

AN EMPIRICAL INVESTIGATION REGARDING THE  
EFFECTS OF INDIVIDUAL AND SITUATIONAL  
FACTORS ON ETHICAL DECISION MAKING  
IN BUSINESS SITUATIONS

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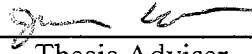
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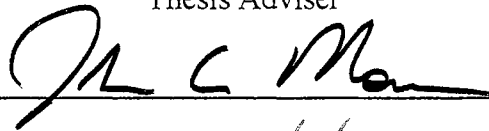
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## CHAPTER I

### INTRODUCTION

On an almost daily basis, consumers across the world are exposed to reports of ethical misconduct in fields as diverse as politics, business, government and healthcare. The cost of unethical behavior of employees and organizations is staggering. According to the Association of Certified Fraud Examiners (ACFE), the cost of this behavior, be it fraud, theft, or violence, adds up to about \$400 billion annually - \$108b more than the Federal Defense Budget in 1999 (Conley, 2000). Further, a 1998 ACFE study shows that 67% of ACFE examiners believe that white collar crime is worse than it was five years ago (Conley, 2000).

This is occurring not just in the U.S., but worldwide. A 1998 study by the federal solicitor general of Canada found the cost of economic crime was between \$5b and \$9b from 1995 to 1997 (Gray, 2000). In Great Britain, the annual cost of fraud is set at F12bn a year. Fraud accounted for at least ten percent of the 1997 budget of the European Union, a sum close to the F6bn that Britain contributes to the EU budget (Mason, 2000).

One proposed reason for the increase is the hesitancy of organizations to prosecute white-collar crime due to the fear of bad publicity. Many times the crime is not reported: the employee is merely fired (Conley, 2000). A further problem is the

reduction in the manpower available for investigation and prosecution (Mason, 2000; Gray, 2000).

Marketing is an area of business that is susceptible to many ethical problems" (Whipple & Wolf, 1991), and is the area most often charged with unethical practices (Akaah & Lund, 1994). Zey-Ferrell, Weaver and Ferrell (1979) propose that due to the inordinate power attributed to the marketing department within business organizations (Perrow, 1970) and the visibility of the marketing function (Hensel & Dubinsky, 1986), "the ethical behavior of this department is paramount." Examples of practices identified as unethical include price fixing, foreign political payoffs, and misleading or dishonest ads (Arlow & Ulrich, 1978). Vitell and Grove (1987) identify the following as sub-disciplines of marketing that are particularly vulnerable to unethical practices: advertising, personal selling, pricing, marketing research and international marketing. A study by Pozner and Schmidt (1987) found that nearly 40% of the respondents to their questionnaire report upper level managers have asked them to do something they consider unethical.

It is clear that those involved in marketing processes continually make decisions with ethical implications. Whether it is the salesperson deciding whether or not to bribe a customer to get an order, a manager dealing with expense account padding, or Dow Corning considering the continuation of the product line of silicone breast implants that may adversely affect the health of women who use them; a decision is made which can be interpreted as having ethical implications which affect the lives and well being of others.

Ethical behavior is of particular importance in sales personnel. Results of a study by Trawick, Swan, McGee and Rink (1991) show that "as a salesperson's behavior is perceived as more unethical, the purchaser is less likely to choose the firm that the salesperson represents."

More and more frequently consumers and consumer rights groups are complaining about unethical corporate decisions. General Motors X-car brakes (Kubit, 1985), the Firestone 500 tire (Regulation, 1979), Nestle's baby formula distribution in underdeveloped countries (Post & Baer 1979), the Sears, Roebuck and Co. incentive plan for automotive repair (Quinn, 1992), and the Firestone Wilderness and ATX tires are only a few examples in which the ethical decision to market the product has been called into question.

Most recently, there has been serious criticism of the newest Abercrombie and Fitch catalog. Critics call it soft porn, due to the fact that approximately half of the models in the clothing catalog have no clothes on. Many areas are taking steps to ban the sale of the catalog. There is little doubt that these decisions have caused problems not only for those who used the product but also for those who produced and marketed it as well.

There is evidence that corporations recognize a need for ethical training. This is not surprising since economic crimes committed by employees such as theft and embezzlement are on the rise. A survey of Fortune 500 industrial and service companies found 79.9% of respondents were taking steps to incorporate ethical values and concerns into the daily operations of their organizations (Center for Business Ethics, 1986). Of

those companies that stated they are taking such actions, 44% had programs for training employees in ethics. While this training is generally directed toward managers (86%), it is also available for hourly workers (Center for Business Ethics, 1986). The reason most often given by these companies for the establishment of ethical training courses is, "(1) developing employee awareness of ethics in business, and (2) drawing attention to ethical issues to which an employee may be exposed" (Center for Business Ethics, 1986). Educators as well, are recognizing the need for ethical training. The American Assembly of Collegiate Schools of Business attests to the increasing emphasis on ethical training by incorporating ethical considerations into its accreditation requirements (AACSB, 1987-1988). Business schools have responded to employers' demands by including ethical training classes in their academic curricula (Stratton, Flynn & Johnson, 1981). The efforts of Harvard in this area have been notable (Bok, 1976; Byrne, 1992).

Ethics is defined by various people in various ways. Taylor (1975, p.1) defines ethics as "an inquiry into the nature and grounds of morality" where "morality" is "moral judgments, standards, and rules of conduct." Walton (1977, p. 7) proposes that business ethics extend to include "societal expectations, fair competition, the aesthetics of advertising and the use of public relations, and the meaning of social responsibility." Purcell (1975) posits that ethics concern "among other things, person-to-person honesty and fairness in business (and) . . . questions of purpose." Trevino (1986) describes managerial decision making as decision making behavior affecting the lives and well being of others producing social consequences, particularly in the realms of health, safety, and welfare of consumers, employees and the community. These are not

conflicting definitions of ethics but a progression of definitions from ethics to business ethics to ethical implications in the realm of managerial decision making.

There may be some confusion as to the relationship between the terms moral, ethical and legal. Moral and ethical tend to be used somewhat synonymously, though moral standards usually are thought to have a more universal application while ethical standards tend to be more culturally specific. The word moral is more consistently paired with an individual's development, and ethical with behavior. The term legal relates strictly to standards set by branches of government at local and national levels. It cannot necessarily be said that, that which is legal is also moral and/or ethical. Legal standards are relatively specific, written, and localized. Laws vary between cities, states, and countries; ethical standards vary between cultures, and moral standards tend to be universal.

Due, at least in part, to the factors mentioned above, articles that address ethical issues abound in marketing literature. They speak fluently to concern about corporate behaviors that have been deemed problematic in business. In order to address the issue of ethical decision making, the factors that influence this process must be identified and an understanding gained into how these factors relate. Only by understanding the factors and the decision processes involved can increased awareness among decision-makers, and more ethical behaviors be achieved.

To influence a process effectively, one must have thorough knowledge of both the process itself and the factors that affect it. Positive models of ethical behavior abound (Hegarty & Sims, 1978, 1979; Ferrell & Gresham, 1985, 1989; Hunt & Vitell, 1986,



1991; Trevino 1986; Trevino & Youngblood, 1990); depicting how ethical decisions are made. All of these models indicate that both personal and organizational factors influence the ethical/unethical decisions made in the business setting. The influences of many variables have been studied, including personal variables: cognitive moral development, locus of control, machiavellianism, personal values and demographic factors. Corporate culture, formal and informal systems, actions of top management, actions of referent others, codes of ethics, enforcement of codes of ethics, opportunity, risk, bureaucratic structure, the reward system, the nature and magnitude of the consequences are examples of organizational factors that have been examined. However, only the individual effects of these variables have been studied. Ferrell and Gresham (1985) propose that "individual and organizational factors interact in their influence of ethical behavior."

The purpose of my dissertation is to explore the interaction between certain personal and organizational influences. While these variables have been examined before, they have not been studied in terms of interaction. There is a growing view that understanding the interaction is critical as is demonstrated by Ferrell and Gresham's (1985) contingency framework for studying ethical decision making later in this paper.

Evidence has long existed demonstrating the power of the situation over the personal disposition of the individual. Milgram's obedience studies are a classic example of a case in point. Most have learned from childhood that it is fundamentally wrong to hurt another against his/her will. In Milgram's (1963) experiments, naive subjects, 40 males between the ages of 20 and 50, were asked to help in an experiment regarding the

effect of punishment on learning. They were asked to deliver shocks to an individual, a learner who was strapped to an "electric chair" each time the learner indicated a wrong answer. The range of shock levels were labeled from 15 to 450 volts, or slight shock, moderate shock, strong shock, very strong shock, intense shock, extreme intensity shock, and danger: severe shock. Subjects were told to increase shock by 15 volts with each wrong answer. The confederate, in an adjacent room, made no reaction to the shock until the 300 level when he pounded on the wall. He made no response to the next question posed and again pounded on the wall when the level 315 shock was delivered. No further responses were made to questions. If the subject hesitated to give the shock he was prodded by the individual posing as the experimenter. Twenty-six subjects administered the highest shock on the scale even though they were visibly extremely disturbed by the procedure. Fourteen stopped at some point after the "learner" protested. Subjects were often obviously acting against their own will, but continued to follow the instructions of an "authority" who had "no special powers to enforce his commands." Clearly the impact of the supervisor is very strong.

Further research has identified individual factors that influence the degree of obedience, strengthening support of interactions between the person and the situation. Individual difference factors include authoritarianism, with authoritarians being more likely to be obedient (Elms & Milgram, 1972); trust, with trusting individuals more likely to be obedient (Rotter, 1971); cognitive moral development, with those higher in moral development less obedient (Milgram, 1974); and social intelligence, with those who can more effectively perceive situational cues less likely to be obedient (Burley &

McGuiness, 1977, pp. 767-768). According to Blasi (1991), studies using Rotter's (1966) Internal-External locus of control scale found that externals were more likely to obey in a high rather than a low bureaucratic authority condition with internals unaffected by the manipulation, (Miller, 1975); while a study by Schurz (1985) in Austria did not find locus of control related to obedience. Obviously there is an interaction between the person and the situation with people of varying individual characteristics acting differently in the same situation. It is imperative to both business and society to gain a further understanding of those factors that influence ethical behavior, how those factors interact, and how those factors and interaction influence the ethical decision making process.

## CHAPTER II

### LITERATURE REVIEW

The purpose of this paper is to examine the effects of situational and individual factors that influence ethical decision-making. After an extensive review of the literature, three individual factors (locus of control, cognitive moral development and Machiavellianism) and two situational factors (actions of direct supervisor, and the possibility that behavior will be discovered and punished) have been chosen for further investigation. Following is a survey of the current literature regarding ethical decision making, a review of ethical decision making models, and a reexamination of how situations within a corporate culture affect the ethical decisions of employees.

#### Factors That Influence Ethical Decision Making Behavior

Mayer (1970) identifies an “individual’s inclination toward dishonest behavior” as one of the three conditions that may provoke dishonest behavior. Factors that influence ethical decisions, as seen by most models, arise from the individual and the situation. Individual variables that have frequently been studied in relationship to ethical behavior include level of moral development, locus of control, Machiavellianism, age, national origin, gender and values.

## Individual Variables

While many individual variables have been studied, it can arguably be stated that cognitive moral development, locus of control, and Machiavellianism have received the most attention. CMD relates directly to how an individual reasons, and what they consider in their reasoning. This would quite obviously be important in the decision making process. Locus of control suggests that one's beliefs about the relationship between his/her own actions and their consequences will affect behavior choices. If you believe that you control your actions and that those actions result in specific consequences, then behavior will be guided by the positive and negative aspects of the consequence. If not, then consequences will have a seriously diminished effect. Finally, Machiavellianism represents the extent to which one might participate in negative behaviors to achieve a desired goal. The relationship to ethical behavior speaks for itself. These three variables and others will be reviewed in this section.

Cognitive Moral Development (CMD). CMD is a psychographic factor commonly identified as influencing moral behavior. Cognition, the way an individual thinks or processes information, is the basis of moral judgment and the individual's stage of cognitive moral development. Kohlberg (1969) identified three levels encompassing six stages of CMD through which an individual passes in an invariable and irreversible pattern. This passage is made possible by the acquisition of enhanced powers of logical reasoning which occurs with cognitive development. The stages and levels of moral development relate to how one thinks about an issue and are characterized in Table I.

TABLE I  
LEVELS AND STAGES OF COGNITIVE MORAL  
DEVELOPMENT

Level	Stage - Orientation
1) Preconventional	<u>Stage 1 - Obedience/Punishment</u> Obedience for obedience sake. Main concern is avoidance of punishment.
	<u>Stage 2 - Instrumentality/Exchange</u> Self-interest determines which rules are followed and which are ignored. Right is defined as fair exchange - reciprocity.
2) Conventional	<u>Stage 3 - Conformity/Mutual Expectations</u> A desire to help or please others. Desire for trust and approval. Belief in the golden rule.
	<u>Stage 4 - Social Accord/System Maintenance</u> Concern broadens to include society. Important to fulfill duties. Concerned with social system laws including religious, social and legal.
3) Postconventional/ Principled	<u>Stage 5 - Social Contract/Individual Rights</u> Less concern with majority opinion. Laws are upheld as a social contract, but consideration is given to changing irrational laws. Awareness that rules are relative to the group.
	<u>Stage 6 - Universal Ethical Principles</u> Self-chosen ethical principles based on justice and human rights determine behavior. Principle may coincide with those of society but personal principles prevail when there is conflict, even dominating the law.

Note: Based on Kohlberg (1976)

Level one is the Preconventional level, in which one is chiefly concerned with immediate consequences of behaviors, i.e., rewards or punishments. Level two, the conventional level, is typified by conformity to expectations. Most adults are at this level, conforming

to the expectations of society, peers, fulfilling obligations. According to Kohlberg (1969) fewer than 20 percent of adults reach the final stages in level three identified as the postconventional or principled level which include an awareness of relativity and the adoption of self-chosen principles based on the respect for human dignity.

Several studies have addressed the factor of CMD in ethical decision making but with varying results. While the preponderance of studies show that those with higher levels of reasoning tend to act more ethically, Leming's (1978) study of college students found that preconventional and principled moral reasoners are equally likely to engage in "get away with it if you can" behaviors. Students categorized with high, medium and low levels of CMD were tested in situations of either high or low supervision. Levels of supervision had no affect on the cheating behaviors of mid-level CMDs. However, both high and low CMDs cheated in the low supervision situation, only low CMDs cheated in the high supervision situation. Only in the high supervision situation was a significant relationship found between principled moral reasoning and moral behavior. Results support the situationally specific nature of moral conduct. Malinowski and Smith (1985) found students with low CMD scores cheated more, but those with high CMD scores also succumbed when temptation was high. Trevino and Youngblood (1990) found that those with higher CMD behave more ethically. Findings of a study by Goolsby and Hunt (1992) found "marketers scoring high on CMD tend to be female and highly educated, and marketers with advanced moral reasoning properties tend to have socially responsible attitudes and behaviors." While several studies have examined the relationship between CMD and ethical behavior there is little consensus.

Locus of Control (LOC). LOC is a psychographic factor most typically measured by Rotter's (1966) Scale for LOC (Trevino, 1986). LOC relates to the extent to which an individual believes s/he has control over events. Based on social learning theory, reinforcement is seen to strengthen the expectancy that a behavior will be followed by the same reinforcement in the future. When an individual does not believe that the reinforcement is contingent on the behavior, it is less likely that the behavior will be repeated (Rotter, 1966).

Rotter (1966) suggests that one's beliefs about the relationship between his/her own actions and their consequences will affect behavior choices. An Internal, one who believes that the individual has a strong influence on events, holds the belief that the consequences of an immoral act are caused by the immorality of the act emphasizing guilt and self-blame. Since Internals see themselves as in control of things, they are more likely to assume responsibility and less likely to blame others or the situation. They should, therefore, be less likely to allow others to pressure them into acts that they perceive as wrong (Trevino & Nelson, 1995). An external, one who believes events are controlled by forces external to him or herself, see consequences as less predictable and not so closely tied to his or her own behavior; thus attributing events to luck, fate, or the actions of others. Externals are less likely to resist pressure from others and more likely to disclaim responsibility (Trevino & Nelson, 1995).

A positive relationship was found between LOC and ethical decision making behavior by Adams-Weber (1969), Hegarty and Sims (1978), Trevino and Youngblood (1990), and Baehr, Jones and Nerad (1993). Externals were found to be more likely to



participate in insider trading (Terpstra, Rozell, & Robinson, 1993). Singhapakdi and Vitell (1990), however, found no relationship between LOC and perception of ethical problems or perceived alternatives. The difference here may lie in the nature of the studies. Baehr, Jones and Nerad (1993) used a newly created Business Ethics Scale to determine attitudes toward and tolerance for dishonest workplace behavior. Hegarty and Sims (1978) used a game in which respondents made decisions regarding kickbacks. Trevino and Youngblood (1990) used an in-basket exercise necessitating decisions made relating to kickbacks and full disclosure. Singhapakdi and Vitell (1990), however, conducted a survey that presented management scenarios and asked respondents to rate the extent to which an ethical issue was present, thereby measuring the perception of ethical problems rather than ethical behaviors or judgments. Clearly the majority of researchers in this area have found links between ethical decision making behavior and LOC.

Maqsud (1980) found CMD levels 1, 2 and 4 to be more externally oriented than other levels. The relationship between LOC and CMD has been explored but researchers are far from a consensus. Janzen and Booersma (1976) found there was no significant relationship between CMD and LOC, while Bloomberg and Sonesonon (1976) found “a significant positive association between internality and moral maturity” (Maqsud, 1980). Externals demonstrate little need for social approval and are characterized as less trustful and dogmatic. Individuals at Stage 3 of CMD put a high value on trust and mutual agreements. Maqsud’s (1980) study supported the hypothesis that Stage 3 individuals

would tend to have an internal locus of control. He further found stages 1,2, and 4 to be more externally oriented than other levels. The literature shows a relationship between CMD, LOC and ethical decision-making, but the exact nature of that relationship needs further investigation.

Machiavellianism. Machiavellianism is a construct based on the writings of Niccolo Machiavelli (1665, 1513), is a personal characteristic often attributed to marketers. Machiavellianism is defined as “manipulative, exploiting, and devious moves” (Calhoon, 1969) in the achievement of goals and objectives. Christie and Geis (1970) define successful manipulation as “a process by which the manipulator gets more of some kind of reward than he would have gotten without manipulating, and someone else gets less, at least within the immediate context”(p. 106). Research by Hunt and Chonko (1984) has disputed the popular belief that marketers are more Machiavellian than other members of society, although they did find marketers to possess Machiavellian traits in varying degrees. “Younger marketers are more Machiavellian than other marketers, and singles are more Machiavellian than marrieds . . . Women were more Machiavellian than men” (Hunt & Chonko, 1984). The finding regarding the relative level of Machiavellianism in women does not coincide with the majority of studies which find just the opposite. One explanation may be found in the sample used in the Hunt and Chonko study, marketing practitioners who were members of the American Marketing Association. It is possible that women in this category may differ significantly from women in general.

Machiavellianism was found to have a significant inverse relationship with ethical behaviors (Hegarty & Sims, 1979; Singhapakdi & Vitell, 1990). Later, this dissertation discloses that women have consistently been found to be more ethical than men. Again this conflicts with the Hunt and Chonko (1984) study finding a higher level of Machiavellianism in women. Clearly, more investigation should be encouraged in this area.

Personal Values. Personal values were proposed by Finegan (1994) as an individual difference that would influence judgments of morality, and behavioral intentions. Values are defined as “general standards by which we formulate attitudes and beliefs and according to which we behave” (Posner et al., 1987, p. 376). Rokeach (1973) proposes that there are two kinds of values: terminal and instrumental (Finegan 1994). Terminal values relate to “end states of existence” and include freedom, equality, national security, a world of beauty, a world of peace, a comfortable life. Instrumental values examine codes of conduct including honesty, ambition, obedience, independence, love and responsibility. People within a culture typically share the same values but attach different levels of importance to them. Rokeach’s Values Test presents respondents with separate tests of terminal and instrumental values which they rank order.

Sixty-nine undergraduates were given Rokeach’s instrumental and terminal values test and then read four scenarios representing ethically questionable behavior. The scenarios were followed by two questions: 1) Respondents were asked to rate the behavior on a 7-point scale from not at all moral, to very moral; and 2) Respondents were asked their intention to alter the situation from little intention to strong intention.

significantly higher levels of ethical behavior” (Ferrell & Skinner, 1988). Terpstra, Rozell and Robinson (1993) found that men were more likely to participate in insider trading than women. A study by Dawson (1995) found that across six scenarios representing managerial ethical situations there were significant differences between the behavior of men and women in four situations. Females were less likely to break promises, more likely to disclose positive information about competitor’s products, less likely to take advantage of confidential information, less likely to provide gifts to customers to get orders. There was no significant difference between females and males in personal honesty and hiring the handicapped, though in both cases, larger percentages of women than men acted ethically (Dawson 1995).

However, women have also been found to be more Machiavellian than men (Hunt & Chonko, 1984). Others have found gender not to be a factor in a marketer’s ethical decision making (Hegarty & Sims, 1979; Singhapakdi & Vitell, 1990). Akaah (1993) found gender not to be a significant influence on the reported ethical behavior of marketing researchers. In each case ethical decision-making was measured as a response to vignettes or scenarios. This appears to give some support to the idea of person situation interaction, with females acting more ethically in certain situations.

Age. Age displays a positive relationship to ethical decision making; ethical awareness, intent and behavior are typically found to improve with age (Goolsby & Hunt, 1992; Longnecker, McKinney & Moore, 1989). Older individuals were found by Terpstra, Rozell and Robinson (1993) to be less likely to engage in insider trading than younger individuals. Dubinsky, Johnson, Michaels, Kotabe and Un Lim (1992) found

that “younger sales personnel believe that seeking information on competitors’ quotations and offering free gifts to purchasers are less of an ethical issue than do their older counterparts.” The difficulty here is determining the effects of the confounds of work experience and education. Typically, increased age leads to work experience, education or both. As each has been identified as influential in moral development (Kohlberg 1969), it would be difficult to determine an effect for age alone. A study by Laczniak and Inderrieden (1987) was the only one noted which suggested that “older men are more likely to make unethical moral decisions.” The researchers did advise caution in the interpretation of these results since subjects for the study were MBA students and only 15 percent of the male sample had more than ten years working experience.

National Origin. National origin was found by Hegarty and Sims (1978, 1979) to influence ethical intent. Their explanation was the “lax business cultures” of other countries. Kaikati and Label (1980) point out that “in many countries, not only are foreign payments not outlawed, but they are encouraged. In Germany, for example, tax manuals confirm that although bribes to domestic official are not deductible as business expenses, bribes to foreign officials are.” Dubinsky, Jolson, Kotabe and Un Lim (1991) examined ethical perceptions of industrial salespeople in the United States, Japan and South Korea, finding indications that “nationality influences sales peoples’ beliefs about the ethics of selling practices and the need for company policies to guide those practices.” Significant differences were found in 10 of the 12 sales oriented situations presented to respondents, (Dubinsky et al, 1991). These results indicate a difference in laws,

standards and common practice across nations; they do not hold any one set of values or laws to be superior to any other.

Major Field of Study. Major field of study was identified by Arlow and Ulrich (1980, 1985) as a factor that influenced the effectiveness of classes addressing ethics and social responsibility. Specifically, they found that with training, students majoring in marketing and management became more ethical in their judgments, while accounting students became less so. This effect was found to be temporal in that after a period of four years students returned to their previous level. Chonko and Hunt (1985) found respondents' majors to influence the extent to which ethical problems were reported, with technical fields of study reporting fewer ethical problems than business majors.

Education. Education was found to have a significant relationship to ethical judgment by Bass and Hebert (1995). With the increase of respondents' formal education came a greater acceptance of unethical behavior. This finding was subsequently called into question by Chonko (1996), stating, "Low correlations suggest that some other factor(s) might influence managers' judgment of an ethical situation." Chonko also pointed out that only one scenario was used in the study, which limits the extent to which findings can be generalized.

Dubinsky and Loken (1989) applied the Theory of Reasoned Action to ethical decision making in marketing. Results of their study led them to suggest that marketers should consider as influential factors the following:

1. Behavioral intention to perform the ethical/unethical behavior,

2. Attitude toward the behavior,
3. Perceived social influence placed on the marketer to perform the behavior,
4. Salient behavioral beliefs about the outcomes associated with performing the behavior,
5. Evaluations of those outcomes,
6. Normative beliefs about whether salient referents think he or she should engage in the behavior, and
7. Motivations to comply with the referents.

Nearly every factor listed relates to a specific behavior, indicating that there may be different intentions, attitudes, perceptions and beliefs with different specified behaviors or within different situations. The following addresses situational factors within organizations.

#### Organizational Situational Factors

Organizational factors are of particular interest because they are the factors over which managers should have more control. Of the many organizational variables reviewed here, no fewer than seven relate to either role modeling (supervisor's example), or the possibility of getting caught. For many, corporate culture is exemplified by behaviors of members of management. Formal and informal systems relate to the fact that the influence of a supervisor constitutes an informal system. Behaviors and beliefs are informally transmitted from supervisor to employee. Formal systems (codes of ethics and ethical policies) can either agree with or be in direct opposition to informal systems.

Actions of top management show an obvious relationship to role modeling and getting caught. Supervisors are role models. And, supervisors are directly responsible for the enforcement, or lack thereof, of ethical policy. Supervisors can also be seen as referent others. Level of supervision and supervisor attitudes relate directly to both opportunity and risk. The reward system perspective states that if unethical behavior is not punished but rewarded, it is more likely to recur, which is, of course, dependent on the supervisor.

Corporate Culture. Corporate culture has been particularly addressed as an organizational factor of influence in ethical decision-making (Akaah, 1993). Behavior coalesces around beliefs and values that are embodied by corporate culture (Gregory, 1983; Webster, 1990). It influences the ethical environment of the organization by giving expression to what is and what is not appropriate behavior, (Akaah & Riordan, 1990; Trevino, 1986). Many suggest that organizational culture exerts more influence than written regulations (Akaah, 1993).

Corporate culture is defined by Trevino (1986) as

... the common set of assumptions, values, and beliefs, shared by organizational members. Organizational culture influences thoughts and feelings, and guides behavior. It manifests itself in norms, rituals, ceremonies, legends, and the organization's choice of heroes and heroines.

Akaah (1993), implementing Wallach's (1983) conceptualization, examined the influence of bureaucratic, supportive and innovative cultural dimensions on the reported ethical behavior of professional marketing researchers. Bureaucratic cultures are bound by "rules, standards and systematic procedures" (Weber, 1947), with formal hierarchical relationships (Wallach, 1983). Support cultures are "warm, trusting, and sociable" while



innovative cultures are “exciting, creative, driving, enterprising, challenging, results oriented” (Kohlberg & Chusmir, 1987) and “encourage employees to try new things without fear of failure” (O’Reilly, 1989). Akaah (1993) found ethical behavior to be highest in organizations displaying all three dimensions, followed by innovative supportive cultures, and bureaucratic only cultures.

Kelly, Skinner and Ferrell (1989) developed a 5-item measure of corporate culture including existence and enforcement of code and matters of honesty and confidentiality. Robertson and Anderson (1992) looked at how corporate structure affected ethical behavior and determined compensation method, opportunistic behavior, level of supervision, contact/feedback, and evaluations. They found that method of compensation had little effect. However, they found higher levels of supervision and contact/feedback increased ethical responses and decreased opportunistic behavior. Reidenbach and Robin (1990) identify five levels of ethical culture for companies: amoral, legalistic, responsive, emerging ethical and ethical. Wimbush and Sheppard (1994) propose a multidimensional ethical climate with emphasis on the importance of supervisors. As evidenced above, an integral factor of ethical behavior in organizations is related to formal and informal systems, including codes of ethics as well as values held in common by organizational members.

Formal and Informal Systems. Formal and informal systems were examined by Falkenberg and Herremans (1995) as they relate to ethical behavior in organizations. They propose that even as the person and the situation interact, so do formal and informal systems. Formal systems are defined as the written policies and procedures of an

organization that direct behavior toward organizational goals (Leatherwood & Spector, 1991; Ouchi, 1977) According to Ouchi (1980) and White (1980) an informal system is “comprised of common values, beliefs, and traditions that direct the behavior of group members” (Falkenberg & Herreman, 1995). Traditions, values and beliefs are learned from supervisors and coworkers (Jackall, 1988). Results of the study conclude that the informal system dominates the resolution of ethical dilemmas, (Falkenberg & Herreman, 1995). Hegarty and Sims (1979) conducted a laboratory experiment with 165 business students that supported the proposition that when formal or informal organizational policy favoring ethical behavior was evident, ethical behavior increased.

Actions of Top Management. Actions of top management were found to be a very strong influence on ethical behavior by Baumhart (1968) and to be the most important influence on unethical decisions by Brenner and Molander (1977). Actions of top management were determined by Chonko and Hunt (1985) to be the single best predictor of perceived ethical problems of marketing researchers, finding that when top management specifically reprimands or discourages unethical behavior marketing managers seem to perceive fewer ethical problems.

