

The Importance of Ethics to Job Performance: An Empirical Investigation of Managers' Perceptions

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ABSTRACT. This study probed a crucial assumption underlying much of the ethics theory and research: do managers perceive ethical behavior to be an important personal job requirement? A large sample of managers from a cross-section of industries and job functions indicated that, compared to other job duties, certain ethical behaviors were moderate to somewhat major parts of their jobs. Some noteworthy differences by industry, organization size, tenure and job function were also found. These findings underscore the importance of ethics for business education. They also have implications for manager selection, training, and development by organizations.

Introduction

This study opens a new line of investigation in business ethics. It examines the extent to which

practicing managers perceive ethical actions and decisions to be integral parts of their daily work. Past examinations of high-performing organizations have shown that values and ethics play an important role in organizational effectiveness (Peters and Waterman, 1982), but to our knowledge, no study has systematically asked managers what role ethics play in their normal decisions and work. However, there is extensive literature on the broader subject of ethics in business. This literature has generally been guided by one of two approaches. The first more theoretical approach has attempted to clarify the language, concepts, and models which can be helpful in making ethical judgments (Velasquez, 1987; DeGeorge, 1986; Cavanagh, 1984; Donaldson and Werhane, 1983). The second approach has involved gathering empirical data on the ethics of organizational members (Frederick and Weber, 1987; Carroll, 1975; England, 1967). For example, some of these studies have examined the influence of variables such as sex, business function and cultural origin on ethical beliefs and judgments (Kidwell *et al.*, 1987; Ferrell and Weaver, 1978). The present paper contributes to the body of knowledge generated by the second approach.

According to earlier empirical investigations, executives have not described the ethics of their peers in flattering terms (Baumhart, 1961), and these descriptions have become more cynical in recent years (Brenner and Molander, 1977). A *Wall Street Journal* survey found that "65% of Americans think the overall level of ethics in American society has declined in the past decade" (Ricklefs, 1983). A majority of the managers in two separate studies have reported feeling pressures from the demands of their jobs to compromise their personal ethical standards (Frederick and Weber, 1987; Carroll,

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1975). Moreover, codes of ethics in many corporations have had little impact on ethical actions, largely because these codes have sought only to protect firms from the actions of their employees; most codes have neglected the important ethical issues of customer relations, environmental safety, product safety and community relations (Mathews, 1987).

Scholars, business executives, and the public have taken a renewed interest in the ethical climate of business firms because of these negative beliefs and experiences. A few firms, such as Chemical Bank, McDonnell Douglas, and General Dynamics, have made significant efforts to communicate ethical values to all their employees. Further, despite the unfavorable perceptions described above, one sample of managers has reported that they respect integrity above all other values, and that they regard it as the most important value for future managers, even more important than competence (Posner and Schmidt, 1984)!

An assumption underlying much business ethics theory and research has been that managers believe ethical judgments and behavior are frequent and important personal job demands. However, two landmark reviews of the research into managerial job duties have failed to mention a single study of the ethical demands of management work (Campbell *et al.*, 1970; Bass, 1981). Ethics researchers have often studied personal values of respondents and their perceptions of total organizational ethics (e.g., Lincoln *et al.*, 1982; Posner and Schmidt, 1987). Studies have also been conducted into the ethics of specific decisions considered in the abstract (e.g., Kidwell *et al.*, 1987). However, the issue of daily ethical job requirements has not been explored. Perhaps we have asked the wrong research questions. What if managers believe that ethical behavior is not required in their own jobs?

Research objectives

This research directly addressed the extent to which practicing managers perceived ethical behaviors to be important parts of their jobs. Also, unlike previous investigations, ethics were treated as only one of many possible job duties. It was assumed that this

approach would reduce respondent tendencies to present themselves as very ethical because ethical behavior was not the primary focus of the study.

There is limited and mixed evidence of ethical differences among different organizational groups and types of people. One report has indicated that high level managers were most likely to perceive that ethical behavior was important (Posner and Schmidt, 1987). Similarly, Ferrell and Weaver (1978) have reported that persons who performed marketing work placed a higher value on ethical behavior than did those in other organizational functions. However, two studies have failed to find significant differences between the opinions of male and female managers about the importance of ethics to successful job performance (Kidwell *et al.*, 1987; Schmidt and Posner, 1982). Therefore, this study also included an analysis of possible organizational and individual differences in perceived ethical job requirements.

The purpose of this research was to obtain the judgments of managers about the importance of ethical issues in their everyday job performance. Questions which provoked this research were:

1. Do managers perceive ethics to be an important part of their own effective job performance?
2. How important are ethics and ethical behavior compared to other managerial performance dimensions such as decision-making, planning, initiative, and oral communication?
3. Does the perceived importance of ethics vary according to type of organization, level of responsibility, or among specific organizational functions such as marketing, production or finance?
4. How do individual differences in sex, length of service, and education affect manager ratings of the importance of ethics in their jobs?

