

FRANZISKA BARBARA ZUBER

Looking at the Others

Studies on (un)ethical behavior and social relationships
in organizations



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Kijkend naar de anderen

Studies naar (on)ethisch gedrag en sociale relaties binnen organisaties

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Foreword

I once had a conversation with Professor Jeffrey Callen at the University of Toronto about the possibility of pursuing a PhD degree there. He warned me that I would need somebody's shoulder to cry on if I wanted to go through with a PhD. This conversation took place more than ten years ago, and at that time, I decided against pursuing a PhD degree straight after my Master's degree. Now, looking back on roughly six years of working on this doctoral dissertation, I can confirm that Professor Callen was right – and those closest to me would certainly agree with him, too. I am very grateful and count myself lucky to have had more than one strong and forbearing shoulder to cry on during this time. My husband – who married me on the way – my parents and my siblings patiently heard me out, and always encouraged and supported me in my efforts. Thank you so much for bearing with me and believing in me.

My supervisor Muel Kaptein guided me through all the challenges with unwavering optimism and kindness. He knew when to leave me the freedom to find my own way, when to challenge me, and also when to compliment me on an achievement. Thank you very much, Muel, for all your support. Stewart Hamilton, Professor Emeritus at IMD in Lausanne, as my original co-supervisor, generously devoted time to me, and shared insights from his rich experience to help me develop my own ideas. He unfortunately is no longer with us. I gratefully remember our conversations.

I would also like to thank all those who have read parts of this doctoral dissertation at various stages of the work, and have provided comments and ideas for developing it further. Among these persons, I would like to mention in particular my

brother Martin, my husband Dani, Matthias Kurmann, Barbara Chandra, and Jim Weber.

Going back to how this journey started, I would like to thank Peter Jonker for making me think about the possibility of pursuing a PhD while continuing to work outside academia, and for introducing me to Muel. I would also like to thank Anne van Heerden, and KPMG AG, for supporting my ‘strange academic hobby’ and accepting a part-time arrangement.

The work on this doctoral dissertation has made for an intense and challenging time. The energizing encounters and discussions at conferences and summer schools, the exploration of new and fascinating intellectual territories, and the more considered stance on our business activities which I think I have gained have made this endeavor more than worthwhile.

I hope that my readers will find some ideas in this dissertation that open a new perspective on the ethical aspects of our business activities, and maybe even make a difference for their behavior towards others.

Franziska Barbara Zuber
Winterthur, September 2016

Chapter I

INTRODUCTION

1 Entering the terrain

Working in the Forensic department of a major audit firm for more than eight years, I have investigated a number of cases of (potentially) unethical and illegal behavior in firms. The most gripping cases – which were at the same time most complex and laborious to analyze – typically were not those where an employee or manager in the finance department had embezzled money. Rather, most gripping were the cases where many employees and managers had engaged in unethical behavior in different ways and to different degrees, depending on their roles. Such cases became notorious, for example, in the scandals in the financial sector surrounding the financial crisis. A finance employee's embezzlement may often be explained by personal circumstances which create financial needs, and opportunities to obtain money that are offered by his job. By contrast, unethical behavior by many employees and managers that does not, or not as directly, create personal benefits for the perpetrators, and is not (as clearly) linked to personal circumstances, is much more puzzling. The recent scandal around falsified carbon dioxide emission levels at Volkswagen may serve as an example of such behavior. Because of this latter kind of case, I became increasingly intrigued by the question of how people come to behave unethically at work.

While this was the question that fascinated me, it is not typically the question at the center of investigations carried out by non-judicial investigation teams, such as those working in audit or law firms. In those investigations, the key question asked by

the affected organization (and sometimes by a regulator) is slightly different: ‘How could this happen?’ To respond to this question, the investigators often focus on the so-called internal controls that are – or should have been – built into the business processes relevant to the unethical behavior in question. For example, were certain numbers not independently monitored by an additional department like operational risk, compliance or internal audit? Did some employees have too many rights in the IT systems? Did managers receive sufficient information to monitor their subordinates’ business transactions with clients? In recent years, questions about the firms’ so-called control environment became increasingly important as well. Notably, the 2013 version of the COSO Internal Control Integrated Framework (Committee of Sponsoring Organizations of the Treadway Commission [COSO], 2013) explicitly refers to “a commitment to integrity and ethical values” as one of the five principles pertaining to the control environment.

The focus of these questions is consistent with the attempts by legislators and regulators to curb unethical behavior in and by organizations by defining more rules and prescribing more elaborate and extensive control systems. The Sarbanes-Oxley Act of 2002 passed in the United States after the collapse of Enron and WorldCom is the first and probably most prominent example of legislation that aimed at strengthening the internal control system to reduce fraud (Hamilton and Micklethwait 2006; Wagner and Dittmar 2006). However, corporate scandals continued to emerge, in particular in the financial sector: in the past ten years, issues of rogue trading, complicit support of clients’ tax evasion, LIBOR manipulation, manipulations in foreign exchange markets, and mis-selling of financial products came to light. Cases such as these have increasingly led to the recognition that more rules and more controls may not be able to prevent unethical behavior in business organizations (e.g. Stansbury and Barry, 2007; Weaver and Treviño 1999). This recognition is reflected in more recent statements by regulators and practitioners that emphasize the importance of an organization’s culture (e.g. Adamson 2013, July 18; Group of Thirty (G30), 2015, July).

Identifying more effective levers for preventing unethical behavior than rules and controls has become quite a pressing task because the number and scale of instances of unethical behavior in business organizations has created considerable distrust of the affected corporations. This distrust, however, also extends to large corporations in general, to the Western economic system, and to some extent even of (Western) political systems (Bachmann et al. 2015). This distrust was expressed most forcefully in protest movements such as the Occupy Wall Street movement, but is shared more broadly in the population in Western economies, hindering social exchange necessary for the functioning of society (Bachmann et al. 2015).

Motivated by the realization of this societal significance of preventing unethical behavior, and triggered by widely publicized business scandals, researchers have taken on the task of searching for more effective levers for preventing unethical behavior. Identifying effective levers presupposes an understanding of the processes which lead to individuals' unethical behavior at work, and of the factors intervening in these processes. Establishing such an understanding is one of the main objectives of the field of business ethics research. It also provides the overarching motivation for this doctoral dissertation: the question of how people come to behave unethically at work raised at the beginning of this chapter aims at this very objective.

Before sketching the specific steps that this doctoral dissertation takes towards this objective, I will provide a very brief synopsis of business ethics research to provide a general orientation in this field of research, and to introduce the work on which this doctoral dissertation builds. In doing so, I will locate important landmarks in this field in relation to which this doctoral dissertation can be positioned.

2 Charting the terrain

The field of business ethics research has considerably grown since philosophers started to study business ethics as a domain of applied philosophy in the mid-1970s (Bowie 2000). Social scientists started to systematically engage with (un)ethical behavior and

decision making in (business) organizations roughly ten years later and have significantly contributed to the growth of the field (Tenbrunsel and Smith-Crowe 2008; Treviño et al. 2006). These two different research traditions have shaped the field of business ethics. Their encounter and the ensuing frictions are evident especially in the relatively early debates in the field, for example in volume 4 (issue 2) of *Business Ethics Quarterly*, published in 1994, which is dedicated to the fact-value debate. The distinction between two sub-fields within business ethics research associated with these research traditions, as summarized in Table I.1, represents a first important landmark in the field of business ethics. The first sub-field is normative business ethics research. It addresses the question of what *ought to be*, and rests on philosophy, theology and political theory. The second sub-field has come to be characterized as behavioral business ethics research. It analyzes what *is*, and rests on an increasingly broad range of disciplines in the social and behavioral sciences.

Within normative business ethics research, a second landmark is constituted by the distinction between research that draws mainly on analytic philosophy and research that draws on continental philosophy. Business ethics research most commonly builds on the work of a select group of Western philosophers, including in particular Aristotle, John Locke, Adam Smith, Immanuel Kant, John Stuart Mill, and John Rawls (Painter-Morland 2008), and key theories or perspectives proposed in their work, namely virtue theory, social contract theory, deontology, utilitarianism, and justice. These philosophers and theories belong to the analytic tradition, and had a dominant influence on early normative business ethics research. The continental tradition differs from the analytic tradition both with respect to the substantive questions asked and stylistic presentation (Painter-Morland 2008). Continental thought, notably the work of Emmanuel Levinas, Jacques Derrida, Michel Foucault or Hannah Arendt, has only more recently been taken up by business ethics researchers. Although a broad range of schools of thought and divergent positions are summarized under the label of continental philosophy (Solomon 2008), they generally share a commitment to recognizing and exploring ambiguity and the contingent nature of all philosophical

positions upon historical, political, socio-economic and cultural circumstances, and adopt a critical and self-reflexive position (Painter-Morland 2008). Continental approaches to normative business ethics can thus help to challenge basic ontological and epistemological assumptions that determine which questions business ethics research asks, how they are framed, and how they are answered (Painter-Morland 2008).

In the sub-field of descriptive business ethics research, researchers have analyzed a wide range of factors influencing (un)ethical decision making and behavior in organizations (Treviño et al. 2014a). Researchers have employed different zoom levels in their analyses: some have focused, for example, on the overarching social structures, while others have examined cognitive processes that operate inside the individuals. This differentiation of the so-called levels of analysis constitutes the third landmark in the field of business ethics research. I will briefly describe the most significant levels of analysis in the following paragraphs.

Starting at the highest level, the *institutional environment* is the “macrosociological setting” in which all thinking and action takes place (Weaver 2006, p. 354). It consists of the “practices and traditions of a social order” and a particular “institutional logic” which circumscribe the social identities, roles, and associated cognitive schemas that are possible within that institutional order (Weaver 2006, pp. 354-355). Institutions are the “collective social structures in which norms, rules and beliefs are anchored” (Shadnam and Lawrence 2011, p. 379). They set the boundaries within which organizations, and the individuals within the organizations, define their course of action.

Moving one level down to the *organizational level*, the ethical context or ethical infrastructure in an organization (Tenbrunsel et al. 2003) shapes (un)ethical decision making and behavior. The ethical context in an organization comprises the organization’s ethical climate and culture, or informal (e.g. an organization’s internal “legends” or war stories) and formal systems (e.g. ethics codes, formal compliance

programs) (Tenbrunsel et al. 2003; Treviño et al. 2014a). The organizations' ethical context sets the stage for the (un)ethical behavior of the organization members.

At the next level, the *interpersonal level*, the social relationships to others inside and across the boundaries of the organization influence the (un)ethical decision making and behavior of the organization's members. Employees tend to follow the example set by a person with a higher social status or authority, such as their manager or an experienced colleague, as well as the example of peers more generally (e.g. Gino et al. 2009a; Robinson and O'Leary-Kelly 1998; Weaver et al. 2005). When it comes to managers, their ethical leadership – “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships” (Brown et al. 2005, p. 120) – has an important effect on the (un)ethical behavior of their followers (e.g. Brown and Treviño 2006; Mayer, Aquino, et al. 2012; Eisenbeiss and Giessner 2012; van Gils et al. 2015). Whether employees are treated appropriately and fairly by their manager or by peers also impacts employees' behavior. Unfair or abusive treatment can lead to retaliatory reactions, including unethical behavior, against those perceived as directly or indirectly responsible for this treatment (e.g. Mayer, Thau, et al. 2012; Hershcovis and Barling 2010; Skarlicki and Folger 1997; Tepper et al. 2008). Taking a slightly different perspective on interpersonal relationships, researchers have also examined how factors related to the social relationships within a *group* affect ethical decision making and behavior, such as social cohesion, identification and in-group biases (Tenbrunsel 2006).

Taking the next step, we arrive at the *individual level*. Individual characteristics influence (un)ethical decision making and behavior. While early research has focused in particular on an individual's cognitive moral development following Kohlberg's framework (Treviño and Weaver 2003), more recent research has focused on the notion of the moral self, following Blasi's (1983) influential “‘self model’ of moral functioning” (Jennings et al. 2015, p. S104). The concept of the moral self encompasses several more narrow constructs of the moral self, such as moral identity, moral sensitivity, self-conscious moral emotions, and moral conation (Jennings et al. 2015,

pp. S106-S107). Persons with a strong moral self are more attentive to ethical aspects of their environment and are more motivated to act ethically (Jennings et al. 2015, p. S150). In addition to these individual traits directly linked to morality, other individual characteristics have also been linked to ethical decision making and behavior, including Machiavellianism and locus of control (Kish-Gephart et al. 2010).

In a final step, we arrive inside the individual's mind and body, so to speak, at the *intraindividual* level, where the processes that underlie the individual's (un)ethical decision making and behavior operate (Moore and Gino 2015). Rest (1986) proposed a seminal process model of ethical decision making comprising four steps: awareness, judgment, motivation/ intention, and behavior. Jones (1991) built on this model, focusing explicitly on ethical decision making in organizations. He proposed how characteristics of the moral issue at hand, such as the magnitude of the harm caused or benefits created, and factors in the individual's organizational environment impact the four steps of the process. Treviño (1986) developed another influential model of ethical decision making describing how various factors in the individual's environment – in particular factors at the organizational level – interact with the individual's characteristics to produce (un)ethical behavior.

A fourth and final landmark in the sub-field of descriptive business ethics is constituted by two different views on the *nature of the processes* underlying the individual's (un)ethical decisions and behavior. The three models sketched above, as well as the majority of research building on these early models are based on the assumption that (un)ethical decision making and behavior depends on conscious, controlled, deliberative processes, or reasoning (Moore and Gino 2015). More recent research, especially in moral psychology, however, has revealed that non-conscious, non-deliberative, intuitive, affective and emotional processes play an important role as well (Moore and Gino 2015; Weaver et al. 2014). An influential model, the so-called social intuitionist model of moral judgement (Haidt 2001), views most cases of moral judgment as the result of intuitions that are quick and automatic as well as influenced by the moral judgements that others in an individual's environment have made. In this

model, reasoning in most cases only occurs after the intuitive judgement has already been made. Specifically referring to work organizations, Sonenshein (2007) developed the sensemaking-intuition model according to which individuals construct the issue they face by making sense of equivocal and uncertain situations and then make an intuitive judgement about that issue. As in Haidt's (2001) model, rational thinking only occurs post-hoc to explain and justify this judgement to oneself or others.

This fourth landmark concludes the brief sketch of business ethics research. The four landmarks identified in this synopsis can serve as useful reference points for orientation, but they do not split the field of business ethics into detached and mutually exclusive sub-fields. For example, factors from multiple levels of analysis are analyzed in work focusing on the psychological processes inside the individual that underlie (un)ethical behavior and decision making, and process models increasingly include both deliberative and non-deliberative components (e.g. Moore and Gino 2015). Further, with respect to the distinction between descriptive and normative research, researchers argue that normative research and descriptive research on ethics and morality can and should be fruitfully connected, while different degrees and forms of this connection are advocated (e.g. Christen and Alfano 2014; Weaver and Treviño 1994; for an example of such a combination see Weaver 2006). Still other researchers challenge the usefulness, or even the possibility, of the distinction between descriptive and normative research, challenging the positivist epistemological assumption that a value-free descriptive science is possible (Wicks and Freeman 1998).

As this synopsis of business ethics research has illustrated, business ethics currently is a rather vibrant and multidisciplinary field, in which researchers from a considerable number of academic fields (see the last row in Table I.1) are concerned with the fundamental question of understanding (un)ethical behavior in (business) organizations. Business ethics research is closely related to the neighboring fields of corporate social responsibility, corporate citizenship, corporate social performance, social issues and corporate sustainability research. Together with business ethics research, these neighboring fields constitute the wider field of business and society

research (Dentchev 2009). The focus of this doctoral dissertation, however, is on the field of business ethics research, and does not extend to these other fields.

With this high-level overview of the field of business ethics research as basis, I will now outline the specific questions addressed in this doctoral dissertation, and the approach taken to answering these. I will also rely on the four landmarks discussed in this overview in order to locate the research presented in this doctoral dissertation in the field of business ethics research.

Table I.1
Characterization of the two main sub-fields of business ethics research (landmark 1)

	Normative sub-field	Descriptive sub-field
Designation of the sub-field	Normative business ethics	Behavioral (business) ethics
Objective of the sub-field	Establishing what is good, right, moral, ethical	Describing, explaining, or predicting (un)ethical decision-making and behavior
Subject of the sub-field	What ought to be, what people should do	What is, what people do
Type of analysis of the sub-field	Normative, prescriptive	Empirical, descriptive, explanatory, predictive, behavioral, social scientific approach
Main underlying disciplines	Moral philosophy, ethics, theology, political theory	Organizational behavior, moral psychology, social psychology, developmental psychology, sociology, management, behavioral economics, (cognitive) neuroscience, anthropology, primatology

3 Tracing out the plot

The primal question of how people come to behave unethically (or ethically) at work has been investigated in business ethics research from a range of theoretical perspectives, with different methods, and by researchers with different disciplinary backgrounds, as delineated in the preceding section. The research questions investigated in this doctoral dissertation derive from a particular part of this primal question: ‘at work’. Individuals can behave ethically or unethically in all domains of their life, not only at work, but also within the family, while pursuing a hobby, or while doing their shopping. This raises the question of what is different about (un)ethical behavior at work as opposed to such behavior in other domains of life. For the majority of individuals living in industrialized countries, especially in the Western hemisphere, being at work implies being part of a (business) organization. The question thus becomes what there is about organizations that makes this particular context of (un)ethical behavior different from other contexts.

