.)

Table 24.10 Response summary for question 11

Response	Frequency (%)
Pure loyalty	28.3
Internal voice	22.9
External voice	21.1
Total voice	44.0
Exit	6.6

Here the four general categories are composites from the following raw responses:
Do nothing (loyalty)
Do nothing, bad politics (loyalty)
Do nothing unless it affects me directly (loyalty)
Confidentially discuss with superior (voice, internal)
Pressure executive, expose him if necessary (voice, internal)
Leak information to outside party (voice, external)
Disclose the information (voice, external)
Resign (exit)
Depends on the issue (no category)
Other

Note: 21.2% of the responses fell into the last two categories just above

Question 12 places the respondent in three separate positions within the organizational hierarchy: president, middle level manager, and entry level manager. The respondent is asked to indicate what s/he would do after learning of an unsuspected potentially harmful flaw in one of the company's products. The tendency for respondents to choose "action or voice" options did not change much with changes in organizational authority, but the strength of their preferred response did; strong responses (action or voice) were almost universal at the "president" level (as Table 24.11 shows) – chosen with an 88.8% frequency – but considerably less common at the middle and entry levels. At these lower levels, respondents chose less strong voice options, commensurate with their reduced power in the organization. Finally, exit responses were uncommon as were loyalty or "economically expedient" responses. (There were no statistically significant intergroup differences for this question.)

Question 13 asked the respondent to indicate what s/he would do as a middle level manager upon learning that one of the company's recalled products was to be sold to the government of an African country. As Table 24.12 shows, the response pattern is a bit different from that seen for some of the earlier questions. Specifically, although nearly one quarter of the responses fall into the loyalty category, exit responses are up compared to earlier response patterns (11.5% compared to 6.6% for question 11). Further, there are more intergroup differences than we have seen heretofore.

The gender differences are the most striking for this question. First, more than 15% of the women in the sample indicated that they would leave the organization, while less than 10% of the men selected the same option. This difference is statistically significant at the 0.1 level but not quite significant at the 0.05 level. Second, nearly

Table 24.11 Response summary for question 12

Response	Frequency (%) (1)	(2)	(3)
Stop production	88.1	32.6	29.9
Stop production indirectly	0.7	3.8	4.1
Voice	5.9	57.3	58.3
Exit	0.5	2.7	3.4
Loyalty or economic expediency	3.1	2.5	3.0

The five composite categories above were developed from the following raw responses:
(Try to) Stop production (stop production)
(Try to) Stop production, publicize (stop production)
Inform superiors (voice)
Lobby for production halt (voice)
Do nothing (economic expediency)
Halt production only if not profitable (economic expediency)
Do as ordered (N.A., loyalty)
Resign (N.A., exit)

Table 24.12 Response summary for question 13

Response	Frequency (%)
Loyalty	23.2
Voice, external	19.6
Voice, internal	22.5
Voice, ambiguous	14.5
Total voice	56.5
Exit	11.5

The five categories above were developed from the following response categories:
Do nothing (loyalty)
If the foreign government is aware, do nothing (loyalty)
If the foreign government is unaware, inform it (voice, external)
Leak to an outsider (voice, external)
Question publicly (voice, external)
Voice opposition through channels (voice, internal)
Discuss with top management (voice, internal)
Try to stop sale (voice, ambiguous)
Resign in protest (exit)

26% of the men surveyed chose the loyalty response compared to less than 18% of the women surveyed. This difference is statistically significant at the 0.05 level.

The other intergroup difference pertains to age. Those respondents under age 30 were considerably more likely to chose the loyalty response compared to their older counterparts (approximately 25% versus approximately 16%). This difference is statistically significant at the 0.05 level.

