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The Impact of Individual Ethics on Reactions to Potentially Invasive HR Practices

G. Stoney Alder
Marshall Schminke
Terry W. Noel

ABSTRACT. In recent years, the practices of work organizations have raised increasing concerns regarding individual privacy at work. It is clear that people expect and value privacy in their personal lives. However, the extent to which privacy perceptions influence individuals' work attitudes is less clear. Research has explored the extent to which employee perceptions of privacy derive from characteristics of the programs themselves. However, there is a paucity of research that examines how the characteristics of the individual employee may influence perceptions of these programs. In this study we seek to shed light on this issue, as we examine how the individual ethical orientation of employees influences perceptions of a variety of human resource programs that have the potential to be perceived as invasive. Results indicate that ethical orientation exerts direct effects on perceived invasiveness of programs and exerts both direct and indirect effects on perceived appropriateness of programs. Implications for research and for managers adopting privacy-related programs are discussed.

KEY WORDS: background searches, drug testing, electronic monitoring, ethical orientation, formalism, privacy, utilitarianism

G. Stoney Alder is Assistant Professor of Management in the College of Business at the University of Nevada, Las Vegas. He received his Ph. D. from the University of Colorado at Boulder. His research interests include organizational justice, electronic monitoring, and business ethics. Dr. Alder's work has appeared in a number of journals including Organizational Behavior and Human Decision Processes, Information & Management, Human Resource Management Review, Journal of Business Ethics, and the Journal of High Technology Management Research *among others.*

Marshall Schminke is currently a Professor of Management at the University of Central Florida. His research interests include organizational justice, ethics, and work climate. He has published a book on business ethics, and over 40 articles and chapters in journals such as the Academy of Management Journal, Journal of Applied Psychology, Organizational Behavior and Human Decision Processes, Research in Organizational Behavior, Research in Personnel and Human Resources Management, Business Ethics, Quarterly, and the Journal of Business Ethics. *He has served as Associate Editor of the* Academy of Management Journal *and as a visiting scholar at Oxford University.*

Terry W. Noel is Associate Professor of Management at California State University, Chico. He teaches classes in entrepreneurship and manages the Center for Entrepreneurship. Dr. Noel's work has been published in such places as The Academy of Management Journal, the Journal of Management Education, and the Journal of Enterpreneurship Education. *His research focuses on the process of enterpreneurial learning and how entrepreneurial thinking can benefit both start ups and established organizations. He also does research in the field of employee reactions to computer monitoring.*

Introduction

The right to privacy has been a cherished ideal for centuries. In their classic article "The Right to Privacy," Warren and Brandeis (1890, p. 196) argued for the legal recognition and protection of the right to privacy concluding that, "Of the desirability – indeed of the necessity – of some such protection, there can, it is believed, be no doubt."

Privacy has been defined in a number of ways. However, common to many of these definitions is the importance of control over personal information. For example, Westin (1967, p. 7) suggested that privacy is, "the claim of individuals, groups, or institutions to determine for themselves when, how, and to what extent information about them is communicated to others." Sundstrom et al. (1980,

p. 102) argue that psychological privacy "comes from a sense of control over access to oneself or one's group. It includes control over transmission of information about oneself to others and control over inputs from others. Stone et al. (1983, p. 460) similarly define privacy as the "ability of the individual to control personally (vis-à-vis other individuals, groups, organizations, etc.) information about one's self."

It is clear that people value and expect privacy in the conduct of their personal lives. Less clear, however, is the extent to which this expectation carries over to the employment context. Indeed, the practices of work organizations have increasingly engendered debate over the issue of privacy in the workplace. Newman and DeChabris (1987) noted that developments in the employment context had kindled a move to protect the privacy rights of individuals. A decade later, Stone and Stone-Romero (1998) observed that the debate about privacy in the employment context has intensified in recent years.

Perhaps driven by the growing debate about privacy, a growing body of academic research considers privacy in organizational settings. Despite this research, however, little is known about how individual differences affect employees' perceptions of and attitudes toward potentially invasive human resource practices. This line of research is important for at least two reasons. First, from a theory and research perspective, a complete understanding of organizational privacy requires full consideration of the variables that may be responsible for invasiveness perceptions. To the extent that individual differences affect perceptions of invasiveness and attitudes toward potentially invasive organizational routines, any theoretical model of organizational privacy that omits individual differences is incomplete. Second, an understanding of the relationship between individual differences and privacy perceptions may help managers implement privacy-related programs in ways that reduce employee concerns. In this study we seek to shed light on this issue, as we examine how the ethical orientation of employees influences perceptions of a variety of privacy-related human resource programs. Below, we first identify some of the driving forces accounting for the increased attention being paid to privacy in organizations and subsequently review the existing privacy research relevant to our study.

