

Employee Decision Making: Barriers and Drivers in Ethical Behavior

In March 2006 the Institute for Supply Management (ISM), the world's largest supply management* association, released the findings of its survey of 1,245 supply managers and employees that interact with them concerning ethical behavior within their organizations. In analyzing the surveys findings, ISM differentiates between two types of unethical behaviors (1) Deceitful Practices, which include activities such as inventing (making up) a second source of supply to gain competitive advantage and purposefully misleading a supplier in a negotiation; and (2) Subtle Practices, such as sharing confidential information about one supplier with another supplier and allowing gifts or entertainment to influence sourcing decisions. While most of the surveys were initially sent to supply managers, the questions and findings are relevant to company-wide ethics policies and cultures, and provide useful information for companies seeking to improve their ethics programs and policies by learning which factors most influence ethical behavior.

The following, excerpted with permission from the report**, are ISM's findings on what barriers to ethical practices and drivers of unethical practice most influence employee decision making:

BARRIER-RELATED FACTORS APPLIED TO ETHICAL PRACTICES

Tables 2 and 3 list a set of conditions that can affect ethical behavior. The presence of one or more of the conditions can facilitate subtle or deceitful practices. These 10 barriers were entered into a multiple regression analysis for each of the sets of practices, and those barriers that significantly relate to the practices are highlighted in each of the tables. In the case of deceitful practices, differing standards across functions, a lack of internal consequences for unethical activity, business priorities taking precedence over ethical practices, supplier pressures to engage in unethical activity and pressure to perform within the respondent's organization all lead to significantly higher levels of unethical practices. Regarding subtle practices, ineffective training, regulatory complexity and supplier pressures were all significantly related to higher levels of unethical activity.

These findings have several interesting implications. First, it would appear that a lack of training, defined as either a total lack of training or providing ineffective training, can lead to higher levels of subtle practices. This would suggest that providing more and better training might lessen employee involvement in subtle practices. Conversely, the finding of no relationship between a lack of training and deceitful practices suggests that employees will engage in deceitful practices regardless of training provided. It is likely that employees are already aware that these deceitful practices are unethical, and that training will not affect their decision of whether to engage in these activities. Instead, deceitful practices are affected by a lack of internal consequences (including a failure to enforce internal sanctions and punishments against unethical behavior), business priorities taking precedence over ethical behavior and pressure to perform well by meeting or exceeding metrics, often with associated time pressures. These findings suggest that organizations might lower the incidence of deceitful practices by attempting to refocus their culture from one of a strict and perhaps short-term goal of improving the bottomline to one that considers the bottomline in concert with ethical issues. Many of these issues are discussed in more depth next.

Table 2: Barriers That Enable Deceitful Practices*

Variable	t Value	Pr > t
Lack of Leadership	1.00	0.3194
Ineffective Training	0.80	0.4245

Ineffective Communication	-1.65	0.1002
Differing Standards Across Functions	2.81	0.0050
No Internal Consequences	2.36	0.0186
Business Priorities	2.85	0.0045
Regulatory Complexity	0.13	0.8963
Situational Ethics	1.66	0.0980
Supplier Pressures	2.34	0.0195
Pressure to Perform	3.86	0.0001

* Adjusted R2 from multiple regression analysis = 0.1710 (F = 21.61, p<.0001). Bolded items are significantly related to the Deceitful Practices dependent variable.

Table 3: Barriers That Enable Subtle Practices*

Variable	t Value	Pr > t
Lack of Leadership	1.90	0.0583
Ineffective Training	2.12	0.0340
Ineffective Communication	-1.30	0.1926
Differing Standards Across Functions	0.86	0.3894
No Internal Consequences	0.27	0.7894
Business Priorities	1.03	0.3019
Regulatory Complexity	1.98	0.0483
Situational Ethics	1.21	0.2255
Supplier Pressures	2.09	0.0366
Pressure to Perform	0.91	0.3614

* Adjusted R2 from multiple regression analysis = 0.0832 (F = 10.07, p<.0001). Bolded items are significantly related to the Subtle Practices dependent variable.