Question 14 asked the respondent what s/he would do after learning of confidential information that, were it disclosed, obviously would be judged as unethical by the

Table 24.13 Response summary for question 14

Response	Frequency (%)
Loyalty	22.0
Voice, external	22.0
Voice, internal	25.7
Total voice	47.7
Exit	28.1
Judge the situation myself	15.7
The five categories above were developed from the following raw responses:	
Do nothing (loyalty)	
Read and burn (loyalty)	
Do nothing if common behavior (loyalty)	
Leak to outsider (voice, external)	
Disclose publicly, resign (voice, external, exit)	
Talk to superior (voice, internal)	
Keep in house, correct problem (voice, internal)	
Resign (exit)	
Personally judge ethical value	

public. As Table 24.13 shows, the response pattern is affected by the respondent's position in the organizational hierarchy, in that while the frequency of the loyalty response is roughly equivalent to that seen for other questions (22%), the frequency of the exit response jumps substantially (28.1%). Note, too, that the responses required that we add another category, "judge the ethical situation personally." Finally, the only significant intergroup difference that obtains is between students with graduate degrees and those with undergraduate degrees only. In this case more than 22% of the students with undergraduate degrees only chose the loyalty option compared to just over 12% of those with graduate degrees. This result is significant at the 0.05 level. (Note: although the differences were not statistically significant, men and women as well as older and younger students differed in a direction consistent with what we found for other questions. Nearly 24% of the men chose the loyalty response compared to less than 19% of the women. Only 17% of the students over age 30 chose the loyalty response compared to nearly 24% of their younger counterparts.)

Question 15 placed the respondent on the board of directors and asked her/him what s/he would do upon learning of an illegal political campaign contribution made with company money by the CEO and chairman of the board. As Table 24.14 shows, the response pattern is consistent with those found for many of the earlier questions. When the responses are collapsed we see that roughly one quarter of the responses fit into the loyalty option. Further, just over half of the responses fit into the voice category (55.2%). Finally, a small percentage of the responses fall into the exit category (6.7%). (No statistically significant intergroup differences obtained for this question.)

Table 24.14 Response summary for question 15

Response	Frequency (%)
Loyalty	26.2
Voice, external	16.6
Voice, internal	38.6
Total voice	55.2
Exit	6.7

The four response categories above were drawn from the following raw responses:
Do nothing (loyalty)
Go public (voice, external)
Leak information (voice, external)
Expose/resign (voice, external, exit)
Confront, blow whistle internally (voice, internal)
Consider his dismissal (voice, internal)
Force resignation (voice, internal)
Argue against in closed meeting (voice, internal)
Resign (exit)

Table 24.15 Summary of responses for questions tapping Hirschman's taxonomy

	Question number									
Response category	8a	8b	8c	11	12a	12b	12c	13	14	15
Voice – pure, strong, external – or action	15.4	19.8	25.5	21.1	88.8	36.4	34.0	19.6	22.0	16.6
Voice – modified, weak, internal	10.6	11.5	12.6	22.9	5.9	57.3	58.3	22.5	25.7	38.6
Total voice	26.0	31.3	38.1	44.0	94.7	93.7	92.3	56.6	47.7	55.2
Pure loyalty or economic expediency	22.5	19.1	14.9	28.3	3.1	2.5	3.0	23.2	22.0	26.2
Modified loyalty	47.6	45.3	40.9	–	–	–	–	–	–	–
Total loyalty	70.1	64.4	55.8	28.3	3.1	2.5	3.0	23.2	22.0	26.2
Exit	–	–	–	6.6	0.5	2.7	3.4	11.5	28.1	6.7

Note: Numbers in the table are percentages

Summary

The salient features of the response patterns to our hypothetical situations, as reflected in Table 24.15 below, can be summarized as follows.

1. Responses that reflect pure loyalty (or economic expedience) are infrequent overall – in only two cases do they constitute more than 25% of all responses. This suggests that, overall, most respondents faced these ethically questionable situations with some measure of protest, whether in the form of voice, exit, or modified loyalty. This result must be viewed as encouraging.