Privacy in organizational settings

Privacy issues have become salient in recent years because of heightened concerns that individuals' desire for privacy is threatened by a variety of organizational practices (Stone and Stone, 1990; Stone-Romero et al., 2003). For example, concerns have been raised regarding the implications of the physical layouts of work environments on visual and acoustical privacy (Sundstrom et al., 1980, 1982). Additionally, organizations are increasingly gathering large amounts of information about job applicants and current employees to facilitate decision making. For example, in an effort to hire highly skilled workers, organizations routinely conduct background checks gathering information about applicants' education, family, background, personality, and medical history. However, critics contend that the accumulation of this type of information about individuals compromises their right to privacy (Stone and Stone-Romero, 1998). Critics have similarly voiced concerns regarding the invasiveness of other tools used to gather information about job applicants including the polygraph, medical examinations, and honesty tests (Stone-Romero et al., 2003).

Organizations also gather a great deal of information about current employees that may be used in making human resources decisions including promotions, disciplinary actions, and terminations. To facilitate the gathering of such information about employees, organizations are increasingly turning to electronic technology. Indeed, a related factor leading to the growing conflict about privacy is that rapid advances in technology outpace traditional expectations of privacy (Westin, 1967). Employee databases, human resources information systems, and networked environments enable organizations to collect voluminous information, which may improve organizational decision making. The use of human resource information systems (HRIS) is growing rapidly because these systems are an integral component of many organizations human resource-planning efforts. HRIS are thought to increase human resource managers' abilities to produce reports, utilize employee skills effectively, and reduce labor costs (Eddy et al., 1999). However, due to the amount of information they collect about employees, questions arise regarding their invasiveness and acceptability (Eddy et al., 1999; Lippert and Swiercz,

2005; Stone et al., 2006; Turnbull, 2005). Security breaches and technology glitches that may result in the dissemination of personal information to unknown and/or unauthorized third parties further magnify privacy concerns related to the use of such systems (Simon, 2005; Verton, 2004).

Another area in which the implication for technology on privacy is plainly manifested is in the electronic monitoring and surveillance of employees. As many as 75% of large companies electronically monitor their employees (American Management Association, 2000) and at least 40 million US workers may be subject to electronic monitoring (Alder and Ambrose, 2005). Organizations argue that electronic monitoring is an invaluable management tool that can benefit organizations and their employees. For example, employers use Internet monitoring to discourage productivity loss due to recreational use, avoid sexual harassment suits, eliminate the download of pirate software, and preserve bandwidth. However, opponents of electronic surveillance and monitoring argue that the practice is akin to ''Big Brother'' in the workplace and usurps worker privacy (Parenti, 2001).

Finally, organizations are increasingly gathering personal information to deter counter-productive behavior. For example, drug abuse has been correlated with a decline in corporate profitability and an increase in the occurrence of work-related accidents (Cranford, 1998). The negative impact drug use among workers has on performance, attendance, and accident rates costs employers in the United States over $60 billion a year (Stone and Kotch, 1989). As companies have felt the impact of drugs in the workplace, an increasing number are battling the problem through drug-free workplace policies, employee education, drug testing, employee assistance programs, and even undercover drug busts (Bahls, 1998). However, the rise in drug testing has aroused criticism by those who argue that such tests are an invasion of privacy and a violation of employees' rights (Stone and Kotch, 1989). Critics of drug testing contend that it invades employee privacy because it surpasses the employer's legitimate sphere of control by dictating the behavior of employees on their own time and in the privacy of their own homes (Maltby, 1987).

Privacy research

It is clear that privacy is an important concern that is drawing considerable interest. What is less clear is the extent to which employees consider various employment-related practices to constitute an invasion of their privacy. Also unclear is how privacy beliefs influence individuals' attitudes and perceptions of organizational programs. On the one hand, individuals value privacy. On the other hand, employees may recognize that businesses have a need to make decisions that will ensure profitability and protect workers and consumers. Therefore, they may be more tolerant of some degree of intrusion in the workplace. Indeed, a number of writers have suggested that there is a fundamental struggle between an individual's right to privacy and an organization's legitimate business interests (Culnan et al., 1994; Eddy et al., 1999).

In response to these uncertainties and growing concern regarding the potential for organizational procedures to invade employee privacy, researchers have begun to systematically explore employee perceptions of the invasiveness of organizational routines with privacy implications. For example, Sundstrom et al. (1980) found that providing workers architectural privacy (e.g., private workspaces) enhanced psychological privacy. Sundstrom et al. (1982) similarly focused on the effects of physical design on privacy and found that the best predictor of rated privacy of workspaces was the number of partitions around the workspace. Similarly, Stone-Romero et al. (2003) conducted two studies on the perceived invasiveness of 12 personnel selection procedures. Results of their first study revealed that the procedures differed markedly from one another in terms of their relative invasiveness to applicants. For example, their results indicated that polygraphs, drug tests, medical examinations, background checks, and honesty tests are the most invasive of privacy whereas the application blank, interview, and work sample were viewed as having relatively low levels of invasiveness.

