Research Paper

Ethical Behaviour in Organizations: A Literature Review

Marmat Geeta[1], Jain Pooja[2], Mishra PN[3]

[1]*Affiliated with Institute of Management Studies, Devi Ahilya Vishwavidyalaya, Indore, India*
Mobile: +91 9826051312
[2]*Assistant professor, International Institute of Professional Studies, Devi Ahilya Vishwavidyalaya, Indore, India*
[3]*Senior Professor, Institute of Management Studies, Devi Ahilya Vishwavidyalaya, Indore, India*

ABSTRACT:-*This article review literature on ethical behavior to identify factors and variables which influences ethical behavior. This study is divided into theoretical and empirical studies and its relevance to theory. Identified variables are divided into individual factors, organizational and external factors. Variables under these factors are locus of control, achievement orientation, Machiavellianism as individual variable. Ethics training, code of ethics and rewarding system are organizational variable. Competition, influence of stakeholders and regulation system are external variables. These studies aim to find out the development of trends from seventies to two thousands fifteen in the studies of ethical behavior. This review provides insights to the future researchers who want to research related to ethical behavior. This review also helps professionals to understand ethical behavior in context of their organization to manage ethical aspects in to their organizations in a better way.*

Keywords:- *Business Ethics, Decision Making, Ethical Behavior, Machiavellianism, Organization, Stakeholders*

I. INTRODUCTION

Ethical behavior has been a cause of concern since very ancient time. Ethical behavior in business practice has been developed continuously. In modern time, ethical behavior has been looked as important aspect of the business success. There are lots of theoretical and empirical studies which explain the factors and variables impacting the ethical behavior of individual in the organization and hence their ethical decision making, ethical behavior is evidenced since human civilization had been evolved. India is known as it has rich ethical tradition, which envisioned in the scriptures of the land like Gita, Upnishad etc. Plethora of theoretical and empirical studies is available on ethical behavior by many professional executives. These have been drawn attention to the ethical approach of business. And today it is seen as a distinct feature of any business.

There are a number of theories based on which most of empirical studies have been evaluated, Cavanagh et al. (1981) have given utilitarian, theory of right and theory of justice, all these theories and philosophies is different. Hunt and Vitell (1986) have given descriptive decision making process. According to Gresham, Ferrel and Mclaves N. (2013), both organizational and individual factors are drivers of ethical behavior. Fritzche and Becke, (1984) link ethical behavior with normative theories of ethics, most of the empirical studies is based on the Rest model of ethical decision. Since 1970 to 2013 there are four literature review on ethical decision making is available, given by Ford and Richardson (1978), Terry W. Loe, Linda Ferrell, and Phylis Mansfield 1992-1996, Fallen and Butterfield, 1996- 2003, Jana.L.Craft 2004-2011, Kevin Lennert-Yung-Hwal Park, Nitish Singh (2013). Till date so far researchers knowledge all this literature review moves around Trevino, Rest, and Jones model.

The purpose of this review is not to extend the previous literature review, instead to assess those factors and constructs which have impact on ethical behavior and to find out methodology, gaps of those studies, availability of theory and models in this regard. There is number of theoretical and conceptual studies available which identified the nature of ethical behavior the process and steps involving to reach to the ethical decision making. We review the published literature on the factors on ethical behavior and evaluate its practicality. This paper provides information about related factors, constructs on ethical behavior, discussion of the gaps and findings have been provided.