2. Exit responses are an infrequent form of protest; in only two cases were the exit responses greater than 10%.
3. The "product safety" related question (12) elicited the highest number of voice responses (pure and total) and the lowest number of loyalty responses (pure and total). This corresponds well with the responses to question 1 in which respondents ranked product safety as the most important issue.
4. The response pattern for question 8 yields some striking results. Specifically, these questions:

   (a) ranked lowest in overall voice responses
   (b) ranked lowest in overall exit responses
   (c) ranked highest in overall loyalty responses (albeit with a substantial component of "modified loyalty" which gives some vent for disagreement or some substitute for "voice").

   These personal "equity" issues may elicit more loyalty and less protest (either through "exit" or "voice") because of the moral ambiguity associated with equity issues – respondents may be uncertain as to what is right or wrong.
5. Overall, our respondents displayed a strong tendency to take action in those situations in which they were witnesses to unethical behavior, regardless of their level of authority. Whether they would expect others to do the same we did not attempt to ascertain. Consequently, we are unable to state whether our findings support or conflict with that of Krakhardt et al. (1985) that their respondents did not consider failure to report unethical behavior unethical itself.
6. On balance, women differed from men in their tendency to protest by being less likely to: "do as ordered," "do nothing," "be loyal," or hire in an ethically questionable environment. In addition, they displayed a greater willingness to "exit" than did men.
7. On balance, we observed very little difference in the response patterns according to age.
8. On balance, students with graduate degrees were less likely to choose loyalty options than were their counterparts with undergraduate degrees only.

Conclusions

We asked in the tide of our study, "Will the ethics of business change?" Although it is hazardous to forecast behavior from expressed attitudes, we think that a tentative forecast is warranted here. On the basis of the results of our survey we feel that there is reason to be optimistic. The attitudes of future executives suggest that they are persons who may fit well into what Neilson (1984) refers to as the "manager as institution citizen." The three identifying characteristics of this ideal type manager are as follows:

1. Independent thinking and judgment
2. Resistance to evil ideal types
3. Acting with a civic orientation.

The future executives in our study display a sensitivity toward ethical issues that is tempered primarily by their perceived organizational authority and the requisites of the prevailing organizational culture. This sensitivity is particularly strong among women MBA students, as they display a greater tendency to take action when they perceive a questionable business practice than do their male counterparts. As women managers become commonplace it may well follow that corporate behavioral norms will be affected positively.

Appendix

1. The following is a list of ethical issue categories that have been discussed in the popular and/or business press. By checking the appropriate box please indicate how much attention you feel that the business community should give to each of the issue categories.

	Great deal Attention	Considerable Attention	Some Attention	Little Attention	No Attention
a. (1) Product information disclosure to consumers	[ ]	[ ]	[ ]	[ ]	[ ]
(2) Information disclosure regarding operations to stockholders	[ ]	[ ]	[ ]	[ ]	[ ]
b. Employment practices:					
(1) Minority hiring/ promotions	[ ]	[ ]	[ ]	[ ]	[ ]
(2) Comparable worth	[ ]	[ ]	[ ]	[ ]	[ ]
(3) Arbitrary discharges	[ ]	[ ]	[ ]	[ ]	[ ]
c. Product quality	[ ]	[ ]	[ ]	[ ]	[ ]
d. Product safety	[ ]	[ ]	[ ]	[ ]	[ ]
e. Firms' relations with foreign governments	[ ]	[ ]	[ ]	[ ]	[ ]
f. Community relations	[ ]	[ ]	[ ]	[ ]	[ ]
g. Rights of employees to disclose company wrong doing	[ ]	[ ]	[ ]	[ ]	[ ]
h. Bribery of Government officials	[ ]	[ ]	[ ]	[ ]	[ ]
i. Executive compensation	[ ]	[ ]	[ ]	[ ]	[ ]
j. Dealing with apartheid in South Africa	[ ]	[ ]	[ ]	[ ]	[ ]
k. Plant closures	[ ]	[ ]	[ ]	[ ]	[ ]
l. Other (please specify)	[ ]	[ ]	[ ]	[ ]	[ ]