Thus, it appears employees have baseline beliefs about the invasiveness of various management practices. Stone-Romero et al. (2003) suggest that organizations might benefit from using procedures that employees consider least invasive. However, they also concede that there is reason to believe that

variants of the same general technique may differ in terms of their invasiveness (Stone-Romero et al., 2003). Privacy-related procedures influence perceptions of invasiveness, which in turn affect procedural fairness judgments and individuals' attitudes toward the practice (Alge, 2001). Accordingly, a good deal of research seeks to illuminate the factors that enhance or diminish the perceived invasiveness of various procedures. Research along these lines indicates that managing perceptions of fairness is important in the implementation and integration of programs involving employee privacy. Procedures that violate individuals' expectations of privacy may also violate the ethicality rule of procedural justice (Bies, 1983; Leventhal, 1980). Indeed, there is considerable evidence that privacy and fairness are strongly correlated with one another (Bies and Moag, 1986; Eddy et al., 1999; Stone and Kotch, 1989) and that procedures that violate expectations of privacy undermine perceptions of procedural fairness (Alge, 2001; Eddy et al., 1999; Stone and Kotch, 1989).

Much of the research on fairness and privacy has focused on the procedures and processes used to introduce, implement, and operate the privacy-related programs, and how the characteristics of the programs themselves (and how they are operationalized) are likely to influence employee reactions to the programs. The general conclusion is that the way privacy-related programs are designed and implemented determines their perceived invasiveness, fairness, and acceptability (Aiello and Kolb, 1995; George, 1996; Griffith, 1993; Stanton and Barnes-Farrell, 1996). Stone and Stone (1990) developed a model of organizational privacy that considers the antecedents and consequences of individuals' desire to protect privacy. Among the antecedents in their model are several factors related to the way in which organizations collect, store, and use information about individuals. Stone-Romero et al. (2003) considered aspects of the Stone and Stone (1990) model and found that invasiveness was positively related to several factors including the extent to which the procedures have the potential to erroneously discredit job applicants, probe the bodies and minds of applicants, result in an uneasy feeling by applicants, imply distrust, and have the potential to reveal negative information about applicants. In contrast, invasiveness was negatively related to the degree to which procedures have been experienced by applicants, have enabled applicants to manage positive impressions, and have been perceived to be frequently used by organizations.

Drawing on Westin's (1967) definition of information privacy as one's ability to control personal information, Stone and Kotch (1989) reasoned that unannounced drug testing would be more invasive than announced drug testing because it impinges on individuals' ability to control information about themselves. They further argued that the desire to maintain control is stronger when punitive action will be taken for detected drug use than when no punitive action will be taken. Results of their field experiment indicated that negative reactions to drug testing may be reduced by giving employees advance notice of scheduled drug tests and responding to detected drug use with employee assistance programs rather than discharge of employees. Additional research on employee drug testing programs has found that variables such as accuracy and job relatedness reduce perceptions of privacy invasion (Dwight and Alliger, 1997; Racicot and Williams, 1993; Tepper and Braun, 1995).

Electronic monitoring research has similarly attempted to understand the program characteristics that enhance acceptability. Ambrose and Alder (2000) derived a set of 12 monitoring system dimensions that affect perceptions of procedural, distributive, and interactional fairness. Alder and Ambrose (2005) demonstrated that the way computer monitoring systems are designed to provide workers with performance feedback influences monitored individuals' fairness perceptions, satisfaction, and task performance. Alge (2001) found that monitoring job-relevant activities (relevance) and affording those who were monitored input into the process (participation) reduced invasion of privacy and enhanced procedural justice. Additionally, invasion of privacy fully mediated the effect of relevance and partially mediated the effect of participation on procedural justice.

Individual influences

Little research, however, has focused on how the characteristics of the individual, as opposed to characteristics of the program and its operation,

influence perceptions of and reactions to these programs. Although characteristics of organizational programs are clearly important, we suggest that individuals' evaluations of privacy-related programs are not solely a function of the system, but result from characteristics of the individual as well. Indirect support for this argument is provided by Sundstrom et al. (1982), who argued that the importance of privacy increases with the complexity of the job. Consistent with this argument, managers and administrators, according to Sundtrom et al. (1982), said they had greatest privacy, whereas secretaries gave the lowest ratings. However, although the research by Sundstrom et al. (1982) shifts the focus from the system to the individual-level by emphasizing a specific job, it does not explore the role of the characteristics of the individual performing the job.

A long line of research in organizational behavior indicates that individual differences exert important influences on individuals' perceptions, attitudes, and behaviors. That these individual considerations are absent from research on how employee reactions to privacy issues are formed is notable. This omission reflects an important gap in our efforts to understand employees' behavioral and attitudinal reactions to organizational procedures that have privacy ramifications. This study seeks to address that gap, by exploring the influence of a key individual difference, individual ethical orientations. In particular, we examine individual ethical predispositions relating to formalist (rules-based) and utilitarian (results-based) ethical decision making. We suggest that different ethical orientations will lead to different individual reactions to privacy-related programs in organizational settings.