Hegarty and Sims (1979) found that when subjects were given a letter from the corporate president supporting ethical behavior, their ethical behavior was higher than for subjects who received a letter that did not support ethical behavior. Hunt, Wood and Chonko (1989) found a direct relationship between ethical top management behaviors and rewards and organizational commitment.

the existence of policies within the organizational environments. However, marketing practitioners surveyed by Ferrell and Weaver (1978) found themselves to be more ethical than top management in most situations.

Carroll (1975) surveyed members of lower, middle and upper management from a broad range of industries, finding that “pressure from top management to achieve results may cause a person lower in line management to compromise.” That is, lower level managers are under strong pressure to adhere to superiors’ expectations. These pressures may be real or perceived, but managers feel pushed to compromise moral standards to satisfy organizational expectations, especially at lower and middle management levels. This finding is supported by Getschow (1979) who reported that middle managers engaged in rule bending behavior or broke laws to meet pressures to achieve goals imposed by top management.

Laczniak and Inderrieden (1987) conducted a study to determine the extent to which stated organizational concerns influenced managerial ethical conduct. An in-basket exercise was given to 113 MBA students, manipulating organizational concern from none to situations including: 1) a code of ethics, 2) a code plus an endorsement letter from the CEO, and 3) a code, an endorsement letter, and sanctions for misconduct. “Only in the case of suggested illegal behavior tempered by high organizational concern were managers influenced by organizational policy to modify the morality of their actions.” However, the responses to the illegal scenarios were significantly more ethical than the reactions given to the unethical (but not illegal) situations.

Actions of Referent Others. Actions of referent others were found to be influential in ethical behavior. Zey-Ferrell, Weaver and Ferrell (1979) found actions of peers to be influential with personal beliefs and the beliefs of top management to contribute little to the behavior. Ferrell, Zey-Ferrell and Krugman (1983) refined the finding of the previous study, determining that for advertising directors of corporations the important referent others were members of top management; while with advertising agency account managers important referent others were peers. Respondents to a survey of marketing practitioners by Ferrell and Weaver (1978) found themselves to be more ethical than their peers.

Codes of Ethics. Codes of ethics and how they affect ethical decision making behavior in business situations has been the subject of many studies. A study by Hegarty and Sims (1979) of 165 graduate students found that an organizational ethics policy significantly reduced unethical decision behavior. The existence of an ethical code was found by Singhapakdi and Vitell (1990) to be a significant influence on many aspects of marketers ethical decision making. McCabe, Trevino and Butterfield (1996) found that self-reported unethical behavior was lower for respondents who work in an organization with a corporate code of conduct. However, Brenner and Molander (1977) report that managers believe formal company policy is a somewhat distant secondary influence on ethical beliefs and behaviors. Hunt, Chonko, and Wilcox (1984) found the existence of a code of ethics to have no effect on the perception of ethical problems by marketing researchers. Ferrell and Skinner (1988) found that the existence of an ethical code explains 28.1 percent of the variance in the ethical behavior of data subcontractors, 6

their industry (Chonko & Hunt, 1985). Perhaps the most interesting study regarding opportunity was done by Leming (1979) who first determined the level of students' CMD with Rest's Defining Issues Test, and proceeded to test cheating behavior where the level of supervision was either high or low. Students were to be awarded a number of points on the test depending on the number of right answers. Leming found that those at the highest and lowest levels of CMD were equally likely to cheat when in the low supervision situation. Those scoring high in CMD were less likely to cheat in the supervised state. Those in the moderate range of CMD were not affected by the level of supervision.

A study by Robertson and Anderson (1992) used 14 projective vignettes in a survey of 301 industrial sales people and 145 sales managers. Results show that the "extent of supervision and amount of contact with a salesperson's immediate supervisor have a significant impact on how field salespeople . . . resolve problems . . ." This finding suggests that independence translates to opportunity and opportunity to temptation.

Risk. Risk is identified by Knight (1921) as measurable uncertainty. Individuals encounter risk in making decisions. Risk becomes inherent in the decision making process when an individual is engaged in situations where the outcomes are never totally certain (Fraedrich & Ferrell, 1992). Three identified components of risk include, exposure to loss, chance of loss, and the magnitude of loss (MacCrimmon et. al., 1986). Three of the six varieties of risk identified by Jacoby and Kaplan (1972) that relate to individuals are financial, social, and psychological. Ethical risk was defined by Rettig

and Rawson (1963) as “public exposure and censure of getting caught.” Their study of 136 Ohio State students found risk to be “an important antecedent to the engagement of ethical behavior, accounting for up to 52 percent of the variation in respondents’ behavior.” Four sources of censure were identified by Zimmerman and Krauss (1971) as self, family, peer group, and society.

Bureaucratic Structure. Bureaucratic structure (formalization, centralization, and controls) was related to perceived ethical behavior by Ferrell and Skinner (1988) in data subcontractor organizations, research firms (marketing research agencies), and corporate research departments. For the above firm types respectively, formalization explains 8.9 percent, 11.3 percent, and 3.2 percent of the variance found in ethical behavior, while centralization was found to explain none, 3.8 percent, and 2.6 percent of the variance.

The Reward System Perspective. The reward system perspective states that individuals “seek information concerning what activities are rewarded, and then seek to do (or at least pretend to do) those things often to the virtual exclusion of activities not rewarded” (Kerr, 1975, p. 769). Jansen and Von Glinow (1985) view rewards systems “not only as direct determinants of the individual’s definition of the situation, but as determinants of group norms, which also define the individual situation.” Mayer (1970) argues that one of the three conditions that may incite unethical behavior includes the situation in which expected gains are larger than expected losses. Costs and benefits of consequences were found by Daboval, Comish and Swindle (1995) to be the basis for ethical decisions rather than moral imperative. Research by Hegarty and Sims (1978)

strongly supports the hypothesis that “. . . if unethical decision making is rewarded, then higher incidence of unethical behavior is likely to occur.” However, they also found that the threat of punishment has a counterbalancing influence.

Trevino and Youngblood (1990) present evidence that reward systems influence ethical decision making through outcome expectancies. The study was based on social learning theory in which “. . . individuals are assumed to learn vicariously by observing what happens to others in ethical decision-making situations.” An in-basket exercise was used in which ethical behavior (whistle blowing) was rewarded or not rewarded, and unethical behaviors (kickbacks) were punished or not punished. A causal analysis showed that “vicarious reward influenced ethical decision making indirectly through outcome expectancies.” Neither vicarious reward nor punishment had direct effect on decisions.

Others. The *nature of the harm* (physical, psychological, or economic) and the *magnitude of the consequences* (the degree or extent of the harm), were shown in a study by Weber (1996) to influence moral decision made by managers. Robin, Reidenbach and Forrest (1996) present the *importance* of the ethical issue as an influence on ethical decision making. They relate “importance” to “involvement” which has long been recognized as an important issue in social psychology. They developed a PIE (perceived importance of an ethical issue) scale that “. . .parallels similar constructs in involvement literature.” The sample for their study was 251 members of a regional advertising association. The measure was found to have “substantial impact on both ethical judgment and behavioral intention.”

TABLE II

## BRIEF SUMMARY OF LITERATURE EXPERIMENTS

Authors	Variables How Measured /Instrument	Subjects	Theory Results
Leming, 1978	<p>Dependent – Cheating behavior</p> <p>Independent – Supervision / Opportunity, Cognitive Moral Development</p> <p>Circles Test of Hartshorn &amp; May (1928-1930) to measure cheating behavior. Supervision status was high threat-high supervision (stern warnings about the inadvisability of cheating &amp; faculty members closely monitoring participants), and low threat-low supervision (no warnings, faculty didn't look at students. CMD was delegated high, medium and low in terms of standard deviations (used Rest's DIT 1979).</p>	<p>upper level under graduate students (152 )</p>	<p><u>None stated</u></p> <p>Preconventional and Principled moral reasoners are equally likely to engage in "get away with it if you can" behaviors. Only in the high supervision situation was a significant relationship found between principled moral reasoning and cheating behavior. Results support situationally specific nature of moral conduct.</p>
Arlow & Ulrich, 1978	<p>Dependent – Ethical standards</p> <p>Independent – Student's major business executive</p> <p>Clark's Questionnaire (1966) measures ethical standards &amp; social responsibility using cases and measured disapproval of behaviors in case (Likert Scale).</p>	<p>120 undergrads enrolled in Business &amp; Society</p>	<p><u>None stated</u></p> <p>Pretest showed differences between Accounting and Marketing/Management students. Differences narrowed after class. Executives scored highest. There was no control group.</p>
Hegarty & Sims, 1978	<p>Dependent – Un/ethical decision behavior</p> <p>Independent – Competition, reward, locus of control, economic orientation, threat of punishment, extrinsic reward, political orientation, Machiavellianism, gender, nationality.</p> <p>Ss told they were playing a decision making game. Presented an ethics decision on 3 levels: 1) Salesmen are providing kickbacks, must decide whether or not to continue, don't know if not will result in loss of sales; 2) same as 1 but discontinuing has an 80% probability of losing 20% of sales; 3) same as 2 with the added possibility of legal liability if kickbacks are exposed. DEP was measured by number of kickbacks refused (0-10). INDEP variables manipulated kickback effect (extrinsic reward), and threat of criminal punishment. Allport, Vernon &amp; Lindsey (1960) used to measure orientations (political &amp; economic). Rotter (1966) Scale for locus control. Eysenck &amp; Eysenck (1967) Scale for Neuroticism and extroversion. Christie &amp; Gies (1970) Mach V Scale.</p>	<p>120 graduate students 20% not US citizens, 16% female</p>	<p><u>Learning/Reinforcement Theory.</u></p> <p>3x3 factorial analysis of variance with personality and demographic variables as covariates. Foreign nationality, Machiavellianism, economic value orientation, locus of control, and political value orientation explained significant variation in ethical decision behavior. When unethical behavior is rewarded, ethical behavior lessens. Threat of punishment counterbalances reward of ethical behavior. Competitiveness increases unethical behavior.</p>



TABLE II - continued

Authors	Variables How Measured /Instrument	Subjects	Theory Results
Malinowski & Smith, 1985	<p>Dependent –Cheating behavior Independent – CMD, guilt, test anxiety, need for approval, practice trial scores, behavior of peers perceived risk, opportunity.</p> <p>Cheating was determined by the accuracy of self-reported performance on rotary pursuit tests. Rest’s DIT was used to measure CMD; 4 AP score 66.7 and higher was considered high (level 4), 4 AP score 66.7 and below was considered low (level 3). Guilt was measured by a 5-item self-report scale; test anxiety by Mandler &amp; Sarason (1952); need for approval by Crowne &amp; Marlow (1964). Perceived risk was low and opportunity high. Degree of temptation assessed on 100 pt. scale administered with debriefing questionnaire.</p>	53 college males	<p><u>Kohlberg’s Theory regarding the relationship between CMD and moral behavior.</u> Kohlberg identifies moral affect (guilt) influences moral behavior dependent on the level of CMD. Also personality including moral and nonmoral (ego strength) factors, and situational factors. Guilt is more likely to be a deterrent for stage 4 than for stage 3. Falsely low practice times provided an incentive to cheat. The lower the moral judgments score, the more likely he was to cheat, and the sooner he began to cheat. Cheating measures were also related to anticipatory guilt, test anxiety, need for approval, and practice trial scores. Although low CMDs cheated more, highs also succumbed when temptation was strong. No main effect found for cheating confederate.</p>
Laezniak & Inderrieden, 1987	<p>Dependent – Ethical behavior Independent – Stated organizational concern (policies/statements)</p> <p>An in-basket exercise developed by Beatty &amp; Schneier (1977) was used. Rs assumed role of V.P. The control group received no statement of concern. The levels of concern were: 1. President’s letter saying he would be abroad in his role a director of an Association for Better Business Ethics, 2. President’s letter and code of ethics advocating socially responsible behavior, 3. Letter, code of ethics and sanctions, threatened employee dismissal for unethical behavior.</p>	113 MBA students, 85% of which currently hold full-time managerial positions. Random assignment to treatment conditions.	<p><u>None stated.</u> Rs provided more ethical responses to the illegal scenarios than to the unethical but not illegal scenarios. Overall, Rs acted in an ethical manner when they received signals from the organization that such a response was desirable. For illegal scenarios, threat of dismissal had the only significant effect on behavior, though means for other treatment groups moved in the expected manner. For the unethical but not illegal scenarios, no distinct clustering of responses is apparent for any of the treatment groups. Those threatened with dismissal tended to respond more ethically but not significantly so.</p>
Bellizzi & Hite, 1989	<p>Dependent – Supervisory reactions to unethical behaviors Independent – Overall work performance, organizational consequences, gender</p> <p>Reactions to scenarios were measured on a 7-point scale. Respondents chose 1 of 5 actions from no action to termination. Four scenarios of potentially unethical sales behavior manipulating overall work performance, gender, organizational consequence, 2x2x2 design.</p>	452 members of AMA	<p><u>None stated.</u> Ethical perception of salesperson’s actions are influenced by organizational consequences and overall salesperson performance, not gender. However, reaction was influenced by all three: sanctions were reduced for saleswomen if they are top sales performers or if negative consequences do not arise.</p>

TABLE II - continued

Authors	Variables How Measured /Instrument	Subjects	Theory Results
Singhapakdi & Vitell, 1990	<p>Dependent – Perception of ethical problems, perception of alternative courses action</p> <p>Independent – Ethical policies of organization, Machiavellianism, Locus of Control, gender.</p> <p>Developed two scenarios representing un/ethical organizations. Situation is 1. Stating org. rigidly enforces code nd requires managerial report annually with statement of understanding and report of incidents, 2. No code, vice-president condones unethical behavior. Used Christic and Gies (1970) Mach IV scale &amp; Rotters (1966) internal-external scale. Perceptions of ethical problems were measured by a 7-point scale asking whether scenarios involved an ethical issue. For perceived alternatives, Rs were asked dis/agreement on a 7-point scale with 4 alternatives involving non/punitive and no action.</p>	from AMA mailing list (529)	<p><u>Hunt &amp; Vitell's General Theory of Ethics.</u></p> <p>Machiavellian marketers appear reluctant to punish unethical behavior, especially if they are benefitting from it. Employess in a co. with a code of ethics that is enforced, tend to perceive ethical problems when they occur and to choose the more ethical alternative available to them. No evidence that gender is a determinant, both men and women perceive ethical problems in a similar manner. No relationship found between locus of control and perceived ethical problems or perceived alternatives. Only a small proportion of the variation in the dependent variables are explained by the factors specified.</p>
Trevino & Youngblood, 1990	<p>Dependent – Ethical decision making</p> <p>Independent – Social learning (vicarious reward and punishment), CMD, Locus of Control, outcome expectancies</p> <p>The study used an in-basket exercise available from Trevino which provided the opportunity to make two ethical choices: 1. kickback, 2, substitution of inferior component part without informing customer. If Ss chose one unethical alternative they were considered unethical. The reward condition of ethical behavior showed promotion and salary increase for whistleblowing. Control conditions showed the organization response to be ambiguous. Punishment showed two weeks of suspension without pay, demotion, salary decrease for unethical behavior (substitution of substandard material or sexual harassment). CMD measured by Rest's DIT after the exercise. LOC by Rotter's 29-item forced choice inventory (1966) with high scores showing external locus. Outcome expectancies measured by asking Ss to rate management's probable responses to 10 behaviors (in post-exercise questionnaire) with a high score indicating a belief in an ethical system.</p>	94 MBA students	<p><u>Based on Trevino's Interactionist Model.</u></p> <p>Used path analysis; bivariate and multiple regression analysis to find path coefficients. Locus of control exhibited the single strongest direct effect on ethical decision making - nearly double that of all others. Outcome expectancy and CMD exhibited similar and significant direct effects. Vicarious reward exhibited weaker and indirect effect on ethical behavior through outcome expectancy beliefs. Ss with internal locus of control and principled CMD behaved more ethically. Suggest organizations should assess locus of control and CMD of potential employees. Vicarious punishment did not significantly influence outcomes expectancies or behavior.</p>

TABLE II - continued

Authors	Variables How Measured /Instrument	Subjects	Theory Results
Dabholkar & Kellaris, 1992	<p>Dependent – Ethical judgment</p> <p>Independent – Nature of sales practice (does/not involve money), party toward whom practice is directed (customer, employer, competitor)</p> <p>Basic ethical beliefs were assessed according to responses to 20 brief scenarios (PSE Scale). Using a 7 pt. scale, a composite score was computed. Scenarios presented manipulated the Independent variables. Rs rated salespersons behavior on a 7 pt. scale for each of the following: un/acceptable, un/ethical, in/correct, in/moral, right/wrong, good/bad; and summed measures. Students examined and elaborated on reasoning underlying initial evaluation of scenarios of their choice.</p>	198 marketing students	<p><u>None stated.</u></p> <p>2x3 between subjects design. Money was found to be a significant influencing factor with questionable sales practices involving money perceived to be less ethical. No main effect was found for party, however, actions toward customer were perceived to be less ethical than those directed toward the company and those directed toward competitors. Practices tended to be viewed as less ethical after reflection.</p>
Hunt & Vasquez-Parraga, 1993	<p>Dependent – Ethical judgments, supervisory reactions to unethical behaviors</p> <p>Independent – Un/ethical behavior, consequences for firm</p> <p>Two scenarios presented four case situations manipulating deontologically un/ethical behavior, and positive or negative consequences for the firm. Supervisor options were: pay raise and promotion, pay raise, strong encouragement, mild encouragement, no action, mild reprimand, strong reprimand, cut in pay, termination of employment.</p>	Sales and marketing managers secured from commercial source (747)	<p><u>Hunt &amp; Vitell's Theory of Ethics.</u></p> <p>Managers feel the practice of overstating plant capacity is wrong, but it is less wrong when it results in positive organizational consequences. Discipline for unethical behavior is less severe when results are negative than when they are positive for the organization. Deontological and teleological reasoning are both significant predictors of ethical judgment and explain 72.5%. Of the variance with deon accounting for 71.3%. Ethical judgment and teleological reasoning are both predictors of intentions and explain 69.4% of variance with 65.9% accounted for by ethical judgment.</p>
Premeaux & Mondy, 1993	<p>Dependent – Ethical behavior</p> <p>Independent – Ethical theory espoused</p>	361 marketing managers	<p>A replication of Fritzsche &amp; Becker (1984). Findings similar to original study. Those within 5 years of retirement were more likely to use rules of rights.</p>

TABLE II - continued

Authors	Variables How Measured /Instrument	Subjects	Theory Results
Singhapakdi, 1993	<p>Dependent – Ethical perception Independent – Interaction between Machiavellianism and organizational ethical culture</p> <p>Ethical perceptions are regarding two scenarios; Rs are asked if situation involves an ethical issue. Ethical alternatives categorized as punitive, non-punitive, do nothing following Singhapakdi and Vitell's (1990) methodology. Scenarios adapted from Hunt &amp; Vitel (1986) depict cultures as more or less ethical depending on the existence of a code of ethics and the VP's behavior. Scenarios involve bribery. Mach IV scale used with range from 49-142 with 86.7 means, SD 12.8.</p>	AMA members (529)	<p><u>None stated.</u> High Mach individuals tend to be less sensitive to the ethical problems depicted in the scenario. Ethical culture had a positive effect on ethical sensitivity of marketers. Ethical culture of an organization will have more positive effect on a high Mach's perception than a low Mach's. High Machs tend to agree less with both punitive and nonpunitive types of remedial alternatives to correct ethical problems and agree more with do nothing. Interaction effects were significant for only nonpunitive and do nothing alternatives.</p>
Adams-Weber, 1969	<p>Dependent – Anticipation of consequences of specific immoral behavior Independent – Locus of control</p> <p>The James-Phares Internal-External (I-E) Scale (James, 1957; Phares, 1957; James &amp; Rotter, 1958), a 29-item forced choice scales, was used to determine locus. Each student was asked to write a story ending for two stories demonstrating immoral behavior (cheating on exam, accidental hit and run killing victim). Response were categorized as follows: a. is punished or fears punishment, b. projects blame on others, c. denies blame or guilt, d. manifests blame or guilt, e. expresses guilt indirectly (atonement, reparation) f. is punished as a result of his own actions (confession).</p>	123 college students enrolled in intro psyche class, 42 male 61 female	<p><u>Rotter's Locus of Control.</u> Rotter suggests that what one believes about the relationship between their own actions and the consequences they experience will affect their behavior choices. Internal control indicates a belief that the consequence of an immoral act are caused by the immorality of the act, thus emphasizing guilt or self-blame. An external sees consequences as less predictable and not so closely tied to their own behavior; allows for a degree of chance. Internal subjects saw the character in the scenario as manifesting self-blame and guilt, sometimes confessing or self-punishing. Externals assigned blame to others, experienced no guilt feelings, either punished or feared punishment through external agencies. Study shows that locus of control is relevant to individual differences in moral judgment.</p>
Ferrell & Weaver, 1978	<p>Dependent – Ethical beliefs, ethical behaviors Independent – What peers believe, what top management believes, what peers do, what top management does, existence and enforcement of ethical code.</p> <p>Modification of Newstrom &amp; Ruch's (1975) questionnaire with respondents replying for themselves and about peers and management for each of 17 described behaviors. Likert scale responses ranged from "not at all unethical" to "very ethical" for beliefs; "never" to "very often" for behaviors; from "no policy exists" to "policy exists and is enforced" for code.</p>	133 marketing managers from AMA roster	<p><u>None stated.</u> Practitioners believe that they are more ethical than peers and top management, and that they have higher ethical standards of conduct than existing enforced corporate policy.</p>

TABLE II - continued

Authors	Variables How Measured /Instrument	Subjects	Theory Results
Maqsud, 1980	Dependent – Locus of control Independent – Level of CMD Locus of control measured by Rotter’s IE Scale (1972). CMD determined with Porter’s Moral Reasoning Scale (1972).	Student from 16-19 in Nigeria	<u>None stated.</u> Both female and male subjects at stage 3 tended to score significantly lower on the Rotter I-E Scale than those at levels 1,2, or 4. (High scores indicate externals).
Zey -Ferrell & Ferrell, 1982	Dependent - Ethical behavior Independent – role-set configuration, (actions of relevant others), opportunity For each of 16 organizational behaviors, Rs indicated on a 5-pt. bi-polar scale (not at all unethical-very unethical, or very often to never) the following: what I do, what I believe, what I think my peers do, what I think my peers believe, what I think top management believes, my opportunity to participate, what I think my client believes, what I think my agency believes. What I do was the DEP.	account managers for agencies (136), advertising directors for organizations (89)	<u>Role-set configuration.</u> Virtually no differences in ethical behavior were reported between the two groups. However, “What I do” is not predicted by the same factors for both groups. 27% of the variance in behavior for corporate advertisers was explained by “What I think top management explaining 27%. The model explained 20% of the variance in un/ethical behavior for agency Rs, with 15% explained by “What my peers do,” and 5% by opportunity. Role set theory was confirmed in that for each group, influential referents were those within the organization. Logically, because a marketing director has few actual peers they are more influenced by management, and account manager who have several peers are more influenced by peer action.
Zey-Ferrell & Krugman	Dependent – Ethical behavior Independent – Belief of respondent, perception of peers’ actions and beliefs, management beliefs, opportunity , perception of client/agency beliefs A modification of Newstrom & Ruch’s (1975) questionnaire. Reported individual beliefs, peer beliefs & behavior, mgmt. beliefs & behavior, reported individual opportunity, client beliefs, agency beliefs for each of 16 described behaviors.	Advertising agency account managers, and adv. Agency directors.	<u>Role theory: Intra-organizational significant others would be more influential than inter-organizational relationships (greater proximity has greater influence). Sutherland’s (1990) Theory of Differential Association. Untitled behavior is learned in the process of interacting with persons who are part of a intimate personal groups.</u> No difference between corporate and ad agency respondents; significant determinants are: 1. a referent other (for corporate - top management, for ad agency - peers), 2. The opportunity to engage in unethical behavior.

TABLE II - continued

Authors	Variables How Measured /Instrument	Subjects	Theory Results
Ferrell & Skinner, 1988	<p>Dependent – Ethical behavior Independent – Formalization, centralization, control, acceptance of authority, existence of ethical code, enforcement</p> <p>One sentence scenarios measured by 6-item dis-agree scale. Scales adapted to John (1984): extent to which procedures are structured, responsibility delegated, rules enforced. Scale by Withey (1965) measures obedience of and respect for authority. Yes/no responses for existence and enforcement of code of ethics.</p>	550 members of AMA	<p><u>None stated.</u></p> <p>For data subcontractors - 46% of variance explained by ethical code, formalization, gender &amp; enforcement. For research firms - 26% of variance explained by formalization, centralization, enforcement &amp; gender. For corporate research depts. - 15.5% of variance explained by ethical code, formalization, sex, gender, and acceptance of authority. For all three. bureaucratic structuring is significant with higher structuring reporting higher ethical behaviors. Women were more ethical than men in 2 of 3 scenarios.</p>
Reidenbach & Robin, 1988	<p>Dependent – Ethical decision making Independent – Moral philosophy</p> <p>Rs were exposed to 3 different scenarios involving ethical issues within a retailing context. Rs were asked to rate each scenario on scales relating to justice, relativism, egoism, utilitarianism, and deontology using 7 pt. bipolar scales. Rs also rated the probability that s/he would act in the same manner.</p>	Basic marketing students (218)	<p><u>None stated.</u></p> <p>The purpose of this study was scale development. Conclusion: individuals do not use purely deontological or utilitarian or other philosophy base for evaluation of activities. They organize and use information differently for different situations. They evaluate the situation using the same criteria as they do for their behavior in the situation. Scales were developed to measure dimensions of various moral philosophies. They concluded that models of ethical evaluation and decision making should not rely solely on measures of deontology and utilitarianism.</p>
Dubinsky & Loken, 1989	<p>Dependent – Sales related ethical behaviors Independent – Intentions, attitude toward behaviors, subjective norms, behavioral beliefs, outcome evaluations, normative beliefs, motivation to comply.</p> <p>Sales related behaviors include providing free trips, lunch, etc. to giving physical gifts, and statements that exaggerate the client's problems. Other measures include intention - single item scale, extremely likely, extremely unlikely to perform; attitude - summed 3 item scale, good-bad, nice-awful, enjoyable-unenjoyable; subjective norms - single time scale, 7 pt., definitely should - definitely should not perform; behavioral beliefs involved consequences, 7 pt. scale, extremely un/likely that behaviors will lead to obtaining purchaser's business; outcome evaluations 7 pt. scale, outcome is extremely good/bad; normative beliefs identified 3 important referents rated on 7 pt. scale the likelihood that they would perform behavior; motivation to comply - for each referent asked, "When it comes to my job, I want to do what referent thinks," strongly agree/strongly disagree.</p>	Sales personnel contacted thru local chptrs of 2 professional sales orgs: 305 sales reps from 100 companies.	<p><u>Fishbein's Theory of Reasoned Action - people are rational in that they process information systematically; behavior follows from this process. Learning Theory - Behavioral intentions.</u></p> <p>Performed regression and path analysis to test relationship between and among behaviors. Attitude and subjective norms account for an average of 55% of the variance in intentions for the 3 sales related models. Conclude factors from Theory of Reasoned Action should be included in models and when analyzing marketing ethics.</p>

TABLE II - continued

Authors	Variables How Measured /Instrument	Subjects	Theory Results
Kelly, Skinner, & Ferrell, 1989	<p>Dependent – Opportunistic behavior, employee perceptions of ethical climate, ethical</p> <p>Independent – Kind of research organization (corporate, data subcontractor, marketing firm); employee perceptions of ethical climate; ethical profiles of other organizations</p> <p>Opportunism is defined as self-interest with guile, deceit with intent and measured by John's (1984) scale. A 5-item scale measured the Rs belief regarding ethical climate. Ethical profiles of other organizations were part of them 5-item scale previously mentioned.</p>	<p>Members of Marketing Research Assoc. &amp; AMA (550)</p>	<p><u>None stated.</u></p> <p>Corporate research department employees were found to be less opportunistic than employees of data subcontracting firms. If an employee believes that his organization emphasizes ethical behavior, lower levels of opportunistic behavior tend to be exhibited. Individuals behave less opportunistically if they believe that the external organization they interact with emphasizes ethical behavior.</p>
Longnecker, McKinney, & Moore, 1989	<p>Dependent – Ethical judgment</p> <p>Independent – Pressure to act unethically, age</p> <p>Ethical judgment was determined by responses to 16 vignettes using a Likert scale 1-7, never acceptable-always acceptable. Doesn't say how they measured pressure to act unethically.</p>	<p>Nationwide survey of managerial &amp; professional personnel (2156)</p>	<p><u>None stated.</u></p> <p>More demanding ethical judgments were made by older respondent. Older respondents also tended to be more religious.</p>
Mayo & Mark, 1990	<p>Dependent – Ethical behavior</p> <p>Independent – Deontological norms, desirability of consequences, deontological evaluation, teleological evaluation, ethical judgment, intentions.</p> <p>Ethical behavior was determined by alternatives chosen in response to one scenario. Deontological norms with a 7-item scale using statements related to the scenario with Likert scaled responses. Desirability of consequences measured for each alternative from scenario and using a summed score. Deontological evaluation by rating the right- or wrongness of each alternative. Teleological evaluations, good or bad judgments based on desirability of consequences. Ethical judgment by Rs rating of each alternative (7-pt. scale) as clearly un/ethical. Intentions on a scale for each alternative.</p>	<p>From AMA directory of marketing research houses (104)</p>	<p><u>Hunt &amp; Vitell's General Theory of Ethics.</u></p> <p>Path analysis was conducted for each alternative. The causal paths proposed by the model generally are significant and the relationships account for a significant amount of the variance in the constructs. The only problematic relationship being between deontological norms and evaluations. Deontological and teleological evaluations combine to account for a larger percent of the variation in the ethical judgments than either taken alone. With teleological evaluations showing strongest influence. Intentions on judgments were significantly related for two of the three alternatives.</p>
Reidenbach & Robn, 1990	<p>Dependent – Ethical decision, ethical perception, ethical intention</p> <p>Independent – Moral equity scale response, relativism, contractualism</p> <p>Rs were asked to respond to each of 3 scenarios on a 7 pt. scale with high probability-high improbability anchors. They also respond on a 7 pt. scale to un/ethical, un/fair, and un/just, morally not/right, un/acceptable to my family, culturally un/acceptable, does/not violate unspoken promise, does/not violate unwritten contract.</p>	<p>152 managers</p>	<p><u>None stated.</u></p> <p>A distillation of their (1988) 33-item scale to an 8-item scale containing 3 dimension: moral equity, relativism, and contractualism. The 3 dimensions explained an average of 72% of the univariate measure of ethics, and an average of 34% of the variance in intention to behave.</p>

TABLE II - continued

Authors	Variables How Measured /Instrument	Subjects	Theory Results
Reidenbach & Robin, 1991	Dependent – Same as previous Independent – Same as previous Rated 8 scenarios on same basis as previous study.	Retail managers, auto salespersons, direct marketers, sales reps for book company	<u>None stated.</u> The scales explained 29-87% of the variance in the univariate measure of ethics, and an average of 37% of intention to behave. The scale explained 15% more of intention to behave than the univariate measure ethical/unethical.
Singhapakdi & Vitell, 1991	Dependent – Deontological norms Independent – Personal experiences, organizational culture (existence and enforcement of code), gender, years experience Rs were asked to rate 7 deontological statements developed from AMA code of ethics on a 7-pt. scale indicating dis/agreement with norm. used a summative score. Organizational culture (OCULT) asked if Rs org. had a code of ethics and if it enforced the code (7-pt. scale, not strictly-very strictly enforced). Machiavellianism measured by Christie & Gies Mach IV scale, locus of control by Rotter's (1966) I-E scale. Gender was also noted.	Sample from AMA mailing list (483), 55.1% male	<u>Hunt &amp; Vitell's Theory of Ethics.</u> Mach and locus of control were significant at the .01 level, years experience at the .10 level, sex and OCULT were not significant. No significant relationship between organizational culture (as operationalized) and deon norms. Mach and deon norms have inverse relationship. Rs with an external locus were found to have less ethical deon norms. Sex was not significant. Those having more years of experience were found to have more ethical norms. At question in this study is the operationalization of deontological norms due to a high degree of end loading.
Whipple & Wolf, 1991	Dependent – Ethical judgments Independent – Occupation (student/professional), demographic data: age, credit hours, work hours per week, work experience, gender Used 11 scenarios developed by Akaah and Riordan to which respondents expressed approval or disapproval on a 5-pt. scale.	Upper level graduate students in marketing classes & data from Akaah - Riordan (1989) study	<u>None stated.</u> Marketing practitioners and students differ on research ethics issues. Students demonstrate greater sensitivity to social issues. Students judgments are not homogeneous and are not related to class standing, number of courses taken or work experience. More females identify with the needs of minority groups; they may be more enlightened or socially responsible. Male and female students do not make the same ethical judgments.