A key distinguishing feature of organizations is the network of formally prescribed and informally emerging social relationships with others. “Organizations are multilevel systems of relationships” (Moliterno and Mahony 2011, p. 444), characterized by patterns of interactions between individuals (McEvily et al. 2014) and by a common purpose or goal at which these interactions are directed. Formal social structures, such as hierarchies, units, and roles coordinate and constrain individuals’ interactions in the organization and prescribe certain social relationships. At the same time, social relationships emerge during individuals’ encounters in the organization and constitute informal social structures. (McEvily et al. 2014). Espousing this network of social relationships as distinguishing feature of organizations leads to the following overarching research question for this doctoral dissertation: In what ways do social relationships to the others matter for a person’s ethical or unethical behavior in an organization?

Social relationships to others are not only important for understanding (un)ethical behavior at work because they constitute a key feature of the context for

the behavior. Brass et al. (1998, p. 15) emphasize a second reason for their importance: “by most definitions, ethics involves a consideration of ‘the other.’” A situation which is regarded as ethically relevant or ethically charged generally implies that the actions chosen in this situation have consequences for the welfare or the interests of other persons (Brass et al. 1998; Tenbrunsel and Smith-Crowe 2008), typically harm or benefit in the broadest sense (Jones 1991). In this sense, ethics is inherently social. From a very different perspective, evolutionary accounts of moral behavior underscore the inherent connection between ethics and social relationships: here, human “moral capacity” is viewed as an evolutionary adaptation that enables group living, which in turn fosters survival and fitness of the species (Sadler-Smith 2012).

In sum, two observations motivate the overarching research question of this doctoral dissertation about the role of social relationships to others for a person’s ethical or unethical behavior in an organization: First, social relationships constitute a distinctive feature of the context in which (un)ethical behavior in organizations takes place; second, ethical behavior is inherently social in that the consideration of other persons is at the heart of ethics. I address this overarching research question from four different perspectives in the four main chapters of this doctoral dissertation. Each of these chapters was written as a separate study and as such can be read in isolation of the other chapters. The theme of social relationships to others links these chapters, while each of them contributes insights on the connection between social relationships and (un)ethical behavior from a different vantage point. Table I.2 provides an overview of the four main chapters of this doctoral dissertation, positioning them with respect to the four landmarks in the field of business ethics research identified earlier, and summarizing other key features. The next paragraphs describe the specific focus and research question of each of the four main chapters.

Chapter II, “*Spread of unethical behavior in organizations: a dynamic social network perspective*”, asks through what processes unethical behavior spreads in organizations, and under which conditions unethical behavior is particularly likely to spread. I provide a conceptual analysis focusing on the social relationships of perpetrators, victims, and

observers of an act of unethical behavior and their reactions to that act. Connecting recent methods from social network analysis and insights from behavioral business ethics research, I propose a dynamic actor-oriented social network framework in which the spread of unethical behavior is conceptualized as a result of the reactions of perpetrators, victims, and observers to an initial act of unethical behavior. These reactions, in turn, are motivated by the actors' social cognition triggered by an initial act of unethical behavior, and depend on their social relationships to others. For example, if a colleague at work whom I like becomes the victim of harassment, I may develop an aversive relationship towards the perpetrator(s), and may even try to take revenge on behalf of my colleague. Or if I see a trusted colleague cheating on his expenses, I may do the same, because I believe what he does is certainly ok for me to do, too. The theoretical framework developed in Chapter II shows that the social relationships of the actors involved in an initial act of unethical behavior impact in multiple ways the likelihood that unethical behavior spreads. It reveals furthermore that social relationships may change in the wake of unethical behavior, such that indirect negative consequences can arise for organizations as a result of unethical behavior.

The following chapter, *“Painting with the same brush? Surveying unethical behavior in the workplace using self-reports and observer-reports”* is co-authored with Muel Kaptein. He supported the development of the research question, advised on the data analysis and collaborated in the final stages of drafting the manuscript. This chapter moves from the theoretical to the empirical method, and turns to a fundamental challenge facing empirical research on unethical behavior: measuring unethical behavior. Surveys are a popular way among academics, professional organizations, and businesses to measure the frequency of unethical behavior in (business) organizations. In such surveys, respondents can either be asked to report on their own unethical behavior (self-reports), or they can be asked to report on unethical behavior by others which they have observed (observer-reports).

Whether I have to report on unethical behavior by others or on my own unethical behavior makes quite a difference from a psychological perspective.

Reporting on unethical behavior by others can trigger concerns about tattling; reporting on my own unethical behavior can trigger – consciously or unconsciously – concerns about the kind of person I appear to be to others (including the researchers) and am in my own eyes, as well as concerns about potential negative consequences for me if I admit to such behavior. Some of these concerns are motivated by the anxiety about social relationships: Will my reporting have a negative impact on my relationships to others? Both socially motivated and other concerns can affect my willingness to respond and the accuracy of my responses. The impact of these concerns implies that the different ways of asking about unethical behavior in surveys have advantages and disadvantages for the quality of data provided. While researchers differ in their opinions about the relative advantages and disadvantages of the different methods, the pivotal question is to what extent conclusions about the level of unethical behavior may differ because of the different methods employed. To address this question, Chapter III empirically compares the level of unethical behavior measured by observer-reports to the level of unethical behavior measured by self-reports in a sample of employees from Switzerland.

While unethical behavior by others is treated in Chapter III as a phenomenon about which a focal individual can be asked to provide information to the extent that he has observed it, Chapter IV *“Adding the yardstick to the monkeys: examining the interplay between descriptive and injunctive norms in organizations”* adopts another perspective on unethical behavior by others. From this perspective, behavior by the others in a focal individual’s social environment defines what is considered normal or common behavior; in other words, it establishes the norm of ‘is’. In addition to the norm of ‘is’, however, in each social environment, there are also the norms of ‘ought’, or the rules. For example, a firm’s policy may state that all employees have to accurately record their working time, including deducting breaks they take (the ‘ought’ norm), while it is common knowledge among the employees that in fact no one deducts the breaks taken from their working time (the ‘is’ norm). Chapter IV asks how the unethical behavior of others (the ‘is’ norm) and the organization’s rules (the ‘ought’ norm) together influence

the behavior of a focal individual. These two types of norms can combine in different ways to influence the focal individual's behavior: The first possibility is that the individual mainly looks at unethical behavior by the others, and tends to follow their example, unless there are strong rules prohibiting unethical behavior which prevent him from doing so. The second possibility is that the individual generally attends to the rules that apply in a given social environment, but then looks at the behavior by the others to see how exactly the rules are understood and applied by the others before deciding whether to behave in line with the rules. I empirically test these two competing possibilities using data from the same sample as in Chapter III.

With Chapter V, we turn from descriptive analyses as provided in Chapters II through IV to normative analysis, and change the focus from unethical to ethical behavior, while retaining the focus on the social relationships between me and the others. This chapter, called "*Relationships to persons with names and faces: venturing a relational normative core for stakeholder theory*", takes up one of the most well-known and influential frameworks in business ethics research and practice: stakeholder theory. Most research on stakeholder theory as well as most applications of the stakeholder concept in managerial practice treat stakeholders as abstract generic groups, typically listing employees, customers, suppliers, owners, etc. as stakeholders. Chapter V, by contrast, follows a reinterpretation of stakeholder theory that brings into focus the concrete, unique individuals hidden behind these group labels (McVea and Freeman 2005). It asks whether philosophically grounded normative principles for this reinterpretation of stakeholder theory can be identified. The pivotal idea for establishing such normative principles stems from the work of two important continental philosophers of the 20th century, Martin Buber and Emmanuel Levinas. It is the idea that through our relationship to another human being – a kind of relationship that is distinctively human – we have certain unconditional responsibilities towards him or her. From an analysis of these fundamental responsibilities, three normative principles each for the governance of organizations and for managerial action can be derived. These can serve as the basic rules for ethical behavior by managers and employees of (business)

organizations that reflect an individual-focused reinterpretation of stakeholder theory. In relation to the overarching question of this dissertation about the role of social relationships to others for an individual's (un)ethical behavior in an organization, this chapter also highlights several reasons why applying these normative principles is challenging in contemporary organizations, therefore rendering unethical behavior more likely.

Each of these four main chapters examines the implications of social relationships for ethical and unethical behavior from a different vantage point. The concluding Chapter VI summarizes the insights gained in the four main chapters, connects these to the overarching research question and explores directions for future research as well as implications for organizational practice. Before embarking on the journey through the four main chapters, one more step is in order: the definition of the two core concepts of this doctoral dissertation, (un)ethical behavior and social relationships.

4 Laying the fundament

The first core concept of this doctoral dissertation, ethical behavior, is defined as behavior “that is both legal and morally acceptable to the larger community”, and unethical behavior as behavior that is “either illegal or morally unacceptable to the larger community” (Jones 1991, p. 367). As Jones (1991, p. 367) observed himself, this definition is relativistic – it depends on a community’s judgement –, and imprecise – it remains silent about the specific criteria which that community may apply to determine what is legally or morally acceptable. This implies two disadvantages: First, by relying on what a certain community defines as morally acceptable, when “groups of people [...] accept the most atrocious and horrendous things” (Tenbrunsel and Smith-Crowe 2008, p. 550), these things would be categorized as ethical under this definition. Second, this definition does not “truly explicate the content of what is ethical” (Tenbrunsel and Smith-Crowe 2008, p. 550).

Table I.2
Overview of the perspectives employed in the main chapters of this dissertation

Chapter	Landmark 1: Normative - descriptive	Landmark 2: Analytic - continental	Landmark 3: Levels	Landmark 4: Type of process	Objective	Method	Temporal orientation	Thematic focus	Behavioral focus	Role focus
II	Descriptive	n/a	Interpersonal, intra-individual	Deliberative and non- deliberative	Theory development	Theoretical	Dynamic	Social network analysis	Unethical behavior	Perpetrator, victim, observer
III	Descriptive	n/a	[Interpersonal, intra-individual]	[Deliberative and non- deliberative]	Methodological comparison	Empirical	Static	Approaches to survey data collection	Unethical behavior	Perpetrator, observer
IV	Descriptive	n/a	Organizational, interpersonal, intra-individual	Deliberative and non- deliberative	Theory testing	Empirical	Static	Social norms	Unethical behavior	Perpetrator, observer
V	Normative	Continental philosophy	n/a	n/a	Theory development	Theoretical	n/a	Stakeholder theory and continental philosophy	Ethical behavior	Perpetrator, victim

To counter the first objection against this definition, the following argument can be raised. Unless one is willing to refer to some higher non-human authority that unequivocally sets, and somehow communicates, the standard for what constitutes acceptable behavior for all human beings, it is hardly conceivable how to define such a standard without reference to the consensus of some group of human beings. Whether a group that can validly define such a standard has to include all human beings living in the world, or whether it is some smaller group, is, admittedly, not resolved by this definition. With respect to the second objection, it can be argued that a precise substantive determination of what is ethical in general can hardly be achieved: More often than not, the situations in human life involve ambiguity (Warren and Smith-Crowe 2008), and include some unique features and circumstances which render the application of a substantive definition to this concrete situation ambiguous. It is impossible to draft an exhaustive list that would describe, for all possible situations, how to apply a definition or standard. Further, as societies and available technologies evolve, new situations and questions constantly arise, which require additional definitions of what is ethical. I therefore still believe that the definitions provided by Jones (1991) adopted in this doctoral dissertation are appropriate for the current purposes, while acknowledging that they are not without limitations.

Further, I prefer the term unethical behavior over related terms and concepts that have been used in social science research in the field of business ethics and related fields, such as organizational misconduct (e.g. Greve et al. 2010), corruption (e.g. Ashforth et al. 2008), white-collar or corporate crime (e.g. Shover and Hochstetler 2006), workplace deviance (e.g. Bennett and Robinson 2000), or counterproductive work behavior (e.g. Klotz and Bolino 2013). While all of these concepts have some overlap with unethical behavior, some include behaviors that may not be unethical, but merely undesirable for other reasons (e.g. counterproductive work behavior, workplace deviance), and others include only a sub-set of unethical behavior (e.g. corporate crime, corruption). I prefer the term unethical behavior for two main reasons. First, it is well-established and widely used in the field of business ethics research, as evident for

example in major reviews (e.g. Kish-Gephart et al. 2010; Tenbrunsel and Smith-Crowe 2008; Treviño et al. 2006; Treviño et al. 2014a). The second reason leads back to the discussion of descriptive and normative research provided earlier in this introduction. By using the term unethical behavior, the intimate connection between these two types of research in business ethics becomes clear: Descriptive empirical (social science) research on unethical behavior is only possible with a definition of what specific behavior constitutes unethical behavior for the purpose of the specific empirical study, which in turn is a normative question (Warren and Smith-Crowe 2008). As Tenbrunsel and Smith-Crowe (2008, p. 551) argue, it is crucial to recognize the normative dimension inherent in descriptive business ethics research in order to establish the relevance of ethical considerations and values both in management research and practice.

Turning to the second core concept used in this doctoral dissertation, a social relationship is a connection, or a tie, between two individuals. Such a connection arises as a result of interaction between the two individuals, and the frequency of interaction is one of the dimensions along which social relationships differ. Other dimensions include reciprocity, symmetry, emotional intensity and intimacy (Brass et al. 1998). For example, there is much more emotional intensity in the relationship to one's spouse than to an acquaintance. Two individuals can also be linked by more than one type of relationship (multiplexity) (Brass et al. 1998). For example, I can be a neighbor and a work colleague of a person at the same time. Social relationships can also have different affective valences: they can be positive (like) or negative (dislike) (Labianca and Brass 2006).

With this last definition, I end this introduction. I have described the motivation for this doctoral dissertation, established the overarching research question, provided a brief overview of the relevant field of research, and sketched the four main chapters which follow next.

Chapter II

SPREAD OF UNETHICAL BEHAVIOR IN ORGANIZATIONS: A DYNAMIC SOCIAL NETWORK PERSPECTIVE^a

1 Introduction

The Occupy Wall Street movement has most vividly expressed a loss of trust in the prevailing (Western) economic and political systems in the aftermath of the global financial crisis. A “pattern of dishonesty on the part of financial institutions” (Stiglitz 2008, p. 30) that is considered to have contributed to the global financial crisis has fueled this loss of trust not only within this movement, but also with many citizens. This illustrates that the negative consequences of widespread unethical behavior in organizations can be significant, not only for the involved organizations, but also for society, because organizations are the central agents in today’s economic and political systems. To be able to limit the spread of unethical behavior and avoid negative consequences, those managing and regulating organizations need an understanding of the processes by which unethical behavior spreads in organizations, and of the conditions under which unethical behavior is particularly likely to spread.

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This study aims at identifying such processes and conditions to further the understanding of the spread of unethical behavior, which is defined as an increase over time in the number of acts of unethical behavior, and in the number of actors involved in these acts (see also *spread, n.* (Def. 4b). March 2013; *spread, v.* (Def. 6, 12a). March 2013). In other words, the spread of unethical behavior occurs when an initial act of unethical behavior is followed by subsequent acts of unethical behavior (e.g. Ashforth and Anand 2003; Palmer 2008) by actors actively or passively involved in the initial act. Unethical behavior is behavior that is “either illegal or morally unacceptable to the larger community” (Jones 1991, p. 367).

The spread of unethical behavior in organizations has mainly been studied in terms of group-level processes occurring in a general social context (e.g. den Nieuwenboer and Kaptein 2008; Pinto et al. 2008), prescinding from specific relationships between actors involved in an act, or has focused on collective acts (e.g. Ashforth and Anand 2003; Brief et al. 2001). The role of social relationships for understanding the phenomenon of unethical behavior in organizations has been emphasized by Brass et al. (1998) who have applied a social network perspective. In their account for the spread of unethical behavior, they have argued that relationships between perpetrators and observers lead to similar attitudes towards unethical behavior, which in turn can cause the spread of unethical behavior from perpetrators to observers. Building on Brass et al.’s (1998) work, this study draws upon recent advances in modeling the evolution of social networks and findings in business ethics research to propose a dynamic actor-oriented social network framework for examining the spread of unethical behavior.

The dynamic social network perspective proposed here extends current theoretical approaches to the spread of unethical behavior in two important respects. First, a three-fold role of social relationships in the process of spread is proposed. In addition to considering social relationships as channels for the transmission of social information about unethical behavior as in extant research (e.g. ideologies and practices in Ashforth and Anand 2003; attitudes in Brass et al. 1998; norms in den Nieuwenboer

and Kaptein 2008), the proposed perspective also considers how an actor's social relationships influence his cognitive appraisal of, and ensuing behavioral reaction to an act of unethical behavior. Furthermore, the proposed perspective examines how social relationships can change as a result of unethical behavior, rather than regarding them as antecedent factors only, and how such changes can facilitate further unethical behavior in later stages. Second, the role of perpetrators, victims, and observers in spreading unethical behavior is examined. While extant research on the spread of unethical behavior mainly analyzes the role of perpetrators and observers, considerable work on retaliation and revenge in the workplace (e.g. Bies and Tripp 2004; Skarlicki and Folger 2004) has shown how victims' reactions can also lead to the spread of unethical behavior.