Ethical orientation

Classifying how individuals address or interpret ethical situations has occupied ethical scholars for some time. One well-known distinction differentiates between formalist and utilitarian reasoning (Brady, 1985, 1990). Formalism (often associated with Kantian ethics) and utilitarianism (often associated with Bentham and Mills) parallels ethical deontology and teleology (Brady, 1990), identified by Kohlberg (1984, p. 579) as ''the two major ethical principles.'' Brady and Wheeler (1996) suggest the distinction between formalism and utilitarianism may be the most important distinction in the history of ethical theory. Nozick (1981) concludes that ''all of substantive ethics has been fitted or poured into these two powerful and appealing molds (p. 494).''

Formalist ethics look to a set of rules or principles for guiding behavior. Actions are viewed as ethical or not to the extent that they conform to these rules. For formalists, the acts themselves are moral or immoral, irrespective of the outcomes of the acts. In contrast, utilitarian ethics evaluate outcomes or consequences of actions as ethical or not, rather than the actions themselves. With utilitarian ethics, actions are ethical if they produce the greatest good.

Traditionally, formalism and utilitarianism have been viewed as opposite ends of a single ethical continuum; greater tendencies toward one implied lesser tendencies toward the other. However, recent work suggests that they represent two independent dimensions of an individual's ethical infrastructure. A person may utilize one or both – and each to a greater or lesser degree – when evaluating ethical situations (Brady, 1990; Brady and Wheeler, 1996; Schminke et al., 1997; Schminke and Wells, 1999).

Research on ethical predispositions has investigated the organizational factors that influence individuals' ethical orientations. For example, Schminke et al. (2002), and Schminke and Wells (1999) demonstrated that group dynamics and leadership exert powerful influences on group members' ethical frameworks. Similarly, Schminke (2001) examined the relationship between organizational size and structure on individuals' ethical predispositions and found that larger, more rigid, mechanistic structures were associated with higher levels of ethical formalism and utilitarianism.

This research demonstrates that organizational processes and activities influence employees' ethical frameworks. However, we suggest that the reverse may also be true. That is, employees' ethical predispositions may also influence employees' interpretations of and attitudes towards their organizations' procedures and practices. Indeed, Schminke et al. (1997) found that individuals' ethical predispositions differentially affected their sensitivity to different types of justice (e.g., procedural and distributive). We similarly expect ethical predispositions to influence employees' sensitivity to

potential breaches of privacy and their assessments of the appropriateness of various human resource programs with privacy implications.

Program privacy, appropriateness, and ethical predispositions

Perceptions of privacy invasion

A number of philosophers have concluded that the central issue in ethics involves rights and duties (Sumner, 2000; Thomson, 1990). Among the most frequently mentioned rights is that individuals are morally entitled to the right to personal dignity. In this perspective, the right to human dignity generally implies the principles of respect for privacy and confidentiality. As a result, the standing of privacy as a moral imperative is firm. For example, Manning (1997) invokes liberalism and communitarian perspectives to explain, ''some of our moral intuitions about the immorality of invasions of privacy.'' Similarly, Werhane (1985) argues that privacy is a basic right that ethical organizations must respect because, ''Unless their privacy is respected persons lose a sense of self-identity, because what separates one from another, what identifies her to herself, becomes indistinguishable from what others know about her. Without privacy one's personal freedom is, at best, restricted, since the source of free choice, one's autonomy, is not safeguarded'' (p. 119). In short, respecting individuals' privacy is generally considered a moral rule and violating employees' privacy is considered a violation of ethical principles.

As formalists focus on principles when deciding what is right (and are less concerned with the outcomes of the acts in making that determination), we would expect the issue of privacy to be highly salient for formalists. Thus, when assessing organizational programs, formalists will consider the programs' privacy implications. As a result, we predict that ethical formalism will be a significant predictor of privacy perceptions. We do not anticipate that utilitarianism will be related to perceptions of privacy invasion.

H1 Ethical formalism will be positively related to individuals' perceptions that a human resource program represents a privacy invasion.

Perceptions of program appropriateness

Because utilitarians focus on outcomes rather than principles, for a utilitarian, a practice is ethical if it enhances net social welfare. Conversely, if the practice reduces net social welfare, it is immoral. In short, when assessing organizational programs, utilitarians will consider whether the programs are effective at accomplishing the goal they were designed to pursue. Thus, the issue of effectiveness will be highly salient for utilitarians when assessing organizational programs. As a result, we predict that utilitarianism will be a significant predictor of individuals' perceptions of the appropriateness of human resource programs. We do not anticipate that formalism will be related to perceptions of appropriateness.

H2 Ethical utilitarianism will be positively related to individuals' perceptions of the appropriateness of human resource programs.