TABLE II - continued

Authors	Variables How Measured /Instrument	Subjects	<u>Theory</u> Results
Dubinsky, Jolson, Michaels, Kotack, & UnLim (1992)	Dependent – Ethical perceptions of sales personnel Independent – Age, education, sex, job tenure, policy Used questionnaires including 12 tested scenarios of ethical situations. Asked if situation represented an ethical problem. Response on 5-pt. scale. Also asked if there was or should be a policy addressing problem.	Sales personnel from 3 firms in electronic products industry in US (218)	<u>None stated.</u> Some situations pose an ethical concern to salespeople and yet are not addressed by the company directives. A large number of Rs were not certain if their firm had policies addressing certain issues. Most situations were seen by a majority as needing to be addressed. Age was a significant factor in the ethical perception of 2 scenarios. Younger salespeople are less likely to see an ethical issue in seeking information about competitors' bids and offering free gifts to purchasers. No significant difference was seen for age on other scenarios. Other demographics had no effect. Company influences salesperson ethical perceptions in a minor way regarding personalities affecting terms of sale.
Fraedrich & Ferrell, 1992	Dependent – Ethical decisions Independent – Perceived risk, moral philosophy type 3 vignettes asked if Rs would or would not perform a certain act (betraying a trust, bribery, income tax evasion). Perceived indicated by response to the question: "How likely would you be to change your decision if it appeared you might lose money/job/respect of friends/associates because of your response. Moral philosophy type measured by Boyce & Jensen's (1978) moral test.	189 managers in a single corporation	<u>Moral Philosophy Theory.</u> Egoists and Act Utilitarians tend to change their final decision when a financial penalty is associated with their decision. Rule utilitarians were unlikely to change their decisions if their decisions involved work related issues, greater likelihood to change in nonwork related issues when social or financial risk levels increase. Act Utilitarians would not betray a trust even if it meant losing their jobs. They would change in situations concerning bribery or income tax evasion.
Fraedrich & Ferrell, 1992	Dependent – Consistency in ethical decision making Independent – Moral philosophy, situation 3 vignettes asked if Rs would or would not perform a certain act. Rs were then asked, "How ethical is your response?" Moral philosophy was determined using Boyce & Jensen's MCT (1978) which requires reading 3 vignettes and response which include the respondent's reasoning. Situations include conflict of interest, bribery, and personal integrity (income tax reporting).	1898 managers in a single corporation	<u>Moral Philosophy Theory, Consistency Theory.</u> Tried to determine the consistency between the action, the justification, and the evaluation of the action. In work situations, 58% remained constant. With the inclusion of income tax evasion, only 15% were constant. Most respondents changed philosophies between work and nonwork situations. Managers using act utilitarianism and egoism believe their justifications are personally unethical.

TABLE II - continued

Authors	Variables How Measured /Instrument	Subjects	<u>Theory</u> Results
Goolsby & Hunt, 1992	Examines the relationship between Cognitive Moral Development and: social, responsibility, success, personal characteristics (age, gender, education) Rest's Defining Issues Test (1979) used to measure CMD. Social responsibility was measured using a 2-item scale addressing the conflict between duty to company and to society, and the Social Responsibility Attitude Scale (Hunt, Keicker, & Chonko, 1990). Success was measured by income and job title.	AMA members (260)	<u>None stated.</u> Professional marketing practitioners compare favorably (CMD) with other groups of similar age and education. High CMDs are more cognizant of social responsibility of business and less likely to act in an irresponsible way. CMD is not related to income. Gender is major predictor of CMD variable with females having higher CMD scores. Age and education are also positively related to CMD for women. No independent variable is significantly related to CMD for men.
Henthorne, Robin, & Reidenbach, 1992	Dependent – Evaluation of ethical situations Independent – Career position, managers, salespeople Used scenarios and an ethics scale used by Dornoff & Tankersley (1975). The scenarios addressed moral equity, cultural guidelines, and contractualism.	54 mgr. of lg. retail operations, 105 mgr. of sm. business, 160 salespeople, 100 career salespeople, 69 in direct marketing sales of jewelry.	<u>None stated.</u> A large degree of homogeneity found between the retail management groups and sales groups. Between managers and salespeople, significant differences were found in 37 of 54 t tests conducted between mean responses. Overall there is much greater between group difference than within group differences, showing that the two groups evaluate situations differently. In every instance, the participating managers tended 1) to be more critical of the action displayed in the scenario, 2) to view the action as violating a sense of contract or promise, and 3) to view the actions as less culturally acceptable.
Robertson & Anderson, 1992	Dependent – Violation of ethical standards Independent – Control system: compensation, opportunistic behavior, supervision, contact/feedback, evaluation. Used projective techniques with vignettes, asked what someone else should do, feel, etc. The control system consisted of compensation (salary or commission), the extent of supervision (close or hands off), how much contact the salesperson has with his/her supervisor, objective vs. subjective methods of evaluation. Measured the environment of each respondent with scales.	Not stated	<u>Cost Benefit Theory: heavily toward opportunity. The individual calculates not on ly the profit or loss of the behavior, but also the likelihood of the expected profit or loss occurring.</u> Vignettes cover three categories: deceiving the customer, cheating or deceiving ones own firm, terms, conditions of sale. Salespeople closely monitored are more likely to give ethical responses. Independence translates to opportunity and thus to temptation. Method of compensation had little influence. Those in cut throat competitive environments are prone to less ethical responses. Older more senior expected profit or loss. more senior people tend to advise the high road more often.

TABLE II - continued

Authors	Variables How Measured /Instrument	Subjects	Theory Results
Akaah, 1993	<p>Dependent – Ethical behavior Independent – Organizational cultural dimensions (bureaucratic, supportive, innovative) Organizational culture dimensions were operationalized on the basis of Wallach's (1983) scale items with each dimension evaluated by 8 adjectival traits. Ex: Bureaucratic: hierarchical, procedural, structured, ordered, regulated, established, cautious, power-oriented. Ethical research behavior evaluated by presenting Rs with 21 unethical research practices (Akaah &amp; Riordan, 1990; Ferrell &amp; Skinner, 1988) with which they disagreed on 7-pt. scale. Rs also gave information about themselves and their organization.</p>	<p>Sample from AMA's 1989 directory (174)</p>	<p><u>None stated.</u> Organizational culture items were clustered resulting in 3 clusters: innovative-supportive, bureaucratic-innovative-supportive, and bureaucratic. Rs score on the ethics behavior scale was significantly influenced by culture (.001); organizations with bureaucratic-innovative-supportive cultures were most ethical, followed by innovative-supportive, and finally bureaucratic. Gender was not significant. Study supports that organizational culture relates to the ethical behavior of marketing researchers.</p>
Baehr, Jones, & Nerad, 1993	<p>Dependent – Business ethics orientation Independent – Locus of control, age, education, salary, emotional health Business ethics orientation and managerial locus of control were measured by newly constructed scales. Business ethics used a 20-item scale directed toward general attitudes toward ethical business behavior. Responses were on a 6-pt. Likert scale; Cronbach's alpha was .77 for this study. Managerial locus of control based on Rotter's scale but designed to be situation specific. Responses were to value statements on a 6-pt. scale; Cronbach's alpha .79. Experience and background inventory (EBI) (Baehr &amp; Froemel, 1980) provides quantitative measures of past performance and experience on 16 factorial determined dimensions of personal background. 107-items regarding family, education &amp; work experience. Non-verbal reasoning determined by Corsini (1957) 44-item test. Bruce Vocabulary (1974) and Word Fluency (Human Resources Center, 1961) were tests of vocabulary. Also tested were closure flexibility (Thurstone &amp; Jeffrey, 1984), creativity (Thurstone &amp; Mellinger, 1957), extroversion, emotional responsiveness, consistency, and self-reliance (Baehr, 1957), and psychodiagnostic dimensions (Emo Questionnaire, Baehr &amp; Baehr, 1958).</p>	<p>111 high-level personnel attending a management development seminar</p>	<p><u>None stated.</u> Only four of the 16 measures of experience and background show modestly significant correlations with the business ethics scale. Two with sig. correlations area school achievement &amp; drive/career progress. Stronger associations were shown for personal environment. Rs who scored high on traditional family responsibility scored low on the ethics scale (males); Rs scoring high on cooperative family responsibility score high ethically. No significant relationship were shown for age, education, present salary, creativity, or the characteristics measured by the Temperament Comparator. Correlations for mental ability show that ethical business practices may be associated with superior mental abilities. A very high (.63) correlation occurred between locus of control and the ethics scale with internals scoring higher than externals. Most consistent results were in the area of emotional health (significant beyond .001) There is a positive association between high ethics &amp; freedom from feelings of inferiority and free-floating fear &amp; anxiety, &amp; also with the absence of hostility. Strongest associations are with the external adjustment factor; high scores are free of tendencies to distort the behavior and motives of others, and of feelings of hopelessness about the attitudes of others toward the self; are realistic in their perception of the external world. They are free tendencies toward projection, from long-term depressions, and the tendency to withdraw rather than face difficult situation. Relationship between locus &amp; ethics may be spurious due to wording of ethics questions.</p>

TABLE II - continued

Authors	Variables How Measured /Instrument	Subjects	Theory Results
Fraedrich, 1993	<p>Dependent – Ethical behavior</p> <p>Independent – Moral philosophy, demographic characteristics: age, marital status, gender, title, years with the firm, age, ethnic origin</p> <p>Rs used a 7-pt. scale to rate as likely or unlikely their behavior in situations portrayed in 3 vignettes regarding trust, tax evasion, and bribery. To determine moral philosophy, Rs chose between 5 statements one that was most reflected their explanation for their behavior choice for each scenario.</p>	<p>Purposive sample taken from southern retailing corp.</p>	<p><u>None stated.</u></p> <p>No significance was found for any of the demographic factors. Rule deontologists rank higher than any other philosophy type listed. Rule types rank higher than Act types.</p>
Terpstra, Rozell, & Robinson, 1993	<p>Dependent – Ethical decisions</p> <p>Independent – Interpersonal competitiveness, locus of control, need for achievement, self-esteem, religious beliefs, frequency of attendance at religious services, social class, parents' annual income, year in college, major, GPA, exposure to ethics course, age, gender</p> <p>Ethical decisions were in regard to 8 vignettes describing insider trading situations and what the Rs would do in each case. Interpersonal competitiveness determined by Spence and Helmreich's (1983) 5-item measure. LOC by Rotter's (1972) 29-item scale. Need for achievement by Steers and Braunstein's (1976) questionnaire, self-esteem by Gough's (1976) 40-item measure. Religious beliefs categorized believers and nonbelievers. Demographics were self reported.</p>	<p>Upper division student, 132 men, 62 women</p>	<p><u>None stated.</u></p> <p>Used a GLM procedure. The entire equation explained 19% of the variance associate with the dependent variable. 4 of the independent variables were found significant at the .05 level. Highly competitive individuals with an external locus of control, older individuals, and male individuals were more likely to participate in insider trading. Agnostics were most likely to, where atheists were least likely. Suggests situational variables should be examined.</p>
Vitell, Rallapalli & Singhapakdi, 1993	<p>Dependent – Ethical norms of marketers</p> <p>Independent – Personal moral philosophies, organizational ethical climate</p> <p>Scale items derived from AMA code of ethics. Used 30-item scale, each item reflecting an ethical situation derived from code (5-pt. agreement scale). Used the Ethics Position Questionnaire (Forsyth, 1980) which measures dimensions of idealism and relativism. Data collected by survey. Climate was considered if organization had an ethical code, unethical if it didn't or if Rs didn't know.</p>	<p>Sample from AMA mailing list (508)</p>	<p><u>None stated.</u></p> <p>Focus of study was to develop a scale to measure marketing related norms of marketing practitioners and to study factors which influence these norms. Price and distribution norms were significantly influenced by idealism (+), income (+), gender (+), and relativism (-). Information and contract norms, product and promotion norms, and obligation and disclosure norms showed a significant positive relationship to idealism and income. Significant predictors of general honesty and integrity were idealism (+), relativism (-), and income (-).</p>

TABLE II - continued

Authors	Variables How Measured /Instrument	Subjects	Theory Results
Wahn, 1993	Dependent – Ethical behavior relevant to carecr protection/enhancement Independent – Organizational dependence, sex, organizational level, age Un/ethical behavior was determined with an 8-item scale, 3 items adapted from Zey Ferrell, et al., (1979) and 5 others. Used a 7-pt. Likert scale to identify how often Rs engage in each behavior. Organizational dependence was measured with 8-item scale from Meyer's and Allen's continual commitment scale.	Canadian human resource professionals (565)	<u>None stated.</u> Neither sex or organizational level were found to be relevant. Found a positive relationship between dependence on the employing organization and ethical behavior. Organizational dependence explained only 3% of the variance in the ethical behavior model.
Falkenberg & Herremans, 1995	Dependent – Ethical behavior in organizations Independent – Formal/informal systems Open-ended interview approach used to collect data. Small discussion groups with a total of 17 participant discussed what encourage un/ethical behavior. Formal systems were written policies; informal were common values, beliefs, traditions.	Representation from a broad range of industries, firms, sizes, levels w/in organizations	<u>Trevino's Interactionist Model.</u> All participants believed that "ethical behavior and good business" are not incongruent concepts. Also "organizations often focus on the bottom line at the cost of ethical behaviors." Informal system is dominant even when policies and procedures are in place. It is the values and expectations ascertained through informal systems that are used to interpret and implement formal policies. Participants were unanimous in their belief that role models are the major determinant of un/ethical behavior in an organization. Incongruence between and informal systems was found when the formal system identified ethical criteria while the values/goals of the direct supervisor demonstrated unethical behavior.
Dawson, 1995	Dependent – Ethical behavior Independent – Gender, moral reasoning Responses to 6 SALES scenarios on a nominal scale determined ethical decision behavior. Moral reasoning was determined by the explanation of decision made.	Attendees of a regional meeting of professional marketing & sales mgrs (88)	<u>Gender Socialization Theory.</u> 4 of 6 sales scenarios produced statistically significant differences in the decision rendered by men and women. Analysis of explanations suggests strongly that men and women reason differently, irrespectively of their ultimate decision. Women demonstrate greater compassion, greater concern for relationships and feelings. Men are more concerned with norms of the informal system focus on the bottom line.
Lane, 1995	Dependent – Ethical judgments Independent – Sex, age, year of study, mode of study (full-, part-time), major study area, class emphasizing ethics. Ethical judgments were measured by responses to 13 mini-case situations in marketing which can be obtained from the author. Used a nominal scale to respond to scenarios.	412 business students	<u>None stated.</u> Majority of students are prepared to engage in unethical behavior where that may offer competitive advantage in information, sales or personal gain. While some students are prepared to act illegally, most are ready to deceit, non-disclosure, and misrepresentation. Highest ethical responses involve health of society and environment. Women are more ethical. Also a correlation between age and likely ethical behavior.

TABLE II - continued

Authors	Variables How Measured /Instrument	Subjects	Theory Results
Milgram, 1963	Dependent – Obedience Independent – Authority figure	40 males between the ages of 20 & 50 from the New Haven area, various occupational & educational levels	<u>Tendency to obey those whom we perceive to be legitimate authorities.</u> Ss have learned from childhood that it is a fundamental breach of moral conduct to hurt another against his will. All administered shock, 26 going beyond Danger: Sever Shock. Obeyed even when it was stressful to do so.
Hunt & Chonko, 1984	Dependent – Machiavellianism satisfaction Independent – Age, success, income, job title, marital status Christie & Gies (1970) Mach IV Scale. Satisfaction was measured by an index consisting of 7-items developed by the authors focusing on elements of Rs jobs and 7-items from the Job Characteristics Inventory (Sims, Szilagyi, & Keller, 1976). A four factor solution resulted addressing satisfaction with: 1) information, 2) variety & freedom, 3) ability to complete tasks, and 4) pay & security. The success measure was dependent on income and job title.	AMA mrkting practitioners (1076)	<u>None stated.</u> Mean scores for marketers on the Mach IV scale were lower than for students, and within 1.2 scale points of the adult norm. Younger marketers were higher Machs than older marketers, single marketers were higher than marrieds, women higher than men. There was an inverse relationship between job title, income, and Machiavellianism (probably spurious results). An inverse relationship was found between Machiavellianism & satisfaction, with Mach. found to be the best predictor of satisfaction.
Hunt, Chonko, & Wilcox, 1984	What are major ethical problems faced by market researchers? Do codes of ethics address these problems? How extensive are problems? How effective are action of top management in reducing ethical problems? Survey. Asked open-ended questions regarding problems faced by marketing researchers. Analyzed the AMA Code of ethics to discover which problems, if any, are addressed. Asked Rs about opportunities for unethical behaviors in their companies and industries. Asked about the relationship of unethical behaviors to success. Developed a scale to measure extent to which top management addresses ethical problems by asking 1) if management has said that unethical behavior will not be tolerated, 2) if employees will be reprimanded for unethical behaviors resulting in personal gain, and 3) in company gain.	460 practicing mrkt research profs, from survey of 1076 AMA mrkting practitioners. Resps were collectively, then compared the responses of in-house researchers & agency researches.	<u>None stated.</u> Categories of ethical problems identified include research integrity (deliberate production of less than completely honest research), treating outside clients fairly, research confidentiality, marketing mix social issues (advertising to children, potentially unsafe products, trivial products), personnel decisions (hiring & firing), treating respondents fairly (re: revealing purpose of the study). AMA code of ethics does not address treatment of outside clients, social issues, personnel issues, treatment others in the co., gifts, bribes, entertainment, treatment of suppliers, legal issues, & misuse of funds. Half of respondents report ample opportunity to engage in unethical behaviors but only a small % report such behavior in their co. Re: specific ethical behaviors/successful managers: 40% withhold information that is detrimental to self interest, 44% take credit for ideas of others, 32% scapegoat failure, 23% make rivals look bad.

TABLE II - continued

Authors	Variables How Measured /Instrument	Subjects	Theory Results
Chonko & Hunt, 1985	Dependent – Machiavellianism, job satisfaction, success Independent – Machiavellianism, gender, title, size of firm, major Mach IV Scale (Christie & Geis, 1970), measure developed for job satisfaction (see Hunt & Chonko, 1984), success measured by income and job title.	AMA marketing practitioners (1076)	<u>None stated.</u> Demographic variables significantly related to the extent of ethical problems reported: title, sex, size of firm, major: presidents and vice-presidents saw fewest problems, males saw fewer than females, small firms fewer than large firms, and technical fields of study fewer than business majors.
Hunt, Wood, & Chonko, 1989	Dependent – Organizational commitment Independent – Corporate ethical values, age, income, education, job characteristics Developed measure for corporate ethical values assessing the extent to which Rs perceive: 1) managers acting ethically, 2) managerial concern about ethical issues, 3) unethical behavior will be rewarded or punished. Organizational commitment was measured by a 4-item scale addressing the under what conditions the Rs would be willing to change jobs. Job characteristics were measured using the Job Classification index (Sims, Szilagyi & Keller, 1976) including variety, autonomy, identity, and feedback.	AMA marketing practitioners and 330 ad agency executives	<u>None stated.</u> They say they address the issue of reward in regard to corporate values but they don't; they ask about reprimand for unethical behavior. "If the observance of ethical standards is not rewarded explicitly by the organization, ethical ambivalence in the organization is likely to result," (Kern, 1975). Define corporate culture to include values shared by members. Maintaining high corp. values leads to high corp. commitment. Identify corp. ethical values as the best way to influence corp. commitment. When marketers perceive their company as showing concern for ethics, acting ethically, and punish unethical.
Heilbrun & Georges, 1990	Dependent – Level of self-control Independent – Level of moral reasoning, age Numerous tests were given to determine level of self-control: Impulse control was measured with the mirror tracing test (Heilbrun, et al., 1979) and the Stroop Color Word Test (Stroop, 1935); Internal Scanning by the Unusual Meaning Vocabulary Test (Willner, 1965) and the Wisconsin Card Sorting Test (Grant & Berg, 1948); Self-reinforcement was measured by the extent to which Ss reinforcement of their own performance influenced subsequent achievement levels. CMD is measured by Kohlberg's test (1976, 1981).	Not identified (college students)	<u>CMD Theory.</u> College students with the highest moral reasoning scores performed in a superior fashion on a battery of self-control tasks; as compared to those with lower level of development.

TABLE II - continued

Authors	Theory
Rotter, 1966	<p>Differences in group/individual behavior exist between those who believe that the reward/punishment is contingent on his/her own behavior and those who believe consequences are independent of individual actions. Locus of control is based on social learning theory where reinforcement is seen to strengthen an expectancy that a behavior will be followed by the same reinforcement in the future. When an individual does not believe that the reinforcement is not contingent on the behavior, it is less likely that the behavior will be repeated. Nonoccurrence of a reinforcement is when behavior is seen as contingent on behavior does not reduce expectancy as much as it does when reinforcement is not seen as contingent. Velen (1899) proposed that external locus (dependence on luck) lead to passivity. Merton (1946) sees a belief in luck as a defense behavior enabling people to preserve self-esteem. Merton (1959) and others stress that externals (those feeling they have little control over their own destiny) are more alienated from society and more prone to asocial behavior. Angyal (1941) relates internal control to mastery of one's environment and motivation. McClelland et al. (1953) see a positive relationship between internal locus and need for achievement. Witkin et al (1954) suggest a relationship between locus and field dependence. Studies show that when Ss see the task as controlled by the experimenter, chance, or random conditions, past experience is relied on less, Ss learn less, and may learn the wrong things, resulting in superstitious behavior. Locus tests measure generalized expectancies or belief in external control and is often seen as a personality variable. Rotters Scale items deal with the Rs belief about the nature of the world, i.e. how reinforcement is controlled. The Rotter test show little correlation with intelligence, sex differences are minimal, African-American populations tend to be slightly more external, Peace Corp volunteers more internal. The test shows reasonable homogeneity, however with relatively homogenous samples is limited in its ability to discriminate individuals. Studies have shown a significant relationship between internal locus and high socioeconomic class. Locus is not related to political affiliation. Locus has been related (James 1957) to changes in expectancies following reinforcement, the frequency of shifts, the tendency to generalize from one task to another, and the number of trials to extinction. Internals prefer safe bets (Liverant and Scodel 1960). Internals are more likely to be informed about their own medical condition (Seeman and Evans 1963), are more likely to be informed about situational conditions encountered (Seeman 1963), are more likely to be activists (Strickland 1965), more likely to be successful in changing the attitudes of others (Phares 1965), more likely to be union members and active in union affairs (Seeman 1964), less likely to smoke (Straits and Sechrest 1963). These studies confirm that the belief that one can affect the environment through one's own behavior is present, can be measured, and is predictive of behavior. Little work has been done regarding the antecedent of locus. One study (Graves 1961) found Ute Indians to be more external than Spanish Americans, who are more external than whites which implies direct cultural teaching of locus. Further evidence comes from Jessor (1964) who found a correlation of .38 between the locus of mothers and their high school children. A study by Battle and Rotter (1963) indicates that the perception of limited material opportunities and of powerful external forces increase the chances of an external attitude.</p>



TABLE II - continued

Authors	Theory
Blasi, 1980	<p>Review of the literature. Each study examined the relation between moral reasoning and moral action. Blasi describes 2 different moral assumptions about moral behavior and conceptualizes the different views between cognition and action. One view sees moral action as essentially irrational, determined by habits, behavioral traits or action tendencies leading to behaviors. Which action is performed depends on the relative strength of the all elicited tendencies. Reflecting this approach are Milgram's (1974) account of obedience to authority, learning theories, and psychoanalysis. Moral reasoning is a though process, a nonfunctional luxury, a rationalization, but not related to manifest moral behavior which is mainly a function of social learning. Researchers following this philosophy may be interested in determining the consistency among traits that are related in terms of morality. Ex: Do those interested in moral issues tend to feel guilty and do those who tend to feel guilty refrain from cheating in a business transaction. Attitudes and traits are also believed to incorporate situational characteristics. A failure to predict behavior demands the introduction of new elements or new interactions. This is the basis of the trait approach. The functional or process approach considers moral functioning as essentially rational, derived from understanding and reason. The emphasis is given to the process. Moral action is mediated by moral judgment. "Without judgment, an action, no matter how beneficial, would not be moral." The basic elements are rules and principles. The situation interacts with the rules; a situation is read, interpreted, and assimilated according to rules. "An action is entirely a response to a situation and entirely a product of rules, in the same way that in a verbal description of an event, both the event and the grammatical rules pervade every single aspect of the description." Investigators with this philosophy may ask "whether a strong attitude against cheating will lead to resisting the temptation to cheat when the need for achievement is aroused and the opportunity is offered. Cognitive development theory defines moral cognition as moral judgment (reasoning) characterized by the justification of a moral conclusion and by the general or specific criteria by which moral decisions are supported. Attitudes are viewed as verbal expressions of action tendencies. Investigation of attitude relies on the content of simple statements. It is essential that the researcher remember is that "cheating and other specific contents, whether expressed in words or in actions, do not have the same moral meaning for everybody. Research findings frequently seem to conclude that moral reasoning and moral behavior are unrelated. Others conclude that the relations between thinking and action are less direct and more complex than previously believed. thus it is unreasonable to expect the knowledge of a person's moral criteria will allow us to predict what specific action he or she would take in a give situation. The use of hypothetical situations that represent the behavior to be studied can help decrease the gap between moral criteria and action. A review of empirical literature follows including studies using some measure of moral reasoning and some measure of behavior. Moral Reasoning (MR) and delinquency - MR is an aspect of but does not, alone, explain aberrant behavior. 2. MR and real life behavior - because investigations assessed different behavior and different units of analysis, different theories, different techniques and different psychometric values, and because of sampling and design, conclusions are rough at best. A significant positive relationship between level of MR and resistance to temptation. From the relationship between attention and IQ, both ego strength factors and MR, Kohlberg and Krebs suggest ego strength helps to carry out whatever decisions are derived from one's moral outlook, whether it is high or low. "Conscientious children with low ego strength may not be able to behave according to their ideals; on the other hand, pragmatic, opportunistic children will use their ego strength to read each situation and to use it for their own advantage. Eleven studies confirm the positive relationship between MR and altruistic behavior, 4 studies represent negative relationships but have methodological shortcomings, 4 have mixed results. MR is clearly related to behavioral independence in judgment, less so, and only under certain circumstances to independence in moral action (accounting for ambiguity in Milgram's Ss). Conclusion: empirical support is strongest for the hypothesis that moral reasoning differs between delinquents and nondelinquents and that at higher stages of moral reasoning, there is greater resistance to the pressure of conforming one's judgment to others' views. The support is clear but less strong for the hypothesis that higher moral stage individuals tend to be more honest and altruistic. There is little support for the expectation that individuals of the postconventional level resist more than others the social pressure to conform in their action.</p>