The mutual dependencies between actors' interpersonal relationships and their involvement in acts of unethical behavior are represented in a dynamic actor-oriented social network framework that includes actors' interpersonal relationships as well as their relationships to acts of unethical behavior as perpetrators, victims, or observers. In this theoretical framework, the spread of unethical behavior is conceptualized as arising from perpetrators', victims', and observers' reactions to initial unethical behavior in the context of their specific social relationships. The actors' reactions are explained by drawing on theories of social cognition and findings from behavioral business ethics research, and are represented in the framework as changes in the actors' relationships to acts of unethical behavior and other actors.

This study's focus on the spread of unethical behavior implies that possibilities to confine the spread of unethical behavior are beyond its scope. Accordingly, I also focus on subsequent unethical behavior as a reaction to an initial act of unethical behavior, rather than on other reactions such as confronting the perpetrators, reporting, whistleblowing, or reconciliation (e.g. Gundlach et al. 2003; Kaptein 2011a; Palanski 2012). The micro-level perspective on individual actors' reactions in the context of their relationships applied here implies that well-known macro-level characteristics of networks such as structural holes, density, or cliques are not

discussed. Finally, I examine how unethical behavior spreads once an initial act has been committed, and do not examine the emergence of initial acts of unethical behavior. In their pioneering article, Brass et al. (1998) have studied the “question of under what social network conditions are we likely to see unethical behavior” (Brass et al. 1998, p. 15).

The remainder of this study is structured as follows. First, the dynamic social network perspective on the spread unethical behavior in organizations is described. Next, I propose when and why perpetrators, victims, and observers are likely to react to an initial act of unethical behavior by committing subsequent acts, and translate these reaction tendencies into the social network framework. I conclude by discussing the proposed framework, its implications and limitations and provide guidance for future research.

2 Social networks and the spread of unethical behavior

The focus on social relationships between actors is at the core of social network analysis (Brass et al. 1998). Brass et al. (1998) have pioneered a social network perspective on ethics and ethical behavior in organizations and have inspired a variety of research analyzing social networks and unethical behavior at different levels of analysis (e.g. Lyons and Scott 2012; Sullivan et al. 2007). A Special Issue of the *Journal of Business Ethics* dedicated to network ethics, which focused in particular on the impact information and communication technologies (Vaccaro et al. 2009), illustrates the broad range of possible applications of a social network perspective. While researchers use *concepts* from social network analysis in their analysis of unethical behavior (e.g. Moore 2009; O’Fallon and Butterfield 2011; Shadnam and Lawrence 2011), research using social network *models* still appears to be rather rare.

In their analysis of the spread of unethical behavior, Brass et al. (1998) propose two mechanisms to explain why observers of an initial act of unethical behavior commit subsequent acts. The cohesion mechanism suggests that when there is a positive

relationship between two actors, they interact and communicate more frequently, are therefore likely to develop similar attitudes towards unethical behavior, and to imitate each other's unethical behavior (Brass et al. 1998, p. 25). In the equivalence mechanism, actors who are similarly positioned in the network compare themselves with each other and are indirectly aware of the other's behavior. Therefore, they tend to adopt the other's attitudes towards unethical behavior, and to imitate the other's behavior (Brass et al. 1998, p. 25). These two mechanisms focus exclusively on the role of social relationships between perpetrators and observers as channels for the transmission of attitudes. By contrast, the possibility that social relationships impact reactions to unethical behavior, the role of the victim and his relationships, as well as the impact of unethical behavior on social relationships are not considered. By including these elements in a social network framework for the spread of unethical behavior, a more comprehensive view on the processes which can cause the spread of unethical behavior can be achieved.

2.1 Relevant actors and social relationships

Research has investigated how different actors actively or passively involved in acts of unethical behavior react to this experience. One line of research has focused on how perpetrators react to their own acts (e.g. Tenbrunsel and Messick 2004; Zhong et al. 2009; Zhong et al. 2010); a second line of research has examined victims' reactions (e.g. Aquino et al. 2001; Aquino et al. 2006; Bies et al. 1997; Kim et al. 2008; Mitchell and Ambrose 2012; Tripp et al. 2007), and a third line has studied observers' reactions (e.g. Gino et al. 2009b; O'Fallon and Butterfield 2011; O'Fallon and Butterfield 2012; O'Reilly and Aquino 2011; Robinson and O'Leary-Kelly 1998; Rupp and Bell 2010; Umphress et al. 2013). This research indicates that each of these actors can react to an act of unethical behavior by committing subsequent acts, or, alternatively, by engaging in other, pro-social behaviors, and underscores the importance of considering reactions of all three actors when investigating the spread of unethical behavior. The reasons

which motivate subsequent unethical behavior, however, differ between perpetrator, victim, and observer, and will be discussed later.

From a social network analysis perspective, perpetrators, victims, and observers can be seen as having each a specific type of relationship to an act of unethical behavior. These specific relationships can be represented in two-mode networks. Two-mode networks are used in social network analysis to represent actors' participation in activities or membership in groups (Borgatti and Halgin 2011). For example, a perpetrator and an observer of a given act of unethical behavior can be thought of as being involved in the same act, where each has a distinct type of relationship to the act.

With respect to interpersonal relationships, Brass et al. (1998) have described how positive or neutral relationships between observers and perpetrators can lead observers to imitate the perpetrator's unethical behavior. They have also noted that negative relationships are expected to be positively related to unethical behavior due to the lack of empathy and psychological proximity implied by such relationships (Brass et al. 1998, p. 18). Negative relationships "represent an enduring, recurring set of negative judgments, feelings and behavioral intentions toward another person" (Labianca and Brass 2006, p. 597). Even though most relationships in organizations are positive or at least neutral (Labianca and Brass 2006; Robins et al. 2009), negative relationships have a greater impact on task-related and socioemotional outcomes compared to positive or neutral relationships due to their higher salience (Labianca and Brass 2006). Due to this negative asymmetry, negative relationships can be expected to have an important impact on the spread of unethical behavior, and should be considered in the social network perspective along with positive relationships. The specific role of negative relationships in the spread of unethical behavior will be discussed later when describing the reactions of perpetrators, victims, and observers.

2.2 Emergence of reactions in social networks: social cognition

To understand when actors are likely to commit subsequent unethical behavior after their involvement in an initial act we need to examine how their reactions emerge. The

reactions of perpetrators, victims, and observers to an act of unethical behavior are based on their perception and interpretation of this social event, rather than on its objective characteristics (if such objective characteristics exist at all) (Sonenshein 2007). Perpetrator, victim, and observer each have a different perspective on the act, and therefore react differently. These different reactions, however, can all be seen as the outcome of a process of social cognition (e.g. Aquino et al. 2001; Gundlach et al. 2003; O'Reilly and Aquino 2011) taking place in the context of the actors' social relationships. Affective events theory (Weiss and Cropanzano 1996) describes this process of social cognition as a three-stage appraisal process, in which actors interpret the information conveyed by a social event, and then react based on their appraisal (Weiss and Cropanzano 1996). Each stage of this process is described below, and will be examined from the specific perspectives of perpetrator, victim, and observer later in this study.

2.2.1 Initial affective appraisal

The process "begins with an event which is initially evaluated for relevance to well-being in simple positive or negative terms" (Weiss and Cropanzano 1996, p. 31) by the actor. A negative event is defined as "one that has the potential or actual ability to create adverse outcomes for the individual" (Taylor 1991, p. 67). Events which carry an initial negative affective evaluation elicit higher physiological and psychological arousal compared to positive events, and lead to increased causal reasoning in the next stage of the appraisal process (Bohner et al. 1988; Martinko et al. 2002; Taylor 1991; Weiner 1985a).

From a perpetrator's perspective, his act of unethical behavior exposes him to the risk of social and self-sanctions, and can therefore represent a negative event. For a victim, the adverse outcome of the event is manifest in the perceived harm caused to him by the act of unethical behavior. For an observer, an act of unethical behavior can be a negative event, because it can indicate that he might become victim of such behavior in the future; because sanctions directed against the perpetrator could also affect him to the extent that he is socially related to the perpetrator; and/ or because

the moral norms of the community are violated, thereby threatening the social order and the welfare of the community as a whole (Haidt 2003). A perpetrator's, victim's, or observer's evaluation of an act of unethical behavior as negative event triggers a process of intensive causal reasoning and attributions in the secondary cognitive appraisal stage.

2.2.2 *Secondary cognitive appraisal*

The search for a causal explanation represents a sense-making process (Martinko et al. 2002, p. 41). Attribution theory (Kelley 1973) describes how actors generate causal explanations to make sense of their and other's behavior. Based on these causal explanations, actors form judgments of responsibility for their own or others' behavior (Weiner 1985b; Weiner 1995). Attribution theory has been fruitfully applied to explain reactions to negative events in research on counterproductive workplace behavior (Martinko et al. 2002), workplace aggression and revenge (Aquino et al. 2001; Aquino et al. 2004; Martinko and Zellars 1998), abusive supervision (Bowling and Michel 2011; Shoss et al. 2013), injustice and mistreatment in organizations (Mikula 2003; O'Reilly and Aquino 2011), and whistle-blowing decisions (Gundlach et al. 2003).

According to attribution theory, the causal analysis leading to a judgment of responsibility involves the consideration of three main elements (Weiner 1995): whether the actor or the situation is the main cause (personal vs. situational causality); whether the actor can willfully control his behavior (controllability); and whether any mitigating circumstances are present which could explain the actor's behavior. If personal causality, controllability, and the absence of mitigating circumstances are established, an actor is assigned responsibility for his act of unethical behavior. Finally, Weiner (1995) argues that the degree of responsibility assigned to an actor depends on the assessment of intention as opposed to negligence on the part of the actor in committing the act.¹

The consideration of personal causality, controllability, mitigating circumstances, and intention is subject to biases, both when actors examine their own

and when they examine others' behavior (Martinko et al. 2006). The biases depend on the actor's position in relation to the act under consideration, and will therefore be different for perpetrator, victim, and observer of an act of unethical behavior. I discuss those biases later when addressing the specific reactions of perpetrator, victim, and observer. With the assignment (or not) of responsibility for an act of unethical behavior, the secondary cognitive appraisal of the act is completed.

2.2.3 *Tertiary emotional appraisal*

The cognitive appraisal then gives rise to "discrete emotions like anger, sadness and joy" (Weiss and Cropanzano 1996, p. 31) in the third stage of the process (Weiner 1985b; Weiner 1995). Emotions imply a certain state of action readiness and create action tendencies to "establish[ing] or modify[ing] the relationship between the subject and a concern-relevant target" (Frijda and Parrot 2011, p. 407). These action tendencies become manifest in the behavioral reaction to the event (Weiner 1995). While behavioral reactions to social events can be motivated by different positive or negative emotions, two negatively valenced moral emotions (Haidt 2003; Tangney et al. 2007) are especially relevant for the emergence of reactions to unethical behavior: guilt and anger. Positively valenced moral emotions (elevation, gratitude, and moral pride, Tangney et al. 2007) are less relevant as I examine reactions to unethical (rather than ethical) behavior. Guilt and anger motivate reactions to moral transgressions (Haidt 2003; Tangney et al. 2007) and signal the need for corrective reactions (Haidt 2003, p. 862) in the wake of unethical behavior. In the absence of these emotions, no motivation for corrective action is triggered, which paves the way for reactions that reinforce rather than counteract the initial act of unethical behavior.

Guilt arises when an actor judges himself to be responsible for an act of unethical behavior (Weiner 1985b; Weiner 1995). Anger arises when an actor judges another actor to be responsible for an act of unethical behavior (Gundlach et al. 2003; Weiner 1995). Both anger and guilt have an interpersonal dimension, which is particularly important from a social network perspective: Anger is other-condemning

(Haidt 2003), in that actors are angry at others (Gibson and Callister 2010), and evokes behavioral tendencies to attack or get back at the actor held responsible for the reprehensible behavior (Folger and Skarlicki 2004; Haidt 2003; Weiner 1995). Guilt in turn arises in particular when harm is caused to a relationship partner (Baumeister et al. 1994; Haidt 2003) and involves other-oriented concerns (Tangney et al. 2007). Baumeister et al. (1994, p. 246) posit that guilt “combines empathic distress with a self-attribution of causal responsibility for the other’s suffering”. Guilt by consequence triggers the motivation to make up for one’s behavior and the damage caused (Haidt 2003; Tangney et al. 2007), and can motivate compensatory ethical actions as shown for example by Zhong and Liljenquist (2006) and Zhong et al. (2009; 2010).

To summarize, perpetrators’, victims’, and observers’ relationships to acts of unethical behavior, their positive and negative interpersonal relationships, as well as their reactions to the acts actors are the key elements of a social network framework for the spread of unethical behavior in organizations. The basis for such a framework is provided by a type of dynamic social network model that allows for these features: an actor-oriented model for the evolution of networks.

3 Integrating relationships and reactions: actor-oriented models for network dynamics

Researchers interested in how social relationships influence behavior over time, and vice versa, have applied stochastic actor-oriented models for network dynamics. For example, they have studied the co-evolution of friendship networks and delinquent behaviors among adolescents (Burk et al. 2007), or the selection and influence effects of aggression in adolescent friendship networks (Dijkstra et al. 2011; Sijtsema et al. 2010). In an organizational context, Schulte, Cohen, and Klein (2012) have studied the co-evolution of interpersonal relationships and perceptions of team psychological safety using this type of model.

In stochastic actor-oriented models of network dynamics, a network of directed ties (i.e. a tie from actor i to actor j is distinct from a tie from actor j to actor i) evolves over time through the actions or decisions of the actors in the network. Actors change their relationships such that they “attain a rewarding configuration of the network” (Huisman and Snijders 2003, p. 257) as formally defined in their *objective function* or *evaluation function*. This function probabilistically determines what change actors make in their current outgoing ties when given the opportunity to do so, and characterizes the “actor-driven micro-mechanisms” of the network (Snijders et al. 2010, p. 45-46). Components of this objective function are the so-called *effects*, which capture an actor’s tendency to create (or terminate) relationships in response to specific constellations in his relationships (Snijders et al. 2010). A simple example for such an effect is the tendency to reciprocate friendship, i.e. when an actor receives a friendship tie from another actor, he tends to also send a friendship tie to the other actor. Such models also contain a component which determines when and which actors have the opportunity to make a change. These opportunities are assumed to arise stochastically in continuous time, and are modeled in the so-called *rate function*.

The core of actor-oriented models for network dynamics are actors’ evaluation functions with respect to interpersonal relationships and activities. These functions reflect how actors tend to behave in reaction to the current constellation in their interpersonal relationships and activities, and thus drive the evolution of the interpersonal relationships and activities. When applying such models to a particular domain, actors’ behavioral tendencies are identified on the grounds of relevant theories and previous empirical findings in this domain, and are then formalized as effects in the evaluation functions. In the context of the current study, effects are derived from the reaction tendencies of perpetrators, victims, and observers following an act of unethical behavior, that emerge from the appraisal process described in the previous section.

Recently, Snijders et al. (2013) have provided a specification of stochastic actor-oriented models that includes both interpersonal and activity networks (one-mode and

two-mode networks), as well as different types of relationships between actors (multiplexity). The structure of this model provides the basis for a framework in which the spread of unethical behavior can be studied as a dynamic process in social networks driven by individual actors.

3.1 A dynamic actor-oriented framework to examine the spread of unethical behavior

3.1.1 Relationships

Positive (or neutral) and negative relationships between actors are represented in interpersonal (one-mode) networks. The actors' relationships to acts of unethical behavior can be thought of as ties in two-mode networks connecting actors to acts (activity networks). Three types of relationships between actors and acts are distinguished: perpetrator, victim, and observer relationships, referred to as P-, V-, and O-relationships respectively for convenience. The relationship between actors and acts is considered as enduring (Snijders et al. 2013): while the actual physical act of unethical behavior may be completed in a relatively short time, an actor will remain associated with this act through his cognitive representation of his relationship to the act. It is this enduring cognitive representation of the relationship on which the actor's reaction depends, and which therefore is relevant for the spread of unethical behavior.

The ties to actors and to acts are directed, i.e. there is a sender and a receiver. In activity networks, only actors can send relationships to acts; acts of unethical behavior have no agency (Snijders et al. 2013). For perpetrators, sending a relationship to an act of unethical behavior represents committing the act. The commission of an act by a perpetrator does not imply that there necessarily will be other actors who perceive themselves as victim or observer of this act; however, a perpetrator needs to have committed an act of unethical behavior in order for other actors to be able to become victims or perpetrators of an act. Other actors first have to become aware of the perpetrator's act in order to become involved in the act as victim or observer: whether an individual actor should be considered as victim of an act of unethical behavior

depends on this individual's perception of having been exposed to harmful behavior (Aquino et al. 1999, p. 260).² Only actors who perceive themselves as victims of an act will react to this act based on this perception. Similarly, only actors who directly or indirectly become aware of an act of unethical behavior will react as observers. Therefore, victims and observers are considered to be the originators of their relationships to acts of unethical behavior in this framework.