Perceptions of privacy invasion and program appropriateness

Organizational justice research indicates that privacy invasion is an important antecedent of fairness perceptions, in a variety of domains. Methods that violate expectations of privacy are considered unfair by workers (Eddy et al., 1999; Leventhal, 1980; Stone and Kotch, 1989). For example, research indicates that reactions to drug-testing programs are influenced by the existence of safeguards to ensure privacy and confidentiality (Gomez-Mejia and Balkin, 1987; Murphy et al., 1990; Stone and Kotch, 1989). Gilliland (1993) argues that invasiveness of questions or invasion of privacy influences the perceived procedural fairness of selection systems. Ambrose and Alder (2000) argue that monitoring systems that invade employee privacy by monitoring non task-related activities will be viewed as unfair. In a laboratory study, Alge (2001) found that invasion of privacy predicted procedural fairness perceptions related to employee monitoring.

This research indicates that privacy perceptions affect perceptions of procedural fairness. In turn, procedural fairness has been shown to be an important determinant of individuals' acceptance of organizational procedures and their job attitudes and

behaviors across a variety of contexts (Cohen-Charash and Spector, 2001; Colquitt et al., 2001; Cropanzano and Greenberg, 1997; Folger and Cropanzano, 1998). In short, employees care a great deal about process, and privacy is a critical aspect of organizational processes. As such, employees will likely hold more negative attitudes toward a given human resource program if they believe it violates privacy expectations.

In contrast, the lower the perceived invasiveness of organizational actions, the greater the acceptance of such actions by job applicants or incumbents (Eddy et al., 1999). Consistent with this logic, Mossholder et al. (1991) found that the extent to which survey respondents felt that performance appraisal sessions represented an invasion of privacy was negatively related to both their satisfaction with appraisal systems and their job satisfaction. Similarly, Sundstrom et al. (1980) found that architectural and psychological privacy were both associated with satisfaction with workspace and job satisfaction. Therefore, we predict:

H3 Perceptions of privacy invasion will be negatively related to perceptions of the appropriateness of human resource programs.

Moderating effect of ethical predispositions

Although perceived invasiveness may represent an important determinant of individuals' perceptions of the appropriateness of human resource programs, we suggest that the strength of the relationship may be influenced by individuals' ethical predisposition. Specifically, ethical orientation may influence how people respond to their beliefs about privacy invasion. For example, formalists believe a practice is good to the extent they believe it adheres to ethical rules. An important moral rule is to respect others' privacy (Werhane, 1985). Therefore, we would expect that ethical formalists would exhibit a stronger link between privacy perceptions and their evaluations of the appropriateness of a tool. (However, although privacy may be important from a formalist perspective, privacy invasions may have little effect on whether a given human resource program effectively accomplishes its stated objective. Therefore, we would not expect a significant interaction between privacy and utilitarianism on perceptions of the appropriateness of human resource programs.) Thus, Hypothesis 4 predicts:

H4 Ethical formalism will moderate the relationship between privacy perceptions and perceptions of the appropriateness of human resource programs such that the impact of privacy on appropriateness will be more pronounced for strong formalists than for weak formalists.

In summary, our model and hypotheses suggest that individual ethical orientations influence reactions to privacy-related organizational programs. In particular, we argue that individual ethical predispositions will exert direct effects on perceptions of privacy invasion and program appropriateness, and an indirect effect on the relationship between the two. These relationships are illustrated in Figure 1.

Method

We collected information about employees' job attitudes, ethical orientation, perceptions of the degree to which various human practices violate employee privacy, and beliefs concerning the appropriateness of these same practices. Surveys were delivered to 186 employees by the company mail system of a heavy equipment sales and service center. To preserve anonymity, respondents mailed surveys directly back to the researchers in sealed, preaddressed envelopes. Ninety-eight employees responded to the survey, for a 53% response rate. Eighty-three percent of the respondents were male, 17% female. The average age of respondents was

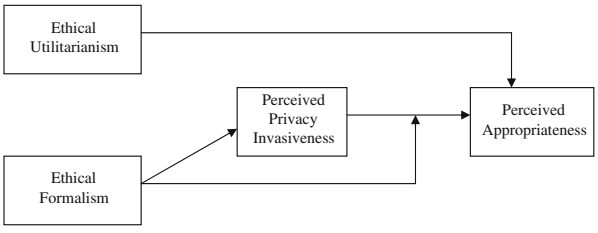

Figure 1. Hypothesized relationship between ethical predisposition, privacy perceptions, and evaluations of appropriateness.

41.3 years. Supervisors constituted 33% of respondents, while 67% held non-supervisory positions. The average length of tenure at present employer was 9.1 years and present department 7.3 years.

Measures

Ethical orientation

The character traits version of the Measure of Ethical Viewpoints (MEV) measured the relative strength of participants' utilitarian or formalist ethical predispositions (Brady and Wheeler, 1996). This instrument was developed as a pencil-and-paper test for ethical orientation. It lists 20 character traits (e.g., effective, honest, results-oriented, law-abiding) that subjects rate on a seven-point scale (1 = not important to me, 7 = very important to me) according to their personal judgment of their importance.