II.   THEORETICAL STUDIES AND MODELS ON ETHICAL BEHAVIOUR

Review of existing theories and models evidenced that there are plethora of models and theories available on ethical behavior. Ferrell and Gresham (1985) included individual and organizational factors as contingency and argued that ethical dilemma emerges from the social, cultural environment. He related his model to existence of professional codes, corporate policy, reward and punishment in his contingency frame. In general, theory of marketing ethics showed that perceptions of ethical problems and consequences gone through the deontological and teleological evaluation lead to ethical judgment and then intention tend situational constraint affect the ethical behavior. The four component of ethical behavior, Rest (1986) of behavioral process in which each component is distinct to each other, on the basis of four component model, Trevino (1986) introduced person situation interactionist model, he introduced individual and situational factor as moderated which impact moral judgment to reach to the behavioral stage. As an individual factor he included ego strength field and locus of control. As situational factors he included elements of immediate job context, organizational culture and character of work. Dubinsky and Loken (1989) ethical decision making on marketing was based on theory of reasoned action. Similar findings by (Aizen ad Fishbein 1980; Fishbein and Ajzen 1975; Fishbein, 1979). Dubinsky proposed a few factors which influence ethical decision making in marketing i.e. behavioral and normative believes about the evaluations of those outcomes and motivation to comply with reference, at the same time in (1989) Ferrell, Gresham, and Fraedrich synthesis other model and developed a more comprehensive five stage model of ethical decision. Ethical decision making process passes from five stages, Awareness (of ethical issue), Cognition (stage of cognitive moral development), Moral evaluation (Deontological evaluation and teleological judgment), Determination and Action (ethical or unethical behavior and behavioral evaluation, feedback loop which may be influenced by organization action opportunity, individual moderator, which impact every stage of the process. He integrated the component of Kohlberg, Ferrell and Greshan and Hunt and Vitell and provides more informative view in which ethical decision making is affected by the external (environment, peers, situation) as well as internal (moral value structure construct) factors. After that most comprehensive Jones model (1991) was introduced. He introduced a moral intensity as in his issue contingent model and he argues that moral intensity which is the degree that people see that and issue as an ethical one influence every component of moral decision making and behavior, element of moral intensity which impact the behavior is magnitude of the consequence, probability of effect, temporal immediacy, concentration of effects, these important element was ignored by all previous existing models. Woceshym (2011) proposed a model of ethical decision making, he argued that both conscious and subconscious, intuitive processes operate when decisions are being made. Further, it is argued that the decision maker spirals back and evel of forth between the two l processing when identifying moral dilemmas and applying moral principles and accessing and using subconscious, information about them, and argue that rational egoism is the moral code that long term success of companies when integrated with essentials, this model was based on reasoning, intuition and moral principles. Previous all existing model from review of these all existing models and theory, we can ensure that each and every model has been played an important role in the development of the more comprehensive model and moreover it is empirically tested by many researchers. This can be concluded that to reaching ethical decision behavior it passes from one stage to other and influenced by intervening determinants, which can be categorized as individual, organizational and external factors and their constructs.

III.   EMPIRICAL STUDIES ON ETHICAL BEHAVIOUR

Ethical behavior has become rampant remedy to be succeeded in business by pretending that it has unique characteristic.

Plethora of empirical studies is available on ethical behavior. After reviewing the available literature on ethical behavior, studies can be categorized into individual factors, organizational factors and external factors. The studies related to these factors are being provided in the paper.

The approach of these studies is divided into three broad category of factors which are associated with it, to allow researchers for better understanding and easy availability of the literature related to factors associated with ethical behavior, gaps and limitation have been discussed to provide the scope for future studies, the empirical studies have been divided into individual factors, organizational factors and external factors.

3.1   Individual Factors

Individuals as factor, which is thought to be most important in behavior, can be taken as unit of any ethical decision making provides overall behavioral outcome is the overall measure performance of the individual in situation. In empirical studies of individual factor, there are a greater volume of findings under this variable, gender and age is the most researched constructs. Machiavellianism is very less researched among all individual factors.