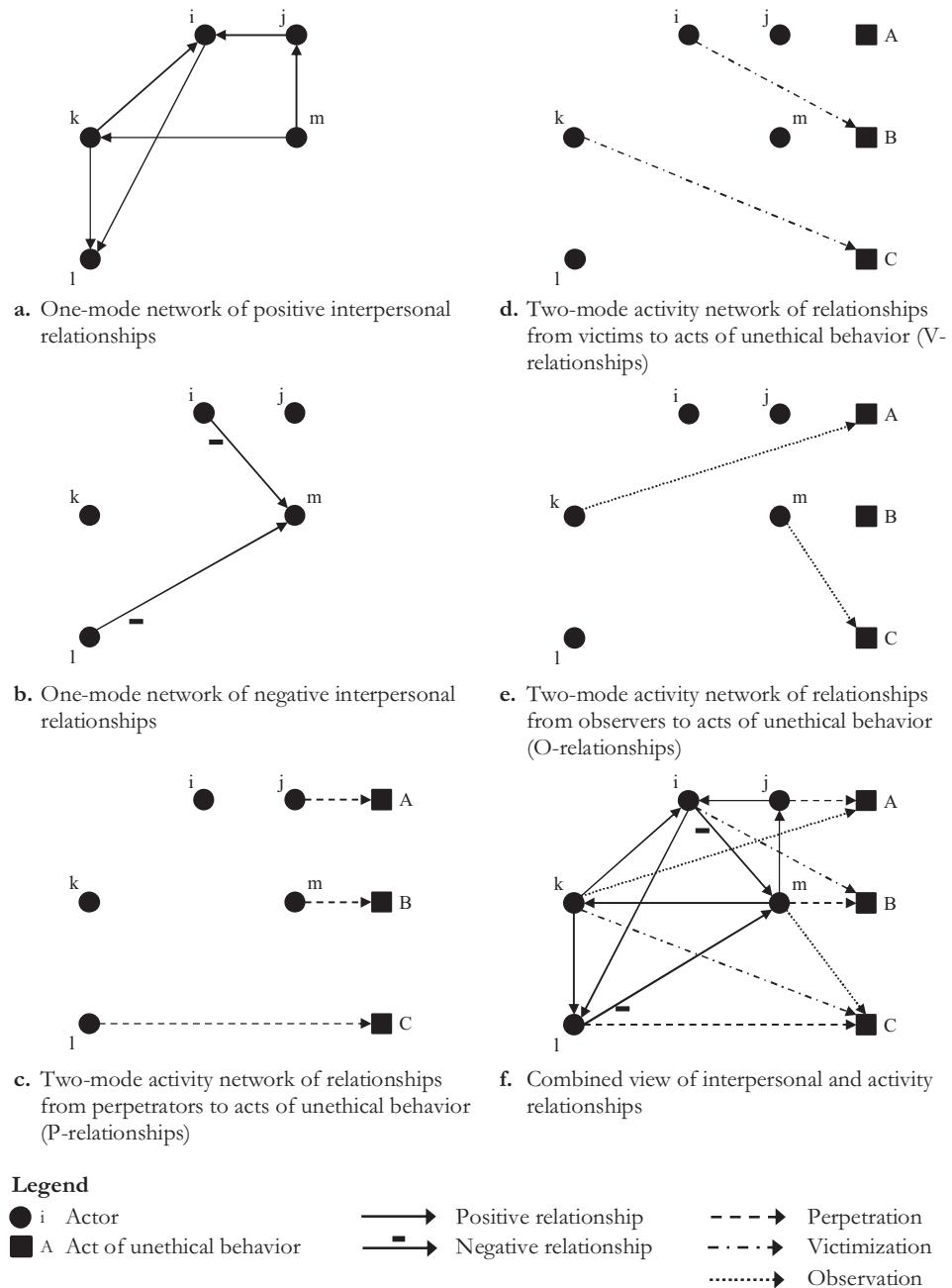
Figure II.1 illustrates the elements of the framework just described for a situation where acts of unethical behavior have been committed, where there are victims and/ or observers of the acts, and where positive and negative relationships between actors exist.

3.1.2 *Reactions*

Actors react to the constellation of their current relationships to actors and acts of unethical behavior, such that relationships evolve through “processes where one tie is formed as a reaction to the existence of other ties” (Snijders et al. 2010, pp. 45-46). Reactions to acts of unethical behavior are thus represented by changes actors make in their relationships to acts or actors given their relationship to an initial act. For example, when subsequent acts of unethical behavior are committed in reaction to an initial act, actors create new P-relationships to acts. Actors can also change their interpersonal relationships in response to their involvement in an act. A victim, for instance, can create a negative relationship to a perpetrator.

Once a change in a relationship has been made by an actor, the resulting new configuration of the relationships constitutes the initial state for the next step, in which changes to the relationships are made in response to that (new) initial state, and so forth. In other words, an act of unethical behavior triggers a reaction – represented by a change of a relationship in this framework –, and this reaction in turn triggers a next reaction, such that unethical behavior can spread through a chain of reactions after an initial act.

Figure II.1
Illustration of key elements of the dynamic actor-oriented social network framework



4 The spread of unethical behavior through perpetrators, victims and observers in a dynamic actor-oriented framework

Perpetrators, victims, and observers appraise an act of unethical behavior from their specific perspectives and react according to their appraisal. In this process, interpersonal relationships can be conduits for information about acts, can influence the actors' reactions through their impact on the appraisal, and can change as a result of actors' cognitive appraisal of an act of unethical behavior. These three roles of interpersonal relationships are reflected in different effects in the dynamic actor-oriented framework described in the following sections. Propositions summarize the circumstances under which unethical behavior is likely to spread, and through which type of reactions this is likely to occur. Table II.1 provides an overview of the effects, and includes an illustration along with a formulation of the effects in more technical terms proper to social network analysis.

4.1 *Perpetrator's perspective and reaction*

4.1.1 *Biased attribution*

Actors exhibit a self-serving bias in making attributions for their outcomes and behaviors to maintain a positive self-concept: negative events tend to be attributed to external, unstable, and specific causes, while positive events tend to be attributed to internal, stable, and global causes (Martinko and Gardner 1987; Martinko et al. 2006; Mezulis et al. 2004). Biased causal reasoning also occurs in the domain of (un)ethical behavior, where individuals are motivated to avoid the conclusion that they are responsible for their unethical behavior (Tenbrunsel and Messick 2004). Research on rationalization (e.g. Ashforth and Anand 2003; Bandura et al. 1996; Bandura 1999; Sykes and Matza 1957) has identified various techniques that are used by perpetrators to retrospectively defend, or prospectively enable unethical behavior. Techniques such as denial of injury and denial of victims, social weighting, appeal to higher loyalties, and obedience to authorities (Ashforth and Anand 2003; Moore 2008; Sykes and Matza

1957) allow perpetrators to negate the harm caused by their behavior, to deny personal causality and controllability, and to construct mitigating circumstances such that judgments of responsibility can be avoided (Weiner 1995).

Baumeister et al. (1994) view these strategies as means for perpetrators to avoid feelings of guilt. Without perceived personal responsibility for an act of unethical behavior, perpetrators can “disengage from moral self-sanctions” (Pillutla 2011, p. 356) in the form of guilt, and can view themselves as moral persons. Guilt serves an inhibitory function (Tangney et al. 2007, p. 354) and motivates corrective or reparative reactions (Haidt 2003; Tangney et al. 2007). Conversely, its absence enables further unethical behavior by the perpetrator. Further unethical behavior is also facilitated as retrospective rationalizations of initial acts can serve as blueprint for prospective rationalizations of subsequent acts of unethical behavior. Perpetrators’ tendency to engage in subsequent unethical behavior corresponds to the following effect in the social network framework:

Effect 1 – repetition effect: *A P-relationship from actor i to act A leads to the creation of a P-relationship to act B by actor i.*

4.1.2 Impact of perpetrator’s social relationships on his reactions

The perpetrator’s appraisal of his initial act of unethical behavior and the ensuing reaction also depends on his direct and indirect social relationships to the victim. Feelings of guilt are particularly likely to arise as a result of behavior which causes harm to others (Baumeister et al. 1994; Tangney 1992), and when there is a communal (positive) relationship between the perpetrator and the affected others (Baumeister et al. 1994; Haidt 2003). A positive relationship to the victim implies that the perpetrator is likely to have an empathic concern for the victim’s suffering (Baumeister et al. 1994), which fosters feelings of guilt. Therefore, a pre-existing positive relationship from the perpetrator to the victim increases the likelihood that the perpetrator’s appraisal process results in feelings of guilt, which inhibit subsequent acts of unethical behavior.

Table II.1
Summary of proposed effects in the dynamic actor-oriented framework

Effect no.	Related actor	Description of effect	Description of effect in social network analysis terminology	Graphical presentation
1	Perpetrator	<i>Repetition effect:</i> A P-relationship from actor i to act A leads to the creation of a P-relationship to act B by actor i .	<i>Actor-level dependency between one- and two-mode networks:</i> There is a positive outdegree activity effect with respect to P-relationships.	
2	Perpetrator	<i>Retrospective rationalization effect:</i> A P-relationship from actor i to act A leads to the creation of a negative relationship to actor j by actor i .	<i>Actor-level dependency between one- and two-mode networks:</i> Activity in the network of P-relationships leads to activity in the network of negative relationships.	
3	Perpetrator	<i>Prospective rationalization effect:</i> A P-relationship from actor i to act A , and a negative relationship from actor i to actor j lead to the creation of a P-relationship to act B by actor i .	<i>Actor-level dependency between one- and two-mode networks:</i> Activity in the network of P-relationships and in the network of negative relationships lead to further activity in the network of P-relationships.	
4	Victim	<i>Specific rationalization victim:</i> A P-relationship from actor j to act A , a V-relationship from actor i to this act A , and a P-relationship from actor i to act B leads to the creation of a V-relationship from actor j to act B .	<i>Dependency between two-mode networks:</i> There is a tendency for multiplex four-cycles formed across V- and P-relationships, where two P-relationships and one V-relationship lead to another V-relationship (tendency for closure).	
5	Victim	<i>General rationalization effect victim:</i> A V-relationship from actor i to act A leads to the creation of a P-relationship by actor i to actor B .	<i>Actor-level dependency between one- and two-mode networks:</i> Activity in the network of V-relationships leads to activity in the network of P-relationships.	
6	Victim	<i>General attribution effect victim:</i> A V-relationship from an actor i to act A leads to the creation of a negative relationship from actor i to actor j .	<i>Actor-level dependency between one- and two-mode networks:</i> Activity in the network of V-relationships leads to activity in the network of negative relationships.	
7	Victim	<i>Specific attribution effect victim:</i> A V-relationship from actor i to act A and a P-relationship from actor j to the same act A lead to the creation of a negative relationship to actor j by actor i .	<i>Triadic dependency between one- and two-mode networks:</i> There is a tendency for mixed triplets formed across V-, P-, and negative relationships, where a P-relationship and a V-relationship lead to a negative relationship.	

Table II.1 – continued

Effect no.	Related actor	Description of effect	Description of effect in social network analysis terminology	Graphical presentation
8	Observer	<i>Observation-via-perpetrator effect:</i> A P-relationship from actor j to actor i to act A , and a positive relationship from actor i to actor j lead to the creation of an O-relationship from actor i to act A .	<i>Triadic dependency between one- and two-mode networks:</i> There is a tendency for mixed triplets formed across positive, P- and O-relationships, where a positive relationship and a P-relationship lead to an O-relationship.	
9	Observer	<i>Observation-via-victim effect:</i> A V-relationship from actor j to act A , and a positive relationship from actor i to actor j leads to the creation of an O-relationship from actor i to act A .	<i>Triadic dependency between one- and two-mode networks:</i> There is a tendency for mixed triplets formed across positive, V- and O-relationships, where a positive relationship and a V-relationship lead to an O-relationship.	
10	Observer	<i>Initiation/ retaliation effect observer:</i> An O-relationship from actor i to act A leads to the creation of a P-relationship to an act B by actor i .	<i>Actor-level dependency between two-mode networks:</i> Activity in the network of O-relationships leads to activity in the network of P-relationships.	
11	Observer	<i>Specific attribution effect observer:</i> An O-relationship from actor i to act A , and a P-relationship from actor j to the same act A lead to the creation of a negative relationship to actor j by actor i .	<i>Triadic dependency between one- and two-mode networks:</i> There is a tendency for mixed triplets formed across O-, P-, and negative relationships, where a P-relationship and an O-relationship lead to a negative relationship.	

Legend: Squares represent acts, circles represent actors. Solid lines represent positive relationships, solid lines with a minus sign next to them negative relationships, dashed lines represent P-relationships (perpetrators to acts), dashed-dotted lines V-relationships (victims to acts), and dotted lines O-relationships (observers to acts). Black ties are those which are assumed to exist first in a given effect, such that grey ties are formed in reaction to the existence of black bold ties.

Beyond a direct relationship, indirect positive relationships between perpetrator and victim, where they are connected through their relationships to an intermediary actor, also impact the perpetrator's reaction. They can create feelings of relatedness and empathy, but to a lesser extent than direct relationships, and accordingly have a weaker impact on the likelihood that feelings of guilt arise (Baumeister et al. 1994).

Conversely, the existence of a negative relationship or, to a lesser degree, the absence of a positive relationship, between the victim and the perpetrator reduces empathic concern, facilitates rationalization by the perpetrator, and lowers that likelihood that feelings of guilt arise. When the perpetrator perceives the victim to have "little in common" with him, and not to be related to him (Baumeister et al. 1994, p. 259), it is easier for him to believe that the victim deserved the harm (denial of victims, Ashforth and Anand 2003; Sykes and Matza 1957). The following proposition summarizes under which circumstances unethical behavior is likely to spread through the perpetrator of the initial act:

Proposition 1: Unethical behavior is more likely to spread through the perpetrator's reaction when the perpetrator has no direct and indirect positive pre-existing relationships, or has a pre-existing negative relationship, to the victim, compared to when the perpetrator has pre-existing direct or indirect positive relationships to the victim.

This proposition can be linked to arguments of cohesion in relation to actors' direct relationships (Bond and Harrigan 2011, p. 203; Brass et al. 1998, p.25). It suggests that unethical behavior towards actors outside the organization, such as suppliers or competitors, is more likely to lead to subsequent unethical behavior by the perpetrator, compared to unethical behavior towards actors inside the organization, because the perpetrator is more likely to have positive direct relationships to other actors inside the organization (higher cohesion) than to actors outside the organization (lower cohesion).

4.1.3 *Impact on perpetrator's social relationships*

Negative relationships cannot only facilitate rationalizations, but can instead be created as a result of rationalizations. Rationalizations which denigrate the victim imply a negative attitude towards the victim. Negative attitudes in turn characterize negative relationships (Labianca and Brass 2006). Hence, the perpetrator is likely to create a negative relationship to the victim of the initial act of unethical behavior because of the use of such rationalizations. This argument is reflected in the following social network effect:

Effect 2 – retrospective rationalization effect: *A P-relationship from actor i to act A leads to the creation of a negative relationship to actor j by actor i.*

When the rationalization employed involves the perception that “the victim is an interchangeable member of a social category” (Ashforth et al. 2008, p. 20) whose members deserve the harm negative relationships can also be created from the perpetrator to actors perceived as similar to the victim. Brass et al. (1998) have argued that negative relationships are positively related to unethical behavior, because negative relationships “do not include the constraining effect of empathy” (p.18). Accordingly, a negative relationship created in the aftermath of an act of unethical behavior can enable the prospective rationalization and commission of subsequent acts. This results in an indirect pathway for the spread of unethical behavior through the perpetrator, in which an initial act of unethical behavior leads to the creation of negative relationships which in turn lead to subsequent unethical behavior. In the social network framework, this pathway is captured by the following effect:

Effect 3 – prospective rationalization effect: *A P-relationship from actor i to an act A, and a negative relationship from actor i to actor j lead to the creation of a P-relationship to act B by actor i.*

To sum up, unethical behavior can spread through perpetrators because they use rationalizations to avoid feelings of guilt, which enables further unethical behavior and may lead to negative relationships.

4.2 **Victim's perspective and reactions**

4.2.1 *Perception of being a victim*

Unethical behavior can only spread through the reaction of victims if there are actors who perceive themselves to be victims. Some forms of unethical behavior cause obvious harm to an actor, such as verbal or physical mistreatment of others. The literature on workplace aggression, workplace revenge, and retaliatory behavior (e.g. Aquino et al. 2001; Aquino et al. 2006; Bies and Tripp 2004; Skarlicki and Folger 1997; Skarlicki and Folger 2004; Tripp et al. 2007) extensively investigates victims' reactions to interpersonal forms of unethical behavior. With this type of behavior, the targeted actor is most likely to be aware of the unethical behavior and to perceive himself as victim. With other forms of unethical behavior by contrast, it is less clear whether harm is caused to an individual actor who could perceive himself as victim. For example, an employee who submits claims for his private expenses or misreports the hours worked causes damage to the organization. It is difficult, however, to ascertain, which, if any, representative of the organization might perceive himself as victim of this behavior. Acts which do not cause detectable and direct harm to specific individual actors have thus a lower potential for spread through reactions of victims as set out in the following proposition:

Proposition 2: *Unethical behavior is more likely to spread through reactions of a victim when there is direct and detectable damage caused to a specific individual victim, compared to situations where the negative consequences of the act are less visible and/or do not affect a specific individual.*

Individual actors can also perceive themselves as victims when no harm has directly been inflicted upon them. For example, consider customers who fraudulently

return purchased products. The employee handling the product return may feel personally affected by such unethical behavior, even though the damage is the organization's rather than his. Social identity theory (Tajfel and Turner 1979) holds that an individual personally experiences successes and failures of the social aggregate with which he identifies (Ashforth and Mael 1989). By this argument, individuals are likely to perceive harm caused to their organization as if they were personally affected and see themselves as victims if they identify with the organization. To the extent that organization members perceive themselves as victims, they will react accordingly, and unethical behavior can spread through their reactions, as summarized in the following proposition:

Proposition 3: *Social identification with a group can lead individual actors to perceive themselves as victims of an act of unethical behavior even when this act does not directly harm them, and this perception in turn can lead to the spread of unethical behavior through reactions of the victims.*

4.2.2 Attributions and retaliation

While actors tend to bias their causal attributions for their own actions towards situational and non-controllable factors to avoid responsibility (Martinko et al. 2006, p. 138), they tend to “minimize the causal effect of the situation and overestimate the causal contribution of the individual” (Weiner 1995, p. 253) when assessing others’ behavior, and are therefore more likely to hold another actor personally responsible. This fundamental attribution error or actor-observer bias has been confirmed in numerous empirical studies (Martinko et al. 2006; Weiner 1995). Due to this bias, victims are likely to attribute personal responsibility to the perpetrator of unethical behavior. Attribution of responsibility in turn results in anger towards the perpetrator (Weiner 1995), and motivates retaliatory actions against the perpetrator (Haidt 2003; Weiner 1995).