Brady and Wheeler report a factor analysis revealing two major factors accounting for 42.8% of the variance in the data, 26.0% for Factor 1 (utilitarianism, which included the traits: innovative, resourceful, effective, influential, results-oriented, productive, a winner) and 16.7% for Factor 2 (formalism, which included the traits: principled, dependable, trustworthy, honest, noted for integrity, law-abiding). Brady and Wheeler (1996) report reliabilities of $\alpha = 0.75$ for utilitarianism and $\alpha = 0.86$ formalism. In our study, the α was 0.83 for utilitarianism and 0.84 for formalism. We calculated a utilitarian strength and a formalist strength score for each participant by averaging the responses to the items belonging to each scale. Respondents' utilitarianism score ranged from 2.14 to 7.0 and formalism scores ranged from 1.83 to 7.0.

Privacy perceptions

Three items assessed employees' perceptions of whether a variety of human resource practices reflect a violation of privacy ($\alpha = 0.68$). For this scale we focused on three programs that have raised privacy-related concerns. Specifically: ''Background checks are an invasion of an employee's privacy;'' ''Internet monitoring is an invasion of an employee's privacy;'' and ''Drug testing is an invasion of an employee's privacy.'' Participants responded to these items on a seven-point scale (1 = strongly disagree, 7 = strongly agree).

Perceived appropriateness

Three items assessed the extent to which employees evaluate a variety of human resource practices as appropriate tools ($\alpha = 0.72$). For this scale we focused on the same three programs as in our privacy scale. These items included, ''Background checks are a good tool if used properly;'' ''Monitoring employees' use of the Internet is a good tool if used properly;'' and ''I think drug testing is a good tool if used properly.'' Participants responded to these items on a seven-point scale (1 = strongly disagree, 7 = strongly agree).

Results

Table I presents means, standard deviations, scale reliabilities, and intercorrelations for all variables in the study.

To confirm the anticipated factor structure of the ethical predisposition items, we conducted a confirmatory factor analysis (CFA). First, we assessed the fit of a two-factor (distinct formalism and utilitarianism factors) model. The analyses demonstrated that the two-factor model provided an acceptable fit

TABLE I

Means, standard deviations, and intercorrelations among dependent variables

Variable	Mean	SD	1	2	3	4
1. Formalism	6.46	0.65	(0.84)			
2. Utilitarianism	5.86	0.80	0.64**	(0.83)		
3. Privacy invasion	2.11	1.11	−0.20*	0.16	(0.68)	
4. Appropriateness of tools	5.79	1.11	0.08	0.08	−0.62**	(0.72)

Note: Scale reliabilities are shown in parentheses on the diagonal; *$p < 0.05$; **$p < 0.01$.

TABLE II

Multiple regression analysis: the effects of ethical predisposition on perceived privacy and appropriateness of HR programs

	Dependent variable:			
	Perceived invasiveness		Perceived appropriateness	
Independent variables	*B*	β	*B*	β
Utilitarianism	−0.10 (0.19)	−0.07	0.09 (0.19)	0.06
Formalism	−0.79** (0.30)	−0.46**	0.56* (0.30)	0.33*
Formalism × utilitarianism	−0.26** (0.10)	−0.42**	0.24** (0.10)	0.39**
(constant)	2.21*** (0.12)		5.72*** (0.12)	
Multiple *R*	0.35		0.28	
R^2	0.12		0.08	

* = $p < 0.05$, ** = $p < 0.01$, *** = $p < 0.001$.

($\chi^2 = 213.70$, df = 64; CFI = 0.92, IFI = 0.92, NNFI = 0.90) (Hu and Bentler, 1999). We also compared the fit of the two-factor model to that of a one-factor model that combined all items into a single ethical predisposition. This model did not fit the data as well ($\chi^2 = 343.17$, df = 65; CFI = 0.87, IFI = 0.87, NNFI = 0.84), and the two-factor model produced a significant improvement in χ^2 over the one factor model (χ^2 difference = 129.47, df = 1, $p < 0.01$) (Schumacker and Lomax, 1996).

We tested Hypotheses 1–4 with a series of regression analyses. To mitigate multicollinearity concerns, we mean centered the independent variables prior to creating interaction terms and running the regression analyses (Aiken and West, 1991). Tables II and III depict the results of these analyses.

Hypothesis 1 predicted that ethical formalism would be related to individuals' perceptions of privacy invasion. As shown in Table II (perceived invasiveness column), this hypothesis was supported, reflected by the significant relationship between formalism and perceived privacy invasion ($B = -0.79$, $p < 0.01$). No significant relationship emerged between ethical utilitarianism and perceived privacy invasion ($B = -0.10$, n.s.).

Hypothesis 2 predicted a positive relationship between utilitarianism and perception of the appropriateness of human resource programs. Results illustrated in Table II (perceived appropriateness column) indicate that this hypothesis was not supported ($B = 0.09$, n.s.).

