THE IMPACT OF ETHICAL VALUES AND PERCEPTIONS OF ETHICAL CONDUCT ON COUNTERPRODUCTIVE BEHAVIOR OF FUTURE MANAGERS

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ABSTRACT

Business schools have come under a lot of criticism recently for not adequately teaching their students how to apply ethical principles in the workplace. This study investigates the impact of individual ethical values and perceptions of ethical conduct on counterproductive behavior of students (n=217) of a public university in the United States. Caring value, perception of ethical conduct, and age had a significant impact on counterproductive behavior of students. Principled value, instrumental value, business major, sex, and GPA did not have an impact on counterproductive behavior of students. Implications of the results of the study for business schools and industry professionals are discussed.

Keywords: Ethical Values, Ethical Conduct, Counterproductive Behavior, Future Managers

INTRODUCTION

Business ethics continues to be a topic of discussion in the mainstream media since the outbreak of accounting and business scandals in major corporations like Enron, WorldCom, Tyco, Parmalat, and more recently at Marsh & McLennan, a $12 billion financial-services company (Ferrell, Fradrich, and Ferrell, 2005; Vickers, 2004). Such events continue to have a major impact on the common investor's trust of the stock market and corporate leaders. The Association to Advance Collegiate Schools of Business (AACSB International), a not–for-profit organization devoted to

the improvement and promotion of higher education in accounting and business administration, has required that business ethics be covered in the curriculum as a part of its accreditation standards for a long time. In spite of this, some critics feel that a good portion of the blame still needs to be assigned to business schools for not doing an adequate job of teaching students how to apply ethical principles and to understand the social responsibility of firms (Verschoor, 2003). Many business schools have responded to their critics by strengthening the ethics component of both undergraduate and graduate curriculum. But a debate still exists among educators as to how ethics should be taught and the degree of integration of ethics in the business curriculum (Lowry, 2003). AACSB International does not impose specific ethics courses, but requires business schools to justify how it is part of the learning experience of the students. In June of 2004, a task force on ethics education set up by the board of directors of AACSB International in their report, entitled *Ethics Education in Business Schools,* urged business educators to renew and revitalize their commitment to ethical responsibility of individuals and businesses.

 Cole and Smith (1995) found that while students indicated they had high ethical standards, they were not sure if the respondents would do the right thing in an actual situation. Lawson (2004) reported that students felt that unethical behavior was the norm in the business world. In addition, he also reported a strong relationship between student's propensity to cheat in an academic setting and attitude toward unethical behavior in the business world. It should be noted, however, that there is no concrete evidence that less ethical students are attracted to business schools (Curren and Harich, 1996). But studies have shown that business programs do not instill ethical beliefs in students and that ethical beliefs of students are not influenced by the completion of a business course.

 More recently, researchers have started focusing on an individual's personal value system to understand ethical behavior of students (Forte, 2004; Rawwas and Isakson, 2000). Victor and Cullen (1990), in their review of ethical theory research used Kohlberg's (1984) theory on moral development to identify individuals as either instrumental, caring, or principled. Kohlberg (1984) in his book on the philosophy of moral development proposed a typology consisting of three levels of moral thought: people at the first level do what is best for them and are concerned about their own immediate interests (instrumental type); at the second level, people are concerned about other people and their feelings (caring type). The focus of this stage is to maximize joint interests and meet expectations of a significant referent group; at the third level, individuals follow universal rights and principles (principled individuals). At this stage, individual decisions are strongly influenced by the law, rules, or professional standards. According to Kohlberg (1984, p. 21) these are three distinct moral philosophies and "represent an invariant developmental sequence." In addition, he implies that an individual's response to an ethical issue is influenced by the person's level of moral development. Thus moral development is essential to ensure reduction of questionable or counterproductive behavior (Ferrell, Fraedrich, and Farrell, 2005).