Research on workplace revenge (e.g. Aquino et al. 2001; Aquino et al. 2006; Bies and Tripp 2004; Kim et al. 2008; Tripp et al. 2007) and retaliatory behavior (e.g. Skarlicki and Folger 1997; Skarlicki et al. 1999; 2004) has demonstrated how victims

react “to some perceived harm or wrongdoing by another party” by actions “which [are] intended to inflict damage, injury, discomfort, or punishment on the party judged responsible” (Aquino et al. 2001, p. 53). According to this perspective, victims may retaliate for an act of unethical behavior by a subsequent act of unethical behavior against the (original) perpetrator, as indicated by the following effect:

Effect 4 – specific retaliation effect victim: *A P-relationship from actor j to act A, a V-relationship from actor i to this act A, and a P-relationship from actor i to an act B leads to the creation of a V-relationship from actor j to act B.*

Whether direct retaliation by the victim against the perpetrator is possible depends on the relative social position of these two actors. If the victim is less powerful than the perpetrator, the victim may direct his retaliatory action against another target with the intention to harm the perpetrator (Skarlicki and Folger 2004). For example, if an employee sees himself as the victim of sexual harassment by his manager, he may react instead by stealing supplies, knowing that his manager will be held responsible for any missing supplies. When the victim cannot even indirectly harm the perpetrator, the retaliatory act may also be carried out against any other innocent, but accessible actor, including actors outside the organization (see Hoobler and Brass 2006). In the workplace aggression literature, this phenomenon is described as displaced aggression. In the social network framework, this translates into the following effect:

Effect 5 – general retaliation effect victim: *A V-relationship from actor i to act A leads to the creation of a P-relationship by actor i to act B.*

This effect can be considered a generalization of the specific retaliation effect described above, because it does not specify which actor is likely to be the victim of the subsequent act in contrast to the specific effect.

It is also possible that the victim holds an actor other than the perpetrator (co-)responsible for the unethical behavior, and retaliates against this other actor. Research on abusive supervision suggests that victims at least partly hold the

organization responsible for the perpetrator's behavior and retaliate by engaging in unethical behavior which causes harm to the organization (Bowling and Michel 2011; Shoss et al. 2013; Tepper et al. 2008). Supporting this argument, meta-analytic research has identified positive correlations between workplace harassment experienced by victims and their counterproductive workplace behavior (Bowling and Beehr 2006), and between aggression by outsiders and employees' organizational deviance (Hershcovis and Barling 2010).

4.2.3 *Impact on victim's social relationships*

The involvement in unethical behavior as a victim can also affect the victim's interpersonal relationships. The attribution of responsibility for an act of unethical behavior to another actor leads to the emotion of anger. "Negative emotions such as anger are likely to manifest in negative attitudes" (Douglas et al. 2008, p. 430), and negative attitudes in turn characterize negative relationships (Labianca and Brass 2006). Therefore, the victim's attribution of responsibility for an act of unethical behavior to the perpetrator (or to another actor) can lead to a negative relationship from the victim to the perpetrator (or other actor held responsible for the act). The creation of a negative relationship due to attributions of responsibility is reflected in the following effect in the social network framework:

Effect 6 – general attribution effect victim: *A V-relationship from an actor i to act A leads to the creation of a negative relationship from actor i to actor j.*

While the victim can attribute the act of unethical behavior to any other actor, it is most likely that it is attributed to the perpetrator, and therefore, that a negative relationship to the perpetrator arises, as represented in the following effect:

Effect 7 – specific attribution effect victim: *A V-relationship from actor i to act A and a P-relationship from actor j to the same act A lead to the creation of a negative relationship to actor j by actor i.*

In sum, unethical behavior can spread through victims' reactions to unethical behavior because of direct, indirect, or displaced retaliatory acts. Actors not only may perceive themselves as victims when harm is caused directly to them, but also when they identify with the collective to which the harm is caused.

4.3 *Observer's perspective and reactions*

4.3.1 *Observers' social relationships as conduits*

In order for actors to become observers of and react to an act of unethical behavior, their "awareness must be high enough to instigate a cognitive appraisal", even though they may not "necessarily directly observe the ... behavior" (Treviño 1992, p. 650). Some forms of unethical behavior in organizations are rather covert and difficult to observe for others, such as abusing confidential information or insider trading, and therefore are less likely to be noticed by actors other than the perpetrator himself. The possibility to observe another actor's behavior depends not only on the characteristics of the act itself, but also on the interaction between the perpetrator and other actors. Interactions provide the opportunity to observe or learn about others' behavior, and are likely to take place when there is a positive interpersonal relationship. The more positive relationships a perpetrator has to other actors, the higher therefore the likelihood that other actors observe the perpetrator's behavior (Venkataramani and Dalal 2007) and may subsequently also commit acts of unethical behavior. This leads to the following proposition:

Proposition 4: *The higher the number of positive relationships of the perpetrator, expressed as degree centrality, the higher the likelihood that his act of unethical behavior is observed, and that, by consequence, unethical behavior spreads through observers' reactions.*

If the perpetrator is located in a cohesive part of the network of positive relationships, characterized by high density of (direct) relationships between actors inside and typically fewer ties with actors outside this part of the network (Borgatti and

Halgin 2011, p. 427), his unethical behavior is thus more likely to be observed. In the social network framework, actors' tendency to observe the unethical behavior of other actors to whom they have a positive relationship translates into the following effect:

Effect 8 – observation-via-perpetrator effect: *A P-relationship from actor j to act A, and a positive relationship from actor i to actor j lead to the creation of an O-relationship from actor i to act A.*

Actors can also become aware of the act of unethical behavior by observing the harm caused to the victim when they have a (positive) relationship to the victim, and interact with the victim. Furthermore, victims may also engage in explicit social rumination where they “and observers try to make sense of an event by discussing it” (Pinto et al. 2008, p. 693). The more positive relationships a victim has, the higher the likelihood that he engages in social rumination with other actors, who thus become observers of the act of unethical behavior. Proposition 5 follows from these arguments:

Proposition 5: *The higher the number of positive relationships of the victim, expressed as degree centrality, the higher the likelihood that the act of unethical behavior is observed directly or indirectly, through social rumination, by additional actors, and that, by consequence, unethical behavior spreads through observers' reactions.*

Similar to Proposition 4 above, if the victim is located in a cohesive subgroup in the network of positive relationships, the likelihood that other actors become aware of the unethical behavior due to their relationship with the victim is higher. The tendency for actors to become observers of an act of unethical behavior when they have a positive relationship to the victim is reflected by the following effect:

Effect 9 – observation-via-victim effect: *A V-relationship from actor j to act A, and a positive relationship from actor i to actor j leads to the creation of an O-relationship from actor i to act A.*

4.3.2 *Impact of observer's social relationships on his reactions*

While the perpetrator's and the victim's perspectives are defined by their commission of, and suffering from the act respectively, observers are less immediately affected by the act, such that their perspective can either be more alike to the victim's, or to the perpetrator's. Both possibilities have been explored in the literature. On the one hand, work on deonance theory (e.g. Folger 2012; O'Reilly and Aquino 2011; Skarlicki and Folger 2004; Skarlicki and Kulik 2004; Umphress et al. 2013) has shown that third parties react with outrage or moral anger to unjust treatment suffered by others. Empathy enables the observer to take the victim's perspective and share the victim's emotions (Tangney et al. 2007, p. 362), such that his reaction is likely to be similar to the victim's and can include retaliatory actions against the perpetrator. Empathy in turn is fostered by a positive relationship between the observer and the victim (Brass et al. 1998).

On the other hand, research has revealed that observers of an act of unethical behavior can experience guilt for a perpetrator's act (Fortune and Newby-Clark 2008; Gino et al. 2009b; Tangney et al. 2007). In particular, observers can experience vicarious guilt when they have a personal relationship to the perpetrator (Lickel et al. 2005; Tangney et al. 2007). This finding suggests that an observer's appraisal of the act is similar to the perpetrator's when there is a (positive) relationship between the observer and the perpetrator.

Indirect relationships between the observer and the perpetrator or the victim may also have an impact on the observer's reaction, albeit less so than direct relationships. Indirect relationships between two actors can indicate that they belong to the same social group, since groups are characterized by mutual connectedness and high density (Scott 2000). A shared social identity with the perpetrator based on group membership has been shown to elicit feelings of guilt in the observer (Tangney et al. 2007). Similarly, indirect relationships to the victim can lead to increased empathy of the observer, and reactions alike to the victim's. These arguments lead to the following proposition:

Proposition 6: *The higher (lower) the number of direct and indirect positive relationships between the observer of an act of unethical behavior and the perpetrator relative to the number of direct and indirect positive relationships between the observer and the victim, the higher (lower) the likelihood that the observer's reactions are similar to the perpetrator's reactions, and the lower (higher) the likelihood they are similar to the victim's.*

4.3.3 Reactions similar to the perpetrator's

When the observer's perspective is similar to the perpetrator's, there are also similar biases and underlying motivations involved in the appraisal of the act of unethical behavior. First, the observer is motivated to avoid feelings of guilt over the act. Just as a perpetrator's feelings of guilt arise once he has assigned responsibility for the act to himself, Lickel et al. (2005, p. 153) argue that vicarious guilt is experienced by the observer if he has previously assigned responsibility for the act to the perpetrator. To avoid feelings of guilt, the observer will employ the same rationalization techniques as the perpetrator to avoid the conclusion that the perpetrator is responsible for the act of unethical behavior. Consistent with this idea, Gino and Galinsky (2012) have found that observers who felt connected to a perpetrator engaged in "vicarious justification" of the perpetrator's act, which in turn led them to engage in subsequent unethical behavior themselves.

In the absence of vicarious guilt, processes of social learning (Bandura 1973) can instead shape the observer's subsequent behavior (e.g. O'Leary-Kelly et al. 1996; Robinson and O'Leary-Kelly 1998). Social learning theory emphasizes the importance of models from which certain behaviors can be learnt. While leaders are particularly attractive as ethical role models due to their social status and power (Brown and Treviño 2006, p. 597), employees overwhelmingly identified colleagues with whom they interacted personally and frequently as ethical role models in an interview study by Weaver et al. (2005). This finding underscores the importance of the personal relationship and interaction between a perpetrator and an observer in influencing the observer's behavior, as reflected in the following effect:

Effect 10 – imitation effect: An O-relationship from actor i to an act A leads to the creation of a P-relationship to an act B by actor i.

This effect, together with the observation-via-perpetrator effect reflects that an actor who has a positive relationship to the perpetrator is likely to observe the unethical behavior, and to emulate it. Investigations of observers' behavior in relation to their peers' behavior often focus on the same or very similar kinds of unethical behavior (e.g. academic dishonesty in McCabe et al. 2006; O'Fallon and Butterfield 2012; or antisocial behavior in Robinson and O'Leary-Kelly 1998). However, Keizer et al. (2008) have demonstrated in their field experiments on cross-norm inhibition that observing the violation of one norm (e.g. anti-graffiti norm; prohibition of locking bicycles to a fence) can lead to violation of another norm (e.g. anti-littering norm; prohibition to use an entrance). This suggests that one type of unethical behavior can also encroach to other types of unethical behavior.

To the extent that an observer shares the same role as the perpetrator and faces similar situations, he is more likely to have the opportunity to engage in the same kind of unethical behavior as the perpetrator. From a social network perspective, an actor's role, or position in a social system, is characterized by the pattern of his social relationships (Scott 2000). When two actors share the same role in the social system, they are considered regularly equivalent (Scott 2000). Regular equivalence refers to the idea that “units are equivalent if they link in equivalent ways to other units that are also equivalent” (Doreian et al. 2005, p. 80). This argument leads to the following proposition:

Proposition 7: When an observer is regularly equivalent to the perpetrator in the network of positive relationships, the observer is more likely to subsequently engage in the same type of unethical behavior as the perpetrator, compared to an observer who is not regularly equivalent to the perpetrator.

4.3.4 *Reactions similar to the victim's*

The literature on third parties' reactions to injustice and mistreatment (e.g. Folger and Skarlicki 2004; O'Reilly and Aquino 2011; Skarlicki and Folger 2004; Umphress et al. 2013) shows that actors can be motivated to react with retaliatory behavior against the perpetrator, or compensatory behavior towards the victim upon witnessing unethical behavior. While other reactions such as whistle-blowing (Gundlach et al. 2003) or helping the victim (O'Reilly and Aquino 2011) are possible, some research indicates that observers are more likely to punish the perpetrator than to help the victim (Skarlicki and Kulik 2004, p. 206). Reactions against the perpetrator can be motivated by "deontic anger" (Folger and Skarlicki 2004) which is triggered when the observer attributes responsibility for violating moral norms to the perpetrator. Following the arguments presented in relation to the victim's reaction, the attribution of responsibility can lead to a negative relationship between the observer and the perpetrator, as reflected in the following effect:

Effect 11 – specific attribution effect observer: *An O-relationship from actor i to act A, and a P-relationship from actor j to the same act A lead to the creation of a negative relationship to actor j by actor i.*

Deontic retaliatory reactions of the observer can also be represented by effect 10 described earlier, which holds that an O-relationship from an actor to an initial act leads to the creation of a P-relationship by this actor to a subsequent act. Thus, effect 10 can be re-labeled as *imitation/ retaliation effect observer*. Cases where the observer engages in retaliatory unethical behavior because of his positive relationship with the victim are reflected in the social network framework by a combination of the observation-via-victim effect and the imitation/ retaliation effect.

To recapitulate, unethical behavior can spread through observers when they react by retaliating like victims, or when they imitate the perpetrator's behavior in function of their relationships to victim and perpetrator. The observer's perspective completes the discussion of reaction tendencies after an initial act of unethical behavior

which can lead to subsequent acts of unethical behavior. I have shown how reaction tendencies of perpetrators, victims, and observers can be translated into effects in the dynamic actor-oriented framework. These effects define which changes actors are likely to make in their relationships to acts and actors in reaction to their existing relationships to acts of unethical behavior and to actors. The spread of unethical behavior, then, corresponds to an increase in the number of relationships between acts and actors: more actors commit acts of unethical behavior (P-relationships), which in turn can lead to ties from victims and observers to committed acts (V- and O-relationships), such that the number of actors having relationships to acts of unethical behavior increases over time. Each actor who has at least one relationship to an act of unethical behavior is a potential propagator of unethical behavior through his reaction to this experience.

5 Discussion

This study has argued that unethical behavior spreads when the perpetrator, victim, and/ or observer commit subsequent acts of unethical behavior in reaction to their involvement in an initial act. Focusing on individual, but socially connected actors, processes of social cognition, affective reactions, and ensuing behavioral reactions, a dynamic actor-oriented social network framework has been developed to examine the spread of unethical behavior. In this theoretical framework, the social relationships of actors influence their awareness of acts of unethical behavior, impact their appraisal of and behavioral reaction to acts, and can be affected by unethical behavior. While this framework's focus on the spread of unethical behavior may appear to suggest that initial acts of unethical behavior almost inevitably lead to subsequent acts, the framework "is meant to be probabilistic, suggesting [reaction] tendencies, not deterministic" (Ashforth and Anand 2003, p. 41). This point is also reflected in the stochastic nature of the dynamic social network models which serve as basis for the proposed framework.

This study contributes to the literature by offering a theoretical framework in which insights from recent behavioral business ethics research and the social network perspective introduced by Brass et al. (1998) can be combined to identify mechanisms of the spread of unethical behavior. By applying the social network perspective, individual reactions studied in behavioral business ethics research can be examined in the context of social relationships; by using insights from behavioral business ethics research, a detailed account of the “generative principles” (Snijders et al. 2013, p. 266) in social networks can be provided. This approach follows the idea of Brass et al. (1998, p. 27) who saw the social network perspective on unethical behavior “as a perspective to be combined with previous research.”

