

ROTTERDAM SCHOOL OF MANAGEMENT, ERASMUS UNIVERSITY

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The business school that thinks
and lives in the future

Understanding behavioural ethics

by Tim Skelton

Behaving in an ethical manner, whether at work or socially, is something that ought to be second nature to everyone. Yet, this isn't always the reality. When it comes to business in particular, employees at all levels can make morally questionable decisions they wouldn't dream of making in their personal affairs.



The Erasmus Centre of Behavioural Ethics (ECBE), founded in 2009 by Professor David de Cremer, is seeking to understand why people respond to certain situations by acting in a way that, in its own words, falls outside 'generally accepted moral norms of behaviour'.

Business leaders contend with ethical challenges on a daily basis, and some cope better than others do. Moreover, scandals in the corporate environment are as old as the concept

of doing business itself. However, recent decades have seen an upsurge in media reports of fraud, scandals, and other types of unethical behaviour in major companies.

High-profile cases such as Enron brought everyone's attention to the role of ethical and moral behaviour in business. This concern was brought home even more during the recent worldwide financial crisis, which made very clear the extent to which the irresponsible and unethical behaviour

of a few managers and organisations can impact negatively on individuals and on society as a whole.

Those big news events have fuelled a new interest in the science of business morality and ethics, and many articles addressing these issues have appeared in scientific journals. Previous studies of business ethics have mostly taken a "prescriptive" approach to looking at morality and ethics in organisations and society, describing how people should behave, and addressing questions such as whether or not specific business practices are acceptable. 'Mostly it was done in the form of philosophical theorising,' explains Marius van Dijke, the ECBE's current Scientific Director.

A different path

The ECBE however has decided to follow a different path, arguing that looking at matters from a purely philosophical standpoint is too narrow in scope. 'As far as I'm aware, this is the only centre that is completely devoted to the subject,' says Marius, who is Associate Professor at RSM's Department of Business-Society Management and full professor of behavioural ethics at Nottingham Business School in the UK. Marius gained a Masters and a PhD in Psychology before taking on a role at RSM. 'I got into behavioural ethics ▶

Understanding behavioural ethics (continued)

by Tim Skelton

by accident,' he admits, 'but it's a fascinating subject to study.'

'Theory hasn't helped us to avoid ethical transgressions,' he points out. 'Our field seeks to understand why some people behave in the way they do. But this is more a social science than philosophy.' Rather than making the assumption that the source of unethical behaviour is a lack of information or a misapplication of ethical principles, the ECBE starts out from the concept that many ethical failures can be explained by a lack of awareness that one is even facing an ethical problem in the first place.

The ECBE is involved in educating students as part of RSM's and Erasmus University's wider programmes. At Bachelor level, they cover the Psychology of Good and Evil, and use social psychology and behavioural economics to explain why, in the business world and elsewhere, people don't always find it easy to do the right thing. They also deal with Leadership, Sustainability, and Governance, exploring the theories and concepts that help students understand leadership of high integrity in national and international contexts.

At Master level, a core course of the MSc Global Business and Stakeholder Management covers Corporate Integrity. As the corporate scandals that came to light during the recent

banking crisis showed, low-integrity business conduct hurts the interests of society on many levels. The course therefore looks at the processes through which high-integrity leadership can be developed between managers and employees, and throughout organisations and industry.

Indeed, most of us assume acting ethically would come naturally to honest managers and employees, and only the ones who start out bad are going to step over the moral line. However, as Marius explains, the reality is somewhat different. 'We don't live in an honest world. Many people

who simply end up being forced into situations they didn't anticipate being in. Situational forces play a huge role in the way they behave.'

This also helps to explain why, despite morally reprehensible actions in their business dealings, many managers concerned still believe they are ethical people. This is the reason the ECBE believes in taking a behavioural approach in parallel to the philosophical prescriptive approach, and examining how individuals make actual decisions and engage in real actions when being faced with ethical dilemmas.

"We have shown that the more competition there is in a market, the less likely managers are to punish transgressions if employees behave in a questionable or unethical manner."

Marius van Dijke, Scientific Director, Erasmus Centre of Behavioural Ethics.

think ethical transgressions come from a personality trait,' he says. 'And certainly in a few high-profile cases that may be true – the CEO of Enron, for example, was not a decent person. Nevertheless, most people who transgress or cross an unseen ethical line are normal honest human beings,

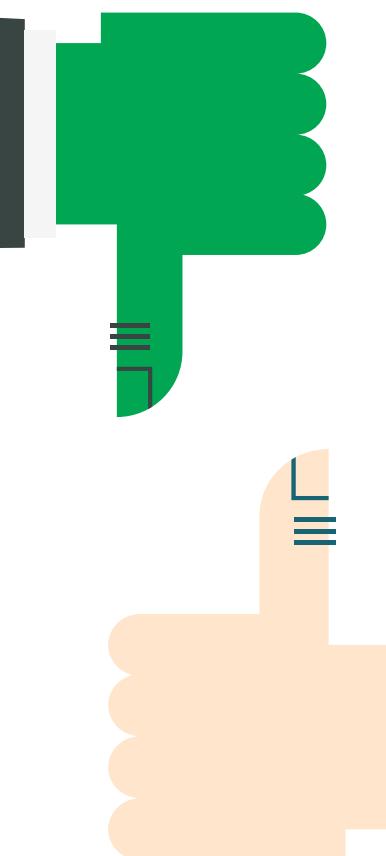
'As an example, we studied how the amount of competition affects the way people behave,' Marius says. 'And we realised there is an effect of competition on how managers deal with ethical transgressions. We have shown that the more competition there is in a market, the less likely managers are to punish

transgressions if employees behave in a questionable or unethical manner.'

In so doing, the ECBE hopes to be able to improve our understanding of how people evaluate and interpret ethics and morality when making decisions, building business relationships, and creating an effective working climate. By focusing on the global challenges of responsible leadership and decision making, its aim is to also increase our understanding of ethics, trust and social influence, and hence to arrive at a better management of these issues.

Human behaviour

Because the centre's focus is on actual human behaviour, its research draws from work in both psychology and behavioural economics. Since more and more work is being carried out in the "real world" rather than in a laboratory, its findings are increasingly relevant to the corporate world. 'Most research up to now has been carried out in the lab environment, studying people to try and gain a better

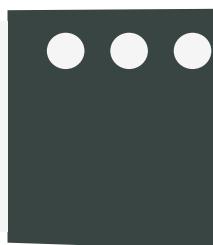


understanding of behavioural ethics. Now we are trying to apply this in the field. What we are now trying to do is to connect what we do in the lab with experiences in the field, and to apply it to the world of business,' Marius says.

This is also one of the priorities of the ECBE for the years to come. 'What we've been good at is world-class research and academic impact.

We have published papers in top scientific journals. But, we were having less of an impact in the business world, and that is something we needed to address,' Marius believes.

While there is cut-throat competition in business, there will always be those who feel pressurised into making questionable decisions they would never make outside the business environment, in order to close a deal, for example. And no amount of research will ever rid us of the "bad eggs", who are prepared to stoop as low as necessary to gain an unfair edge. But with the ECBE's research



and insight, managers will be able to make more informed judgements. This will not only help these managers act in a more ethical manner, but also enable them to steer otherwise innocent employees away from making rash decisions they may come to regret. ■

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