TABLE II - continued

Authors	Theory
Jansen & Von Glinow, 1985	Ethical Ambivalence exists when behaviors attitudes and norms that are shaped and maintained by the organizational reward system conflict with the behaviors, attitudes, and norms congruent with ethical values and judgments or organizational stakeholders. Unethical behaviors are a function of the person and the environment. Rewards and sanctions help define the individuals situation. Rewards and sanctions are direct determinants of the individuals definition of the situation, but also are determinants of group norms which also define the individual's situation. Counternorms are inappropriate and undesirable. If the reward system supports counternorms, ethical ambivalence is likely to result. Reward systems frequently shape and maintain behaviors that organizations are trying to discourage while punishing or ignoring desired behaviors. EX: 1. B.F. Goodrich, aircraft brake scandal: falsifying data required to win certification was rewarded by the company. 2. Attempts to "manage" the press during the 3 Milc Island Crisis. Questions: 1. Pervasiveness of ambivalent ethical systems. 2. Are there common attributes of dysfunctional systems? 3. Under what conditions are instances of ethical ambivalence likely to occur?
Trevino, 1986	Developed the person-situation interactionist model/theory. Within the model CMD and individual moderators (ego strength, field dependence, locus of control) and situational variables are related to ethical decision making behavior. Situational modifiers are the immediate job context (reinforcement and other pressures), organizational culture (normative structure, referent others, obedience to authority, and responsibility for consequences), and characteristics of the work (role taking and resolution of moral conflict). Trevino refers to Kohlberg's stages of CMD and reviews measures as well as empirical support. Ego strength relates to strength of conviction; with high ego strength the individual will follow their convictions more consistently. Field dependent individuals make greater use of social referents to guide their behavior; independent people function with greater autonomy. Discusses Rotter's measure of locus of control with externals less likely to take personal responsibility for consequences of behavior and more likely to rely on external forees. Trevino makes 18 propositions: 1. most managers reason about work related dilemmas at the conventional level (stages 3 & 4), 2. managers at the principled levels (5&6) will exhibit greater consistency between moral judgments and moral actions, 3. managers demonstrate lower level of reasoning for actual work related situations than for hypothetical dilemmas, 4. CMD will be higher for managers with higher education, 5. training programs using CMD strategies will significantly increase CMD scores, 6.,7.,8. high ego strength, field independent and internal locus of control will lead to more consistency between moral judgment and moral action, 9. managers at level 2 (stages 3&4) will be most susceptible to situational influence, 10. principled managers will be more likely to resist or avoid unethical behaviors, 11. Agreement about what is or is not ethical will be found in a strong normative culture, 12. in a weak culture subnorms will be relied upon as guides, 13., 14. managers' behaviors will be influenced significantly by referent others, and the demands of authority figures, 15. moral action will be more likely to correspond to moral judgment when the culture encourages ethical awareness and individual responsibility for actions, 16. Codes of ethics, when consistent with organizational culture and enforced, will effect behavior significantly, 17. reinforcement contingencies (reward/punishment) will significantly influence managers' behaviors, 18. Ethical behavior will be influenced negatively by pressures of time, scarce resources, competition, or personal costs.
Hunt & Vitell, 1986	Developed a theory/model of marketing ethics. 1. Ethical judgments are a function of deontological and teleological evaluation. 2. To adopt a particular alternative is a function of ethical judgment and teleological evaluation. 3. The likelihood that a person will engage in a particular behavior is a function of intentions and situational constraints. 4. Teleological evaluation is a function of the desirability or undesirability of the consequences of each alternative, and the importance of the stakeholders on whom the consequences fall. 5. Deontological evaluation is a function of deontological norms that are applied to each alternative. 6. Deontological norms are formed by the individual's experiences, organizational environment, industry environment, and cultural environment. 7. The importance of each stakeholder group is determined by the same environmental factors that form deontological norms. (Relates very strongly to learning theory.)

TABLE II - continued

Authors	Theory
Hensel & Dubinsky, 1986	Suggest that there are three major reasons for the fact that some marketers engage in behaviors deemed unethical by society. These reasons are fluctuating consensus, ethnocentrism and utilitarian economic analysis. Societal norms fluctuate: change over time, are circumstantial, and are perceived differently by various segments of society. H&D suggest that duress may cause limits of consensus to be expanded or contracted. If marketers fail to perceive the change in boundaries they may engage in behaviors that were at one time acceptable but no longer are. Ethnocentrism, the attitude that one's own mode of operation is superior to others, may predispose marketers to expand the boundaries of acceptable behaviors (for marketers). More emphasis is currently placed on short-term performance which involves utilitarian cost benefit analysis. Marketers are trained in college to do cost-benefit analyses, however they are rarely trained to consider in their analysis costs to society which are difficult to quantify.
Blass, 1991	Chose the context of Milgram's experiments to discuss the relationship between obedience (social behavior) and personality and situation. Situational determinants of obedience include closeness of the authority to the e subject (physical proximity), actions of confederates (peers), salience - obedience reduced as victim was rendered more immediate to subject. Individual differences reviewed include: authoritarians (obedience found to be more authoritarian), social intelligence had inverse relationship with obedience, there was a positive relationship between hostility and obedience. Stable beliefs noted include locus of control (externals obeyed more in a high than in a low bureaucratic authority condition, but internals were unaffected by the manipulation of status); religious orientation (religious were most obedient, antireligious least obedient). Stressed the importance of viewing behavior as a product of both personal and situational factors.
Reidenbach & Robin, 1991	Looks at the moral development of organizations which is determined by the organizational culture. Sources for cultural beliefs and values are top management and other organizational members, and how the organization has achieved success including mission, objectives, and reward systems. Their model of organizational moral development is comprised of 5 stages: 1. amoral, 2. legalistic, 3. responsive, 4. emerging ethical, 5. ethical. Organizations: don't necessarily go through all stages, do not begin at at particular stage, if in stage 1 tend to stay there, can occupy more than one stage at a time (due to multiple depts. divisions, SBUs), can skip stages, can regress, occupation of stages follow no time dimension, stages are continuum like rather than absolute. Continues describing each stage and giving examples of companies at each stage. Managers need to learn that ethical culture can be managed to produce ethical behavior.
Trevino, 1992	Reviews CMD literature and common measures of CMD. Relates CMD to managers' moral reasoning. Cites a study by Stratton, Flynn & Johnson (1981) that empirically tested management students' levels of CMD and their response to an ethical scenario regarding expense account padding. Levels 1-3 were more likely to pad, 4-6 were much less likely. Suggest that moral reasoning may depend upon context; that managers' moral reasoning levels would be lower in actual work related decision situations compared to the hypothetical non-work related dilemmas of Kohlberg's research. Cites Weber's (1990) research supporting this hypothesis. Managers presented with both business and non-business related dilemmas used lower levels of reasoning for business. Reasons for this have to do with Role Theory; individuals play highly differentiated roles which allow them to accept different values, norms and behaviors in different life domains (avoiding cognitive dissonance). Posed the hypothesis that if business organizational context focuses on quantitative analysis, obedience and conformity, rather than qualitative issues, rights and justice, business experience may retard moral growth. This is based on Elm & Nichols (1990) study which found older managers and those with longer tenure had lower moral reasoning scores. Posits that gender differences are context specific and do not carry over into organizational cultures where both reason consistently with organizational roles (Derry 1990). Addressed cross-cultural issues. Reports studies supporting a pervasive but moderate correlation between moral judgment and behavior. Factors that influence the development of moral reasoning were identified as the work itself, training interventions, group decision making and leadership.
Mellema, 1994	Basically, there are time when one can be morally blameworthy for failure to perform an act, even when one has no obligation to do so.

## Models of Ethical Decision Making

Positive models are used to describe how ethical decisions are made. Though there are several to be found in the literature, this review will focus on six: Ferrell and Gresham's (1985) Framework for Understanding Ethical Decision Making, Trevino's (1986) Person-Situation Interactionist Model, Hunt and Vitell's (1986) General Theory of Marketing Ethics, Ferrell, Gresham and Fraedrich's (1989) Synthesis of Ethical Decision Models, Hunt and Vitell's (1991) Revision of the General Theory of Marketing Ethics, and Trevino and Youngblood's (1990) Causal Model of Ethical Decision Making.

### Framework for Understanding Ethical Decision Making –

#### Ferrell and Gresham, 1985

Ferrell and Gresham's framework (see Figure 1) demonstrates how “ethical/unethical decisions are moderated by individual factors, significant others within the organizational setting, and opportunity for action.” Individual factors include knowledge, values, attitude and intentions; while organizational factors include significant others (peers and supervisors) and opportunity factors.

The contingency approach suggests that while wide variation in ethical response can be observed, the variation is not random. It is proposed by this model that individual factors interact with organizational factors to influence ethical/unethical decision-making. In looking at individual factors, Ferrell and Gresham examine individual philosophies including utilitarianism, the rights principle, and the justice principle. Organizational factors are present in two forms: the influence of significant others and opportunity.

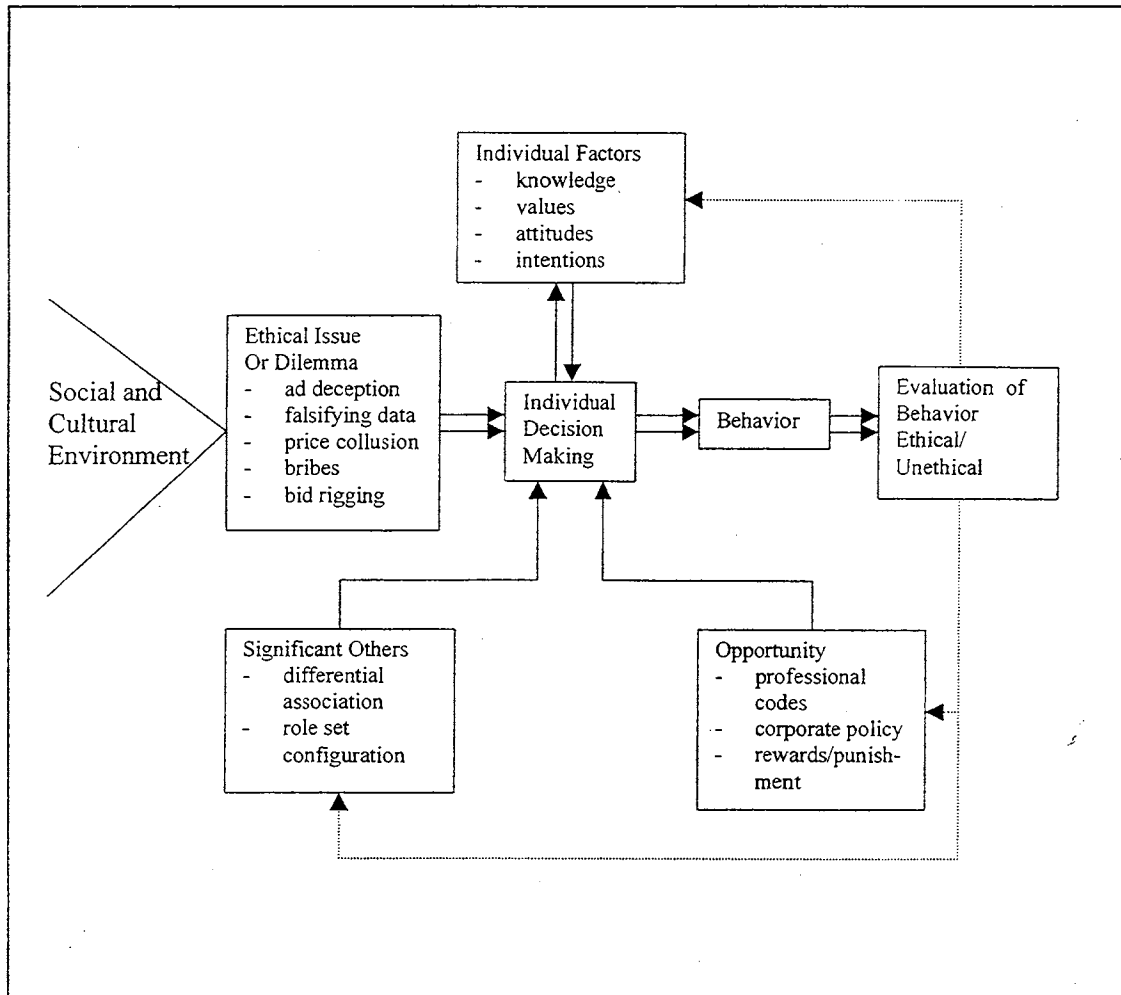


Figure 1. Contingency Framework for Understanding Ethical Decision Making in Marketing (Ferrell & Gresham, 1985).

The influence of significant others is based on two theories. The differential association theory (Sutherland & Crissey, 1970) assumes that whether or not one acts ethically or unethically depends on the behavior of those with which one interacts (ethical or unethical) and the level of exposure to either behavior. Thus, the more one is exposed to unethical behavior the more likely they are to behave unethically.

A roleset configuration relates to the relationship between the individual in question and referent others within an organization. The level of influence of the referent other relative to predicting behavior of the individual relate to organizational distance and relative authority.

Opportunity is provided by the absence of punishment for an unethical act. Moderating variables for opportunity include professional codes of ethics and corporate policy. Research by Cloward and Ohlin (1960), Zey-Ferrel and Ferrell (1982), and Weaver and Ferrell (1977) establishes a need to “understand and control opportunity as a key deterrent in a multistage contingency model of ethical behavior.”

#### Person-Situation Interactionist Model – Trevino. 1986

One of the key factors identified in Trevino’s (1986) Person-Situation Interactionist Model (Figure 2) is cognitive moral development as identified by Kohlberg (1969) and reviewed briefly, previously in this paper. Strong empirical support exists for the relationship between cognitive and moral development. Snarey (1985) reviewed 45 studies that were conducted across cultures, social classes and gender. The first four stages of CMD were found in all studied cultures and the last two (principled reasoning) in several. Kohlberg’s longitudinal sample found evidence that CMD has a base in mental development but involves more than “mental development applied to moral questions.” Correlations between IQ and CMD were between .37 and .57, showing that CMD has a base in mental development but involves more than “mental development applied to moral questions.”

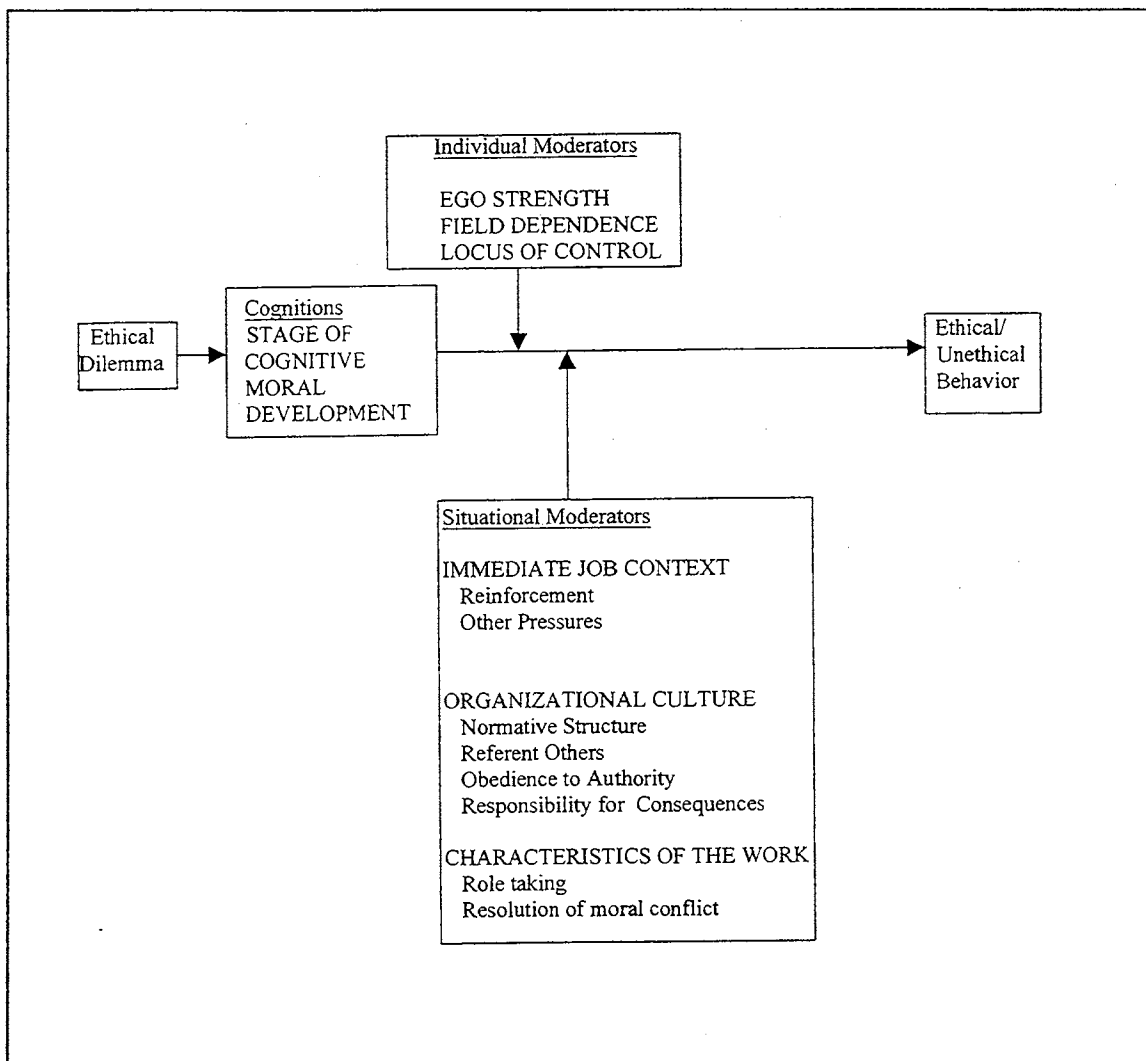


Figure 2. Trevino's Person-Situation Interactionist Model (Trevino, 1986).

Other factors that influence CMD may include education (Kohlberg 1969), the educational experience (Colby, Kohlberg, Gibbs & Lieberman 1983, as cited by Trevino, 1986), training (Goldman & Arbuthnot, 1979; Hersh, Miller & Fielding, 1980; Kohlberg, 1969). The effects of gender on CMD have been addressed (Ferrell & Skinner, 1986; Hunt & Chonko, 1984) but not resolved as findings are conflicting. There is conflicting

evidence as well on the effect of ethical training on CMD (Arlow & Ulrich, 1985; Goldman & Arbuthnot, 1979; Goolsby & Hunt, 1992; Hersh, Miller & Fielding, 1980; Kohlberg, 1969; Martin, 1981) but may be attributed to the style of training involved.

The individual factors identified by Trevino (1986) are ego strength, field dependence, and locus of control. Situational factors include immediate job context, organizational culture and characteristics of the work. The job context looks at reinforcement practices and the personal cost of behaviors. Organizational culture involves normative structure (norms of the organization), referent others, obedience to authority and responsibility for consequences. Characteristics of the work include opportunity, role taking (considering others' perspectives) and the responsibility for resolution of moral conflict.

#### A General Theory of Marketing Ethics –

##### Hunt and Vitell, 1986

Hunt and Vitell's (1986) positive model of ethical decision making has a strong basis in moral philosophy, including deontological and teleological theories.

Deontological theories judge the rightness or wrongness of a behavior, while teleological theories look at the goodness or badness of the consequences of the act. Hunt and Vitell propose that "any positive theory of ethics must account for both the deontological and the teleological aspects of the evaluation process."

The model posits that four constructs, personal experiences, organizational norms, industrial norms and cultural norms; affect perceived ethical situations, perceived



alternatives, perceived consequences, deontological norms, probabilities of consequences, desirability and importance of stakeholders. Personal experiences include the individual's level of moral development, their personality, as well as their total life experiences. Organizational and industrial norms include actions of top management as well as the presence or absence of guidelines, and the moral climate of both the industry and society.

The model proposes the variance in ethical behaviors can be attributed to four sources. Individuals may have different perceptions of the realities of the situation including the availability of alternatives, consequences related to those alternatives, the probabilities of those consequences and the desirability of those consequences.

A second source of variance relates to the level of importance held by various stakeholder groups that will be affected by the consequences of the behaviors. Third, different deontological rules may be applied to the situation. The fourth variance can be seen in the weight given to teleological and deontological arguments.

#### Synthesis of Ethical Decision Models for Marketing –

Ferrell, Gresham and Fraedrich, 1989

This model synthesizes Hunt and Vitell's (1986) General Theory of Marketing Ethics and Ferrell and Gresham's (1985) framework for understanding ethical decision making, and includes concepts proposed by Kohlberg (1969). The synthesis follows the basic decision making process of problem recognition, search for alternatives, evaluation, choice and outcome.

CMD and Social Learning are shown to affect whether or not an individual recognizes ethical components of a situation. CMD is also seen to affect how one deals with an ethical situation.

The second stage of the synthesis model relates to the individual's moral philosophy including deontological and teleological judgments. The third stage relates to intentions. One's intentions relate to attitude, which is formed from beliefs about the situation. Beliefs are based on "a moral evaluation of the situation, alternatives and perceived consequences. Finally, organizational culture, the environment in which situations occur, affects "awareness, cognitions, evaluations and determination."

Ferrell and Gresham deem opportunity as one component of organizational culture. "Even if there is a formal policy on ethical behavior, informal understanding of enforcement and appropriate behavior for success will affect opportunity and behavior." Individual moderators considered by Ferrell, Gresham and Fraedrich include knowledge, values, attitudes and intentions, while Hunt and Vitell include personal experiences.

According to the synthesized model, once the situation has been labeled an ethical issue, the individual's system begins to sift through the available information in accordance with his or her personal moral system. An individual's moral philosophies in turn will yield possible acceptable alternatives. Each of these is assigned consequences, which result in intentions, and the individual chooses a behavior. Consequences are affixed to the behavior by the individual, the organization, and society; they may be positive or negative. For example, society can reward actions with praise and recognition or can punish with fines, imprisonment, and social ostracism. Companies reward individuals with public recognition, raises, and promotions or punish behavior with verbal or written reprimands and expulsion. From these consequences, the individual evaluates the actions taken and may modify behavior when the same type of situation occurs again (Ferrell, Gresham & Fraedrich, 1989).

### Revised General Theory of Marketing Ethics –

Hunt and Vitell, 1991

The revised model shows most of the same influences and affects as the original. It includes but more completely defines cultural environment and changes personal experiences to personal characteristics, to include religion, value system, belief system, strength of moral character, cognitive moral development and ethical sensitivity. Professional environmental aspects were added and combined with industrial and organizational influences so the general model could be individuated relative to the profession or managerial context to which it is applied.

### Multiple-Influences Causal Model –

Trevino and Youngblood, 1990

In 1990, Trevino and Youngblood proposed a causal model of ethical behavior. This relatively simple model (Figure 3) shows ethical decision making behavior influenced by vicarious reward, vicarious punishment, outcome expectancy, locus of control and CMD. A test of this model (Trevino & Youngblood, 1990) found the following:

1. Individuals with an Internal Locus of Control behaved more ethically than those with an External Locus.
2. CMD was also a significant influence, with high CMDs behaving more ethically than low CMDs.

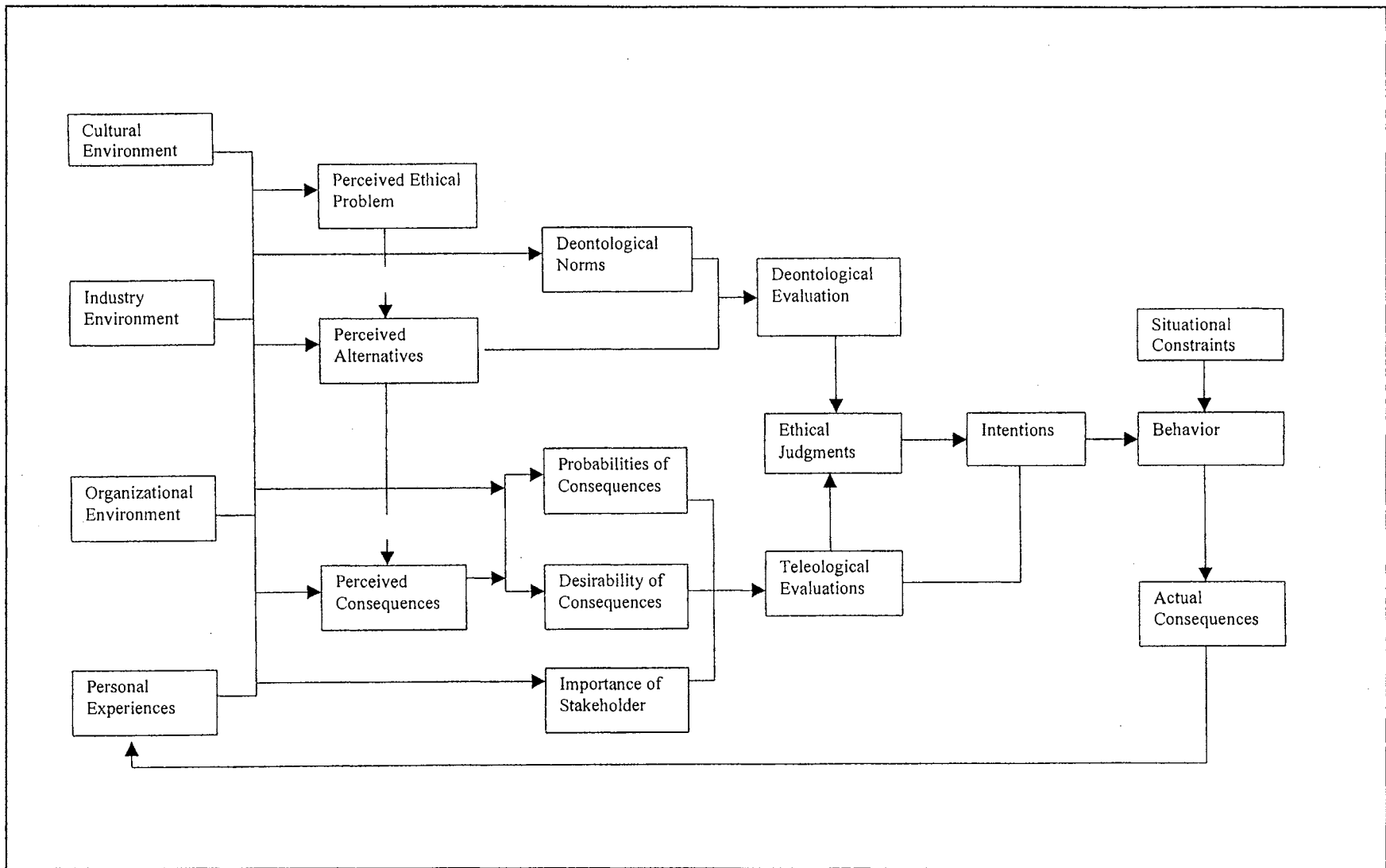


Figure 3. General Theory of Marketing Ethics (Hunt & Vitell, 1986).

3. Relating to outcome expectancy, subjects who perceived that the organizational reward system supported ethical behavior were more likely to behave ethically.
4. No support was found for the direct effect of vicarious reward or punishment.
5. Vicarious reward did have a significant effect on outcome expectancy.
6. Vicarious punishment did not effect outcome expectance.

To briefly summarize the models, all show that personal and organizational factors interact in some manner to affect ethical decision making. In all but the Trevino models, ethical philosophy plays an important role in the decision making process. Cognitive Moral Development plays an important role in influencing the decision in all the models, as did Locus of Control in the Trevino models. Other personal variables proposed in the models include knowledge, values, attitudes, intentions, ego strength, field dependence, personality, and life experiences. Hunt and Vitell's revision changes life experiences to personal characteristics, under which they list religion, value systems, belief systems, and strength of moral character.