2. How would you compare your own ethical standards to those of:

	Much Higher Than	Higher Than	About the Same as	Lower Than	Much Lower Than
Your fellow MBA students	[ ]	[ ]	[ ]	[ ]	[ ]
Current business executives	[ ]	[ ]	[ ]	[ ]	[ ]

Past peers	[ ]	[ ]	[ ]	[ ]	[ ]
Past supervisors	[ ]	[ ]	[ ]	[ ]	[ ]
Current business school faculty members	[ ]	[ ]	[ ]	[ ]	[ ]

3. Publicly held firms are required by law to give primacy to the financial interests of their stockholders. Below is a list of various corporate constituencies/stakeholder groups. Putting aside the apparent legal mandate, please indicate by ranking the groups the order in which constituency interests ought to be served by the firm. (A rank of 1 indicates first place for the affected group.)

[ ] Stockholders
[ ] Society-at-large
[ ] The local community in which the firm operates
[ ] Neighbors in close proximity to the firm's operations
[ ] Customers
[ ] Employees
[ ] Governmental agencies
[ ] Suppliers

4. There is good reason to believe that business practices are more ethical today than 10 years ago.

Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
[ ]	[ ]	[ ]	[ ]	[ ]

5. There is good reason to believe that business practices are likely to be more ethical 10 years from now compared to today.

Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
[ ]	[ ]	[ ]	[ ]	[ ]

6. Do you believe that corporate ethical norms ought to be upgraded?

[ ] Yes
[ ] No
[ ] Uncertain

If you answered yes, please answer question 7, otherwise move to question 8.

7. How would you propose that the upgrading of corporate ethical norms be accomplished?

   Now we are going to ask you to respond to a series of 8 hypothetical situations. Try to place yourself in each of the situations.

8. What would you do if…

   … you were told by your superior to pressure a 62 year old employee into early retirement in order to:

   1. make room for a younger employee
   2. make room for a member of a minority race; or
   3. save the firm the cost of full benefits.

   The employee, once productive but now worth considerably less than his salary, has been with the firm for 30 years.

9. … as the president of a company in a highly competitive industry, you learn that a competitor has made an important scientific discovery that will substantially reduce, but not eliminate, your profit for about a year? There is a possibility of hiring one of the competitor's employees who knows the details of the discovery.
10. … In the previous situation, the employee, an engineer with 5 years of experience, was asking a guaranteed annual salary of $100 000 for the 5 years.
11. Suppose that you, a middle level executive, discovered that one of your company's executives had given false testimony before a governmental agency and that there appeared to be no action forthcoming by top management to deal with the situation. What action, if any, would you take?
12. Suppose that you, (a) as president of the company, (b) as a middle manager, (c) as an entry level manager, discovered an unsuspected flaw in one of your company's products and that if the product were to be marketed a higher than expected incidence of serious injuries to consumers would result. What action would you take?
13. Suppose that a governmental agency ordered your company to withdraw a highly profitable product from the U.S. market because of safety concerns. You, as a middle level manager, learn that top management has decided to sell the product to the government of an African nation. What action would you take?
14. Suppose that you as an entry level manager were given access to confidential information that if disclosed would show your company to be engaging in what would obviously be judged by the public as unethical behavior. What action would you take?
15. Suppose that as a member of a board of directors you learned that the chairman of the board and CEO had made an illegal contribution of company money to a recent presidential candidate. The contribution appears to have been given in exchange for future government contracts. What would you do?

    The following questions are for statistical classification purposes only.

16. Age ______
17. Sex: M______ F______
18. Highest education level attained prior to entering M.B.A. program
    - BA., B.S. _______
    - Masters _______
    - J.D. _______
    - Ph.D. _______
    - Other _______
19. Area of concentration in the M.B.A program (please specify)
20. Years of full-time work experience _______
21. Approximate annual income immediately prior to entering the M.B.A program __________

Thank you for your cooperation in completing the survey.

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