 A number of studies in business ethics have focused on the perceptions of respondents on the ethicality of various business conducts. For example, Jackson (2001) found differences across 10 countries on the perceptions of ethicality of various business conducts. Viswesvaran et al. (2000) found marginal support for the proposition that nurses who perceive themselves indispensable may

consider some conduct more ethical than others. Deshpande (1997), in a study of managers of a not-for-profit organization, found that sex, age, and education had an impact on ethicality of business conduct.

Counterproductive behavior (CPB) has been well studied in the organizational behavior and psychology literature (Marcus and Schuler, 2004). Lau, Au, and Ho (2003), in a qualitative and quantitative (i.e., meta-analysis) review of various studies on CPB in organizations, defined it as ''any voluntary organizational behavior that affect an individual's job performance or undermine organizational effectiveness.'' They found that employees who are young and dissatisfied engage in more CPBs. While most of the research in CPB has looked at the impact of specific antecedents on specific forms of CPB, there has been a recent call in the psychological literature to focus more attention on general CPB. Marcus and Schuler (2004), in their review, have made a strong case for examining general CPBs first before examining specific CPB. First, previous research has consistently shown that various forms of CPB are strongly correlated. This is not surprising because all CPBs are based on the same underlying principle, violating organizational interests. Second, examining general CPBs may allow us to come up with solutions that could be applied to a variety of specific CPBs.

According to a recent extensive literature review of CPB, a number of studies have examined the impact of personal factors (e.g., demographics, job satisfaction, perceptions of job), organizational factors (physical conditions, climate, and employment conditions), work factors (peer, supervisory), and contextual factors (weather, population) on CPB (Lau, Au, and Ho, 2003). But this and a review of ABI-INFORM index indicates that no study has looked at the impact of ethical values and perception of ethical conduct on CPB. It is one of the purposes of this study to do so. Specifically, in this study we will first examine the level of ethical values, perception of ethical conduct, and CPB among respondents. We will then examine the impact of ethical values and perception of ethical conduct on CPB after controlling for sex, age, major, and GPA of students. Accordingly, we present the following hypotheses:

Hypotheses 1: Level of ethical values of students will impact counterproductive behavior of respondents.

Hypotheses 2: Perceptions of ethical conduct of students will impact counterproductive behavior of respondents.

THE STUDY

The sample for this study consisted of 217 business and non-business students from an American public university. The questionnaire was administered in a variety of business classes over a one week period in the business college. The questionnaires were handed out in class and collected at the end of the class period so that the response rate would be high. There were no incentives

given to students except the knowledge that their opinions would be part of a study on ethics. Students who may have filled the survey in another class were told not to fill the survey again.

Table 1 indicates that an average respondent was a 24 year old student with a GPA of 3.18. Fifty-two percent of the respondents were males and 68 percent were business students.

TABLE 1
Demographic Variables

Item	N	Mean	Std Dev.
Age	215	23.71	.51
Male	215	0.52	.50
Business	191	0.68	.47
GPA	191	3.18	.51

The measures of individual values were based on the previous literature on ethical climates within organizations (Victor and Cullen, 1990) and moral development (Kohlberg, 1984). As discussed earlier, we measured three types of ethical values (instrumental, caring, and principled). Instrumental respondents protect their own interests above all else. Those with a caring value consider what is best for everyone in a given situation. Students with a principled value feel it is important to comply by rules and professional standards. Each value type was measured using a five-point Likert scale, with 1 representing "mostly disagree" and 5 representing "mostly agree." Table 2 presents means, standard deviation, sample size and intercorrelations among the variables. In an analysis not shown in the paper, t-tests on the differences between the means of the three values were significant at $p<01$. Principled was the dominant individual value (mean=4.70), followed by instrumental (mean=4.21) and caring (mean=3.91). There was a moderate level of independence between the measures of the individual climate types ($r = -.04$ to $.27$). Only principled and caring were significantly correlated.