Organizational factors are present in many forms. Ferrell's models incorporate an opportunity factor and the effect of significant others. Trevino identifies job context, organizational context, and characteristics of the work. Hunt and Vitell propose organizational, industrial and societal norms. Outcome expectancy was proposed by Trevino's Causal Model (Figure 4) as well as Hunt and Vitell's General Theory.

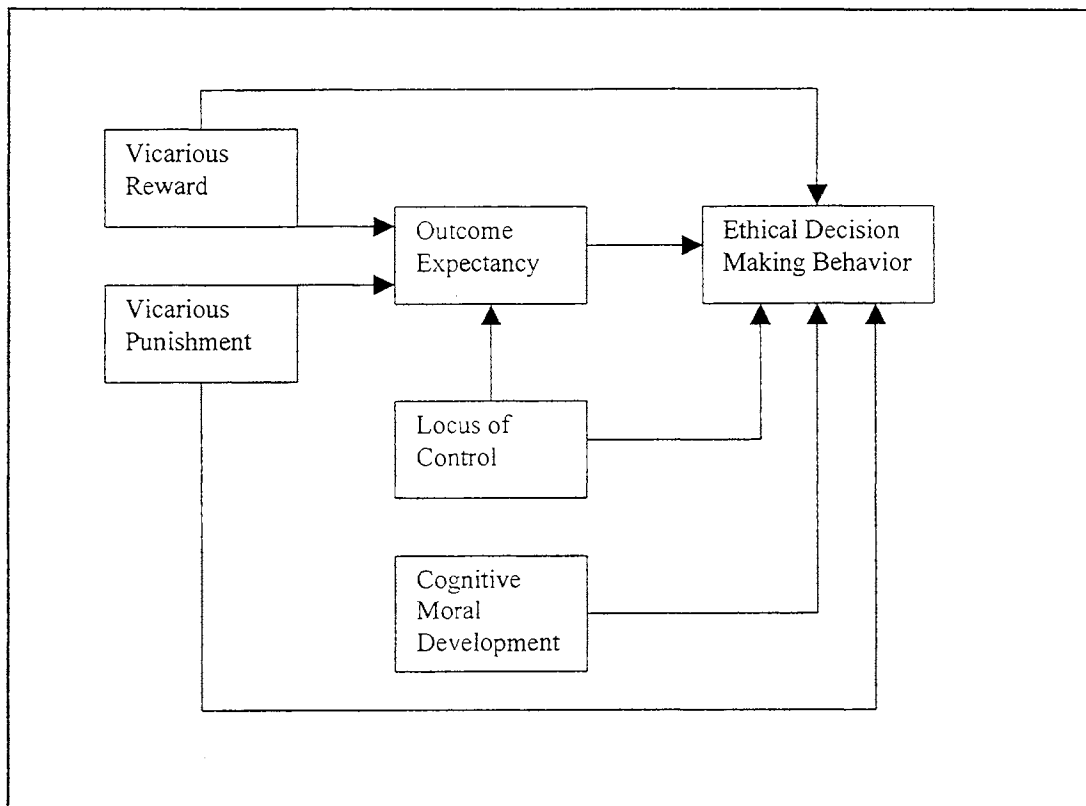


Figure 4. Multiple-Influence Causal Model of Ethical Decision Making Behavior (Trevino & Youngblood, 1990).

### Summary of Literature Review

It is clear, based on this review of the literature relative to ethical behavior in business situations, that there is strong organizational influence. Organizational influence can be categorized in two ways, as either passive (soft) or active (hard). The passive factors are a part of the environment, and the influence they have is on the environment of the organization, rather than directly affecting the individual. These passive factors include culture, presence or absence of an ethical code, role model of top management and peers. The effects of culture have been researched by Hunt, Wood and Chonko

(1989), Gregory (1983), Trevino (1986), Wallach's (1983), Akaah (1993), Akaah and Riordan (1990), Singhapakdi (1993), and Vitell, Rallapalli and Singhapakdi (1993).

Those examining the effect of the presence or absence of an ethical code include: Ouchi (1977), Hegarty and Sims (1979), White (1980), Singhapakdi and Vitell (1990), Leatherwood and Spector (1991), and Falkenberg and Herremans (1995).

The influence of others significant others is based on two theories. The Differential Association Theory assumes that whether or not one acts ethically or unethically depends on the level of exposure to either behavior. The Roleset Configuration Theory states the level of influence of the referent other relative to predicting behavior of the individual relates to organizational distance and authority. Those researching the actions of top management include: Baumhart (1968), Carroll (1975), Brenner and Molander (1977), Getschow (1979), Hegarty and Sims (1979), Ferrell and Weaver (1979), Hunt, Chonko and Wilcox (1984), Chonko and Hunt (1985), Ferrell and Skinner (1988), Hunt, Wood and Chonko (1989). Those research effects of actions by referent others include Zey-Ferrell, Weaver and Ferrell 1979) and Ferrell, Zey-Ferrell and Krugman (1983).

The active factors reflect aspects of the organization that can directly affect the individual. Active factors include enforcement of the ethical code, risk, the reward system, opportunity, and outcome evaluation by the individual. If you look at these closely they all boil down to, "Will I be caught? What will happen if I am caught? How do I feel about what will happen if I am caught?"

Enforcement of the ethical code has been researched by Laczniak and Inderrieden (1987), Ferrell and Skinner (1988), and Singhapakdi and Vitell (1991). Opportunity relative to ethical behavior, has been explored by Cloward and Ohlin (1960), Mayer (1970), Weaver and Ferrell (1977), Leming (1979), Zey-Ferrell, Weaver and Ferrell (1979), Ferrell, Zey-Ferrell and Ferrell (1982), Zey-Ferrell and Krugman (1983), Ferrell and Gresham (1985), Robertson and Anderson (1992).

Those studying the effect of the level of risk on ethical behavior include: Knight (1921), Rettig and Rawson (1963), Zimmerman and Krauss (1971), Jacoby and Kaplan (1972), MacCrimmon et. al. (1986), Bellizi and Hite (1989), and Fraedrich and Ferrell (1992). The reward system has been examined by Mayer (1970), Hegarty and Sims (1978), Jansen and Von Glinow (1985), Trevino and Youngblood (1990), and Daboval, Comish and Swindle (1995). The effects of outcome evaluation were studied by Dubinsky and Loken (1989) and Mayo and Mark (1990).

It is also clear that individual variables are critical to the ethical decision making process, with the most relevant clearly being Cognitive Moral Development, Locus of Control, and Machiavellianism. CMD has been a subject of study since 1969. Investigators include Kohlberg (1969), Leming (1978), Malinowski and Smith (1985), and Goolsby and Hunt (1992). The importance of CMD relative to this issue is made clear by the fact that the three revised models previously reviewed, including The Synthesis of Ethical Decision Models for Marketing (Ferrell, Gresham & Fraedrich, 1989), The Revised General Theory of Marketing Ethics (Hunt & Vitell, 1991), and The



Multiple-Influences Causal Model (Trevino & Youngblood, 1990), all propose CMD as a factor in the ethical decision making process.

Locus of Control is proposed as influential in two of the six models studied. It is arguably the most researched personal variable relative to ethical research. Studies including LOC as a personal variable in ethical decision making include: Adams-Weber (1969), Miller (1975), Jansen and Booersma (1976), Bloomberg and Soneson (1976), Hegarty and Sims (1978), Schurz (1985), Trevino (1986), Trevino and Youngblood (1990), Singhapakdi and Vitell (1990), Blasi (1991), Baehr, Jones and Nerad (1993), and Trevino and Nelson (1995).

Machiavellianism is also a very frequently studied personal variable. This is logical since, for many the words Machiavellianism, manipulative, and marketing are synonymous. Researchers include: Calhoun (1969), Christie and Geis (1970), Hunt and Chonko (1984), Hegarty and Sims (1979), Singhapakdi and Vitell (1990), Singhapakdi (1993), and Chonko and Hunt (1985).

It is because of the previous interest shown in these variables that I have chosen as my independent variables, supervisor's example (ethical or not ethical), the probability of getting caught (high or low), CMD, LOC and Machiavellianism. The next chapter will present more information about the independent variables and reveal the hypotheses that are based on the literature.

## CHAPTER III

### INDEPENDENT VARIABLES AND HYPOTHESES

This chapter examines the independent and dependent variables that are the focus of this dissertation. Hypotheses related to each are proposed based on the findings in the literature. Two variables are manipulated: supervisor's example, ethical or unethical; and the probability of being caught doing something unethical and being punished, high probability or low probability. Variables that are measured include Cognitive Moral Development, Locus of Control, and Machiavellianism, due to the important place they hold in the literature.

#### Example of Immediate Supervisor/Possibility of Being Caught

Variables reflecting ethical aspects of corporate culture are manipulated in the scenarios presented to respondents. The example set by the immediate supervisor will be represented as either ethical or unethical. The probability of getting caught and subsequently punished will be either high or low. A study by Laczniak and Inderrieden (1987) was designed to determine "whether stated organizational concern will influence the ethics of managers." They presented four levels of organizational concern: (1) the company says nothing about ethics, (2) the CEO makes a statement about good business ethics, (3) a formal code of ethics and the CEO's statement, and (4) the code, the

statement, and punishment for unethical behavior. They found that as expressed concern regarding ethical behavior increased, the number of respondents responding ethically increased. The most ethical responses occurred when there was a code of ethics, when there was a statement from the CEO supporting ethical behavior, and there was punishment for unethical behavior (the level 4 situation). The Laczniak and Inderrieden (1987) study examines the effects of a CEO's statement about ethics, while this dissertation examines the effects of a supervisor's example. The Laczniak and Inderrieden (1987) study does not present or examine the effects of unethical influences. However, based on the study discussed we predict that the more factors encouraging ethical behavior that are present, the more ethical behavior will occur (see Figure 5).

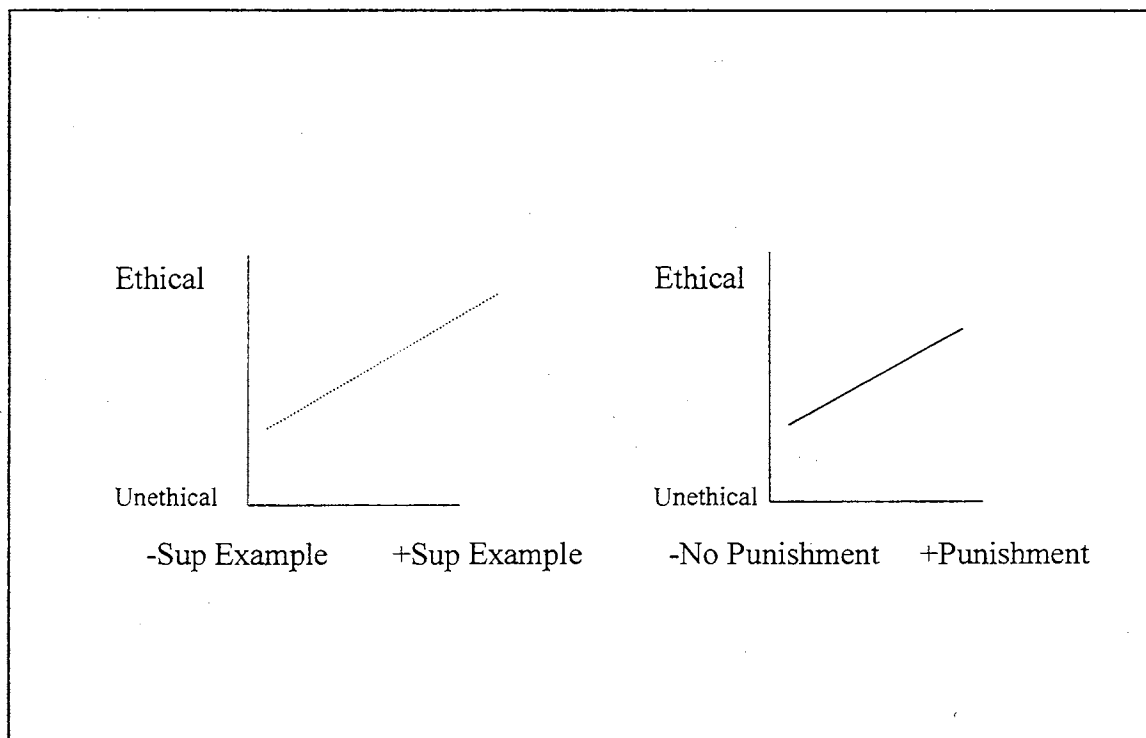


Figure 5. Hypothesis One and One A.

Logically then, the more unethical factors that are present, the less often ethical behavior will occur. Based on the previous research, the following hypotheses are proposed:

Hypothesis 1: Decision making will be more ethical when the supervisor sets a good example than when he sets a bad example.

Hypothesis 1a: Decision making behavior will be more ethical when there is a high possibility of being caught and punished than when there is little possibility of being caught and punished.

### Cognitive Moral Development

Strong empirical support exists supporting a relationship between Cognitive Moral Development, an individual difference construct, and ethical decision making behaviors. An individual's stage of moral development can be identified by Kohlberg's (1969) "Standard Issue Scoring" that scores moral judgment with open-ended questions administered in an interview style; by Gibb's and Widaman's (1982) "Social Reflection Questionnaire" which can be administered in groups (Trevino, 1986); or by Rest's (1966) Defining Issues Test (DIT), the test most frequently used. The advantage of Rest's test is that it does not require personal interviews of the respondents or categorization of written, open-ended questions. The disadvantage is that scores on the DIT are not considered equivalent to Kohlberg's levels, so it cannot be used to categorize respondents as to their level of CMD. However, P scores derived from the test indicate levels of principle. Rest provides suggested cutoff scores to separate respondents into groups and has incorporated an M score to assess social desirability of responses as well as internal consistency.

Respondents with M scores of eight or more are dropped from further analysis because of their high social desirability scores. For Rest's DIT (1966) see Appendix D. Many studies have shown that individuals at higher stages of CMD make more ethical decisions than those at lower stages. However, there has been no close examination of the interaction between CMD and corporate culture.

Those who are categorized as having low levels of principle, are chiefly concerned with immediate rewards or punishment. Thus avoidance of punishment will have a greater effect on those individuals than supervisor example. If they think there is a chance of reward with little chance of punishment, they will take that path. If they think a behavior is likely to be punished, they will avoid that behavior.

Those who are categorized as highly principled possess an awareness of relativity and they adopt self-chosen principles that may or may not coincide with those of society. In other words, bribery may not necessarily be considered as an ethical issue for highly principled individuals, or might be a lesser issue than the injustice of losing sales to competitive sales representatives who do bribe. It may be that a highly principled individual considers it an injustice that s/he has to function in a highly competitive society with one hand tied behind his/her back. Whatever decision this individual makes, it will not be because the decision is prescribed by society or the organization but because of their own personal values. And since individuals are just that, it is expected that some highly principled individuals will consistently act ethically and some will not. Since these individuals are logical reasoners, it is not expected that they will go against their own self-interest; thus, when there is a strong possibility of being caught they will make

the ethical decision. Figure 6 and Hypotheses 2 and 2a demonstrate expected behaviors, based on the literature. While the main effect of CMD has been tested, the interaction between CMD and the possibility of being caught and punished has not.

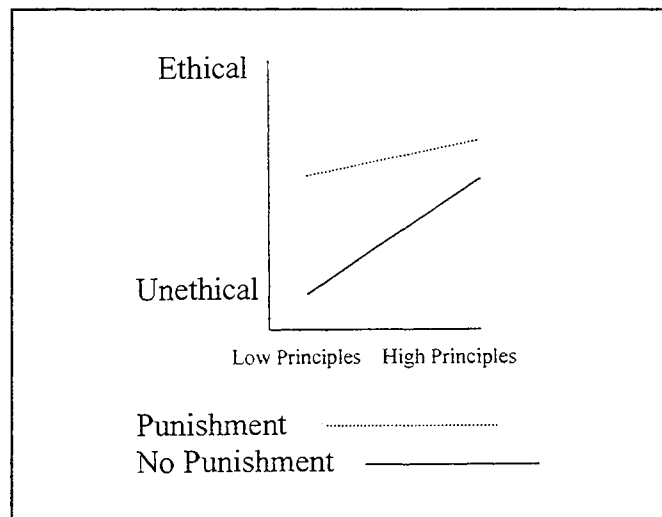


Figure 6. Hypothesis Two A.

Hypothesis 2: Highly principled respondents will be more likely to make ethical decisions than those with lower levels of principle.

Hypothesis 2a: The possibility of being caught and punished will have the greatest effect on those with lower levels of principle.

## Locus of Control

Locus of Control is a psychographic factor measured most typically by Rotter's (1966) Internal External Scale (see Appendix E). This 23-item forced choice scale reflects the number of external choices; thus, those having a high score demonstrate an external locus of control, and those with a low score have an internal locus. Means for samples from several populations range from 5.48 (female Peace Corp. trainees), to 10 (males, 18 years old from Boston). Standard deviation ranges from 2.78 (female Peace Corp. trainees) to 4.2 (males, 18 years old from Boston). While studies have frequently found that those with an internal LOC will make more ethical decisions than externals, the interaction between LOC and corporate culture has yet to be explored.

The hypotheses for Locus of Control are based on social learning theory, which states that reinforcement is seen to strengthen an expectancy that a behavior will be followed by the same reinforcement in the future. Those with an internal Locus of Control believe that reinforcement is contingent on their behavior (if something goes wrong it is because they did something wrong) and as such tend to avoid "wrong" behavior. Typically, those with an external Locus of Control believe that reinforcement is not contingent on their behavior but controlled by forces external to themselves. (They are more likely to attribute their success or failure to luck rather than to any personal behavior.) Thus, an individual with an external Locus of Control might take the possibility of punishment less seriously, thinking punishment capricious. However, those with an external Locus of Control are very oriented to those around them, and may be more subject to supervisor's example. Based on the literature, Figure 7 and Hypotheses 3

and 3a demonstrate the expected behaviors. The main effect of Locus of Control has been previously tested, but the interaction between Locus of Control and supervisor's example has not.

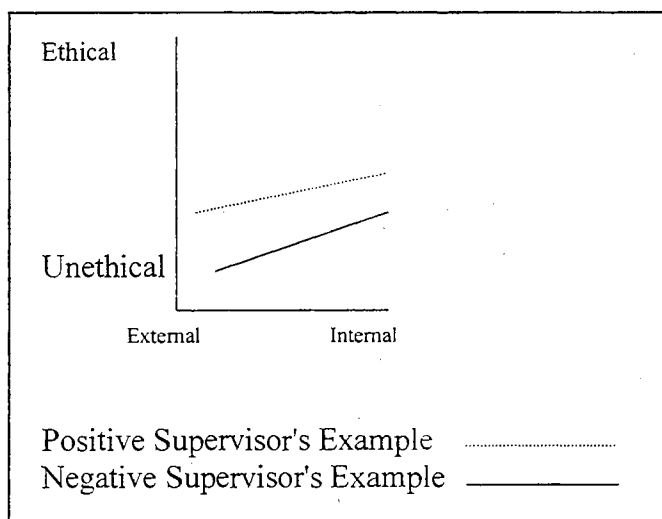


Figure 7. Hypothesis Three A.

Hypothesis 3: Respondents with an Internal Locus of Control will be more likely to make ethical decisions than those with an External Locus.

Hypothesis 3a: Supervisor's example will have a greater effect on those with an External Locus than on those with an Internal Locus.



## Machiavellianism

Machiavellianism is a construct based on the writings of Nicollo Machiavelli in 1513. It is a personal variable characterized by “manipulative, exploiting, and devious moves” (Calhoun, 1969). Machiavellianism is typically measured by Christie and Geis (1970) MACH IV test (see Appendix F), a 20-item scale with ten items reversed. Christie and Geis (1970) report a mean item-total correlation for the items of 0.38 and mean split-half reliability for the total scale of 0.79. A study by Singhapakdi (1993) supported the hypothesis that a high Mach’s perception of an ethical problem is more greatly influenced by an ethical corporate culture than a low Mach. His operationalization of an ethical corporate culture was an organization with a code of ethics; an unethical culture had no code and an unethical example was set by the vice president of the company.

Machiavellianism has consistently been found to have a significant inverse relationship with ethical behaviors. The possibility of being caught and punished will have a greater effect on those with high levels of Machiavellianism because it would have a direct effect on the self-interest of the individual, whereas the example of the supervisor does not.

Low Machs, though opposed to dishonesty in principle, can be persuaded to cheat or lie given a strong, personal, and repeated inducement, especially in a face-to-face situation in which they may have little time to reflect but must act, whether accepting the other’s wishes or rejecting them; in these situations external “rational” justifications had little effect on their decisions. In contrast, High Machs, although not opposed to dishonesty in principle, will cheat less if the “rational” incentives are low or the costs (such as the probability of getting caught) are high. (Christie & Geis, 1970).

The following hypotheses are consistent with previous research. While the main effect of Machiavellianism has been researched, the interaction between Machiavellianism and the possibility of being caught and punished has not (Figure 8).

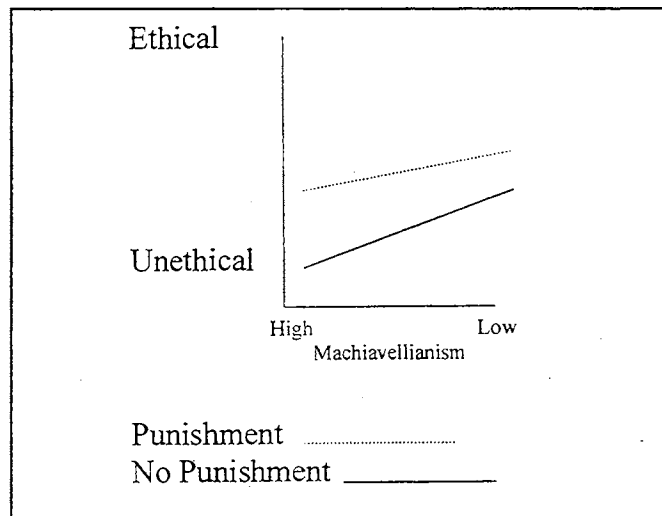


Figure 8. Hypothesis Four A.

Hypothesis 4: Respondents with low levels of Machiavellianism will be more likely to make ethical decisions than those with higher levels of Machiavellianism.

Hypothesis 4a: The possibility of being caught and punished will have a greater effect on respondents with high levels of Machiavellianism.

In reviewing these hypotheses we see that individuals with high levels of cognitive moral development, Internals and those that score low on the Machiavellianism scale are predicted to act more ethically overall than their counterparts. Hypotheses 1 and

1a proposes that individuals will be their most ethical when they have an ethical supervisor and there is a strong possibility of being caught and punished. They will be at their worst when there is little chance of being caught and punished and the supervisor is unethical. Hypothesis 2 states people with high levels of CMD will act more ethically than those with low levels of CMD. Hypothesis 2a proposes that individuals with low levels of principle are chiefly concerned with rewards and punishments and thus the possibility of being caught and punished will have a greater effect on them. Hypotheses 3 and 3a propose that Internals will act more ethically than Externals and that supervisor's example will have a greater effect on Externals than on Internals because externals are more likely to take their cues from the environment. Hypotheses 4 and 4a propose that because High Machiavellians believe in self-preservation, they will be more likely to respond to the possibility of being caught and punished. Results of Hypothesis tests are reported in Chapter V. The following, Chapter IV, explains the design of the study.

## CHAPTER IV

### RESEARCH DESIGN AND METHODOLOGY

The study uses a 2X2 full factorial design depicting ethical and unethical situations related to supervisor's example, and the possibility that behavior will be discovered and punished, with personal characteristics as covariates. The variables, example of direct superior, and the possibility that behavior will be discovered and punished are manipulated to create four scenarios.

#### Measures of Ethical Decision Making

The determination of ethicality has been approached in many ways. Ethicality has been treated as a single-item scale (Krugman & Ferrell 1981), by choosing between behaviors (Hunt, Fritzsche, & Becker 1984), or by how often the respondent participates in particular behaviors (Hegarty & Sims 1978, 1979; Trevino & Youngblood 1990; Akaah 1993). Not infrequently, respondents will be asked to evaluate the ethicality of several scenarios (Dubinsky, et al., 1991, 1992). Still others expose respondents to scenarios and allow them to decide independently what action should take place (Dawson, 1995).

### Dependent Variable

The dependent variable relates to the degree of ethicality in subjects' responses. Answers for the questions are on a six-point opposite adjective scale with the extremes being Extremely Likely and Extremely Unlikely. The questions relating to intended ethical behavior are as follows:

1. How likely is it that you would have behaved in the same manner as Frank?
2. How likely is it that your peers would have behaved in the same manner as Frank?

Responses are treated as a single-item scale.

### Independent Variables

Cognitive Moral Development – Cognitive Moral Development (CMD) is a psychographic factor commonly identified as influencing moral behavior. Rest's (1966) Defining Issues Test (DIT), the test most frequently used, was implemented in measuring CMD for this dissertation. For Rest's DIT (1966) see Appendix D. The advantage of Rest's test is that it does not require personal interviews of the respondents or categorization of written, open-ended questions. The disadvantage is that scores on the DIT are not considered equivalent to Kohlberg's levels, so it cannot be used to categorize respondents as to their level of CMD.

Principle (P) scores are derived from the test to indicate “. . . the relative importance a subject gives to principled moral considerations in making a decision about

moral dilemmas” (Rest 1966). Rest suggests creating groups on the basis of the P score. While some studies have divided subjects into three or four groups based on high- middle- or low-third or quartiles; Rest says that those scoring 50 or more can be said to be principled. So like Jacobs (1977) I designate those scoring 50 or more as principled, and those scoring less as not principled.

An M score is used to assess social desirability of responses as well as internal consistency. Respondents with M scores of eight or more were dropped from further analysis because of their high social desirability scores.

Locus of Control – Locus of Control is a psychographic factor measured most typically by Rotter’s (1966) Internal External Scale (see Appendix E). This 23-item forced choice scale reflects the number of external choices; thus, those having a high score demonstrate an external locus of control, and those with a low score have an internal locus. The scores were summed and divided by the number of questions (23). Those with a score of 1.5 and above were termed external, a score of 1.49 or below demonstrates internal locus.

Machiavellianism – Machiavellianism is a construct based on the writings of Nicollo Machiavelli in 1513. It is a personal variable characterized by “manipulative, exploiting, and devious moves” (Calhoun, 1969). Machiavellianism is typically measured by Christie and Geis (1970) MACH IV test (see Appendix F), a 20-item scale with ten items reversed. Based on the works of Christie and Geis (1970), Machiavellianism (when using a six-point scale) has a minimum score of 1 X 20 items +

20 (a theoretical constant) = 40; a maximum score of  $6 \times 20$  items + 20 = 140; and a theoretical neutral point of  $3.5 \times 20 + 20 = 90$ . Above the theoretical neutral point one could be said to be a high Mach, below the theoretical neutral point, one could be said to be a low Mach. This is how Machiavellianism is typically operationalized. The mean score of the respondents of this research was 79.17 (that includes the theoretical constant of 20.) This is an uncommonly low mean.

According to Hunt and Chonko (1984), representative mean scores from other studies include 99.6 for purchasing managers, 88.7 for community college teachers, 85.7 for marketing professionals, 82.1 for student teachers, and 73.3 for school superintendents. Given the low scores, had I designated everyone scoring 90 or above as a High Machiavellian, there would have been only 13 out of 99 total respondents. When dividing the respondents into quartiles the cut-off point for the fourth quartile was 67 and above. To use this cut off gave me 13 more High Machiavellians with a scoring difference of only three points. In order to have a larger number of High Machs, I designated anyone 67 or above a High Mach, anyone 66 or below a Low Mach.

### The Scenario

Though, as the literature review demonstrates, situations with ethical content are rife in the area of marketing, this dissertation will examine only the area of personal selling. The position of salesperson was chosen for the scenario because of the salesperson's proximity to customers and because of the criticism that sales representatives receive from the public (Murphy & Laczniak, 1981). Also, sales is an

area that involves a large number of ethical issues that are of concern to salespeople, managers, and customers alike.

The scenario involves bribery because it has long been and still is an important issue for businesses. Baumhart (1961) identified gifts, gratuities, bribes and “call girls” as the major ethical problem that business people wanted to eliminate. This finding was supported by Chonko and Hunt (1985) who found through a survey of 1076 American Marketing Association members that bribery was the “job situation that poses the most difficult ethical situation for them” with fairness as a close second.

Bribery has been presented as an ethical situation by Hunt and Vitell (1986), Singhapakdi and Vitell (1990), Trevino and Youngblood (1990), Fraedrich and Ferrell (1992), Finnegan (1994), and Dawson (1995). Dubinsky, Jolson, Kotabe and UnLim (1991) chose bribery as two of the 12 situations presented to respondents from the U.S., Japan and Korea in a cross-national study of salespeoples’ ethical perceptions. Other international studies relating to bribery include those by Abratt, Nel and Higg (1992) and Armstrong and Sweeney (1994).