3.1.1 Machiavellianism

Hegarty and Sims (1978, 1979) on 120 graduate students found Machiavellianism is a significant variance in ethical behavior similarly Singhapakdi and Vitell (1990) supports this findings that Machiavellian manager perceive ethical problems as less serious than other and were less likely to take actions to correct the problem. In 1994 Cyriac and Dharmaraj in their study on 68 middle and senior level manager, found Machiavellianism influence ethical decision. In contrast to this, Machiavellianism is negatively associated with ethical decision making (Verbeke et al, 1996). In the same era Rayburn and Rayburn (1996) found the difference between Machiavellianism and non-Machiavellian people and argued that supports the findings of Verbeke et al (1996) studies. Bass et al, (1999) found in few situations high Machiavellians individual judge the questionable selling practices. Razzacae and Hwee (2002) supported the findings of Verbeke et al. Later Schepee (2003) found that there were no significant findings. The personality trait, Machiavellianism, produced fairly consistent results, in seven of ten findings; Machiavellianism was negatively related to the ethical decision making process e.g Bass et al, (1999). The other three findings reported no significant results. Ford and Richardson (1994) reported, machiavellian was negatively associated with the ethical decision making process, (Loe et al. 2000) in two supplementary studies, both findings indicated that machiavellianism affects ethical decision making. The results consistently suggest that machiavellianism is negatively related to the ethical decision making process. In other words, high machiavellianism tends to be less ethical in their decision making than low machiavellianism.

3.1.2 Locus of Control

The construct, locus of control has been introduced by Julian B.Rotter in (1954). Since then it has become individual personality studies. It refers that individual believes they can control events affecting them. Two kinds of locus of control are there- internal and external. Internals believe that they can themselves control their decisions; externals believe that decisions are controlled by environmental factor which they cannot control. Studies on 120 graduated students, locus of control was found to be not related to ethical decision making (Hegarty and Sims., 1978). In the studies of Zahra (1989), on managers, found that organization politics was significant on the ethical behavior. More recent studies Klebe- Trevino and young (1990) found significant impact on ethical behavior either directly or indirectly. Similar results for external in the studies of (Jones and Kavanagh 1996) found that externals were more likely to affect ethical behavior and internal individual less likely to behave unethically than external Cherry and Fraedrich (2000). Shapeero et al. (2003) in their studies found internals are less likely to engage in unethical behavior.

3.1.3 Value Orientation

Value orientation includes value- based theories in most of the studies it was found that value orientation effects specifically deontology on ethical decision making process was consistently significant and positive, in the studies of Morris et al., 1996 personal values are inversely related to behavioral intention, and intention to behave ethically are affected by teleological evaluation (Rallapalli et al., 1998) similar results find in the studies of Beams et al. 2003, value oriented individuals are less likely to engage in the unethical behavior. Nonis and Swift, 2001 argued in three of four scenarios of studies than difference in personal values did not enhance the propensity to make unethical business decision. According to Watson and Sheikh (2008) idealism led to influence ethical decision making. Valentine and Batman 2011studies supported the assertion that relative is negative related to ethical behavior.

3.2 Organizational Factors

Organizational factors are the factors which are external to the individual and exist in the work environment of the individual and directly or indirectly influence individual in their ethical behavior. There are many constructs of the organizational factors which are important like code of ethics, ethics training, rewarding system, climate, structure etc.

3.2.1 Code of Ethics

Most of the studies have significant findings in ethical behavior, a few studies found that there is no significant influence on ethical behavior of code of ethics (Sims and Keon,1999) although there are mixed results on existence of code of ethics, but most of the review concluded that code of ethics influenced ethical behavior. In organization there is large no. of studies available on code of ethics. The relationship of code of ethics and ethical behavior (Loe, Ferrell, and Mansfield, 2000) provides miscellaneous result. In 1977, Weaver and Ferrell found the existence of code of conduct and enforcement improves ethical behavior but Ferrell and Weaver (1998) argues that existence and enforcement of code of ethics has no relation with ethical conduct.

Thomas R.Wotruba, Lawrence B.Chonko, Terry W.Loe, 2001, investigated the role of code familiarity as a factor which impacted the manager's behavior. Peterson (2002) supports the findings and concluded that codes of ethics were associated with less observed unethical behavior. Greenberg (2002) found individuals who worked at an office with a corporate ethics program significantly less than individuals who do not work at an office with an ethics program, Schwatz (2001) supported potential of code of ethics.