Research methodology

The present study was part of a larger investigation of the important aspects of managers' jobs. Data were collected for the purpose of designing and improving a business school curriculum.

The researchers developed a questionnaire which consisted of 164 behavioral skills grouped under 20

categories or dimensions.¹ The questionnaire was systematically developed using outside reviewers, internal consistency measurement (Nunnally, 1967) and pre-testing. The twenty questionnaire dimensions included management functions such as planning and organizing, decision-making, written communication, interpersonal skills and oral communication/presentation. The Ethics/Integrity dimension was defined as follows:

Demonstrating a system of moral principles or values commensurate with America's Judeo-Christian background and laws, and showing that those principles or values are used in evaluating management decisions and actions.

The Ethics/Integrity dimension included the following ten behavioral skills grouped under four sub-categories deemed by the researchers and reviewers to be important aspects of ethical behavior.

Personal ethics.

- Not compromising one's own standards of behavior
- Providing accurate and complete information to employees, critics and the public
- Considering the goals, interests and rights of others (customers, fellow employees, public) when making decisions

Codified ethics (law, policy, standard).

- Adhering to established organization standards of behavior
- Adhering to laws and regulations when planning or taking action
- Knowing what constitutes acceptable and unacceptable work practices

Ethical analysis.

- Systematically analyzing the ethical or moral ramifications of problems or issues
- Evaluating decisions based on their long-term effects on society

Activist ethics.

- Refusing to accept dishonest or questionable actions
- Willing to "blow-the-whistle" on unethical practices

Managers were asked to rate the degree to which each of the 164 behavioral skills was necessary to effectively perform their jobs. A six-point scale was used with 0 equaling "Not a Part of This Job", 1 signifying "A Minor Part of This Job", and 5 equaling "A Major Part of This Job". Additionally, each respondent was told to "emphasize those behavioral skills that you feel another person would need to develop in order to do your job successfully". Respondents were instructed to avoid giving high ratings to all skills. In addition, respondents were asked to provide background information about themselves and their present positions.

Data collection

Data were collected from students in MBA-level courses. Students presently employed were asked to solicit ratings from both their immediate supervisors and the managers of their supervisors. This approach was possible because 90 percent of our MBA students are employed full time. The managers of our students were used because these results were to aid us in making our MBA course content more relevant and job related. The sampling methodology was not random because all students were from the University of Detroit and were employed in the greater Detroit metropolitan area. However, our students' superiors represented a variety of management responsibilities both in terms of type of industry and job level.

Approximately 420 questionnaires were distributed to students for return within a two-week time period. We received 222 responses, for a 53% response rate. This response rate was good given the fact that both the students and their bosses had the opportunity to discard the survey or to fail to complete it in the allotted time.

Analysis

A series of one-way analyses of variance were conducted to reveal possible differences in ethics considerations among subgroups of the sample. Duncan's multiple range procedure (Kirk, 1968) was used to

evaluate differences among means when the overall analysis of variance was statistically significant. The $p = 0.10$ level was used because this was an exploratory study. Pearson correlations of length of manager service with scale responses were examined because tenure was coded as a continuous variable.

Sample characteristics

Characteristics of the respondents are presented in Table I. The majority of respondents (88%) were college graduates. By job level, almost half were described as middle managers, about one-quarter were classified as executives and nearly one-fifth (19%) were first level supervisors. Most responding managers were men. Fifty-two percent of the respondents were the immediate supervisors of the students, while the remaining 48 percent were supervisors two levels above the student. Respondents had worked for their organizations an average of 15.9 years and in their present positions 6.4 years.

Table II displays several characteristics of the organizations which respondents represented. Just over half of the organizations were very large, employing over 10 000 employees. The largest industry group was manufacturing, which consisted primarily of U.S. automobile makers. The next largest industry was health care, which comprised just over one-sixth of the sample. Organizations in the "other" industry group included retail and wholesale trade, government, education, mining and miscellaneous industries (19 percent). Respondents came from a wide cross-section of functional areas within their organizations.