DRIVERS OF ETHICAL PRACTICES

Six potential drivers of unethical practices are shown in Tables 4 and 5. Two of these drivers result in significantly lower levels of deceitful practices — individual employee values and a people-oriented organizational culture that promotes corporate citizenship — and one antecedent results in significantly higher levels of deceitful practices — an organizational culture (also see Appendix 1) that focuses on short-term bottomline gains. These same relationships hold in the case of subtle practices. In addition, subtle practices can be lessened through the development and use of written corporate policy that includes explicit sanctions and punishments for unethical behavior. The survey results suggest that individual values are a key facilitator of ethical behavior in the case of both deceitful and subtle practices. Some of the comments by survey respondents to our open-ended questions perhaps best summarize this finding:

“Ethics are part of a person’s values. If the person is ethical, then their dealings with suppliers will be on a good basis.”

“Integrity is who you are when no one else is looking. It comes from within.”

“I believe that the moral character is the most important factor in ethical behavior. Especially since the people who know the rules generally know how to get around them, if they want to.”

Respondents also suggested that the values of individuals could be further supported by a company’s culture:

“Ethics begin with the quality and moral values of the employees, and fortunately we have very good people. The company, in turn, is supportive of their efforts.”

“The standard is the highest ethical behavior. It is a subject covered in interviews when hiring senior employees. The standard and example are in the culture.”

“It is all up to the individual. I must add, however, that the environment surrounding the individual will go a long way to help sway the individual’s train of being.”

“Ethical behavior is brought with the employee when employment begins. The working environment can and often does influence those with moral/ethical boundaries that are not well-defined. That makes the selection of employees with high standards critical. It also points to the responsibility of the employer to provide a working environment that requires/expects only the highest level of ethical behavior, and models such behavior at all levels of management.”

Conversely, an organizational culture that focuses on short-term gains can lead to higher levels of unethical practices among employees, as shown in Tables 4 and 5, and as highlighted by this comment:

“I believe that the business trend of always beating the last quarter profits is hurting organizations ethically. People are always creating arms-length relationships because there might be something better down the road. In fact a strong supply base can only be built around those suppliers who are fair to their customers and also to themselves. Until U.S. businesses understand this, there will always be room for those unethical suppliers who are just trying to make a quick sale for this quarter’s numbers.”

Finally, the use of policies and procedures appears to reduce subtle ethical practices, but not deceitful practices. One explanation for these findings is that communication of policies can create awareness of some of the subtle, “grey” ethical issues that might exist. Conversely, the deceitful practices consist of activities that most employees already recognize as being ethical improprieties, mregardless of the presence of ethical policies and procedures. As was stated by one study participant regarding policies and training:

“Most people know right from wrong — but the ‘grey’ cases, which are most of the situations, can be problematical.”

Table 4: Antecedents to Deceitful Practices*

Variable	t Value	Pr > t
Policy and Procedures	-1.04	0.3000
Top Management	.96	0.3394
Government Regulations	-.82	0.4140
Individual Employee Values	-5.54	<.0001
Culture (Citizenship)	-9.42	<.0001
Culture (Short-Term Orientation)	2.00	0.0461

* Adjusted R₂ from multiple regression analysis = 0.1279 (F = 29.98, p<.0001). Bolded items are significantly related to the Deceitful Practices dependent variable.

Table 5: Antecedents to Subtle Practices*

Variable	t Value	Pr > t
Policy and Procedures	2.70	0.0071

Top Management	1.56	0.1193
Government Regulations	-1.10	0.2735
Individual Employee Values	-5.00	<.0001
Culture (Citizenship)	-5.68	<.0001
Culture (Short-Term Orientation)	2.22	0.0267

* Adjusted R² from multiple regression analysis = 0.0792 (F = 18.04, p<.0001). Bolded items are significantly related to the Subtle Practices dependent variable.

USE OF SURVEY RESULTS

The survey was designed to provide practical information and suggestions for use by management across disciplines and by supply professionals. Compare and contrast the policies and procedures of your organization to get a sense of how you measure up to the results of the study. Then use the study results to determine where you can most effectively influence individual behaviors and company practices.

For the Full Report, "Social Responsibility and the Supply Management Profession: A Study of Barriers and Drivers of Ethical Practices," see ISM's [website](#), or follow this [link](#).

* The Institute for Supply Management defines supply management as the identification, acquisition, access, positioning and management of resources that an organization needs or potentially needs in the attainment of its strategic objectives.

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