In addition to testing these hypothesized main effects of formalism and utilitarianism on perceived invasiveness and appropriateness, we follow Edwards (1994, 1996) in including a multiplicative term in our model (formalism × utilitarianism) to control for possible higher-order interaction effects between ethical formalism and utilitarianism. Results in Table II indicate that these controls were significant in both models. The negative sign for the interaction in the perceived invasiveness model suggests that the negative relationship between formalism and invasiveness would be less pronounced for strong utili-

TABLE III

Multiple regression analysis: the effects of privacy perceptions and ethical predisposition on perceived appropriateness of HR programs

	Dependent variable	
	Perceived appropriateness	
Independent variables	*B*	β
Privacy invasion	−0.58*** (0.09)	−0.59***
Utilitarianism	0.06 (0.15)	0.04
Formalism	−0.01 (0.19)	−0.01
Privacy × utilitarianism	−0.01 (0.16)	−0.01
Privacy × formalism	0.45* (0.20)	0.22*
(constant)	5.87*** (0.10)	
Multiple *R*	0.66	
R^2	0.43	

* = $p < 0.05$, ** = $p < 0.01$, *** = $p < 0.001$.

tarians. The positive sign for the interaction in the perceived appropriateness model suggests that the relationship between formalism and appropriateness would be enhanced for strong utilitarians.

Hypothesis 3 predicted a negative relationship between perceptions of privacy invasion and the perceived appropriateness of human resource programs. Table III shows the results of analyses that test this hypothesis. A significant negative relationship between perceived privacy invasion and appropriateness emerged ($B = -0.58$, $p < 0.001$), such that the more respondents felt the tools represent a violation of privacy, the less appropriate they considered the tool.

Hypothesis 4 explored the moderating role of ethical orientation on the relationship between perceptions of privacy invasion and perceived appropriateness of programs. In particular, it predicted that ethical formalism would moderate the relationship, such that the impact of privacy on appropriateness would be more pronounced for strong formalists than for weak formalists. Results presented in Table III indicate that this hypothesis was also supported. That is, the formalism × privacy invasion interaction was a significant predictor of perceived appropriateness ($B = 0.45$, $p < 0.05$). Figure 2 illustrates the form of this hypothesized interaction, by plotting high and low values of formalism and privacy invasion one standard deviation above and below the mean. As the figure shows, the relationship between privacy invasion and appropriateness is stronger for high formalism individuals than for low formalism individuals.

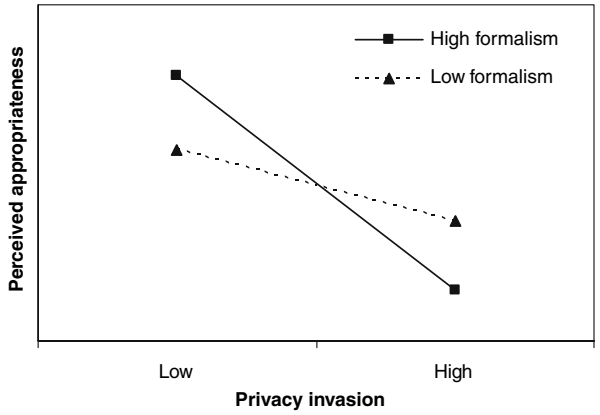

Figure 2. Moderating effect of ethical orientation on the relationship between perceptions of privacy invasion and appropriateness of program.

Discussion

This study examined the effects of individuals' ethical orientations on their attitudes towards potentially invasive organizational practices. The results demonstrate that ethical orientation directly affects perceived invasiveness and influences perceived appropriateness via both direct and indirect effects. Consistent with expectations, ethical formalism exerted a significant main effect on the perceived invasiveness of a set of human resource programs with privacy implications. Also, as expected, formalism moderated the relationship between perceived invasiveness and perceived appropriateness of the programs. However, contrary to our hypotheses, there was no significant main effect for utilitarianism on perceived appropriateness.

In addition to these hypothesized relationships, we also discovered an unanticipated direct effect of ethical formalism on perceived appropriateness. It is difficult to identify the cause of this relationship with certainty, but it may be that it is part of a larger mediating relationship. This direct effect of formalism on appropriateness (Table II) disappears when privacy invasion enters the model (Table III). These results are consistent with a model in which the effects of formalism on appropriateness are fully mediated through privacy invasion.

In addition, our analyses revealed the possibility that the impact of ethical formalism and utilitarianism on perceptions of invasiveness and appropriateness may be more complicated than we originally thought. Formalism and utilitarianism interacted significantly in both cases, suggesting higher-order effects may be at work here. The results seem to suggest that strong utilitarian tendencies are capable of either attenuating or accentuating the relationships about which we have speculated, depending on the situation. Clearly, more work is needed to drill deeper into the nature of these relationships in order to understand more fully the linkages between ethical propensities and employee perceptions of HR programs.

As a whole, the results of this study offer important contributions for both research and practice. In

response to growing concern over the issue of privacy in organizations, researchers have begun to systematically explore variations in employee attitudes toward organizational routines with privacy implications. Much of this research has focused on the procedures and processes used to introduce, implement, and operate the privacy-related programs, and how the characteristics of the programs themselves influence employee reactions to the programs. This research has led to the general conclusion that the way in which HR programs are designed and implemented determines their acceptability. Although this is important, the literature to date is devoid of research that examines the role that characteristics of the individual employee might play in determining employees' perceptions of privacy-sensitive programs.