TABLE 2
Extent of Ethical Values

Item	N	Mean	S.D.	Principled	Caring	Instrumental
Principled	217	4.70	.58	1.00		
Caring	217	3.91	.92	.27***	1.00	
Instrumental	217	4.21	.83	.10	-.04	1.00

*** p<.01 (2-tailed), ** p,.05 (two-tailed); n=217.

 The survey also included a list of 12 items measuring perceptions of ethical conduct. These items were based on previous business ethics research (Jackson, 2001; Viswesvaran, Deshpande, and Joseph, 2000). The responses were coded on a five-point Likert scale ranging from very unethical (5) to very ethical (1). Thus, a high value indicates that respondents felt that these behaviors were unethical. The reliability (coefficient alpha) of the overall measure of ethical conduct was .83. Table 3 presents mean and standard deviations for the 12 items.

TABLE 3
Perception of Ethical Conduct

	Business Practice	N	Mean	Std. Dev.
1.	Accepting gifts/favors in exchange for preferential treatment	215	3.99	.87
2.	Giving gifts/favors in exchange for preferential treatment	215	3.94	.88
3.	Divulging confidential information	216	4.52	.72
4.	Calling in sick to take a day off	215	3.56	.78
5.	Using the organization's materials and supplies for personal use	215	3.71	.69
6.	Doing personal business on work time	216	3.73	.66
7.	Taking extra personal time (breaks, etc.)	215	3.65	.76
8.	Using organizational services for personal use	215	3.77	.68
9.	Passing blame for errors to innocent coworker	216	4.70	.53
10.	Claiming credit for someone else's work	216	4.67	.56
11.	Not reporting other's violations of organizational policies	216	3.78	.74
12.	Concealing one's errors	216	3.84	.80

 A five point Likert-scale was used (5= very unethical,...,1 = very ethical)

TABLE 4
Counterproductive Behavior

	Business Practice	N	Mean	Std. Dev.
1.	I make personal calls at work	216	3.38	1.36
2.	I surf the web at work	216	2.74	1.48
3.	I take pads, pens, supplies home	216	2.00	1.18
4.	I download music from the internet	217	2.67	1.61
5.	I download term papers off the internet	217	1.22	0.61
6.	I'd give a friend an extra discount at a store or free food at a café/restaurant	217	2.74	1.36
7.	I'd help myself to food if I worked at a fast food joint	217	2.50	1.39

A five point Likert-scale was used (1= mostly disagree,...,5 = Mostly agree)
Seven items were used to measure CPB. These behaviors ranged from making personal calls at work to downloading music from the internet. These items are presented in Table 4 and were measured on a five-point Likert scale, with 1 representing "mostly disagree" and 5 representing "mostly agree." Thus, a high score indicates the conduct of the listed behavior. The reliability (coefficient alpha) of the overall measure of counterproductive behavior was .70.

Table 5 indicates that among the three ethical values, principled and caring were significantly correlated with overall CPB. In addition, perception of ethical conduct was also significantly correlated with overall CPB. Among the control variables, male, age, and GPA were significantly correlated with overall CPB. But it would be premature to draw conclusions from these results since many of the predictors may be intercorrelated. Regression analysis presented in Table 5 provides a stronger test of the variables investigated in our study. Regression analysis indicated that among the independent variables, only caring values and perception of ethical conduct significantly influenced overall CPB of students. Among the control variables, only age of students had a significant impact on their overall CPB.