The scenario is adapted from one designed by Vitell (1986) (see Appendix A) and subsequently used by Hunt and Vitell (1986), and Singhapakdi and Vitell (1990). It depicts a salesperson, Frank, who is under pressure to perform and faced with competitors who offer “gifts” to customers to secure orders. These gifts are in the form of tickets to concerts and other forms of entertainment with values between \$100 and \$200 and do not violate any laws. None of the other sales representatives in the company pay bribes. Frank decides to begin to offer gifts to purchasing agents.



### Pretest of the Scenario

Fifty undergraduate business students from a small eastern college were used to test the wording of the scenarios. The scenario tested successfully with one exception. Respondents tended not to believe Frank would be caught and punished, even when the scenario stated as much. The wording was made stronger and passed the second pretest with 23% responding that being caught and punished was unlikely in the high risk situation (when the scenario clearly said those who acted unethically there was strong chance of discovery and dismissal).

The following demonstrates manipulation of supervisor's example and the likelihood of being caught.

### Manipulation of Independent Variables

#### Within the Scenario

Ethical Example Set by Supervisor – Harold's (Frank's supervisor's) attitudes are well known. He believes that, with hard work and initiative, meeting sales expectations shouldn't be a problem. His integrity as a manager is unquestioned. He follows the spirit as well as the letter of the company's ethical code. Harold has never cut corners or behaved in a manner which was in any way questionable.

Unethical Example Set by Supervisor – Harold's attitudes are well known. He is definitely a bottom line person and puts strong pressure on his salespeople for results. Harold firmly tells his reps that the ends justify the means and has been known to cut

corners himself. More than once, Frank has silently questioned the appropriateness of Harold's methods. Frank suspects that Harold would stop at very little to achieve the results he wants.

Strong Possibility That Behavior Will Be Discovered and Punished – The primary risk is that auditing might notice, question, and investigate the increased level of expenditures made to the supply house. If he is found guilty of an ethics violation, he can expect dismissal. He thinks there is a strong chance of discovery and dismissal. Everyone in the company knows that audits are frequent. In the seven years Frank has been with the company, more than a few people on the sales force have been asked to explain expenditures found in an audit.

Slight Possibility That Behavior Will Be Discovered and Punished – The primary risk is that auditing might notice, question, and investigate the increased level of expenditures made to the supply house. If he is found guilty of an ethics violation, he can expect dismissal. He thinks there is only a slight chance of discovery and dismissal. Everyone knows audits are few and far between, and they are reputed to be very lax. In the seven years Frank has been with the company, no one on the sales force has ever been asked to explain expenditures found in an audit. The chance that Frank would be the first and only one is extremely minimal.

This chapter has described in depth how ethics has traditionally been measured and how the dependent variable (ethical behavior) is measured in this dissertation.

Independent variables are operationalized. The scenario is described and the manipulations of supervisor example and possibility of being caught. The following chapter reveals research findings and tests of hypotheses.

## CHAPTER V

### RESEARCH FINDINGS AND TESTS OF HYPOTHESES

Hypotheses are tested to determine the extent of the relationship between variables. The dependent variable is a two-item, single measure scale representing the respondent's ethical decision. The independent variables are Cognitive Moral Development, Locus of Control, Machiavellianism, and indicators of corporate culture including the example set by the immediate supervisor and the possibility of being caught and punished. Interactions between personal variables and indicators of corporate culture will be examined.

#### Collection of Data

Several colleges and universities in the Midwest and East were approached for permission from the Institutional Review Boards to survey a number of their MBA students. Professors of the various colleges were contacted to enlist their aid in administering the surveys. There were two surveys that were given two weeks apart. Respondents were asked to record the last six digits of their social security number for the purpose of matching their responses to data that might be collected at a later date.

The surveys were administered in a classroom setting. Attached to the front of each survey was a letter enlisting cooperation and assuring confidentiality (see Appendix

B), and informing that participation was voluntary and participation could stop at any time. These varied somewhat in content due to the particular requirements of each university. The first survey contained scales to measure cognitive moral development, locus of control and Machiavellianism, (see Appendix C). The second survey asked various demographic information, presented one of four scenarios, questions to check manipulations, measures of dependent variables, as well as questions that relate to ethical training experienced by the respondent.

Of the more than 800 sets of questionnaires sent out, 101 were usable upon return. The biggest problem was matching the sets of data, since many students neglected to record the last six digits of their social security number.

#### Reliability Estimates

The reliability estimate for the two-item, single-measure, dependent variable is .70. This is equal to the score supported by Nunnally (1978) as sufficient for exploratory research. Reliability analysis for Locus of Control is .74, which the same as that achieved by Trevino and Youngblood (1990). For Machiavellianism, a Cronbach's Alpha of .6747 was found which compares slightly less than favorably with the .79 split-half reliability coefficient achieved by Christie and Geis,(1970), and .76 by Hunt and Chonko (1984).

Because of the way CMD is calculated, a reliability estimate is not available. I can, however, compare mean and standard deviation with other studies (see Table III). The range in score for this study was from 3.3 to 76.66 (with 95 being the highest possible score), and for Goolsby and Hunt (1992), they were 3.3-83.3. As you can see,

TABLE III  
CMD MEANS AND STANDARD DEVIATIONS

Category	This Dissertation	Goolsby & Hunt (1992)	Rest (1974)
Mean	37.50	43.1	65.2
SD	15.00	17.2	9.5
N	101	269	15
Sample	MBA students	AMA members	Philosophy PhD students

respondents in this study did not score as high as either the moral philosophy students or the AMA members. Considering, however, the differences in sample, I believe my CMD scores are readily comparable.

### Correlations

The correlation matrix (see Table IV) demonstrates the level of correlation between the independent variables and include age and gender. Correlations at the 0.01 level include Machiavellianism and Gender. At the 0.05 level we find correlations between Gender and CMD, and Age and Machiavellianism. We find that older respondents are more likely to be internal, and to score low on Machiavellianism. We get nicer as we get older. Females respondents were more likely to be Internals, to score low in Machiavellianism and high in Cognitive Moral Development. Externals tend to be more Machiavellian.

TABLE IV  
CORRELATION MATRIX

		Punishment/ No Punishment	Ethical Super/ Unethical Supervisor	CMD	Locus of Control	Mach	Age	Gender
Punishment/ No Punishment	Pearson Correlation Sig. (2-tailed) N	1.000 . 101						
Ethical Supervisor Unethical Super	Pearson Correlation Sig. (2-tailed) N	-.068 .500 101	1.00 . 101					
CMD	Pearson Correlation Sig. (2-tailed) N	-.171 .114 87	-.116 .285 87	1.000 . 87				
Locus of Control	Pearson Correlation Sig. (2-tailed) N	-.013 .898 98	.069 .497 98	-.183 .091 85	1.000 . 98			
Mach	Pearson Correlation Sig. (2-tailed) N	-.028 .784 99	.096 .346 99	-.052 .635 86	.193 .000 98	1.000 . 99		
Age	Pearson Correlation Sig. (2-tailed) N	-.009 .928 99	-.024 .817 99	.144 .186 86	-.124 .000 96	-.253* .012 98	1.000 . 99	
Gender	Pearson Correlation Sig. (2-tailed) N	-.132 .174 101	.114 .240 101	.256* .017 87	-.026 .018 98	-.360** .000 99	-.024 .815 99	1.000 . 101

Note: \*=Correlation is significant at the 0.05 level (2-tailed); \*\*=Correlation is significant at the 0.01 level (2-tailed).

Published results of correlations between the variables used in this study are rare. In this study, a correlation of .144 is found between Age and CMD and .256 between Gender and CMD, while Goolsby and Hunt (1992) found .03 and .13 correlations respectively. This study found a .193 correlation between Locus of Control and Machiavellianism while Singhapakdi and Vitell found .3844 in a 1991 study and .3913 in 1990. This study showed a correlation of -.124 between Age and Locus of Control, while Singapakdi and Vitell (1990) found a correlation of -.235. All the comparable correlations found in the literature agree in direction, though they do tend to vary in strength. Other studies found stronger correlations between Machiavellianism and Locus of Control and between Age and Locus of Control, but found weaker correlations between Cognitive Moral Development and Age and Cognitive Moral Development and Gender.

### Manipulation Checks

The variables to be manipulated through the scenarios were the ethical example of the supervisor and the likelihood of being caught and punished. The following questions were designed to determine if manipulations were successful:

1. How likely is it that Frank's actions will be discovered?
2. How likely is it that Frank believes he is following his supervisor's example?

The next questions were designed to test the respondents' understanding of the conditions described in the scenario.



3. How likely is it that Frank would gain in some way from giving gifts to his customers?
4. If Frank's actions are discovered, how likely is it that he will be dismissed?
5. How likely is it that Frank believes he is doing what other salespeople in his company would do?
6. How likely is it that Frank believes he is following company policy?

The first two questions to be discussed were intended to determine if the manipulation of the scenario was successful; namely if those who read the scenario stating there was a strong chance that his action would be discovered understood that to be so, and to see if they appropriately interpreted the supervisors' examples as either ethical or unethical. When asked, "How likely is it that Frank's actions will be discovered?" 67.3 percent responded that it was in the likely range (chose 1-3 on a six-point scale with the anchors being 1 - extremely likely and 6 - extremely unlikely). However, this information has no real meaning without knowing which scenario respondents had been exposed to. Table V demonstrates the relationship between the scenario and the respondents answer to the first question.

As you can see, respondents exposed to the high chance of discovery scenarios were very willing to believe that there was a strong chance that unethical behaviors would be discovered. However, those who were exposed to the scenario that indicated there was only a slight chance of discovery were not so willing to accept that statement. They were

TABLE V  
SCENARIO X LIKELIHOOD OF DISCOVERY

Scenario (n)	Likely to be Discovered	Unlikely to be Discovered
#1. (23) Supervisor unethical Slight chance of discovery	34.7%	65.1%
#2. (25) Supervisor unethical High chance of discovery	96.0%	4.0%
#3. (29) Supervisor ethical Slight chance of discovery	44.8%	55.1%
#4. (24) Supervisor ethical High chance of discovery	95.9%	4.2%

even more likely to believe that Frank's actions would be discovered if the scenario depicted an ethical supervisor.

The discovery manipulation was successful. In the high chance of discovery situation, the mean was 2.04; in the low chance of discovery situation, the mean was 3.85. The difference is significant at the .01 level.

The second question, "How likely is it that Frank believes he is following his supervisor's example?" saw 53.5 percent answer in the likely range. Again this has to be examined in conjunction with the scenario the respondent was exposed to for any real meaning. This manipulation was successful as well (see Table VI). In the ethical

supervisor situation, the mean was 4.62. In the unethical supervisor situation, the mean was 2.35. The difference is significant at the .01 level.

TABLE VI  
SCENARIO X HOW LIKELY TO BE FOLLOWING  
SUPERVISOR'S EXAMPLE

Scenario (n)	Likely to be Discovered	Unlikely to be Discovered
#1. (23) Supervisor unethical Slight chance of discovery	86.9%	13.0%
#2. (25) Supervisor unethical High chance of discovery	88.0%	12.0%
#3. (29) Supervisor ethical Slight chance of discovery	31.0%	68.9%
#4. (24) Supervisor ethical High chance of discovery	12.5%	87.5%

Those exposed to unethical supervisor examples were much more likely to believe that they were following the supervisor's example. In addition to testing whether we successfully manipulated the independent variables, we also tested the extent to which subjects understood the scenario and/or the stimuli resulted in unintended manipulations.

The next group of questions was designed to determine the respondents' level of understanding of the conditions of the scenario. The first question, "How likely is it that Frank would gain in some way by giving gifts to customers?" was asked to determine if respondents felt it was in the salesperson's self-interest to offer gifts to their customers. There is little likelihood that anyone would risk discovery and dismissal if they don't feel they stand to gain. Respondents, by a large majority (85 percent) thought that Frank would gain by his action (Table VII). The difference between the means shown above is not significant (.809), which is as it should have been.

TABLE VII  
SCENARIO X HOW LIKELY TO GAIN BY ACTION

Scenario (n)	Likely to be Discovered	Unlikely to be Discovered	Mean
#1. (23) Supervisor unethical Slight chance of discovery	82.6%	17.4%	2.48
#2. (25) Supervisor unethical High chance of discovery	76.0%	24.0%	2.64
#3. (29) Supervisor ethical Slight chance of discovery	86.2%	13.8%	2.38
#4. (24) Supervisor ethical High chance of discovery	91.7%	8.3%	2.46

The next question, “If Frank’s actions are discovered, how likely is it that he will be dismissed?” should not have been subject to interpretation. Each scenario stated very clearly, “If he were found guilty of an ethics violation, he could expect dismissal.”

The differences between the means demonstrated above are significant at the .009 level. Those respondents exposed to a slight chance of discovery situation were less likely to believe they would be dismissed than those exposed to a high chance of discovery (Table VIII). In that the answers were predominantly in the likely category (Extremely Likely equaled 1, Extremely Unlikely equaled 6), the answers were as expected and the manipulation was successful. What was not expected was that there

TABLE VIII  
SCENARIO X HOW LIKELY TO BE DISMISSED  
IF DISCOVERED

Scenario (n)	Likely to be Discovered	Unlikely to be Discovered	Mean
#1. (23) Supervisor unethical Slight chance of discovery	40.9%	59.1%	3.41
#2. (25) Supervisor unethical High chance of discovery	80.0%	20.0%	2.40
#3. (29) Supervisor ethical Slight chance of discovery	72.9%	27.1%	2.69
#4. (24) Supervisor ethical High chance of discovery	87.5%	12.5%	2.21

would be a significant difference in responses based on the scenarios. Remember that dismissal was held constant.

The next question, “How likely is it that Frank believes he is doing what other salespeople in his company would do?” also should not have been open to interpretation. Each scenario states, “To the best of Frank’s knowledge, other salespeople in his company have never provided such excessive gifts.” However, 81.8 percent of respondents answered in the likely range, indicating that Frank thought he was acting as other salespeople in the company would act (Table IX).

TABLE IX  
SCENARIO X DOING AS OTHERS IN THE  
COMPANY WOULD DO

Scenario (n)	Likely to be Discovered	Unlikely to be Discovered	Mean
#1. (23) Supervisor unethical Slight chance of discovery	91.3%	8.6%	2.30
#2. (25) Supervisor unethical High chance of discovery	84.0%	16.0%	2.48
#3. (29) Supervisor ethical Slight chance of discovery	78.6%	21.4%	2.71
#4. (24) Supervisor ethical High chance of discovery	79.3%	26.1%	2.83

The difference between the means was not significant (.480), which shows that the treatment did not affect the response. Whether or not the effort to engender the understanding of the scenario by the correspondents is successful, is debatable. Respondents clearly indicate a belief that other salespeople in the company would do as Frank did, which would indicate a failure in understanding. However, the question asked if Frank believes he is doing what others in the company would do. The scenario describes past actions of salespeople. It seems more likely that there is a failure in measurement than a failure in understanding.

The final question (Table X) is “How likely is it that Frank believes he is following company policy?”

TABLE X  
SCENARIO X FOLLOWING COMPANY POLICY

Scenario (n)	Likely to be Discovered	Unlikely to be Discovered	Mean
#1. (23) Supervisor unethical Slight chance of discovery	25.6%	74.4%	4.163
#2. (25) Supervisor unethical High chance of discovery	32.0%	68.0%	4.36
#3. (29) Supervisor ethical Slight chance of discovery	37.9%	62.1%	4.10
#4. (24) Supervisor ethical High chance of discovery	16.6%	83.4%	4.71

Each scenario states,

Frank's company has a code of ethics that calls for high ethical standards and integrity and specifically forbids the giving of excessive "gifts." Language in the code does suggest sanctions for unethical behavior up to and including dismissal.

Even so, 28.7% responded that it was likely that Frank believed he was following company policy.

The differences between mean responses was not significant (.359). Since the responses indicated that it was very unlikely that Frank thought he was following company policy, we can say that the manipulation was successful.

#### Demographic Profile of Respondents

The respondents were students attending MBA classes in several Eastern and Midwestern universities (see Table XI). Of the respondents, 54.5% were female. Their mean age was 28.59 years, 52% were married and their mean GPA was 3.647. The majority of the respondents (83.3%) were from the United States. Nearly 30% belonged to a professional organization. Eighty-six percent of the respondents had at one time been or were currently members of the job force. Thirty-seven percent reported sales experience, and of those, the mean number of years reported was 3.5. Nearly 50% reported having taken one or more ethics classes for college credit, of those 75% reported having received 1-3 hours credit. Twenty-eight percent had received ethical training from their current employer; 28 had received ethical training from a previous employer. Approximately 56% reported they had known someone to be fired because of unethical business behavior.



TABLE XI  
DEMOGRAPHIC PROFILE OF RESPONDENTS

Demographic Factor	Percentage
Gender	
Male	54.5
Female	45.5
Age	
21-25	32.3
26-30	41.5
31-40	22.1
41-50	4.0
GPA	
2.8-3.4	21.5
3.5-3.7	31.2
3.8-4.0	47.3
Nationality	
United States citizens	83.3
Other	16.7
Marital status	
Married	52.0
Not married	48.0
Belong to a professional organization	
Yes	29.7
No	70.3
Years in the job force	
0-5	35.6
6-10	33.2
11-15	19.5
16-20	4.4
21-30	6.7
Sales experience	
Yes	37.0
No	63.0
Years of sales experience (n=36)	
1-3	50.0
4-7	33.3
8-25	16.7

TABLE XI – continued

Demographic Factor	Percentage
Have taken one or more ethics classes	
Yes	49.5
No	50.5
Number of credit hours received	
1-3	75.9
4-6	16.7
7-12	7.5
Ethics training from current employer	
Yes	28.0
No	72.0
Ethics training from previous employer	
Yes	28.0
No	72.0
Have you ever known anyone to be fired from a job because of unethical business behaviors?	
Yes	57.4
No	42.6

#### Test of Model

A Univariate analysis was conducted on the full model (see Table XII), including main effects for all independent variables, and all interactions predicted by hypotheses. The level of significance achieved was .216, with none of the main effects or interactions being significant. By removing from the model, the main effect of supervisor's example and Machiavellianism, and the corresponding interactions, the model achieves a .039 level of significance. Significant within the model, at the .10 level (.091), was the interaction between the possibility of being caught and CMD.

TABLE XII  
TESTS OF BETWEEN SUBJECT EFFECTS  
DEPENDENT VARIABLE

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	14.234*	8	1.779	1.386	.216
Intercept	663.030	1	663.030	516.412	.000
Caught & Pun (CP)	.231	1	.231	.180	.672
Supervisor Example	3.894E-03	1	3.894E-03	.003	.956
CMD	.615	1	.615	.479	.491
Locus	1.585	1	1.585	1.234	.270
Mach	.157	1	.157	.122	.728
CP*CMD	3.058	1	3.058	2.382	.127
SE*Locus	.537	1	.537	.418	.520
CP*Mach	1.357	1	1.357		
Error	97.578	76	1.284		
Total	1440.000	85			
Corrected total	111.812	84			

Note: \*R Squared = .147 [Adjusted R Square = .019].

### Hypothesis Tests

Four groups of hypotheses were tested relating to the example set by the supervisor, the possibility of being caught, CMD, LOC, and Machiavellianism. These hypotheses were presented previously and are presented here below with results of simple

anova and univariate tests. Each hypothesis will be tested with the dependent variable to determine support.

#### Hypotheses Tests Relative to Organizational Factors

*Hypothesis One: Decision making will be more ethical when the supervisor sets a good example than when he sets a bad example.*

It is clear from the Anova demonstrated in Table XIII that the example of the supervisor was not significant in the respondent's decision to act ethically or unethically. Though the difference is minute, the responses were in the expected direction, with those

TABLE XIII  
HYPOTHESIS ONE, SUPERVISOR'S EXAMPLE  
ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between groups	3.014E-02	1	3.014E-02	.021	.885
Within groups	142.742	99	1.442		
Total	142.742	100			

exposed to scenarios portraying ethical supervisors acting more ethically. This is demonstrated by Figure 9.

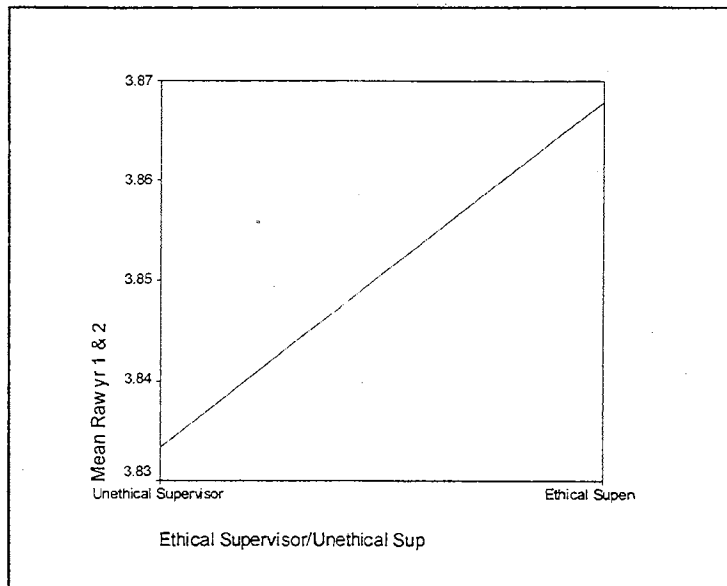


Figure 9. Hypothesis One.

*Hypothesis One A: Decision making will be more ethical when there is a high possibility of getting caught than when there is little possibility of being caught.*

Table XIV shows a .026 level of significance, which shows that the possibility of being caught had a significant effect on the intended behavior of the respondents. Figure 10 shows that respondents were much more likely to answer in an ethical manner when there was a high chance of being caught.

Analysis shows that Hypothesis 1 is not supported. Ethical supervisors did not engender significantly more ethical behavior. Hypothesis 1a is supported. When the possibility of being caught was high, responses were significantly more ethical than when there was only a slight chance of being caught.

TABLE XIV  
 HYPOTHESIS ONE A, POSSIBILITY OF BEING CAUGHT  
 ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between groups	6.988	1	6.988	5.095	.026
Within groups	135.785	99	1.372		
Total	142.772	100			

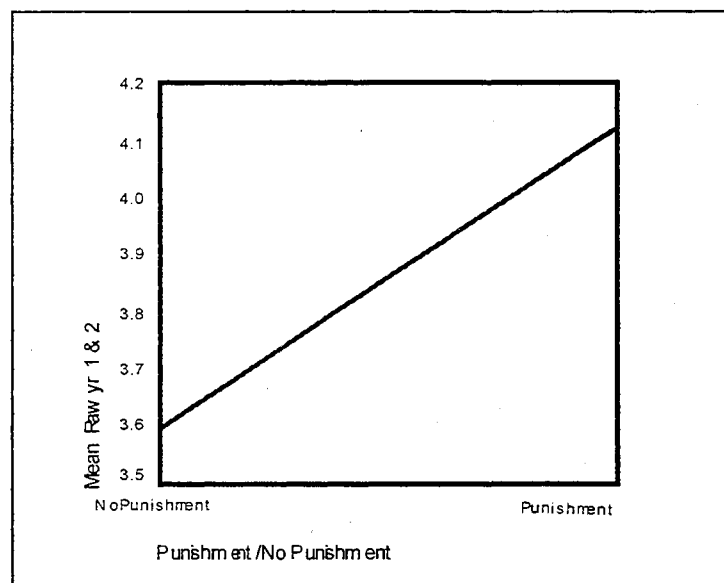


Figure 10. Hypothesis One A.

Hypothesis Tests Relative to Cognitive Moral Development

*Hypothesis Two: Highly principled respondents will be more likely to make ethical decisions than those with lower levels of principle.*

An anova was performed using the dependent variable discussed. The dependent variable is a two-item, single measure scale composed of the questions: “How likely is it that you would have behaved in the same manner as Frank?” and “How likely is it that your peers would have behaved in the same manner as Frank?” This variable obviously relates the intention of the individual to behave in an ethical or unethical manner. Though the results are not significant, they are important. They are in the expected direction showing that principled respondents were more likely to say that they would not act like Frank, nor did they think their peers would act like Frank. This is demonstrated in Table XV and Figure 11.

TABLE XV  
HYPOTHESIS TWO  
ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between groups	1.399	1	1.399	1.034	.312
Within groups	115.038	85	1.353		
Total	116.437	86			

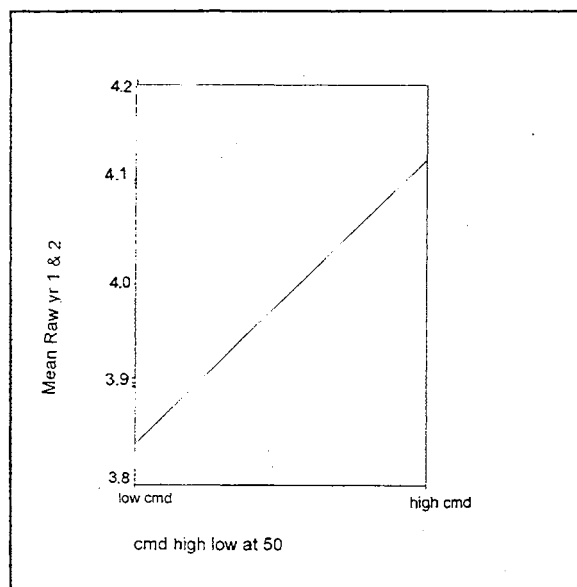


Figure 11. Hypothesis Two.

*Hypothesis Two A: The possibility of being caught will have the greatest effect on those with lower levels of principle.*

The anova shows the model is significant at the .1 level as is the interaction between the possibility of getting caught and CMD. This clearly indicates that there is an interaction between CMD and the possibility of being caught as demonstrated in Table XVI and Figure 12. To summarize, Hypothesis 2, stating that High CMDs were more likely to act ethically was not supported. Hypothesis 2, showing an interaction between CMD and the possibility of getting caught was supported.

Figure 12 illustrates that interaction. To interpret Figure 12, notice the size of the difference in response for low CMDs. The mean response in a situation in which one is likely to be caught is 4.21. on a scale of 1-6 with 1 being the least ethical response. When



TABLE XVI  
TESTS OF BETWEEN SUBJECT EFFECTS

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	11.126*	4	2.781	2.166	.080
Intercept	995.187	1	995.898	744.898	.000
CMDHL	1.178	1	1.178	.917	.341
RS	1.398	1	1.398	1.089	.300
RS3	8.252E-03	1	8.252E-03	.006	.936
CMDHL*RS	3.718	1	3.718	2.895	.093
Error	105.311	82	1.284		
Total	1453.000	87			
Corrected total	116.437	86			

Note: \*R Squared = .096 [Adjusted R Square = .051].

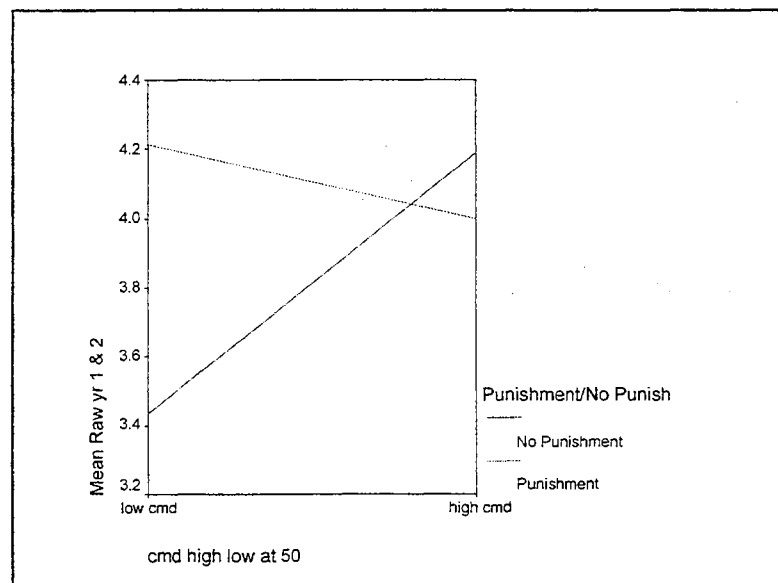


Figure 12. Hypothesis Two A.

the chance of being caught is slight, the mean response falls to 3.43. For respondents with high CMD, the change from a high chance of being caught to a slight chance of being caught, saw a change in mean response of 4.0 to 4.19.

### Hypothesis Tests Relative to Locus of Control

*Hypothesis Three: Respondents with an Internal Locus of Control will be more likely to make ethical decisions than those with an External Locus.*

The analysis (Table XVII) shows a significant main effect for locus of control. Figure 13 indicates that those with an internal locus of control will act more ethically than those with an external locus. Given the significance of the anova and the direction indicated by the graph, Hypothesis 3 not is supported.