3.2.2   Ethics Training
Merely the existence of the code of ethics not only influences ethical behavior but knowledge of its content among employees has a positively influence on employee's ethical behavior. A training programme should positive influence on ethical behavior (Delaney and Sockell 1992; Kawathatzopoulos 1994). Jose and Thiodeaus 1999; Sims,1991; Trevino and Nelson,2007; Valentine and Fleishman, 2004; White and Lam, 2000) proposed that ethics training enhance ethical behavior in organization. According to the (Knouse and Giacadone, 1997; Loe and weak, 2000; Minkes et al.,1999; Palmer and Zakhem, 2001) ethics training introduces the organization policies rules, codes and teach how to deal with this job to behave ethically.

3.2.3   Rewarding System
Rewards are the one of the most important in ethical behavior. A relationship between rewarding unethical behavior and the continuation of such behavior was revealed in most studies. Rewards system for ethical behavior increases ethical behavior (Baumhart., 1961). Hegarty & Sims in 1978 on 120 Graduated students found that rewards for unethical behavior increases frequency of unethical behavior. Hunt Kiecker and Chonko (1990) on 330 advertising executives found no association of penalties and rewards. Trevino (1990) confirmed the studies and found that reward influences ethical decision making indirectly through outcome expectation. Hunt and Vasquez-Parraga (1993) on 747 managers found unethical behavior or disciplined more severely when results are negative and rewarded for positive results. Shapeero et al. (2003) found that reward for greater likelihood of the intention to engage in unethical behavior, similar findings by Ten Brusell (1998), individuals in a high incentive condition were more likely to engage in unethical behavior.

3.3   External Factors
External factors are external to the individual organization which cannot be controlled by organization and which influence directly or indirectly the organization. This chiefly includes competition and other factors of relevance like influence of stake holders & regulation system.

3.3.1   Competition
Competition in market brings greater pressure to the organization on its ethical behavior studies conducted by Hegarty and Sims (1978) found that competitiveness tends to decrease ethical behaviors, no significant relations has been found by Dubinsky and Ingram (1984), previous research found that as competition increases. Unethical business conduct also increases Baumhart, 1968). Dubinsky, A.J. and T.N. Ingram (1984) in his exploratory investigations of sale peoples find no relationship between increases competiveness and unethical behavior. Verbek, W., outwekerk, C., and Peelen, E, (1996) does not support previous studies and found competition in the market had a significant impact on personality trait in 2003. Christies et al. find external environment influence positively on the business practices.

IV.   CONCLUSION
From this systematic review of the literature, it is clear that, all variables are related with each other, to come to the stage of behavior. Just not only one factor or variable is responsible, but all factors and variables are responsible in influencing ethical behavior. We see that most of the empirical studies are based on the variables which have been discussed in famous theories like Hunt and Vitell, Rest's model, Jones model. Some of variable have been most, researched the most like age, gender but very little attention have been given to variable like Machiavellianism.

Furthermore most of the research is done in western domain so the generalisablility of the research done is   questionable. Future research should consider in different domain.

It has been noted that most of empirical studies are moving around Rest's and Jones ethical behavior model so further advancement in theoretical model is required.

There are very limited studies on external factors like competition; influence of stake holders, regulation system etc., and further attention is required in this field.

In empirical studies of each variable we find mixed results, so more research is needed to better understand the variables.

As far as methodology is considered, there is need to explore more and new methods to analyze ethical behavior.

We have attempted to review few variables from all three available factors. There are lots of more variables which are acting as moderator and mediator. But it is beyond the scope of our literature review. We have only highlighted the studies available in area of individual factors, organizational factors, and external factors, the methodology and gaps analysis. In conclusion, we hope that this review will help the researchers who want to extend the studies in field of ethics and ethical behavior.

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