TABLE 5
Correlation and Regression Analysis for CPB

Independent variables	correlation	beta
Principled	-0.21***	-0.05
Caring	-0.19**	-0.13*
Instrumental	-0.02	-0.00
Ethical Conduct	-0.36***	-0.29***
Business major	0.02	0.06
Male	0.16**	0.07
GPA	-0.13*	-0.10
Age	-0.30***	-0.16*
N	172	172
R-square		0.21
F		5.36***

*** p < .01, **p<.05, *p<.10

IMPLICATIONS AND CONCLUSION

The results of this study have implications for both business schools and industry professionals. Mitroff (2004) in an open letter to business school Deans and faculty admonished them for creating an environment which aided the "wave of scandals" that have engulfed and tarnished American businesses in the last few years. He states that faulty underlying values, a narrow outdated notion of ethics, and a distorted view of human nature are some of the factors that are a part of the problem with business schools. Also, business school faculty make unsubstantiated

assumptions like student's values are rigid and fixed by the time they reach business school and faculty have an insignificant role in teaching values. He assents that ethics should underlie every thing business schools teach. In addition, he makes a strong case to teach business ethics as a separate course and not sprinkle it across the curriculum. In the latter case, since addressing ethical issues is not the major focus of the course, instructors typically pay cursory attention to ethical issues and/or thrust their views on the students. A separate course will allow students to engage in arguments that will allow them to clarify and gauge their own values systems.

Previous research has suggested that individuals can have more than one value and they typically favor one type of ethical reasoning over the other (Victor and Cullen, 1990). In our sample, principled was the dominant individual student value, followed by instrumental and caring. But only caring value had a significant direct impact on overall CPB. One strategy used by business schools to teach ethical behavior is to use role-play, experiential exercises, and cases to show how problematic situations can be avoided. Our study suggests that these tools may not work for all students. The effectiveness of these tools and strategies should be examined in the context of the individual values of the students. For example, an individual with a principled value is more likely to be influenced by a case on code of ethics than a caring person. On the other hand, teaching business ethics based on utilitarian reasoning will be very effective with caring individuals but not those who are principled or instrumental.

Previous research has shown that students have weaker ethical values than business professionals (Cole and Smith, 1996). This is of great concern because it suggests that they are likely to enter the workplace with lower ethical standards than typically found among existing employees. Our study indicates that students who do not perceive certain unacceptable conducts as unethical, tend to more likely be involved in CPBs. It may be possible for businesses that plan to hire college graduates to reduce CPB within the firm by using appropriate tests that identify and reject students with low perceptions of ethical conduct. This can be done by developing a specific written test or coming up with appropriate situational questions that can be asked during an interview. Also, all new hires must go through an intensive training program in business ethics and be indoctrinated that ethical behavior is the rule within the organization. In addition, the firm must actively seek out and punish unethical behavior to set an example to all employees. An ideological congruence between organizational values and employees' individual values is a good way of ensuring consistent ethical behavior (Bowen, 2004). Professional associations can also develop training and educational programs for students. For example, the Society for Human Resource Management can develop training programs for students majoring in HRM where they are exposed to different types of unethical hiring practices. The program would include examining the consequences of various actions under different situations and examine why people with different values act differently in the same situation.

A recent meta-analysis on counterproductive behaviors in organizations has shown that younger employees are more likely to steal, come late to work, and engage in production deviance (Lau, Au, and Ho, 2003). Thus, it should be of no surprise when our study suggests that compared to older students, younger students too are more involved in CPB. There could be several

explanations for this result. One explanation could be that younger students are more likely to succumb to peer pressure to get involved in CPB. It is also possible that younger students have more liberal viewpoints of what is unethical or less experience in dealing with unethical behaviors. As they get older, they experience the consequences or learn about repercussions of their unethical actions and change their behavior. Another reason could be that students are not exposed to classroom materials on ethical issues in their freshmen or sophomore classes but only in upper level classes where students tend to be a bit older. Future research needs to examine this issue further.

This study was limited to one public university. Follow-up research should examine if the size, reputation, nature (public vs. private) and location of the university has an impact on the replication of the results of this study. In addition, items used in this research to measure counterproductive behavior may not predict catastrophic ethical lapses at the workplace. Future research can use a longitudinal design to examine how student values and perceptions change as they progress through their academic career into the workplace. The impact of group values and peer pressure on individual values should also be examined.

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