TABLE XVII  
HYPOTHESIS THREE  
ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between groups	2.080	1	2.080	1.483	.226
Within groups	134.624	96	1.402		
Total	136.704	97			

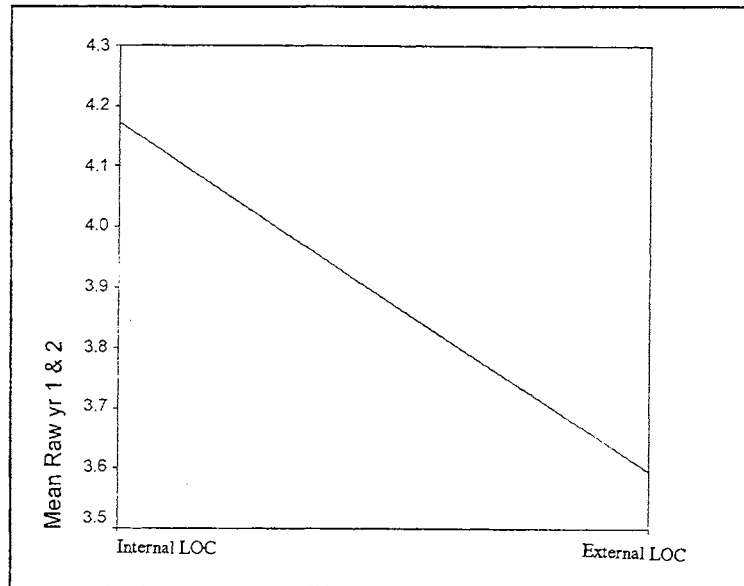


Figure 13. Hypothesis Three.

*Hypothesis Three A: Supervisor's example will have a greater effect on those with an External Locus than on those with an Internal Locus.*

Analysis of the data, as demonstrated in Table XVIII and Figure 14 shows significance for the model, significance for the main effects of punishment and locus of control, but no significant interaction between locus of control and supervisor's example. Hypothesis 3a is not supported.

TABLE XVIII  
TESTS OF BETWEEN SUBJECT EFFECTS

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	8.050*	4	2.013	1.455	.222
Intercept	1263.298	1	1263.298	913.200	.000
LOC	1.741	1	1.741	1.258	.265
Chance Caught	5.457	1	5.457	3.945	.050
Supers Example	2.669E-02	1	2.699E-02	.019	.890
Supers Example *LOC	.724	1	.724	.523	.471
Error	128.654	93	1.383		
Total	1587.00	98			
Corrected total	136.704	97			

Note: \*R Squared = .059 [Adjusted R Square = .018].

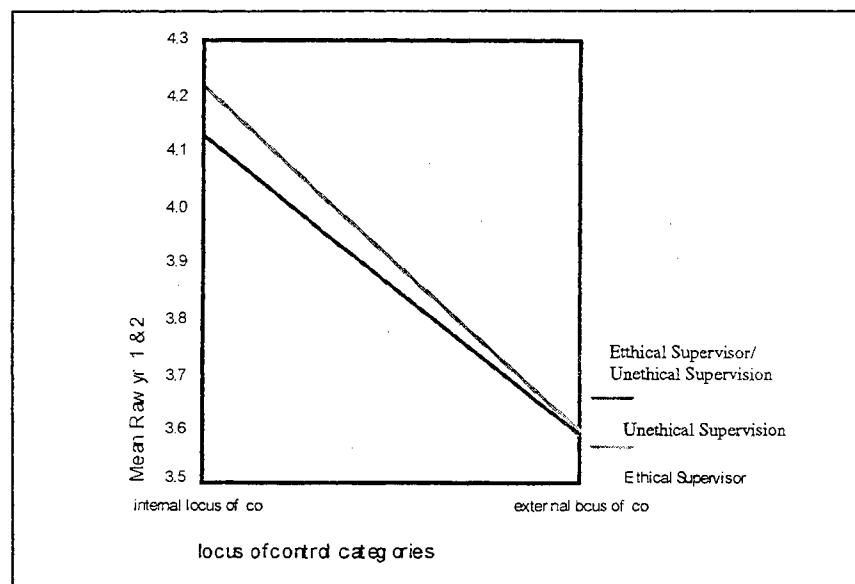


Figure 14. Hypothesis Three A.

### Hypothesis Tests Relative To Machiavellianism

*Hypothesis Four: Respondents with low levels of Machiavellianism will be more likely to make ethical decisions than those with higher levels of Machiavellianism.*

Analysis shows that the effect of Machiavellianism on ethical decision making is not significant. Table XIX and Figure 15, however, indicates the responses were in the expected direction. Overall, those scoring low in Machiavellianism make more ethical decisions than those scoring high in Machiavellianism. Hypothesis 4 was supported by direction but not by level of significance.

TABLE XIX  
HYPOTHESIS FOUR  
ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between groups	2.086	1	2.086	1.488	.225
Within groups	135.935	97	1.401		
Total	138.020	98			

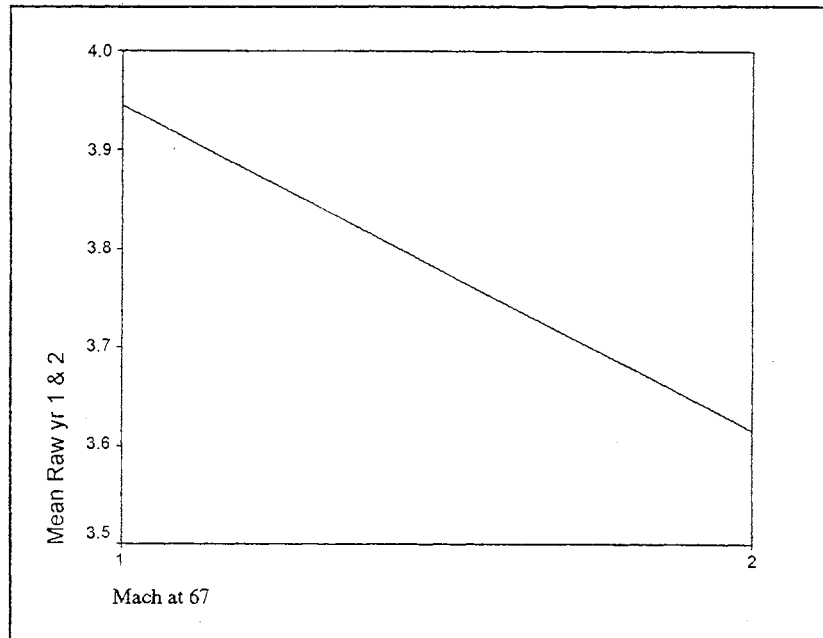


Figure 15. Hypothesis Four.

*Hypothesis Four A: The possibility of being caught and punished will have a greater effect on respondents with high levels of Machiavellianism.*

Results of the univariate analysis show that neither the model, the main effects of the interaction are significant. Since the level of significance of the interaction between punishment and Machiavellianism is close to significant, I think it is important to note the direction of the interaction. Figure 16 shows that the ethical decisions of high and low Machiavellians are nearly identical in the No Punishment situation. We had assumed that in the No Punishment situation, low machs would act more ethically than high machs. In the punishment situation, the ethical decisions of the high machs improve somewhat, but the decisions of the low machs become markedly more ethical, the opposite of what we predicted.

TABLE XX  
TESTS OF BETWEEN SUBJECT EFFECTS

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	10.460*	4	2.615	1.927	.112
Intercept	1071.317	1	1071.317	789.462	.000
Chance Caught	1.638	1	1.638	1.207	.275
Supers Example	.496	1	.496	.365	.547
Mach	2.364	1	2.364	1.742	.190
Caught *Mach	2.784	1	2.784	2.052	.155
Error	127.560	94	1.357		
Total	1612.000	99			
Corrected total	138.020	98			

Note: \*R Squared = .059 [Adjusted R Square = .018].

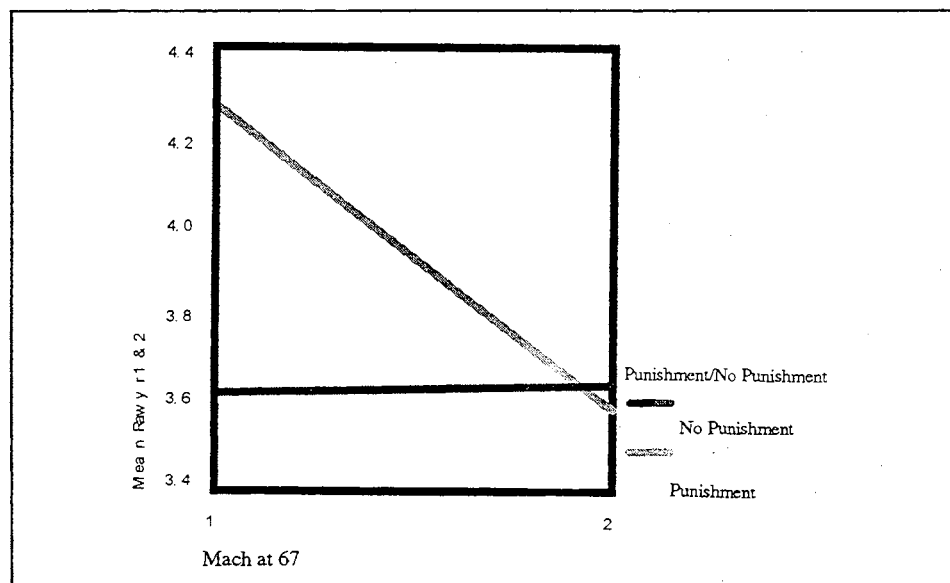


Figure 16. Hypothesis Four A.

## Regression Analysis

Three models were tested using regression analysis. Regression analysis can be used to forecast values of the dependent variable.

The first model tested included the independent variables supervisor's example, chance of being caught, measured Cognitive Moral Development, measured Locus of Control, and measured Machiavellianism and three demographic variables prior research had found to be significant (age, gender and nationality). The model had an R Square value of .309 and a significance level of .002. One factor in the model, supervisor's example, stood out in terms of lack of significance, with a significance level of .983. This was removed for the second model.

The second model consisted of independent variables Cognitive Moral Development, Locus of Control, Machiavellianism, the chance of being caught, nationality, age and gender. An R Square of .309 was achieved with a significance of .001. Significance levels for individual factors are found in Table XXI.

Clearly, of the independent variables, the chance of being caught stands out in significance. Machiavellianism is also significant, as well as age and gender at the .05 level. Nationality is significant at the .10 level.

The following chapter discusses the results, limitations, and direction of future research for this dissertation.



TABLE XXI

## SIGNIFICANCE LEVELS FOR REGRESSION ANALYSIS

Model	Std Error	Beta	t	Sig
1 (Constant)	1.933		-1.770	.036
Chance of Being Caught	.249	.348	3.144	.003
CMD	.291	.122	1.072	.413
Mach	.316	.236	2.018	.012
Age	.021	.334	2.955	.012
Gender	.265	.234	1.985	.029
Nationality	.345	-.166	-1.568	.083
LOC	.034	-.083	-.710	.480

## CHAPTER VI

### DISCUSSION

The discussion of this study will take place in five parts. First a discussion of the purpose and methodology; then a discussion of the results of the hypothesis test. Following that will be a discussion of limitations and finally a indication of the contributions of this dissertation.

#### Purpose

The purpose of this study is to explore the interaction between certain personal characteristics and environmental factors related to corporate culture. The personal characteristics of Cognitive Moral Development, Locus of Control, and Machiavellianism were examined and an increased understanding of their effects have been gained. These personal characteristics were studied in terms of interaction with a supervisor's example (ethical or not ethical) or the chance of an unethical act being discovered (high or low). While the strength of the results might not have been all that we had hoped, this dissertation has provided new directions to explore.

Exploration of the interaction between the variables rests on the ability to successfully manipulate and measure the variables of interest. Measures for Cognitive Moral Development, Locus of Control and Machiavellianism that have been found to be reliable and valid in previous studies were used.

Rest's DIT (1966) was used to measure Cognitive Moral Development. CMD is a psychographic factor commonly identified as influencing moral behavior. According to Kohlberg (1969), Cognition, the way an individual thinks or processes information, is the basis of moral judgment and the individual's stage of Cognitive Moral Development.

Locus of Control was measured by Rotter's (1966) Scale for Locus of Control. Locus of Control is a psychographic factor relating to the extent to which an individual believes s/he has control over events.

Machiavellianism was measured by Christie and Geis (1970) MACH IV test. Machiavellianism is a construct based on the writings of Niccolo Machiavelli, and defined as manipulative and exploitative (Calhoun, 1969).

The scenario is adapted from one designed by Vitell (1986) (see Appendix 1) and subsequently used by Hunt and Vitell (1986), and Singhapakdi and Vitell (1990). It depicts a salesperson, Frank, who is under pressure to perform and faced with competitors who offer "gifts" to customers to secure orders. These gifts are in the form of tickets to concerts and other forms of entertainment with values between \$100 and \$200 and do not violate any laws. None of the other sales representatives in the company pay bribes. Frank decides to begin to offer gifts to purchasing agents.

The dependent variable relates to the degree of ethicality in subjects' responses. Answers for the questions are on a six-point opposite adjective scale with the extremes being Extremely Likely and Extremely Unlikely. The questions relating to intended ethical behavior are as follows:

1. How likely is it that you would have behaved in the same manner as Frank?
2. How likely is it that your peers would have behaved in the same manner as Frank?

Responses are treated as a single-measure scale.

Examining the independent variables, the scenario and the methodology and measure of the dependent variables this study seems well within the realm of what has been done in the past. This does not mean that it was simply a replication. While previous studies have examine main effects of variables, this study examines both main effects and interactions between personal and situational variables. Just discussed is how independent variables (Cognitive Moral Development, Locus of Control and Machiavellianism) and dependent variables were measured. Next we examine how the independent variables representing the situation were manipulated.

### Manipulations

The variables to be manipulated were the ethical example of the supervisor, either positive or negative, and the likelihood of an unethical act being discovered, high or low.

The following demonstrates manipulation of supervisor's example and the likelihood of being caught.

#### Ethical Example Set By Supervisor

Harold's (Frank's supervisor's) attitudes are well known. He believes that, with hard work and initiative, meeting sales expectations shouldn't be a problem. His integrity as a manager is unquestioned. He follows the spirit as well as the letter of the company's ethical code. Harold has never cut corners or behaved in a manner, which was in any way questionable.

#### Unethical Example Set By Supervisor

Harold's attitudes are well known. He is definitely a bottom line person and puts strong pressure on his salespeople for results. Harold firmly tells his reps that the ends justify the means and has been known to cut corners himself. More than once, Frank has silently questioned the appropriateness of Harold's methods. Frank suspects that Harold would stop at very little to achieve the results he wants.

#### Strong Possibility That Behavior Will Be Discovered and Punished

The primary risk is that auditing might notice, question, and investigate the increased level of expenditures made to the supply house. If he is found guilty of an ethics violation, he can expect dismissal. He thinks there is a strong chance of discovery and dismissal. Everyone in the company knows that audits are frequent. In the 7 years

### Slight Possibility That Behavior Will Be Discovered and Punished

The primary risk is that auditing might notice, question, and investigate the increased level of expenditures made to the supply house. If he is found guilty of an ethics violation, he can expect dismissal. He thinks there is only a slight chance of discovery and dismissal. Everyone knows audits are few and far between, and they are reputed to be very lax. In the 7 years Frank has been with the company, no one on the sales force has ever been asked to explain expenditures found in an audit. The chance that Frank would be the first and only one is extremely minimal.

An analysis of variance shows that the manipulations of chance of discovery and supervisor's example were successful. For both, the difference between the means was significant at the .01 level. It was interesting to note that even in the slight chance of discovery situation, 34.7% of those exposed to an unethical supervisor, and 44.8% of those exposed to an ethical supervisor, believed they were likely to be discovered. This might reflect a general puritanical belief that if you do something bad, you will get caught. This belief was stronger in those exposed to an ethical supervisor, possibly because of the belief that ethical supervisors are less likely to look the other way.

Checks were performed in order to determine the respondent's level of understanding of the conditions of the scenario. A large majority of respondents thought Frank would gain in some way by his action. This is important because it is unlikely that anyone would risk discovery and dismissal if they didn't believe they stood to gain. The mean differences were not significant. Though the scenarios clearly stated dismissal would follow discovery of unethical behavior, there was a significant difference in mean

anyone would risk discovery and dismissal if they didn't believe they stood to gain. The mean differences were not significant. Though the scenarios clearly stated dismissal would follow discovery of unethical behavior, there was a significant difference in mean responses. Those exposed to the ethical supervisor/high chance of discovery were significantly more likely to expect dismissal than those in the unethical supervisor/slight chance of discovery situation. The fact that there were any who believed they would not be dismissed if caught might be attributed to a basic belief in being able to "get away with it." That those in the unethical supervisor/slight chance of being caught situation were least likely to indicate that they expected dismissal if caught may again be an indication they unethical supervisors are expected to turn their heads and not punish unethical behavior.

Although the scenario clearly stated "gifts" were against company policy and that Frank knew of no one in the company that had given such gifts, an overwhelming majority said Frank believes he is doing as others in his company would do (percentages ranged from 78.6 in the ethical supervisor/slight chance of discovery situation, to 91.3% in the unethical supervisor/slight chance of discovery situation). The opinion was more predominant with the unethical supervisor. Those least likely to say they were doing as others would do were those in the ethical supervisor/high chance of discovery situation. This is consistent with previous research by Ferrell and Weaver (1978) who found respondents to demonstrate the belief that they would act more ethically than their peers, which is possibly an example of an ego-defensive mechanism.

Another possible explanation of this result is the fact that the scenario states that competitive salespeople are giving these gifts. It is possible that the respondents made their prediction of peer behavior based on that statement, either considering competitive salespeople to be peers or seeing no reason to believe that Frank's peers within his company would act differently than competitive salespeople. A final possibility is an error in measurement. The scenario stated that salespeople in the company had not offered excessive gifts at that point in time. The question asked if they would offer gifts facing the same situation as Frank. Thus, the question was not specifically about behavior found in the scenario.

The final question related to whether or not Frank believed he was following company policy. The scenario describes a code of ethics specifically forbidding excessive gifts, and a large majority of respondents said Frank was not following company policy. The mean differences were not significant. However, between 16.6 and 37.9 percent of those responding indicated that Frank believed he was following company policy. The highest percentage occurred under the slight chance of discovery situation, and the lowest under the high chance of discovery situation. Perhaps this is an indication that the presence or absence of procedures to discover unethical behavior is in itself an indication of unwritten company policy.

Obviously, from a study of manipulation results, the ethical example of a supervisor and chance of being caught color perceptions related to the expectation of dismissal. The results of the hypothesis tests must be viewed with manipulations results in mind.



## Hypothesis Tests

Hypothesis 1 states that decision making will be more ethical when the supervisor sets a good example than when he sets a bad example. This hypothesis was not supported. There is no significant difference based on the main effect of supervisor's example.

The preponderance of evidence suggests that the actions of top management strongly influences employee behavior (Baumhart, 1968; Brenner & Molander, 1977; Chonko & Hunt, 1985; Hegarty & Sims, 1978,1979; Ferrell, Zey-Ferrell & Krugman, 1983; Andrews, 1989). However, in each of these studies the "top management was at either the CEO or Vice President level. In this study, the proposed influencer was the immediate supervisor.

A study relative to the influence of the actions of referent others by Zey-Ferrell, Weaver and Ferrell (1979) found beliefs of top management to contribute little to behavior. A refinement of the study (Ferrell, Zey-Ferrell, & Krugman, 1983) found that whether one made reference to "top management" or to peers was dependent upon one's position in the firm, with higher level managers more dependent on members of top management, while account managers' referent others were peers.

Obviously the first line supervisor in this study didn't have the clout of a Vice President or a CEO. However, considering the research of Zey-Ferrell, Weaver and Ferrell (1979) and Ferrell, Zey-Ferrell and Krugman (1983) it seems likely that that a salesperson would be close to the level of an account manager, and possibly, like account managers, are more sensitive to the behaviors of their peers. If this is so, and

remembering that the vast majority of respondents thought their peers would act unethically, the lack of support for Hypothesis 1 is understandable.

Hypothesis 1a states that decision making will be more ethical when there is a high possibility of getting caught than when there is a slight chance of getting caught. This hypothesis was supported with a significance level of .026. This is consistent with previous studies that show opportunity as a significant factor in the determination of ethical actions (Zey-Ferrell, Weaver & Ferrell, 1979; Ferrell, Zey-Ferrell & Krugman, 1983; Zey-Ferrell & Ferrell, 1982; Ferrell & Gresham, 1985; Mayer, 1970). The possibility of being caught and punished can also be related to risk. A study by Rettig and Rawson (1963) found risk to be "an important antecedent to the engagement of ethical behavior, accounting for up to 52% of the variations in respondents' behavior."

Hypothesis 2 states that highly principled respondents will be more likely to make ethical decisions than those with lower levels of principle. This hypothesis was not supported. The majority of studies show a significant positive relationship between ethical behavior and Cognitive Moral Development (Kohlberg, 1969; Trevino & Youngblood, 1990). The Synthesis of Ethical Decision Models for Marketing by Ferrell, Gresham and Fraedrich (1989), The Revised General Theory of Marketing Ethics by Hunt and Vitell (1991), and the Multiple Influences Causal Model by Trevino and Youngblood (1990), all include the personal variable CMD and all presuppose a positive influence.

There are, however, notable exceptions, beginning with Leming (1972). His study found that both high and low CMDs cheated in low supervision situations. The

scenarios in this dissertation that demonstrate a slight chance of being caught can easily be equated with low supervision situations. Malinowski and Smith (1985) found students with low CMD cheated more, but those with high CMD also succumbed when temptation was high. The situation described in the scenarios of this dissertation could easily be construed as a high temptation situation. A study by Goolsby and Hunt (1992) relative to socially responsible actions found tentative evidence suggestion that "individuals high in CMD do not necessarily act more socially responsible (i.e., proactively) but are less likely to act in a socially irresponsible way." All of these studies support the idea that CMD is not necessarily positively related to ethical behavior. It was pointed out in the literature review that consensus had not been achieved as to the relationship between CMD and ethical behavior. The lack of support for Hypothesis 1a show a support for those researchers who have found CMD not to be as directly and positively related to ethical behavior as many would like to believe.

Hypothesis 2A states that the possibility of being caught and punished will have the greatest effect on those with lower levels of CMD. This hypothesis was supported showing the significance of the interaction between the chance of being caught and CMD to be .093, though neither variable had a significant main effect. This can be explained by Kohlberg's (1969) principles. The hypothesis relates to the fact that those who are characterized as having low levels of principle are chiefly concerned with immediate rewards or punishment, demonstrate a strong self-interest, and a desire for approval. When the chance of being caught is low, Low CMDs will act unethically when it is in their best interest to do so (when they will be rewarded for doing so, in this case by

making more money and making the supervisor happy by making more sales). When the possibility of being caught increases, the chance of unethical behavior decreases because to be caught would not be in the individual's self-interest and would result in disapproval and punishment. Those categorized as principled adopt their self-chosen principles, which may or may not coincide with those of society. Because these principles are self-chosen, they are less likely to change than extrinsically motivated behavior.

Hypothesis 3 states that respondents with an Internal Locus of Control will be more likely to make ethical decisions than those with an External Locus. This hypothesis lacked the significance level necessary for support, but was strongly in the expected direction. The majority of research studies examining the relationship between LOC and ethical behavior find that Internals act significantly more ethically than externals (Adams-Weber, 1969; Hegarty & Sims, 1978, 1979; Trevino & Youngblood, 1990; Baehr, Jones & Nerad, 1993; Terpstra, Rozell & Robinson, 1993).

The results of this study are clearly more closely related to those of Singhapakdi and Vitell (1990) who hypothesized that an External would "perceive an ethical problem to be less serious than an individual with an Internal Locus of Control." Their hypothesis was not supported (nor were any of their other hypotheses relative to Locus of Control). Their conclusion was that the "proposition that LOC is a determinant with regards to perceptual components of marketing ethics should be questioned."

The difference here may lie in the methodology of the studies. Baehr, Jones and Nerad (1993) used a newly created Business Ethics Scale to determine attitudes toward and tolerance for dishonest workplace behavior. Hegarty and Sims (1978) used a game in

which respondents made decisions regarding kickbacks. Trevino and Youngblood (1990) used an in-basket exercise necessitating decisions made relating to kickbacks and full disclosure. Singhapakdi and Vitell (1990), however, conducted a survey that presented management scenarios and asked respondents to rate the extent to which an ethical issue was present, thereby measuring the perception of ethical problems rather than ethical behaviors or judgments. This dissertation also used a survey that presented very similar scenarios to those of Singhapakdi and Vitell (1990) and asked respondents to rate how likely they were to duplicate the actor's behavior. Possibly something about the survey format or the scenarios themselves engendered the atypical results.

Hypothesis 3a states that Supervisor's Example will have a greater effect on those with an External Locus than on those with an Internal Locus. Although the main effect of LOC was significant, the interaction was not and the hypothesis was not supported.

This hypothesis was based on the belief that those with an External Locus of Control are very oriented to those around them and would thus be more subject to supervisor's example. The first part of the hypothesis stands unchallenged. Externals are more oriented to those around them. It is possible, however, that the supervisor was not the individual's most important referent, if they were a referent at all. Again, go back to the fact that the scenario referenced competitors who were acting unethically and the fact that the vast majority of respondents predicted their peers would act unethically.

Remember the studies by Zey-Ferrell, Weaver and Ferrell (1979) and Ferrell, Zey-Ferrell and Krugman (1983) showing that for accounts managers the important referents were the

peers of the individual. If either or both of those groups were referenced by the respondent, then an interaction with supervisor's example could not be expected.

Hypothesis 4 states that respondents with low levels of Machiavellianism will be more likely to make ethical decisions. Hypothesis 4a states that the possibility of being caught and punished will have a greater effect on respondents with high levels of Machiavellianism. Neither hypothesis was supported.

Studies by Hegarty and Sims (1978, 1979), Singhapakdi and Vitell (1990), and Adams-Weber (1969) have found that High Machiavellians act in a less ethical manner than Low Machiavellians. The reason that this relationship wasn't demonstrated by this study can probably be found in the fact that very few respondents could be categorized as High Machs (only 13 or 99). The mean Mach scores were low compared to other studies. To increase the number of High Machs, I lowered the required score by 3 points, which added 13 respondents to the category. This means that half the individuals designated as High Machs were rightfully in the Low Mach category. This very probably compromised the measure, thus explaining the low levels of significance for the hypotheses related to Machiavellianism.

### Limitations

The greatest limitation to this study is that only one scenario is used, which limits its generalizability. Results will only be generalizable to situations in which bribery is a question. If the behavior in question is whistle-blowing or padding an expense account, the results of this study may not hold true. A second limitation involves the use of

graduate students as respondents; it may not perfectly reflect the responses of practitioners. A third limitation is in the low number of respondents. A higher number of respondents would have reduced the possibility of error and increased the power of results.

Manipulations were problematic in that a significant number of those in the slight chance of discovery situation believed they were likely to be discovered. Possibly a reflection of the puritanical attitude that all evil will be punished. When looking at the manipulation of supervisor's example, we see that 31% of those in the ethical supervisor/slight chance of discovery situation indicated Frank was following his supervisor's example. This may be an indication that the situation (having no mechanism in place to catch unethical behaviors) influenced the perception of the supervisor.

A final limitation is the interpretation of the scenarios. The manipulations had unintended effects. The best example was the check on understanding related to how likely one was to be dismissed if discovered. There should have been no significant difference there since this factor was held constant, but the difference between means was significant at the .009 level with 59.1 percent of those in the unethical supervisor/slight chance of discovery situation indicating they were unlikely to be dismissed.

### Contributions

This dissertation opens up a new avenue of research, that of interaction between personal and situational variables. I think few can doubt that interactions exist, but

efforts need to be made to better understand them so we can better manage them. Results of the manipulation measures should be explored. Especially of interest is evidence that supervisor's example and the possibility of being caught and punished showed significant main effects influencing the respondent's belief that Frank would be fired if he were caught when that was a constant in the scenario. This research has been instrumental in revealing the need for further research to gain consensus concerning effects of Cognitive Moral Development and Locus of Control. This research also confirmed the strong effect of demographic variables, including gender, age, and nationality.

Contributions of this study can also be seen in its application to the hiring and supervising of employees. Studies previously cited have shown managers to have a serious interest in the ethical behavior of employees. A manager reading this study could easily determine that some of the factors that affect ethical behaviors are controllable. It should also be an indicator of what personal characteristics to look for when screening applicants and an indicator of helpful areas of training.

This is far from the first study of ethics, as evidenced by the reference section of the paper, and it will surely not be the last. There is continually news of a product on the market, an advertising campaign, a package design, or a business practice about which ethical questions can be raised. Due to the growth of international trade, and a lack of global ethical standards, it seems logical that this will only occur more frequently. Given that, it is essential that the study of ethics continue so we can better understand how to encourage ethical behavior and decision-making at all levels of organizations.



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APPENDIXES

APPENDIX A

VITELL'S (1986) ORIGINAL SCENARIO

You are a 52-year-old regional sales manager for a large industrial supply company. For several years sales have been declining dramatically in your region. After the vice president of sales expressed “grave concern” about this decline at the end of last year’s sales meeting, you informed your salespeople that they had better increase their sales “or else drastic steps would be taken.”

Total sales for your region during the last six months have increased dramatically. However, you have just found out that several of your most successful salespeople have been providing excessive gifts to purchasing agents in order to increase sales. These gifts have been beyond the normal lunches, dinners and small promotional items. The gifts were in the form of cash payments in amounts of \$50 to \$100. To the best of your knowledge, salespeople in your region have never before used excessive cash gifts. These gifts do not violate any laws.