The social network perspective proposed in this study differs from prominent accounts for the spread or contagion of unethical behavior (e.g. Ashforth and Anand 2003; Brief et al. 2001; Palmer 2008) because the focus is not on collective acts and processes at the group level, but rather on individual acts, and processes at the individual level in the context of individuals’ social relationships. As a result, this perspective uncovers some previously underexplored aspects of the spread of unethical behavior. For example, it highlights how unethical behavior can engender indirect negative consequences for the organization due to the negative relationships arising as a result of perpetrators’, victims’ or observers’ appraisals of unethical behavior. The quality of the interpersonal relationships within the organization impacts the degree to which members are affectively committed to their organization, such that negative relationships decrease the organizational commitment (Labianca and Brass 2006). When the number of negative relationships increases subsequent to acts of unethical behavior, actors’ affective commitment is therefore likely to decrease. Affective commitment – “the emotional attachment to, identification with the organization, and involvement in the organization” (Meyer et al. 2002, p. 21) – has been found to positively correlate with attendance, performance, and organizational citizenship behavior (Meyer et al. 2002), and negatively with organizational deviance (Liao et al. 2004; Tepper et al. 2008). Negative relationships arising in the wake of unethical

behavior can thus lead to various negative outcomes, including increased deviance and further unethical behavior.

The emergence of negative relationships in the wake of unethical behavior also connects research on the spread of unethical behavior to literature which examines how relationships and trust damaged by negative events such as unethical behavior can be repaired (e.g. Dirks et al. 2009; Ferrin et al. 2007; Gillespie and Dietz 2009; Ren and Gray 2009; Tomlinson and Mayer 2009). This research provides a host of insights into how the indirect negative impact of unethical behavior due to negative relationships may be reduced through the use of social accounts and rituals, or substantive actions such as restitution to the victim (Dirks et al. 2009).

The perspective proposed here also calls attention to how unethical behavior can spread inside an organization when members react as victims or observers of unethical behavior committed by external actors. As members have relationships both inside and outside the organization, “the consideration of relationships [is] not limited to the boundaries of an organization” (Brass et al. 1998, p. 28). In particular, boundary-spanning members have relationships to representatives of different stakeholders of the organization, such as clients, suppliers, or regulatory authorities. Barling et al. (2009, p. 684) for example report that a substantial share of the aggression suffered by employees in the workplace is committed by outsiders of the organization such as customers.

5.1 *Stopping the spread of unethical behavior*

The analysis of the spread of unethical behavior – almost necessarily – entails the important question of how the spread of unethical behavior in organizations may be halted. Along the lines of Palmer’s (2012) distinction between measures for curbing wrongdoing by *others*, and curbing *one’s own* wrongdoing, the framework proposed here points to two possible areas for intervention. First, those responsible for leading and managing organizations can create an environment in which, for the members of the organization, engaging in further unethical behavior becomes a less likely reaction to

an initial act of unethical behavior compared to other reactions. Second, the role of social cognitive processes in determining an individual's reaction to unethical behavior suggests that each individual's awareness of these processes and inherent biases – including those arising from their relationships to others involved in an act of unethical behavior – could enable them to more consciously control their reactions, and steer away from further unethical behavior.

Regarding the first area, certain (perceived) characteristics of organizational environments that are intimately linked to justice concepts have been highlighted in prior research as important factors in shaping reactions to unethical behavior. On the one hand, the role of procedural justice climate (Aquino et al. 2006), of beliefs in the organizational justice system (O'Reilly and Aquino 2011), and of retributive justice and punishments (Treviño 1992) has been examined. This research suggests that credible formal mechanisms for enforcing justice and punishing the perpetrator can serve as an outlet for victims' and observers' anger against a perpetrator, and prevent unethical behavior arising from retaliatory motivations (Tripp et al. 2007). Thus, a credible disciplinary system in organizations may counteract retaliatory effects identified in this study (see effects 4, 5, and 10). Furthermore, deterrence theory posits that sanctioning a perpetrator for unethical behavior deters the punished behavior both in the perpetrator as well as in observers, especially if the punished perpetrator is perceived to be similar by the observer (Treviño 1992). Therefore, formal punishment could prevent the repetition effect for perpetrators (effect 1) and the imitation effect for observers (effect 10).

Victims and observers, however, can only be expected to rely on the organizational justice system to take care of the act of unethical behavior if the act of unethical behavior is known to a representative of the organization who has the authority to start disciplinary proceedings. Therefore, it is also important for halting the spread of unethical behavior that organizations establish channels through which unethical behavior can be reported to competent persons within the organization who

can take the necessary actions as suggested by literature on whistle-blowing (e.g. Mesmer-Magnus and Viswesvaran 2005; Miceli et al. 2009).

On the other hand, the restorative justice perspective highlights another set of organizational characteristics than can help to prevent the spread of unethical behavior. Recognizing “how unethical behavior can undermine important moral dimensions of relationships in organizations” (Goodstein and Butterfield 2010, p. 453), this perspective suggests creating “a workplace context supporting the restoration of relationships for the offender, the victim, and others in the organization” (Goodstein and Butterfield 2010, p. 462). Similar to research forgiveness in organizations (e.g. Fehr and Gelfand 2012; Palanski 2012), the importance of “values such as compassion, collective mercy, and hope” (Goodstein and Butterfield 2010, p. 462) is emphasized.

The restorative perspective proposes that perpetrators, motivated by feelings of guilt, can acknowledge their wrongdoing, accept responsibility, and make amends. Such a reaction by the perpetrator can be expected to preempt retaliatory reactions by the victim and/ or observers (see effects 4, 5, and 10). Making amends also is likely to prevent the perpetrator from engaging in further unethical behavior, because it represents at the same time “a process of self-forgiveness and reconciliation that can help offenders rebuild their personal integrity” (Goodstein and Butterfield 2010, p. 465). The notion of self-forgiveness and reconciliation with others has also been linked to spiritual rituals of confession (Murray-Swank et al. 2007), and experimental evidence shows that confession after committing unethical behavior reduced subsequent unethical behavior (Ayal and Gino 2012).³ Self-forgiveness and reconciliation by the perpetrator could therefore prevent repetition and rationalization effects (see effects 1, 2 and 3).

The victim, in turn, can extend forgiveness to, and/ or reconcile with the perpetrator, instead of retaliating against the perpetrator. Forgiveness and reconciliation can “free the future from the impact of past wrongs” (Goodstein and Butterfield 2010, p. 460) and may prevent the creation of negative relationships due to attributions of responsibility by victims (see effects 6 and 7). Observers of unethical

behavior can provide the perpetrator the opportunity to be re-integrated into the community (Goodstein and Butterfield 2010). Reintegration may be an alternative reaction to creating negative relationships, such that attribution effect for observers (see effect 11) can be avoided

In the proposed social network framework, forgiveness can not only be interpreted with respect to interpersonal relationships, but could also be conceptualized as the deletion of the relationship from the victim, observer, or perpetrator (self-forgiveness) to the act of unethical behavior. Forgiveness would then amount to relinquishing the cognitive connection to the act of unethical behavior, such that this act no longer impacts the actor's behavior in the future. Reconciliation and re-integration into the community in turn can be represented in this framework as either deleting negative interpersonal relationships created in the aftermath of unethical behavior, or as preventing the their creation in the first place.

Regarding the second area of intervention related to processes of social cognition, behavioral business ethics researchers have made a range of recommendations for improving individuals' ethical behavior. These recommendations generally aim at making individuals aware of the psychological and cognitive processes, their undesired side-effects, and (unconscious) biases affecting (un)ethical behavior, and at devising strategies to limit the impact of such side-effects and biases (e.g. Banaji et al. 2003; Bazerman and Tenbrunsel 2011; Tenbrunsel et al. 2010). Such recommendations, however, may be limited in their practicability: being aware of the psychological and cognitive processes that are ongoing in one's mind and the application of bias-limiting strategies appears to require individuals to be in a "hyper-rational state" (Palmer 2012, p. 278), in which they are continually and consciously monitoring their thoughts and emotions. In addition, Palmer (2012, p. 278) argues that strategies proposed to address cognitive limitations and biases essentially ask individuals to overcome tendencies that are deeply engrained into the functioning of the human mind. Thus, stopping the spread of unethical behavior by intervening at the

level of actors' social cognitive processes may still be a rather challenging endeavor in the current state of knowledge.

5.2 *Limitations and future research*

I have proposed a theoretical framework for examining the spread of unethical behavior using a dynamic actor-oriented social network perspective, rather than a fully specified formal social network model. A major area for future research is thus the development of a fully specified formal model. Several requirements implied by the framework proposed here need careful consideration in the formal specification of a stochastic actor-oriented model for the multiplex dynamics two-mode and one-mode networks.⁴ Most importantly, an observer's and a victim's relationship to an act of unethical behavior can only be created once the perpetrator has created a relationship to this act, i.e. has committed it. This logical sequence implies that a formal model has to incorporate restrictions on the possible sequence of the creation of certain relationships. This feature cannot yet be represented in the specification of stochastic actor-oriented models for the multiplex dynamics of two-mode and one-mode networks currently proposed by Snijders et al. (2013).

Further, a formal specification has to include a basic tendency to create relationships to *initial* acts of unethical behavior, i.e. relationships in the two-mode network that are the starting point for the creation subsequent relationships to further acts of unethical behavior and are not themselves based on previous relationships to acts. Formally, this can be achieved by including an outdegree effect that "represents the basic tendency to have ties at all" (Snijders et al. 2010, p. 47). In addition to the tendencies to create relationships, the formal specification also has to account for tendencies to delete ties in order not to represent ever-growing networks. In stochastic actor-oriented models for dynamics of one-mode and two-mode both creation and termination of relationships is possible (Snijders et al. 2013, p. 266), and can be formally represented by effects with a negative sign where a relationship is *terminated* (or *not formed*) in response to a specific constellation in the network.⁵ In the context of this

study, for example, termination of relationships to acts of unethical behavior could represent forgiveness as outlined in the discussion of stopping the spread of unethical behavior. As further examples, the termination of positive interpersonal relationships could be introduced as a consequence to involvement in acts of unethical behavior, and the termination of negative interpersonal relationships as a result of reconciliation.

The theoretical framework proposed in this study can serve as a stepping stone towards simulation approaches for modeling the dynamics of unethical behavior, as proposed by Moore (2009, p. 61). Once the model is formally specified as outlined above, computer simulations of the spread of unethical behavior in social networks could be carried out using the RSiena package (Ripley et al., April 9, 2013) in the statistical system R (R Core Team 2014). Simulation appears particularly appealing option for future research as the challenges in collecting empirical data that would allow to empirically test a fully specified model based on the framework proposed in this study appear quite demanding: testing would require longitudinal data about experiences as perpetrators, victims, and observers of unethical behavior for a group of individuals, as well as data about their interpersonal relationships. The well-known difficulties of collecting data about unethical behavior (see e.g. Treviño and Weaver 2003, ch. 11) are compounded by the requirement to collect such data in non-anonymous form for a group of persons and for multiple points in time (e.g. Moore 2009). In addition, the collection of longitudinal data about interpersonal relationships in itself can already be challenging (Ahuja et al. 2012; Marsden 2011).

The framework proposed in this study has several limitations, which imply, at the same time, opportunities for future research. I have focused on acts of unethical behavior committed by individual actors. Future research may extend the proposed framework by considering how several perpetrators jointly engage in an act of unethical behavior, and the conditions under which they are likely to do so (e.g. positive mutual relationships and individual involvement previous acts of unethical behavior). In formal stochastic actor-oriented models, simultaneous coordinated actions by individual actors can currently not be represented (Snijders et al. 2010). Also, the

proposed actor-oriented perspective views individuals as actors, and does not consider organizations themselves as actors. This view is based on the idea that “firm behavior is necessarily underpinned by the actions of individuals” (Moore 2009, p. 37), as “individuals [are] acting as agents on behalf of their organization” (Ashforth et al. 2008, p. 673).

The analysis proposed in this study further focuses on the individuals, their relationships, and their reactions, but does not address dynamics at the group or organizational level. At the organizational or macro- level, future research could also examine network characteristics, such as network density, centralization, structural holes, and clusters, and cliques of the interpersonal networks and their impact on the spread of unethical behavior. As such macro-level network characteristics emerge as a result of the process taking place at the micro level in the actor-oriented perspective on network dynamics applied in this study, the impact of unethical behavior on the macro-level characteristics could also be explored (see Snijders and Steglich 2013, for a detailed discussion).

While I have examined how social relationships of the actors involved in the initial act impact the likelihood that subsequent unethical behavior is committed, individual-level factors have been shown to influence actors’ reactions to unethical behavior as well. O’Reilly and Aquino (2011) suggest that moral identity centrality and beliefs in the organizational justice system impact observers’ reactions to unethical behavior, and Aquino et al. (2006) found that victims’ perceptions of the procedural justice climate in an organization moderate the impact of other variables on the likelihood of revenge, retaliation, and reconciliation in reaction to workplace offenses. These findings suggest that it may be worthwhile to investigate how an individual-level property may impact, on the one hand, the reaction propensities of an actor when being perpetrator, observer, and victim, and, on the other hand, the likelihood to become perpetrator, victim or observer, of an act of unethical behavior in the first place.⁶ In stochastic actor-oriented models, the impact of such individual-level factors, or actor attributes, can be modeled by including them as covariates and allowing for interaction

effects in the model, such that the strength of an effect depends on an actor attribute (Snijders et al. 2010). For example, an actor's hostile attribution style (Aquino et al. 2004) could increase the probability that an actor perceives himself as victim, and could also interact positively with the retaliation effect proposed in the current framework.

5.3 Practical implications

The analysis in this study implies that organizations should consider the likelihood that particular types of unethical behavior spread once an initial act has occurred when assessing the risks related to unethical behavior. Such risk assessments are recommended in the United States Sentencing Commission's Guidelines Manual for Sentencing Organizations as part of an effective compliance and ethics program. However, the criteria usually recommended for, and used in such risk assessments include only impact or severity, and the likelihood of occurrence of an initial act (e.g. The Institute of Internal Auditors et al., 2008; United States Sentencing Commission 2012). These risk assessments serve organizations as basis for prioritizing and developing measures to prevent and detect unethical behavior. Disregarding the potential for spread in this assessment may for example lead to insufficient attention to types of unethical behavior which are assessed as having a low impact, but which may easily spread and have a detrimental impact when occurring repeatedly.

This study reveals some criteria for identifying types of unethical behavior that have a high potential for spread. For example, acts which can easily be observed by actors socially close to the perpetrator, and which cause rather diffuse harm to socially distant, not personally identifiable actors are particularly likely to spread: First, there is likely to be a high number of observers who could imitate this behavior. Second, the social relationship between the perpetrator and the observer increases the likelihood for a biased cognitive appraisal by observers. And third, social distance to non-identified victims and diffuse harm facilitate the rationalization of the unethical behavior, enabling subsequent unethical behavior by the perpetrator and observers. Some forms of unethical behavior against external stakeholders may typically fit such

a description, and – in the short run – may even benefit the organization, which provides a further rationalization (see also Umphress et al. 2010; Umphress and Bingham 2011). Such behaviors may thus have a high potential for spreading within the organization.

Managers have to carefully consider whether they are not tacitly condoning unethical behavior to the benefit of the organization against external stakeholders, while expecting the organization members to adhere to rules for their behavior towards the organization. Cialdini et al. (2004) cite the example of a consultant who was incited by her manager to withhold information from a client, and later “found herself regularly cheating on her travel expenses” (p. 70). The analysis provided here suggests that one form of unethical behavior may lead to subsequent unethical behavior of a different form for several reasons. First, cross-norm inhibition effects can lead observers and perpetrators to subsequently engage in different forms of unethical behavior. Second, as set out in Proposition 7, observers may also engage in different forms of unethical behavior if their role in the organization differs from the perpetrator’s, and offers different opportunities for unethical behavior. Third, direct retaliation and especially indirect or displaced retaliation by victims can take a different form than the initial act. Therefore, leaders of organizations should not assume that they can successfully curtail one form of unethical behavior while conniving in other forms. A consistent and well-coordinated approach targeting all types of unethical behavior relevant for the organization is likely to lead to better results than a compartmentalized, eclectic approach targeting single types of unethical behavior. It also seems advisable to foster coordination among the different functional areas that traditionally look after specific types of unethical behavior (e.g. Human Resources, Compliance, Legal, Security, Internal Audit, and Risk Management) to develop a joint and consistent approach addressing all types of unethical behavior.

Finally, earlier in the discussion, I have highlighted some areas where those responsible for managing organization could take action to reduce the likelihood that unethical behavior spreads. I hope that the dynamic social network perspective

proposed in this study not only contributes to a better understanding of how unethical behavior can spread, but also provides some new ideas to those who are trying to reduce unethical behavior in organizations.

Notes

- 1 Margolis (2001) provides an insightful discussion on the relationship between causal and moral responsibility involving both normative arguments on moral agency and descriptive arguments on psychological and social forces in organizations. I do not repeat this discussion here due to limitations of space, and instead refer the reader to Margolis' article.
- 2 When referring to victims and victimization, it may be useful to distinguish two dimensions. The first dimension refers to the (objective) damage caused to a person by another person's act ('damage caused'), and the second dimension refers to the (subjective) awareness and perception of this damage ('victimization perceived'). From the perspective of reactions by victims, and the potential spread of unethical behavior, the second dimension is most relevant and therefore referred to in this paper.
- 3 They also note, however, that confession can increase rather than reduce unethical behavior in the longer run because perpetrators know that they will be able to restore their moral self-concept after unethical behavior (Ayal and Gino 2012, p. 156-157).
- 4 I thank an anonymous reviewer at the *Journal of Business Ethics* for highlighting these requirements for the specification of a formal model.
- 5 For example, Snijders et al. (2013, p. 272) report a negative outdegree popularity effect in friendship and advice networks, meaning that an actor's current number of outgoing relationships in these networks negatively impacts the probability that this actor retains existing or receives new incoming relationships, and thus conversely increases the probability that existing incoming relationships are terminated (see also Snijders et al. 2013, p. 271).
- 6 I thank an anonymous reviewer at the *Journal of Business Ethics* for highlighting the possibility of such role-dependencies based on actors' individual attributes.