The study reported here is a first step toward filling this gap in the literature. In this study we examined the individual characteristic of ethical orientation. Specifically, we considered how formalist and utilitarian orientations influence employees' attitudes toward a set of human resource programs (background checks, drug testing, and Internet monitoring). Results indicate that individual differences play a role in determining employees' evaluations of human resource programs. Thus, research to date provides only a partial picture of the effect of such programs in organizations. A complete understanding of the effects of potentially invasive human resource tools on employee attitudes and behaviors requires that research consider individual difference variables in addition to system design and implementation features.

The results of this study indicate that individual differences (specifically, ethical predispositions) influence how people perceive the systems in which they work. It is certainly reasonable to suspect that the extent to which employees believe in the programs to which they are subjected, will influence their attitudes toward their job and organization. Therefore, it would behoove those managing privacy-related programs to consider the individuals involved as well as the systems themselves. Awareness of these potential differences may help practitioners implement human resources programs in ways that generate positive attitudes and behaviors. We do not advocate that organizations screen potential employees on their ethical orientation prior to hiring or implementing programs with privacy implications. Nor do we recommend that they alter the nature of the program for different employees based on the employees' ethical orientation. However, they certainly can use knowledge of individual differences to anticipate how employees will respond to new programs and act to diffuse potential resistance by tailoring their communications regarding a new system with individual employees. For example, high formalists who felt the programs were an invasion of privacy also considered the programs less appropriate than did any other group. In contrast, high formalists who felt the programs were low in invasiveness also considered the programs more appropriate than did any other group. This suggests that managers may enhance high formalists' reactions to new human resource programs to the extent they alleviate their privacy-related concerns when introducing the new system to them.

One way this might be done is by emphasizing any procedural safeguards for protecting personal information that will be implemented along with the new program. In contrast, such communications may do little to enhance the reactions of low formalists. Clearly such safeguards should be in place for all employees. However, the emphasis they receive in communications with employees may vary as a function of individuals' ethical orientation. Awareness of other individual differences may similarly help organizations implement human resource activities in ways that enhance each employee's attitudinal reaction to the practice.

As with all research, this study has some limitations. First, we assessed participants' ethical orientations and perceptions of the organizational activities with the same instrument. This raises the issue of common method variance. However, the results of our CFA suggest that participants discriminated between utilitarianism and formalism and thus, mitigate this concern. Second, the cross-sectional nature of our data collection does not permit us to explore some of the causal links suggested by the hypotheses, as might be possible with a longitudinal format. Next, there may be some sample size considerations with this study. Although a larger sample would have been ideal, our final sample satisfies minimum statistical requirements. Pedhazur (1997) argues that a sample of 15 subjects per predictor is sufficient.

Harris (1985) suggests that the number of participants should exceed the number of predictors by at least 50 (i.e., total number of participants equals the number of predictor variables plus 50). Our model includes five predictors (three main effects and two interaction terms). Thus, our sample of 98 easily surpasses Pedhazur's recommendation of 75 respondents and Harris's required 55 subjects.

Finally, greater precision in the questions we posed to participants would offer the opportunity to understand these constructs and the relationships between them in a more fine-grained way. For example, we asked participants to indicate the extent to which background checks are an invasion of privacy. This question is potentially vague, as background checks could be done exclusively prior to organizational entry or throughout the employment relationship. In addition, there are a number of different types of background checks including criminal checks, credit background, and work history background. Each of these may raise different privacy-related concerns. Therefore, future research should assess the extent to which the relationships observed in this study hold for different types of background checks that occur at various points in the individual's relationship with the organization.

This study suggests several additional potential avenues for future research efforts. First, we examined only the role of individuals' ethical orientation. Additional individual difference variables may influence employee reactions to monitoring as well. Future research should examine this possibility. Second, we asked participants about their general attitudes toward various human resource programs irrespective of their actual experience with the programs. Future research could take a longitudinal approach that assesses the relationship between employees' ethical orientation and their experience-based attitudes toward privacy-sensitive activities. For example, individuals' ethical orientation and attitudes toward Internet monitoring could be assessed both before and after the organization implements an Internet monitoring system. Finally, we focused on a set of three privacy-sensitive human resource activities. However, future research could explore the extent to which the relationships observed in this study generalize to other human resource activities with privacy implications such as video surveillance and performance appraisals.

In all, our results point to the potential importance of understanding better the role of individual differences in how human resource practices are interpreted and assessed by organization members. Considerable work remains to be done, but our study represents a useful first step in understanding these important issues.

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G. Stoney Alder, Marshall Schminke and Terry W. Noel
College of Business Administration, University of Central Florida, P.O. Box 161400Orlando, FL, 32816-1400, USA
E-mail: mschminke@bus.ucf.edu