TABLE I
Manager sample characteristics

Education:	Non-college graduate	12%
	Four-year degree	33%
	Graduate education or degree	55%
Job Level:	First-level supervisor	19%
	Middle manager	49%
	Executive	26%
	Other job	6%
Sex:	Male	83%
	Female	17%

TABLE II
Organization sample characteristics

Size:	499 or fewer employees	13%
	500—4999 employees	25%
	5000—9999 employees	9%
	10 000 or more employees	53%
Industry:	Manufacturing	49%
	Health care	18%
	Finance or real estate	5%
	Utility	5%
	Transportation	4%
	Other	19%
Functional Area:	Production	20%
	Finance	19%
	Engineering/Research & Development	16%
	Sales or Marketing	10%
	Administration	9%
	Personnel/Human Resources	5%
	Other Units	21%

Results and discussion

Table III presents the average item responses for each scale of the questionnaire and its estimated scale reliability. Higher mean item responses indicate more important job activities. On the average, ethical matters (ranked scale number 12) were rated a "moderate" to "somewhat major" part of the job. Respondents indicated that ethical considerations were less important parts of their jobs than traditional management functions and skills such as decision-making, managerial leadership, initiative and problem-solving. However, ethics were rated as more important than activities such as written communications, awareness of external affairs, concern for quality and customer satisfaction, and group interaction skills. Managers clearly viewed ethical analysis, decision-making and action as important and regular parts of their work lives.

Table IV breaks the ten questions in the ethics scale into the four previously defined categories; codified ethics, personal ethics, activist ethics and ethical analysis. On average, understanding work rules and conventions was considered a somewhat major part of the job, whereas ethical analysis was considered a moderate to somewhat minor part.

TABLE III
Mean item responses per scale for total sample

Scale	Mean item response	Rank	Cronbach Alpha
Decision making	4.02	1	0.73
Managerial leadership	3.99	2	0.82
Initiative	3.97	3	0.79
Practical learning	3.92	4	0.77
Assigning and delegating	3.91	5	0.81
Information gathering & problem solving	3.91	5	0.70
Career development	3.89	6	0.82
Oral communication/presentation	3.80	7	0.88
Organization & coordination	3.78	8	0.61
Interpersonal effectiveness	3.78	8	0.82
Planning	3.68	9	0.79
Disposition to lead	3.60	10	0.78
Training & development of others	3.59	11	0.83
Ethics/integrity	3.56	12	0.81
Innovation & creativity	3.52	13	0.81
Group interaction skills	3.48	14	0.86
Controlling employees	3.48	14	0.85
Concern for quality & customer satisfaction	3.44	15	0.93
Written communications	3.08	16	0.83
Extraorganizational awareness	2.49	17	0.83

Note: Item responses were (0) "not a part", (1) "minor part", (2) "somewhat minor", (3) "moderate", (4) "somewhat major", (5) "major part of job".

TABLE IV
Mean item responses for ethics subscales

Subscale	Mean item response	Rank	Cronbach Alpha
Codified ethics	3.96	1	0.63
Personal ethics	3.82	2	0.62
Activitist ethics	3.75	3	0.81
Ethical analysis	2.54	4	0.70

Knowing the rules and acting ethically were more important to many managers than was considering long-term implications or moral ramifications of decisions.

Managers who had college educations did not describe the ethical components of their jobs as significantly different from those with less education. Additionally, male managers described the ethical components of their jobs similarly to female managers. Length of company service was related only to activist ethics. Senior managers were slightly more prone to say they would engage in whistleblowing or refuse to accept questionable actions than were more junior managers ($r = 0.119, p = 0.04$). Perhaps the long-service managers felt more secure in their jobs and were therefore more willing to question practices and actions.

Table V presents the findings by organizational size. Analysis of variance results indicated that managers in the smallest organizations considered their jobs to include observance of laws and company standards more often than did managers in medium-sized organizations; neither group was significantly different from the large organization group. If size alone were the determining factor, one would predict that ethical concerns would decline with size because managers tend to become more specialized and insulated from the environment. We believe the observed response pattern reflected this situation, but was moderated by the recent emphasis on ethical practices by the largest employers such as defense manufacturers.

TABLE V
Ethics subscale means by organization size

Ethics Subscale	Number of Employees (sample size)			Analysis of variance
	Less than 1000 (34)	1000-9999 (65)	10 000 or more (113)	
Codified	4.19 ^a	3.84	3.99	$p = 0.09$
Personal	3.96	3.71	3.88	$p = 0.23$
Activist	3.60	3.80	3.72	$p = 0.72$
Analysis	2.94	2.52	2.45	$p = 0.15$

Note: Means represent average of subscale item responses.

^a Significantly different from 1000-9999 group.

Table VI displays the results by industry. Five subgroups were created from the original eleven to increase sample sizes. Manufacturing and health care were original categories, while the public service group ($n = 19$) was created from public utilities and transportation organizations. Trade organizations ($n = 18$) included the original finance (12 of the 18), real estate, and retail and wholesale sales firms. The "other" group ($n = 34$) was created from educational, government and mining organizations plus organizations which did not fit the original classification scheme.

Public service managers rated personal ethics a significantly less important part of their jobs than all other groups. Monopolies such as electric companies

operate in a more stable business climate where fewer personal ethical challenges are faced than in sensitive, high-risk industries such as health care.