Chapter III

PAINTING WITH THE SAME BRUSH? SURVEYING UNETHICAL BEHAVIOR IN THE WORKPLACE USING SELF-REPORTS AND OBSERVER-REPORTS^b

1 Introduction

The ethics of business has received considerable attention both in research and practice because of the numerous examples of unethical behavior (UB) in and by businesses that have surfaced in the past decade. The scope of UB in business in general as well as in specific organizations is a central question in the analysis of the ethics of business. Establishing the scope of UB is a prerequisite for examining its antecedents and consequences as well as for defining (and applying) appropriate interventions to reduce and prevent UB.

To assess the scope of UB, self-administered surveys in which managers and employees are questioned about the scope of UB have become a popular method (Wouters et al. 2014). As UB is considered a “low-base-rate phenomenon” (Treviño and Weaver 2003, p. 305) and a sensitive topic (Wouters et al. 2014), direct observation by researchers to assess the scope of UB has been argued to be difficult due to the relative infrequency and covertness of UB and the challenges involved in getting access

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to organizations (Treviño and Weaver 2003). Surveys, by contrast, can provide anonymity for the respondents and/or participating organizations, enable efficient data collection from larger pools of respondents, and can generate quantitative data amenable to statistical analysis (Wouters et al. 2014).

A number of organizations (including not-for-profit organizations, government bodies, or consultancy firms) report about the scope of UB in businesses using surveys that ask participants to report about UB by others they have observed. For example, the National Business Ethics Surveys by the Ethics Resource Center (Ethics Resource Center, 2012) reported that 45% of respondents had observed UB in their workplace, and KPMG's Integrity Survey (KPMG, 2013) found that 73% of respondents had observed UB in their workplace. Academic research on UB also uses this approach to establish the scope of UB. In particular, this approach is common in research relating the ethical environment of organizations to the level of UB (e.g. Kaptein 2011b; Treviño et al. 1998; Treviño and Weaver 2001).

Instead of asking respondents to report on UB by others they have observed – what we call observer-reports – they can also be asked to report on their own UB – what we call self-reports. While some researchers (e.g. Bennett and Robinson 2000; Robinson and O'Leary-Kelly 1998) argue that self-reports can provide an accurate assessment of UB under conditions of anonymity and confidentiality, others (e.g. Kaptein 2008a; Treviño and Weaver 2003) advocate the use of reports about UB by others, which are thought to be less impacted by socially desirable answers as respondents are not evaluating themselves. Higher response rates could also be achieved when using reports about UB by others because it is less threatening for respondents to evaluate the behavior of others than their own, so that they are more willing to participate (Treviño and Weaver 2003). On the other hand, reports about UB by others may be inaccurate because the reporting respondent may not be aware of UB by others or could be inflated when multiple persons report one and the same act of UB.

The question therefore is to what extent the frequencies of UB measured by observer-reports are related to the frequencies of UB measured by self-reports. In this study, we compare these two methods by conducting survey research among the Swiss working population. Regarding each of the 37 items of Kaptein's (2008a) scale for UB, respondents were asked the frequencies with which they have observed and committed UB. We analyze and test differences in reported frequencies for different forms of UB, examine the ratios of the reported frequencies for the different forms of UB, and explore possible explanations for the different ratios we have found.

The value of this study is threefold: First, it helps to assess the scope of UB in business. Second, it establishes the relationship between reports of others' observed UB and reports of respondents' own UB. Second, it explores the relationships between observer- and self-reports and shows different ratios for different forms of UB. Third, it stimulates theory building regarding the relationship between observer- and self-reports and explanations for differences in the ratios.

The structure of this study is as follows: We first present key concepts related to the measurement of UB in surveys, and develop the research questions and hypotheses. Next, we describe the methods employed in the current study. In the following section, we present the data, test the hypotheses, and present the exploratory analysis for the research question. We then discuss the findings and their implications, and provide some suggestions for future research.

2 Concepts

2.1 *Unethical behavior and its measurement in surveys*

Following other scholars (Brass et al. 1998; Kaptein 2008a; Mayer, Aquino, et al. 2012; Pitesa and Thau 2013) we use Jones' (1991, p. 367) definition of unethical behavior as behavior that is “either illegal or morally unacceptable to the larger community”.¹ For measuring unethical behavior different scales have been proposed. For example, Newstrom and Ruch (1975) established a first measure comprising 17-items of

“ ‘intraorganizational cheating’ ” (p. 30). This measure was also used by Akaah (1992) and served for example as basis for Treviño et al.’s (1998) and Weaver and Treviño’s (1999) 20- and 32-item scales for unethical behavior respectively. Kaptein (2008a) systematically developed a 37-item measure including both intra- and extraorganizational forms of UB. This latter scale includes items like falsifying time and expense reports; stealing or misappropriating assets; engaging in false or deceptive sales practices; accepting inappropriate gifts, favors, entertainment or kickbacks; abusing or misusing confidential or proprietary information of the organization; violating environmental standards; or providing regulators with false or misleading information.

In addition to these rather broad scales of UB, there are also scales for more specific subsets of UB, such as Robinson and O’Leary-Kelly’s (1998) scale of antisocial behavior, Bennett and Robinson’s (2000) scale of workplace deviance, or Spector et al.’s (2006) counterproductive work behavior checklist. These scales include some overlapping items despite the different underlying concepts. These scales, as well as the broader scales of UB mentioned above usually use a timeframe of the past 12 months (or year) prior to data collection (e.g. Bennett and Robinson 2000; Kaptein 2008a; Robinson and O’Leary-Kelly 1998; Weaver and Treviño 1999).

Measurements of UB differ not only with respect to the content of the items designed to measure unethical behavior, but also with respect to the referent person(s) whose unethical behavior is being reported. In some scales, respondents report about their own behavior (*self-reports*) (e.g. Akaah 1992; Bennett and Robinson 2000; Robinson and O’Leary-Kelly 1998). In other scales, respondents report about behavior by others that they have observed (*non-self-reports*) (e.g. Kaptein 2008a; Treviño et al. 1998; Weaver and Treviño 1999). Within these non-self-report approaches, two sub-approaches can be further distinguished. Respondents can be asked to report on the behavior of one individually identified other person, or on the behavior of several other persons who are generally identified by reference to a team, work unit, or an organization. The former sub-approaches is most commonly referred to as *other-reports* in the literature (e.g. Berry et al. 2012; Stewart et al. 2009), and sometimes as *peer-reports* (Fox et al. 2007).

For the latter sub-approach by contrast, there does not appear to be a commonly used term in the literature. We therefore will use the term *observer-reports* in the current study to distinguish the second sub-approach from the first sub-approach, which we will designate by the commonly used term *other-reports*.

Newstrom and Ruch (1975) applied their measure of intraorganizational cheating to both self-reports and reports on how frequently respondents believe that their peers commit intraorganizational cheating – which is not identical to observing it. Akaah (1992) employed the items from Newstrom and Ruch's (1975) scale to elicit self-reports, while Treviño et al. (1998) and Weaver and Treviño (1999) applied an extended list of these items to elicit observer-reports. Kaptein (2008a) developed his scale of unethical behavior based on observer-report data. By contrast, some of the most popular multi-item counterproductive workplace behavior measures were originally designed as self-report measures (Berry et al. 2012, p. 614), including Bennett and Robinson's (2000) scale of workplace deviance, Spector et al.'s (2006) counterproductive work behavior checklist, and Robinson and O'Leary-Kelly's (1998) scale of antisocial behavior.

Self-, other-, and observer-reports have thus been used by researchers to establish the scope of UB, and to relate the scope of UB to other variables, notably individual-level and organizational-level antecedents of UB. The choice of one or the other way of measuring UB, in particular in developing scales, appears to be predominantly based on arguments about the relative methodological and practical advantages and disadvantages of self- reports and non-self-reports, while other-reports and observer-reports are not explicitly distinguished and separately discussed in most cases. Therefore, we will in the following section discuss the advantages and disadvantages of the different ways of measuring UB based on a cognitive model of the survey response process.

2.2 Advantages and disadvantages of the self-, other-, and observer-reports

The measurement of constructs of interest based on the respondents' answers in a survey relies on several assumptions. A first category of assumption relates to the validity and reliability of the questions with respect to the construct they are supposed to measure. The second category of assumptions relates to how respondents come to determine their response to the survey questions. While the requirements arising from the first category of assumptions do not differ between self-, other-, and observer-reports of UB, an examination of the second category of assumptions is helpful to reveal differences between, and potential advantages and disadvantages of, self-, other-, and observer-reports.

2.2.1 Cognitive model of survey response process

The survey response process can be conceptualized as consisting of four basic phases that reflect the respondent's cognitive activities (Bautista 2012; Tourangeau and Yan 2007): (1) comprehension of the question; (2) retrieval of the relevant information; (3) integration of the retrieved information into an answer through judgment or estimation; and (4) communication of the answer. An additional element that precedes the actual response process also has to be considered: at the time of an event, the respondent "should have taken in (or 'encoded') the requested information accurately" (Tourangeau and Yan 2007, p. 875).

In each of these stages, problems and/ or distortions can arise that can prevent the respondent's answer from being as accurate as the researcher would like it to be. Such difficulties or distortions are particularly likely when the questions address sensitive topics (Tourangeau and Yan 2007). A topic or question is considered sensitive when it "raises concerns about disapproval or other consequences [...] for reporting truthfully" (Tourangeau and Smith 1996, p. 276). UB is, by the definition introduced earlier, counternormative, and therefore implies the risk of social disapproval, and

potentially other negative consequences. Questions about UB can thus be considered sensitive.

Sensitive questions can trigger socially desirable responding as respondents “feel their answers would not conform to social norms,” (Bautista 2012, p. 47), and alter their response in a socially desirable direction (i.e. underreporting of undesirable behavior) to reduce the potential negative consequences of truthful reporting. Socially desirable responding can arise in all four stages of the survey response process, depending on the conceptualization of socially desirable responding (Tourangeau and Yan 2007, p. 875). When socially desirable responding is conceptualized as arising from self-deception (see Paulhus 1984), it has its source in the encoding phase prior to the survey response process (Tourangeau and Yan 2007). Individuals have been shown to rationalize their own UB in order to maintain their self-image as moral persons (e.g. Ashforth and Anand 2003; Cressey 1950; Tsang 2002), notably by the use of euphemisms among other means (Tenbrunsel and Messick 2004). To the extent that participants have mentally labeled their past behavior in euphemistic terms in order to rationalize it, and have not encoded it as an instance of unethical behavior, their mental label for their behavior may not match the description of UB provided in the question when they are retrieving the relevant information (Tsang 2002). Thus, self-deception can lead to information about (actual) UB not being retrieved. Self-deception mechanisms can also lead respondents to “selectively retrieve information that places them in a positive light” (Holtgraves 2004, p. 162), even if that information was correctly encoded at the time of the behavior or event.

When socially desirable responding is conceptualized as impression management (see Paulhus 1984), it operates in the last stage of the survey response process: respondents change, or edit, their ‘true’ answer before communicating it (Holtgraves 2004; Tourangeau and Yan 2007) in order to present themselves in favorable light towards others (i.e. the interviewer/ researcher). According to Tourangeau and Yan (2007), available evidence suggests that such deliberate misreporting arises in the last phase of the survey response process, rather than biased

information retrieval, is the main source of inaccuracy in reports about sensitive topics. Consistent with this argument, experimental evidence shows that self-reports of unlawful behavior can best be elicited by Web surveys, mail surveys, or telephone audio computer-assisted self-interviewing, rather than by methods in which an interviewer is present physically or over the phone (Kleck and Roberts 2012).

The impact of socially desirable responding features most prominently in discussions of the advantages and disadvantages of self- versus non-self-reports of UB. The key argument is that socially desirable responding impacts self-reports to a much greater extent than non-self-reports, or even only self-reports (e.g. Berry et al. 2012; Kaptein 2008a; Treviño and Weaver 2003). While self-reports about sensitive or counternormative topics are affected by socially desirable responding, there are also issues with non-self-reports of UB. Reporting about peers' UB can be perceived by respondents as 'tattling' or 'telling on a colleague', and therefore as counternormative (Treviño and Weaver 2003, p. 307). Such a perception can lead respondents to communicate an answer which is lower than their actual observations of UB by others. Concerns related to counternormative peer-reporting are likely to be stronger when respondents are asked to report about the behavior of one individually identified peer (other-report), than when they are asked to report about the behavior of several peers (observer-reports): providing other-reports is likely to be perceived as threatening because the identity of the person who is evaluated has to be known to the respondents (and the researcher, for matching reports if several reports per target person are available), and the knowledge of participants that their behavior is being evaluated by others is offensive for them. In the case of observer-reports, there is at least a certain level of (perceived) anonymity of the group of persons about whose behavior the respondent reports.

Furthermore, Berry et al. (2012, p. 614) point out that asking supervisors or colleagues about another employee's UB "could have negative consequences for the employees", such that this form of reports could create an ethical problem for the researcher. In addition, there could also be legal implications: what would the

consequences be if five respondents report that person X in their team has recently received bribes, and the organization is aware of these survey results? If other-reports are applied to less salient, not legally prohibited forms of UB, these concerns may be less serious, such that other-reports could be viable for certain forms of UB, while being more problematic for other forms.

2.2.2 *Factors outside the survey response process*

So far, we have examined the survey response process to discern potential advantages and disadvantage of self-, other-, and observer-reports of UB. There are, however, also factors to be taken into consideration which relate to the time when the events to be reported occurred, and to the process of data collection. Researchers have pointed out that non-self-reports may not result in accurate reports of UB because UB can involve “relatively covert behaviors” (Berry et al. 2012, p. 614) and because perpetrators most likely want to conceal their UB from others (e.g. Stewart et al. 2009; Treviño and Weaver 2003). Therefore, persons other than the perpetrator himself may not be aware of the acts of UB and by consequence would be unable to accurately report them.

Observer-reports also suffer from another disadvantage: they could be inflated. If several members of the same work group provide reports about the UB of the other members of the group, it is possible that several members observed the same act, and report it. In such a case, the reported scope of UB in observer-reports would be higher compared to the scope in self-reports only due to multiple counting of the same instance of UB. This concern, however, only applies if several (or all) members of the same target group or unit are questioned about the UB in this group or unit.

Other-reports may, although frequently used (see the meta-analysis of Berry et al. 2012), not be appropriate for assessing the scope of UB in one or across several organizations. In addition to the problem of counternormative peer reporting, other-reports are much more difficult to collect (Berry et al. 2012). They require that, for every target individual in the organization, at least one colleague – and for a complete view even all colleagues – who interact with him be identified and complete the survey.

In sum, self-, other-, and observer-reports of UB mainly differ in the extent to which they are impacted by socially desirable responding, by the problem of counternormative peer-reporting, and by the (im)possibility for respondents to observe others' UB. Table III.1 summarizes the relative advantages and disadvantages of the three methods of measuring UB in organizations. In the next section, we will discuss how these advantages and disadvantages impact the reported levels of UB using the different approaches.

Table III.1
Relative advantages and disadvantages of self-, other-, and observer-reports of UB

Phase/ stage	Non-self reports		
	Self-reports	Other-reports	Observer-reports
Prior to survey response process	<ul style="list-style-type: none"> + Not affected by covertness or concealing of UB + Identification of appropriate respondents for target participant not necessary + No multiple observation of same UB (except for collective acts of UB) - Self-deception affects encoding of UB (<i>lowering reports of UB</i>) 	<ul style="list-style-type: none"> + Encoding not affected by self-deception + No multiple observation of same UB (except for collective acts of UB) - (Im)possibility to observe UB by others (<i>lowering reports of UB</i>) - Identification and surveying of one or more respondents for one target participant (<i>no impact on reports of UB</i>) 	<ul style="list-style-type: none"> + Encoding not affected by self-deception + Identification of appropriate respondents for target participant not necessary - (Im)possibility to observe UB by others (<i>lowering reports of UB</i>) - Multiple observation of the same instance of UB (<i>increasing reports of UB</i>)
Survey response process			
Comprehension	[no specific advantage/ disadvantage]	[no specific advantage/ disadvantage]	[no specific advantage/ disadvantage]
Retrieval of information	- Self-deception leads to biased retrieval of UB (<i>lowering reports of UB</i>)	- Self-deception does not affect retrieval of UB	- Self-deception does not affect retrieval of UB
Integration of retrieved information	[no specific advantage/ disadvantage]	[no specific advantage/ disadvantage]	[no specific advantage/ disadvantage]
Communication of answer	<ul style="list-style-type: none"> + Not affected by counternormativity of peer-reporting - Impression management affects reporting of UB (<i>lowering reports of UB</i>) 	<ul style="list-style-type: none"> + Reports less affected by impression management compared to self-reports - Counternormativity of peer-reporting affects willingness to report UB (<i>lowering reports of UB</i>) 	<ul style="list-style-type: none"> + Reports less affected by impression management compared to self-reports - Counternormativity of peer-reporting affects willingness to report UB, but less than for other-reports (<i>lowering reports of UB</i>)

2.3 Scope of UB reported through self-, other- and observer-reports

Whether the scope of UB assessed through non-self-report measures will be higher compared to the scope assessed through self-report measures depends on the relative impact of socially desirable responding on the one hand, and, on the other hand, the counternormativity of peer- reporting, and the possibility to observe UB by others. Extant research has prevalently compared self-reports to other-reports of UB, and is summarized in the recent meta-analysis of self- and other-reports of counterproductive work behavior (including measures of antisocial behavior, anticitizenship behavior, counterproductive work behavior, and workplace deviance) by Berry et al. (2012). They conclude that that more counterproductive work behavior is reported by the perpetrators themselves than by others as measured by the average mean-difference between self- and other-reports, and that self- and other-reports of counterproductive work behavior are moderately correlated. Similarly, Fox et al. (2012, p. 207 and p. 217) found that self-reports of counterproductive work behavior were slightly higher than other-reports, and that self- and other-reported counterproductive work behavior were moderately related. These findings indicate that a weaker impact of socially desirable responding on other-reports than on self-reports may be more than offset by the impact of the (im)possibility to observe others' behavior and of the counternormativity of peer-reporting in other-reports.