You must decide what to do about this situation (if anything). As regional sales manager, you pay raises and promotions will be based in large part upon the overall sales level in your region, and the vice president of sales has indicated that he is “very pleased with the sales increases.”

APPENDIX B

COVER LETTER

Nov. 13, 1998

Dear Student,

The following survey is part of a study that I am currently conducting to complete my doctoral dissertation. The study relates to how graduate students view various business situations they might encounter in the field of sales.

Your participation in this study is very important but totally voluntary. You are under no obligation to answer even one question. If you decide to participate in the survey, you may stop at any time with no obligation to answer whatever questions might remain.

The survey should take about 30 minutes to complete. There are no right or wrong answers to any question. Your responses will be totally confidential. There is absolutely no way to match your name to the answers you give on this survey. No one but myself will see your responses and I have no way to identify the respondents. The surveys will be considered only in the aggregate.

Your answers are very important, so please answer each question with complete honesty. Using this information, we can improve our academic programs and do a better job of teaching others about the field of sales.

I would like to thank you in advance for your cooperation. Your participation in this sales study is truly appreciated.

Sincerely,

Penelope Ferguson De Jong, MBA  
Assistant Professor of Marketing  
Black Hills State University



APPENDIX C

SURVEY

Please place a check mark on the line to the left of the appropriate response, and/or by filling in the correct response.

1. Age \_\_\_ 2. Gender \_\_\_ Male \_\_\_ Female 3. Nationality \_\_\_\_\_

4. Marital status \_\_\_\_\_

5. GPA \_\_\_ 6. Major as an undergraduate \_\_\_\_\_

7. Have you taken one or more ethics classes for college credit? \_\_\_ Yes \_\_\_ No

If yes, what is the total number of credit hours you have received in ethics?

\_\_\_ 1-3 \_\_\_ 4-6 \_\_\_ 7-9 \_\_\_ 10-12 \_\_\_ 13-15 \_\_\_ 15 or more

8. Have you received ethics training provided by your current employer?

\_\_\_ Yes \_\_\_ No If yes, how many hours? \_\_\_\_\_

If yes, how many years ago did this training take place? \_\_\_\_\_

9. Have you received ethics training provided by a previous employer?

\_\_\_ Yes \_\_\_ No If yes, how many hours? \_\_\_\_\_

If yes, how many years ago did this training take place? \_\_\_\_\_

10. Do you belong to a professional organizational? \_\_\_ Yes \_\_\_ No

If yes, please list: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

11. If you are currently employed, what is your current job title?

\_\_\_\_\_

If you are not currently employed, what was your previous job title?

\_\_\_\_\_

16. Have you ever worked in sales? \_\_\_ Yes \_\_\_ No

If yes, for how many years have you been in sales? \_\_\_\_\_

17. How many years have you been in the job force? \_\_\_\_\_

(One of the following 4 scenarios will be inserted here.)

### SCENARIO

(positive example, strong chance of being caught and punished)

Frank is a 45 year –old salesperson for a large industrial supply company. For the last several months sales have been declining in his sales region. Harold, his supervisor, has expressed “grave concern” about this decline and indicated that sales need to improve or “drastic steps” would be taken.

On a routine visit to a supply house for promotional material, Frank discovered that salespeople working for competitive companies have been providing excessive gifts to purchasing agents in offer to increase sales. These gifts have been beyond the normal lunches, and small promotional items. The gifts were valued between \$100 and \$200 and were in the form of tickets to concerts and other forms of entertainment. To the best of Frank’s knowledge, other salespeople in his company have never provided such excessive gifts. These gifts do not violate any laws.

Frank’s company has a code of ethics that calls for high ethical standards and integrity but does not specifically address the issue of “gifts.” Language in the code does suggest sanctions for unethical behavior up to and including dismissal.

Harold’s attitudes are well known. He believes that, with hard work and initiative, meeting sales expectations shouldn’t be a problem. His integrity as a manager is unquestioned. He follows the spirit as well as the letter of the company’s ethical code. Harold has never cut corners or behaved in a manner which was in any way questionable.

Frank is trying to decide whether or not to try to increase his sales by offering gifts to his customers. The primary risk is that auditing might notice, question, and investigate the increased level of expenditures made to the supply house. If they think there is a potential violation, they will bring the case to the company’s ethics officer. These proceedings are also confidential. If he were cleared, no one other than the auditor who raised the issue will even know there was a potential problem. If he is found guilty he can expect dismissal. He thinks there is a 75% chance of discovery and dismissal. After giving considerable thought to the matter, Frank decides to fight fire with fire and begins to offer “gifts” to customers comparable to those of his competitors.

(negative example, strong chance of being caught and punished)

Frank is a 45 year –old salesperson for a large industrial supply company. For the last several months sales have been declining in his sales region. Harold, his supervisor, has expressed “grave concern” about this decline and indicated that sales need to improve or “drastic steps” would be taken.

On a routine visit to a supply house for promotional material, Frank discovered that salespeople working for competitive companies have been providing excessive gifts to purchasing agents in offer to increase sales. These gifts have been beyond the normal lunches, and small promotional items. The gifts were valued between \$100 and \$200 and were in the form of tickets to concerts and other forms of entertainment. To the best of Frank's knowledge, other salespeople in his company have never provided such excessive gifts. These gifts do not violate any laws.

Frank's company has a code of ethics that calls for high ethical standards and integrity but does not specifically address the issue of "gifts." Language in the code does suggest sanctions for unethical behavior up to and including dismissal.

Harold's attitudes are well known. He is definitely a bottom line person and puts strong pressure on his salespeople for results. Harold firmly tells his reps that the ends justify the means and has been known to cut corners himself. More than once Frank has silently questioned the appropriateness of Harold's methods.

Frank is trying to decide whether or not to try to increase his sales by offering gifts to his customers. The primary risk is that auditing might notice, question, and investigate the increased level of expenditures made to the supply house. If they think there is a potential violation, they will bring the case to the company's ethics officer. These proceedings are also confidential. If he were cleared, no one other than the auditor who raised the issue will even know there was a potential problem. If he is found guilty he can expect dismissal. He thinks there is a 75% chance of discovery and dismissal. After giving considerable thought to the matter, Frank decides to fight fire with fire and begins to offer "gifts" to customers comparable to those of his competitors.

(negative example, small chance of getting caught and punished)

Frank is a 45 year –old salesperson for a large industrial supply company. For the last several months sales have been declining in his sales region. Harold, his supervisor, has expressed "grave concern" about this decline and indicated that sales need to improve or "drastic steps" would be taken.

On a routine visit to a supply house for promotional material, Frank discovered that salespeople working for competitive companies have been providing excessive gifts to purchasing agents in offer to increase sales. These gifts have been beyond the normal lunches, and small promotional items. The gifts were valued between \$100 and \$200 and were in the form of tickets to concerts and other forms of entertainment. To the best of Frank's knowledge, other salespeople in his company have never provided such excessive gifts. These gifts do not violate any laws.

Frank's company has a code of ethics that calls for high ethical standards and integrity but does not specifically address the issue of "gifts." Language in the code does suggest sanctions for unethical behavior up to and including dismissal.

Harold's attitudes are well known. He is definitely a bottom line person and puts strong pressure on his salespeople for results. Harold firmly tells his reps that the ends justify the means and has been known to cut corners himself. More than once Frank has silently questioned the appropriateness of Harold's methods.

Frank is trying to decide whether or not to try to increase his sales by offering gifts to his customers. The primary risk is that auditing might notice, question, and investigate the increased level of expenditures made to the supply house. If they think there is a potential violation, they will bring the case to the company's ethics officer. These proceedings are also confidential. If he were cleared, no one other than the auditor who raised the issue will even know there was a potential problem. If he is found guilty he can expect dismissal. He thinks there is a 75% chance of discovery and dismissal. After giving considerable thought to the matter, Frank decides to fight fire with fire and begins to offer "gifts" to customers comparable to those of his competitors.

(positive example, small chance of getting caught and punished)

Frank is a 45 year -old salesperson for a large industrial supply company. For the last several months sales have been declining in his sales region. Harold, his supervisor, has expressed "grave concern" about this decline and indicated that sales need to improve or "drastic steps" would be taken.

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Frank is trying to decide whether or not to try to increase his sales by offering gifts to his customers. The primary risk is that auditing might notice, question, and investigate the increased level of expenditures made to the supply house. If they think there is a potential violation, they will bring the case to the company's ethics officer. These proceedings are also confidential. If he were cleared, no one other than the auditor who raised the issue will even know there was a potential problem. If he is found guilty he can expect dismissal. He thinks there is a 25% chance of discovery and dismissal. After giving considerable thought to the matter, Frank decides to fight fire with fire and begins to offer "gifts" to customers comparable to those of his competitors.

Please answer the following questions regarding the previous scenario by checking the line that most accurately represents your position.

- |  | Extremely                             | Extremely |
|--|---------------------------------------|-----------|
|  | Likely                                | Unlikely  |
| 1. How likely is it that you would have behaved in the same manner as Frank?                               | _____ : _____ : _____ : _____ : _____ |           |
| 2. How likely is it that your peers would have behaved in the same manner a Frank?                         | _____ : _____ : _____ : _____ : _____ |           |
| 3. How likely is it that Frank would gain in some way from giving gifts to his customers?                  | _____ : _____ : _____ : _____ : _____ |           |
| 4. How likely is it that Frank's actions will be discovered?   | _____ : _____ : _____ : _____ : _____ |           |
| 5. How likely is it that if Frank's actions are discovered, that he will be dismissed?                     | _____ : _____ : _____ : _____ : _____ |           |
| 6. If discovered, how likely is it that Frank would consider the gains worth the possibility of dismissal? | _____ : _____ : _____ : _____ : _____ |           |
| 7. How likely is it that Frank believes he is doing what his peers would do?                               | _____ : _____ : _____ : _____ : _____ |           |
| 8. How likely is it that Frank believes he is following company policy?                                    | _____ : _____ : _____ : _____ : _____ |           |
| 9. How likely is it that Taylor believes he is following his supervisor's example?                         | _____ : _____ : _____ : _____ : _____ |           |

Very  
Unethical

Very  
Ethical

10. How ethical was Taylor's behavior? \_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_:

Please check the box between the following paired opposites that most closely represents your position regarding Taylor decision to bribe his customers in the previous scenario.

Fair \_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_ Unfair

Just \_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_ Unjust

Morally Right \_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_ Not Morally Right

Acceptable To My Family \_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_ Not Acceptable To My Family

Culturally Acceptable \_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_ Not Culturally Acceptable

Violates an Unspoken Promise \_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_:\_\_\_\_\_ Does Not Violate an Unspoken Promise

This part of the survey is aimed at understanding how people think about social problems. Different people often have different opinions about questions of right and wrong. There are no “right” answers in the way that there are right answers to math problems. I would like you to tell us what you think about several problem stories. Here is a story as an example:

Frank Jones has been thinking about buying a car. He is married, has two small children, and earns an average income. The car he buys will be his family’s only car. It will be used mostly to get to work and drive around town, but also sometimes for vacation trips. In trying to decide what car to buy, Frank Jones realized that there were a lot of questions to consider. Below there is a list of some of those questions. If you were Frank Jones, how important each of these questions be in deciding what car to buy?

*Instructions for part A:* On the left hand side, check one of the spaces by each statement of a consideration. (For instance, if you think that statement no. 1 is not important in making a decision about buying a car, check the space on the right.)

IMPORTANCE:

Great Much Some Little No

	Great	Much	Some	Little	No
1. Whether the car dealer was in the same block as where Frank lives. (Note that in this sample, the person taking the survey did not think this was important in making a decision.)					
2. Would a used car be more economical in the long run than a used car? (Note that a chick was put in the far left space to indicate the opinion that this is an important issue in making a decision about buying a car.)					
3. Whether the color was green, Frank’s favorite color.					
4. Whether the cubic inch displacement was at least 200. (Note that if you are unsure about what “cubic inch displacement” means, then mark it “no importance.”)					
5. Would a large, roomy car be better than a compact car?					
6. Whether the front conibilities were differential. (Note that if a statement sounds like gibberish or nonsense to you, mark it “no importance.”)					

1. Whether the car dealer was in the same block as where Frank lives. (Note that in this sample, the person taking the survey did not think this was important in making a decision.)

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3. Whether the color was green, Frank’s favorite color.

4. Whether the cubic inch displacement was at least 200. (Note that if you are unsure about what “cubic inch displacement” means, then mark it “no importance.”)

5. Would a large, roomy car be better than a compact car?

6. Whether the front conibilities were differential. (Note that if a statement sounds like gibberish or nonsense to you, mark it “no importance.”)



*Instructions for part B:* (Sample Question) From the list of questions above, select the most important one of the whole group. Put the number of the most important question on the top line below. Do likewise for your second, third, and fourth most important choices. (Note that the top choices in this case will come from the statement that were checked on the far left-hand side - statement no. 2 and no. 5 were thought to be very important. In deciding what is the most important, a person would re-read no 2 and no. 5, pick one of them as the most important, and then put the other as "second most important, and so on.)

Most   Second Most Important   Third Most Important   Fourth Most Important

---

Heinz and the Drug: In Europe, a woman was near death from a special kind of cancer. There was one drug that the doctors thought might save her. It was a form of radium that the druggist in the same town had recently discovered. The drug was very expensive to make, and the druggist was charging ten times what the drug cost to make, He paid \$200 for the radium and charged \$2000 for a small dose of the drug. The sick woman's husband, Heinz, went to everyone he knew to borrow the money, but he could get together only about \$1000, which is half of what it cost. He told the druggist that his wife was dying, and asked him to sell it cheaper or let him pay later. But the druggist said, "No, I discovered the drug and I'm going to make money from it." So Heinz became desperate and began to think about breaking into the man's store to steal the drug for his wife.

Should Heinz steal the drug ? \_\_\_\_\_ Should steal it \_\_\_\_\_ Can't decide \_\_\_\_\_ Should not steal it

**IMPORTANCE:**

Great Much Some Little No


1. Whether a community's laws are going to be upheld.
2. Isn't it only natural for a loving husband to care so much for his wife that he'd steal?
3. Is Heinz willing to risk getting shot as a burglar or going to jail for the chance that stealing the drug might help?
4. Whether Heinz is a professional wrestler, or has considerable influence with professional wrestlers.
5. Whether Heinz is stealing for himself or doing this solely to help someone else.
6. Whether the druggist's rights to his invention have to be respected.
7. Whether the essence of living is more encompassing than the termination of dying, socially and individually.
8. What values are going to be the basis for governing how people act toward each other.
9. Whether the druggist is going to be allowed to hide behind a worthless law that only protects the rich anyway.
10. Whether the law in this case is getting in the way of the most basic claim of any member of society.
11. Whether the druggist deserves to be robbed for being so greedy and cruel.
12. Would stealing in such a case bring about more good for the whole of society or not.

Most    Second Most Important    Third Most Important    Fourth Most Important

---





Please answer the following by filling in the blank to the left of the question with the number that best corresponds to how you feel, using the following scale.

Strongly Disagree						Strongly Agree
1	2	3	4	5	6	

- 1. The best way to handle people is to tell them what they want to hear.
- 2. When you ask someone to do something for you, it is best to give the real reasons for wanting it, rather than giving reasons that might carry more weight.
- 3. Anyone who completely trusts anyone else is asking for trouble.
- 4. It is hard to get ahead without cutting corners here and there.
- 5. Honesty is the best policy in all cases.
- 6. It is safest to assume that all people have a vicious streak, and it will come out when they are given a chance.
- 7. Never tell anyone the real reason you did something unless it is useful to do so.
- 8. One should take action only when sure it is morally right.
- 9. It is wise to flatter important people.
- 10. All in all, it is better to be humble and honest than important and dishonest.
- 11. Barnum was very wrong when he said there's a sucker born every minute.
- 12. People suffering from incurable diseases should have the choice of being put painlessly to death.
- 13. It is possible to be good in all respects.
- 14. Most people are basically good and kind.
- 15. There is no excuse for lying to someone else.
- 16. Most men forget more easily the death of their father than the loss of their property.
- 17. Most people who get ahead in the world lead clean, moral lives.
- 18. Generally speaking, men won't work hard unless they're forced to do so.
- 19. The biggest difference between criminals and other people is that criminals are stupid enough to get caught.
- 20. Most men are brave.

Please circle either A. or B. For the following questions., indicating the statement with which you most agree.

1. A. Children get into trouble because their parents punish them too much.  
B. The trouble with most children nowadays is that their parents are too easy with them.
2. A. Many of the unhappy things in people's lives are partly due to bad luck.  
B. People's misfortunes result from the mistakes they make.
3. A. One of the major reasons why we have wars is because people don't take enough interest in politics.  
B. There will always be wars, no matter how hard people try to prevent them.
4. A. In the long run people get the respect they deserve in this world.  
B. Unfortunately, an individual's worth often passes unrecognized no matter how hard he tries.
5. A. The idea that teachers are unfair to students is nonsense.  
B. Most students don't realize the extent to which their grades are influenced by accidental happenings.
6. A. Without the right breaks one cannot be an effective leader.  
B. Capable people who fail to become leaders have not taken advantage of their opportunities.
7. A. No matter how hard you try some people just don't like you.  
B. People who can't get others to like them don't understand how to get along with others.
8. A. Heredity plays the major role in determining one's personality.  
B. It is one's experiences in life which determine what they're like.
9. A. I have often found that what is going to happen will happen.  
B. Trusting to fate has never turned out as well for me as making a decision to take a definite course of action.
10. A. In the case of the well prepared student there is rarely if ever such a thing as an unfair test.  
B. Many times exam questions tend to be s unrelated to course work that studying is really useless.
11. A. Becoming a success is a matter of hard work, luck has little or nothing to do with it.  
B. Getting a good job depends mainly on being in the right place at the right time.

12. A. The average citizen can have an influence in government decisions.  
B. This world is run by the few people in power, and there is not much the little guy can do about it.
13. A. When I make plans, I am almost certain I can make them work.  
B. It is not always wise to plan too far ahead because many things turn out to be a matter of good or bad fortune anyhow.
14. A. There are certain people who are just no good.  
B. There is some good in everybody.
15. A. In my case getting what I want has little or nothing to do with luck.  
B. Many times we might just as well decide what to do by flipping a coin.
16. A. Who gets to be the boss often depends on who was lucky enough to be in the right place first.  
B. Getting people to do the right thing depends upon ability, luck has little or nothing to do with it.
17. A. As far as world affairs are concerned most of us are the victims of forces we can neither understand, nor control.  
B. By taking an active part in political and social affairs the people can control world events.
18. A. Most people don't realize the extent to which their lives are controlled by accidental happenings.  
B. There really is no such thing as luck.
19. A. One should always be willing to admit mistakes.  
B. It is usually best to cover up one's mistakes.
20. A. It is hard to know whether or not a person really likes you.  
B. How many friends you have depends on how nice you are.
21. A. In the long run the bad things that happen to us are balanced by the good ones.  
B. Most misfortunes are the result of lack of ability, ignorance, laziness, or all three.
22. A. With enough effort we can wipe out political corruption.  
B. It is difficult for people to have much control over the things politicians do in office.
23. A. Sometimes I can't understand how teachers arrive at the grades they give.  
B. There is a direct connection between how hard I study and the grades I get.
24. A. A good leader expects people to decide for themselves what they should do.  
B. A good leader makes it clear to everybody what their jobs are.

25. A. Many times I feel that I have little influence over the things that happen to me.  
B. It is impossible for me to believe that chance or luck plays an important role in my life.
26. A. People are lonely because they don't try to be friendly.  
B. There's not much use in trying too hard to please people, if they like you, they like you.
27. A. There is too much emphasis on athletics in high school.  
B. Team sports are an excellent way to build character.
28. A. What happens to me is my own doing.  
B. Sometimes I feel that I don't have enough control over the direction my life is taking.
29. A. Most of the time I can't understand why politicians behave the way they do.  
B. In the long run the people are responsible for bad government on a national as well as on a local level.



APPENDIX D

REST'S (1986) DEFINING ISSUES TEST

This part of the survey is aimed at understanding how people think about social problems. Different people often have different opinions about questions of right and wrong. There are no “right” answers in the way that there are right answers to math problems. I would like you to tell us what you think about several problem stories. Here is a story as an example:

Frank Jones has been thinking about buying a car. He is married, has two small children, and earns an average income. The car he buys will be his family’s only car. It will be used mostly to get to work and drive around town, but also sometimes for vacation trips. In trying to decide what car to buy, Frank Jones realized that there were a lot of questions to consider. Below there is a list of some of those questions. If you were Frank Jones, how important each of these questions be in deciding what car to buy?

*Instructions for part A:* On the left hand side, check one of the spaces by each statement of a consideration. (For instance, if you think that statement no. 1 is not important in making a decision about buying a car, check the space on the right.)

IMPORTANCE:

Great Much Some Little No


1. Whether the car dealer was in the same block as where Frank lives. (Note that in this sample, the person taking the survey did not think this was important in making a decision.)

2. Would a used car be more economical in the long run than a used car? (Note that a chick was put in the far left space to indicate the opinion that this is an important issue in making a decision about buying a car.)

3. Whether the color was green, Frank’s favorite color.

4. Whether the cubic inch displacement was at least 200. (Note that if you are unsure about what “cubic inch displacement” means, then mark it “no importance.”)

5. Would a large, roomy car be better than a compact car?

6. Whether the front conibilities were differential. (Note that if a statement sounds like gibberish or nonsense to you, mark it “no importance.”)

*Instructions for part B:* (Sample Question) From the list of questions above, select the most important one of the whole group. Put the number of the most important question on the top line below. Do likewise for your second, third, and fourth most important choices. (Note that the top choices in this case will come from the statement that were checked on the far left-hand side - statement no. 2 and no. 5 were thought to be very important. In deciding what is the most important, a person would re-read no 2 and no. 5, pick one of them as the most important, and then put the other as "second most important, and so on.)

Most   Second Most Important   Third Most Important   Fourth Most Important

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APPENDIX E

ROTTER'S (1966) INTERNAL EXTERNAL LOCUS

Please circle either A. or B. For the following questions., indicating the statement with which you most agree.

1. A. Many of the unhappy things in people's lives are partly due to bad luck.  
B. People's misfortunes result from the mistakes they make.
2. A. One of the major reasons why we have wars is because people don't take enough interest in politics.  
B. There will always be wars, no matter how hard people try to prevent them.
3. A. In the long run people get the respect they deserve in this world.  
B. Unfortunately, an individual's worth often passes unrecognized no matter how hard he tries.
4. A. The idea that teachers are unfair to students is nonsense.  
B. Most students don't realize the extent to which their grades are influenced by accidental happenings.
5. A. Without the right breaks one cannot be an effective leader.  
B. Capable people who fail to become leaders have not taken advantage of their opportunities.
6. A. No matter how hard you try some people just don't like you.  
B. People who can't get others to like them don't understand how to get along with others.
7. A. I have often found that what is going to happen will happen.  
B. Trusting to fate has never turned out as well for me as making a decision to take a definite course of action.
8. A. In the case of the well prepared student there is rarely if ever such a thing as an unfair test.  
B. Many times exam questions tend to be s unrelated to course work that studying is really useless.
9. A. Becoming a success is a matter of hard work, luck has little or nothing to do with it.  
B. Getting a good job depends mainly on being in the right place at the right time.
10. A. The average citizen can have an influence in government decisions.  
B. This world is run by the few people in power, and there is not much the little guy can do about it.



11. A. When I make plans, I am almost certain I can make them work.  
B. It is not always wise to plan too far ahead because many things turn out to be a matter of good or bad fortune anyhow.
12. A. In my case getting what I want has little or nothing to do with luck.  
B. Many times we might just as well decide what to do by flipping a coin.
13. A. Who gets to be the boss often depends on who was lucky enough to be in the right place first.  
B. Getting people to do the right thing depends upon ability, luck has little or nothing to do with it.
14. A. As far as world affairs are concerned most of us are the victims of forces we can neither understand, nor control.  
B. By taking an active part in political and social affairs the people can control world events.
15. A. Most people don't realize the extent to which their lives are controlled by accidental happenings.  
B. There really is no such thing as luck.
16. A. It is hard to know whether or not a person really likes you.  
B. How many friends you have depends on how nice you are.
17. A. In the long run the bad things that happen to us are balanced by the good ones.  
B. Most misfortunes are the result of lack of ability, ignorance, laziness, or all three.
18. A. With enough effort we can wipe our political corruption.  
B. It is difficult for people to have much control over the things politicians do in office.
19. A. Sometimes I can't understand how teachers arrive at the grades they give.  
B. There is a direct connection between how hard I study and the grades I get.
20. A. Many times I feel that I have little influence over the things that happen to me.  
B. It is impossible for me to believe that chance or luck plays an important role in my life.
21. A. People are lonely because they don't try to be friendly.  
B. There's not much use in trying too hard to please people, if they like you, they like you.
22. A. What happens to me is my own doing.  
B. Sometimes I feel that I don't have enough control over the direction my life is taking.

23. A. Most of the time I can't understand why politicians behave the way they do.  
B. In the long run the people are responsible for bad government on a national as well as on a local level.

Note: The letters underlined correspond to an external locus of control.

APPENDIX F

CHRISTIE GEIS (1970) MACH IV TEST

Please answer the following by filling in the blank to the left of the question with the number that best corresponds to how you feel, using the following scale.

Strongly  
Disagree

Strongly  
Agree

1

2

3

4

5

6

- 1. The best way to handle people is to tell them what they want to hear.
- 2. When you ask someone to do something for you, it is best to give the real reasons for wanting it, rather than giving reasons that might carry more weight. (r)
- 3. Anyone who completely trusts anyone else is asking for trouble.
- 4. It is hard to get ahead without cutting corners here and there.
- 5. Honesty is the best policy in all cases. (r)
- 6. It is safest to assume that all people have a vicious streak, and it will come out when they are given a chance.
- 7. Never tell anyone the real reason you did something unless it is useful to do so.
- 8. One should take action only when sure it is morally right. (r)
- 9. It is wise to flatter important people.
- 10. All in all, it is better to be humble and honest than important and dishonest. (r)
- 11. Barnum was very wrong when he said there's a sucker born every minute. (r)
- 12. People suffering from incurable diseases should have the choice of being put painlessly to death.
- 13. It is possible to be good in all respects. (r)
- 14. Most people are basically good and kind. (r)
- 15. There is no excuse for lying to someone else. (r)
- 16. Most men forget more easily the death of their father than the loss of their property.
- 17. Most people who get ahead in the world lead clean, moral lives. (r)
- 18. Generally speaking, men won't work hard unless they're forced to do so.
- 19. The biggest difference between criminals and other people is that criminals are stupid enough to get caught.
- 20. Most men are brave. (r)

Note: (r) means the item is reversed scored. There are no filler items in this test. I is suggested that they be added to make the purpose more ambiguous.

APPENDIX G

INSTITUTIONAL REVIEW BOARD

APPROVAL FORM

OKLAHOMA STATE UNIVERSITY  
INSTITUTIONAL REVIEW BOARD

DATE: 02-01-99

IRB #: BU-99-013

**Proposal Title: AN EMPIRICAL INVESTIGATION REGARDING THE  
EFFECTS OF INDIVIDUAL AND SITUATIONAL FACTORS ON ETHICAL  
DECISION MAKING IN BUSINESS SITUATIONS**

**Principal Investigator(s): Josh Wiener, Penelope-Ferguson De Jong**

**Reviewed and Processed as: Exempt**

**Approval Status Recommended by Reviewer(s): Approved**

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Signature:



Date: February 1, 1999

Carol Olson, Director of University Research Compliance

cc: Penelope-Ferguson De Jong

Approvals are valid for one calendar year, after which time a request for continuation must be submitted. Any modification to the research project approved by the IRB must be submitted for approval. Approved projects are subject to monitoring by the IRB. Expedited and exempt projects may be reviewed by the full Institutional Review Board.

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VITA

Penelope Ferguson De Jong

Candidate for the Degree of

Doctor of Philosophy

Thesis: AN EMPIRICAL INVESTIGATION REGARDING THE EFFECTS OF  
INDIVIDUAL AND SITUATIONAL FACTORS ON ETHICAL DECISION  
MAKING IN BUSINESS SITUATIONS

Major Field: Business Administration

Biographical:

Education: Graduated from Maryville High School, Maryville, Missouri in May 1969; received Bachelor of Science degree in Secondary Education/Business Education and a Bachelor of Science Degree in Office Administration in 1986 from Northwest Missouri State University; received a Master of Business Administration Degree in 1990 from Northwest Missouri State University. Completed the requirements for the Doctor of Philosophy Degree with an emphasis in Marketing from Oklahoma State University May of 2002.

Experience: Worked as a graduate Tutorial Assistant at Northwest Missouri State while working on my masters. Worked as Graduate Teacher at Oklahoma State University from Fall of 1992 to Spring of 1993. Taught as Instructor at Northwest Missouri State University from Fall 1993 to Spring 1996. Taught as Assistant Professor at Alvernia College from Fall 1996 to 1999. Taught as Assistant Professor at Black Hills State University from Fall 1999 to present.

Professional Memberships: American Marketing Association, Marketing Management Association.