Similarly, public service managers rated activist issues (e.g., whistle-blowing) and ethical analysis as significantly less important than did health care and trade managers. The recent deregulation of the health care and financial services businesses has made these issues much more apparent to managers in these industries as they struggle to gain market advantages and distinguish themselves with the public. The larger number of choices available to consumers of health care and trade goods also has required great care about the public view of them.

Table VII contains the analysis of variance find-

TABLE VI
Ethics subscale means by industry

Ethics Subscale	Industry group (sample size)					Analysis of Variance
	Manufacturing (109)	Health Care (39)	Public Service (19)	Trade (18)	Other (34)	
Codified	3.98	4.08	3.72	4.02	3.90	$p = 0.51$
Personal	3.84	4.01	3.35 ^a	3.94	3.79	$p = 0.04$
Activist	3.69	3.90	3.29 ^b	4.28 ^c	3.65	$p = 0.09$
Analysis	2.46 ^b	3.04	2.11 ^b	2.64	2.43 ^b	$p = 0.07$

^a Significantly lower than all other groups.

^b Significantly lower than health care and trade.

^c Significantly higher than all groups but health care.

TABLE VII
Ethics subscale means by job function

Ethics Subscale	Job Function (sample size)						Analysis of Variance
	Production (43)	Sales or Marketing (21)	Engin./ R & D (35)	Finance (42)	Admin. (30)	Other (46)	
Codified	4.01	3.56 ^a	3.84	3.98	4.03	4.14	$p = 0.07$
Personal	3.86	3.54 ^b	3.62 ^b	3.85	4.10	3.90	$p = 0.08$
Activist	3.81	3.22	3.53	3.81	3.74	3.99	$p = 0.17$
Analysis	2.60	2.03	2.25	2.59	2.70	2.80	$p = 0.19$

^a Significantly lower than other groups.

^b Significantly lower than administration.

ings by respondent's job function. Note that sales and marketing managers rated codified ethics (knowing acceptable work practices and adhering to regulations and organization standards) as less important in their work than did managers in other functions. Although sales and marketing employees work within the same organizational context as other units, the members of this somewhat small sample perceived these constraints to be somewhat less rigid than their coworkers. Similarly, both the sales and the engineering and research and development managers rated personal ethics as lesser concerns than did managers in other functions. This subscale involves not compromising personal standards, providing complete, accurate information and considering the interests of others in decision-making. Sales and research are more independent jobs. Employees who work on the sales floor or in a laboratory have fewer people who depend on them for results than do employees in functions such as manufacturing or finance. Also, these areas are more competitive than other job functions. Sales and research and development employees can more easily use a wider range of strategies (e.g., withholding information) to gain or maintain an advantage over coworkers or competitor organizations.

No significant differences were found among first-level supervisors, middle managers, or executives.

Implications

First, it is clear that these managers perceived ethics to be an important aspects of their jobs. Our research indicated that ethics were ranked ahead of many of the job performance dimensions more often considered in the management literature. Second, certain ethical behaviors such as codified ethics were perceived to be relatively more important than others. Finally, differences in the perceived importance of ethics were found by size and type of organization, by tenure and by function within organizations.

The practical implications of the findings are significant with respect to organizational selection, promotion, training and development of managers. Moreover, the results also have implications for the way we formally educate prospective managers.

Following are some illustrations of how the issue of ethics should be integrated into both management education and practice. One example is the use of management selection and promotion systems in organizational settings. Whether selection decisions are based on standardized test results, an interview, a background check or ratings from an assessment center, the accuracy of the hiring decision depends on how well the content of that selection procedure reflects the content of the job. We suggest that the importance of ethics be carefully considered in studying job requirements. When found to be important, candidate ethics should be evaluated along with other criteria in making selection and promotion decisions.

Our research also supports the inclusion of ethics in the organizational training and development of managers. Although a few examples of ethics training exist at organizations such as General Dynamics and McDonnell Douglas, these companies are the exception. Also related to this issue is whether other researchers find different perceptions of ethical job requirements by industry or organizational unit as we have. If so, these results may signal likely targets for more extensive ethical training and performance monitoring.

A final example is the inclusion of ethics in the business school curriculum. The broader goal of this research was to identify management behaviors which are important in the education of business students. Our findings strongly indicate that ethics are important. We believe that ethics courses should be an integral part of both the undergraduate and graduate business curriculum. We also maintain that ethical issues and considerations should be incorporated into the material studied in most business courses (e.g., accounting and auditing practices, human resource management, economics).

Conclusion

An examination of the literature describing managerial functions has revealed that ethics seldom have been described or investigated as aspects of the manager's job. Business textbooks, research articles and other sources have instead emphasized such management activities as planning and organizing,

staffing and communication. Our results indicate that ethics should also be considered key components of management work.

Note

¹ A copy of the questionnaire will be provided upon request made to the senior author.

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