Other research, however, has revealed contrasting results: Comparing other-reports of workplace deviance from their sample to self-reports of workplace deviance from Bennett and Robinson's (2000) sample, Stewart et al. (2009) find that other-reports indicate equal or higher frequency of deviance than self-reports as measured by participation rates. Fox et al.'s (2007) results fall somewhat in the middle-ground: they find that the mean of other-reports does not differ significantly from the mean of self-reports for counterproductive work behavior targeted at persons, but that self-reports are significantly higher than other-reports for counterproductive work behavior targeted at organizations.

Comparisons of self-reports to observer-reports are more rare than comparisons to other-reports in extant research. Early research by Newstrom and Ruch (1975) and later work by Reynolds (2008) on intraorganizational cheating, Andreoli and Lefkowitz' (2009) study on misconduct in organization, and O'Fallon and Butterfield's (2011; 2012) research on academic dishonesty all reported higher means for observer-reports compared to self-reports of UB. Despite this preliminary evidence on the relationship between observer- and self-reports of UB, a systematic comparison of self- and observer-reports of UB in a business context that uses a well-developed and validated scale covering a broad range of both intra- and extra-organizational UB has not yet been undertaken. The studies just cited include self- and observer-reports of types of UB which occur within the organization, whereas "extraorganizational" (Kaptein 2008a, p. 999) types of UB such as UB against customers or suppliers are not included (Newstrom and Ruch 1975; Reynolds 2008); use an ad-hoc measure of UB (Andreoli and Lefkowitz 2009); or focus on a specific form of UB by students in the academic environment (O'Fallon and Butterfield 2011; 2012). The coverage of a broad range of UB is important, as the results of Fox et al. (2007) on self- and other-reports indicate that the relationship between different ways of reporting may depend on the type of UB examined. Finally, the studies just cited report the frequencies of UB using the scale totals (with the exception of Newstrom and Ruch 1975), and do not report results for single items. This renders it impossible to examine potential differences between self- and observer-reports for different forms of UB.

Two research questions thus arise: What information does the reported frequency of *observed* UB provide about the reported frequency of self-*committed* UB (i.e. what is relationship between these two forms of survey-reports about UB); and does the relationship between these two forms of reports differs across different forms of UB? If a uniform quantitative relationship between self- and observer-reports for different forms of UB could be established, researchers would be able to use observer-reports – which have been argued to be less affected by socially desirable responding

and less threatening for respondents, as well as easier to obtain than other-reports – as an approximation for the frequency with which individuals engage in UB.

With respect to the first research question, the comparison of factors impacting observer-reports and self-reports summarized in Table III.1 and results of the extant studies cited above suggest that reported levels of UB in observer-reports can be expected to be higher compared to both self- and other-reports for all forms of UB. This leads to our first hypothesis:

Hypothesis 1: *Higher levels of UB are reported when observer-reports are used in surveys rather than self-reports, holding constant the conditions of anonymity.*

In addition, Kaptein (2008a, p. 986) argues that observer-reports should show more variation compared to self-reports. This seems plausible, as in observer-reports, each respondent reports about the behavior of several other persons, such that the variation reported levels of UB among respondents reflects the variation in the (observed) behavior of more individuals than when self-reports are used, where the variation in the reported levels of UB only reflects the variation in the behavior of respondents. This leads to our second hypothesis:

Hypothesis 2: *The variation in the reported levels of UB will be higher when observer-reports are used in surveys rather than self-reports, holding constant the conditions of anonymity.*

With respect to the second research question, we will explore the quantitative relationship (expressed as ratio) between observer- and self-reports, and specifically examine whether this relationship differs across the different forms of UB. Findings by Fox et al. (2007) indicate that the relationship between self- and other-reports is different for different types of counterproductive work behavior. Our analysis will examine whether such differences also exist between other – in particular extra-organizational – forms of UB.

3 Methods

3.1 *Sample and procedures*

A cross-sectional sample of the working population living in the German-speaking part of Switzerland was recruited from the online pool of the professional Swiss market research firm DemoSCOPE to participate in a web survey. Participants were recruited to that online pool by telephone, and the pool consists of voluntary participants who regularly use e-mail. The use of an online survey in the Switzerland is supported by the fact that as per March 2012, 79.3% of the Swiss population (80.2% of the Swiss German population) older than 14 years used the Internet several times per week (Bundesamt für Statistik, 2012). To guarantee the anonymity of the participants, we received data in anonymous form from the market research firm, such that the identity of the participants is only known to the market research firm.

This method was chosen for several reasons. First, the findings of Kleck and Roberts (2012) suggest that web surveys (along with traditional mail surveys, and telephone audio computer-assisted self-interviewing) lead to highest rates of admission of criminal behavior. They argue that respondents have an increased sense of privacy, and show a lower tendency to respond in a socially desirable manner when submitting responses to a computer. Second, as organizations are often reluctant to cooperate in surveys about UB (Treviño and Weaver 2003), partly due to legal concerns, approaching respondents outside their organizations is a possibility to circumvent this issue. The Ethics Resource Center's bi-annual National Business Ethics Survey® (NBES) uses this strategy to obtain data about ethics and ethical behavior at the workplace from a representative sample of the US working population (e.g. Ethics Resource Center, 2012). In addition, when participants are surveyed outside their organizations by researchers who have no contact to their organizations, participants' concerns about negative consequences as result of their answers in the survey may be reduced. Third, Treviño and Weaver (2003) propose that guaranteeing participants' anonymity may reduce concerns of socially desirable responding. Finally, including

multiple organizations in diverse sectors in the survey may increase confidence in the generalizability of findings (Robinson and O'Leary-Kelly 1998).

A random sample from the market research firm's online pool was used for the current study. 4,482 emails with an invitation to participate in the survey were sent by the market research firm (the authors and academic institutions were not mentioned in the invitation email). The email included the link to the online survey, the information that the survey was about how people treat each other at the workplace, and that the market research firm would treat respondents' answers confidentially. Out of the 4,482 invitations, 2,674 were not read, and 825 were read, but the recipient did not participate in the survey. Among the remaining 983 persons who read the invitation and accessed the survey, 162 only accessed the survey after it had closed, and could not start it. The questionnaire contained demographic screening questions at the beginning to ensure that participants were actually working, and were not self-employed, and respondents who did not meet these criteria were unable to complete the survey. Out of the 821 persons who started the survey, 447 completed it successfully, resulting in a sample size of $N=447$ and a response rate of 24.7% among those who had read the invitation email. While low response rates are typical for research on UB (Randall and Gibson 1990; Wouters et al. 2014), this response rate is still on the low end compared to the average response rate of 43% reported for surveys of business ethics by Randall and Gibson (1990), and of 52.7% (standard deviation 20.4%) reported by Baruch and Holtom (2008) for the field of organizational research. We therefore provide a comparison of the sample's demographic characteristics to the characteristics of the Swiss working population below when discussing the sample's demographic composition to address concerns of potential response bias related to low response rates.

The online survey started with an introductory letter by authors explaining that the purpose of the research was to find out more about how people treated each other and behaved at the workplace, and behaved in the workplace. It also informed participants of the anonymity and confidentiality of their answers, and explained the role of the market research firm in collecting the answers for the researchers.

Participants who successfully completed the survey could choose whether the market research firm should donate a small amount on their behalf to UNICEF, Greenpeace, or Médecins sans frontières, or to no organization at all. In general, each screen contained questions about one behavior, or about one control or demographic variable, and participants could use arrows at the bottom of each screen to skip and backtrack questions.

Table III.2 summarizes the demographic characteristics and information about the work situation of the final sample used in the analysis; the data screening process that led to this final sample of $N=428$ is described in the analysis section. The final sample for analysis contains 48% female (52% male) participants, mean age is 47.6 years (median = 49), 39% of participants work part-time, and the mean tenure is 13.2 years (median=10). 77% of participants work for organizations with up to 5,000 employees, the direct work environment comprises 21.7 members on average (median=10), and 59.3% of participants interact with external parties every day. The three sectors most represented in this sample are the public sector/ not-for-profit organizations (17%), education (14%), and healthcare (12%). Comparison of the demographic characteristics of the sample to official statistics for the Swiss working population provided in Table III.2 reveals that the sample resembles the Swiss working population closely in terms of gender, employment status (full-/part-time), and the hierarchical position of the employees. The proportions of the individuals with tenures in categories up to five years were smaller in the current sample than in the Swiss working population, while the reverse is true for tenures above five years. The sample contains more respondents between 40 and 64 years of age than the Swiss working population, and less respondents between 15 and 29 years. The sectors represented in the sample differ from the sectors in the Swiss working population, with the public sector/ not-for-profit, education, and healthcare being overrepresented in the sample. Larger organizations are overrepresented in the sample compared to the Swiss working population. Overall, this comparison suggests that the current study's sample may not be fully representative of the Swiss working population. To further assess potential

biases in the current sample, we compare the current study's data on UB to data available from other studies that use comparable or identical items of UB along with the descriptive statistics in the results section.

3.2 Measures

3.2.1 Unethical behavior

To obtain self- and observer-reports UB, Kaptein's (2008a) scale of UB in the workplace was used, because this scale was systematically developed and tested, and covers a broad range of both intra- and extra-organizational UB. The scale was originally developed as an observer-report measure. In the current study, the scale's items were adapted as follows to elicit both observer- and self-reports: for each item, after the description of the behavior in progressive form ("doing something"), the participant was asked first how often he had observed, or had first-hand knowledge about, others in his direct work environment (defined as the team, group, or department in which the respondent works (following Kaptein 2008a; Kaptein 2008b, p. 928) engaging in that behavior, and then how often he had himself engaged in that behavior. This order of the questions within each item follows to the "other people approach" recommended for sensitive questions (Gideon 2012, p. 390). Following other researchers (Bennett and Robinson 2000; Kaptein 2008a), a retrospective timeframe of twelve months was used in order to mitigate the difficulty of the low base-rate of UB.

The response alternatives for all items of the scale were given on a 5-point frequency scale (labeled as *Never*, *Rarely*, *Sometimes*, *Often*, *(Almost) always*; coded [but not labeled] 1 through 5) following Kaptein (2008a). The response alternative *Not applicable in my direct work environment* was included because a number of UB items in Kaptein's (2008a) scale are quite specific to interactions with customers, suppliers, or regulatory authorities, such that engaging and/ or observing such behavior is not possible in all job roles or environments (see also Cohen et al. 2013). The purpose of including this alternative was to avoid that, for example, employees who had no interaction with

suppliers would skip items referring to suppliers, leaving the researcher with a missing value, and without further information as to why the value might be missing. To create a logical flow in the questions (Gideon 2012) the items were grouped according to the affected stakeholders as proposed by Kaptein's (2008a) sub-scales.

The items from Kaptein's (2008a) scale published in English were translated to German by the one of the authors who is a German native speaker. This translation was reviewed by a qualified translator. A second translator, blind to the English original version, subsequently back-translated the German version to English, and discrepancies were resolved in discussion with that author.

3.2.2 *Respondents' work situation*

Information about respondents' work situation was collected, including the number of employees of their organization in Switzerland, the industry of their organization, the size of their direct work environment, their employment status (full- or part-time, with % of employment), their hierarchical position (*team member, team leader, middle-level manager (e.g. head of department), member of top management, the Board of Directors, or owner*), their tenure within the organization, and the frequency of their interaction with external parties (*daily, 1-3 times per week, 1-3 per month, less than once per month*). In addition, respondents provided their gender and age.

Table III.2

Demographic characteristics of the final sample for analysis (N=428) and the Swiss working population

Characteristic	Sample	Swiss working population	Characteristic	Sample	Swiss working population
Gender – Female % (Male %)	48.1% (51.9%)	46% (54%)	Number of employees in respondent's organization in Switzerland		
Age (mean)	47.6 years	n/a	1 to 50 (%)	25.5%	46.7% ^{a)}
15-24 years (%)	1.6%	13.0%	51 to 250 (%)	19.6%	20.0% ^{a)}
25-39 years (%)	18.2%	31.5%	251 to 5,000 (%)	31.8%	
40-54 years (%)	53.0%	37.0%	5,001 to 10,000 (%)	7.2%	
55-64 years (%)	26.9%	15.3%	More than 10,000 (%)	15.7%	33.4% ^{a)}
65 and more (%)	0.2%	3.2%			
Employment – Fulltime % (Part-time %)	60.7% (38.8%)	65.8% (34.32%) ^{b)}	Number of employees in respondent's direct work environment (mean/ median)	21.7/ 10.0	n/a
Tenure (mean)	13.2 years	n/a			
<1 year	5.9%	13.9%			
1 to < 3 years (%)	6.8%	14.8%			
3 to < 5 years (%)	11.2%	13.4%			
5 years or more (%)	75.9%	57.7%			
Hierarchical position of employees					
Team member (%)	61.7%	52.8% ^{c)}			
Team leader (%)	16.4%				
Middle-level manager (%)	16.8%	29.1% ^{c, d)}			
Top management, Board of Directors (%)	4.9%	9.1% ^{c)}			
Missing (%)	0.2%	-			
Frequency of interaction with external parties		n/a			
Less than once per month	11.7%				
1-3 times per month	8.9%				
1-3 times per week	20.1%				
Every day	59.3%				
Industry of respondent's organization ^{e)}					
Public sector, not-for-profit organizations	17.5%	5.1%			
Education	13.3%	7.0%			
Healthcare	13.3%	13.6%			
IT, Software, and services	8.4%	-			
Manufacturing	7.5%	14.5% ^{f)}			
Banking, finance, insurances	6.5%	5.9%			
Food, retail, mail order business	6.1%	13.8%			
Transportation	5.1%	4.3%			
Communications, media	5.1%	3.3%			
Real estate/ construction	4.4%	4.2% ^{b)} / 6.4%			
Crafts	4.4%	-			
Pharmaceutical	1.9%	-			
Energy, chemicals	1.4%	-			
Consulting	1.2%	-			
Hospitality	0.9%	4.0%			
Arts, entertainment	0.7%	6.2% ^{f)}			
Other industry	2.1%	11.5%			

^{a)} Data for the Swiss working population according to the Swiss Federal Statistical Office (Bundesamt für Statistik), 2012 available at http://www.bfs.admin.ch/bfs/portal/de/index/infothek/erhebungen_quellen/blank/blank/enquete_suisse_sur/00.html, unless otherwise indicated.

^{b)} Data for the Swiss working population count a person as working fulltime when s/he works 90% or more, whereas the survey data only counts a person as working fulltime when s/he works 100%.

^{c)} Calculated by the authors as % of persons who are not self-employed and do not work in their family's business, rather than as total of the working population, as self-employed persons were excluded from the study.

^{d)} This category of the Swiss Federal Statistical Office is called "employee with managerial responsibility"; team leaders and middle level managers are not differentiated in the Swiss Federal Statistical Office's data.

^{e)} Industry descriptions used in the current study and those reported in the data of the Swiss Federal Statistical Office are not exactly the same. Labels in this table are the labels used in the current study. Where possible, data of the Swiss Federal Statistical Office were matched to an industry description of the study; descriptions which could not be matched were summed in the category "other".

^{f)} The industry description of the Swiss Federal Statistical Office contains more industries than the description in the study.

^{g)} Data from the Swiss Federal Statistical Office is only available for 2008 at <http://www.bfs.admin.ch/bfs/portal/de/index/theme/n/06/02/blank/key/01/groesse.html>. Categories reported by the Swiss Federal Statistical Office are 0-9, 10-49, 50-249, and 250 and more employees. The authors have aggregated the numbers in the first two categories to reflect the categories used in the study; the top category in the official data by contrast summarizes three of the study's categories.

3.3 Analysis

3.3.1 Data screening and missing values

Screening of the responses of the 447 participants revealed 19 cases that were excluded for the analysis. Among these, a group of 14 respondents was excluded because they reported a size of their direct work environment smaller than 2 or above 1,000. The final sample size available for analysis is thus $N=428$.

The number of respondents who did not answer a given UB item ranged from 0 to 3 per item for observer-reports, and from 0 to 4 per item for self-reports. For both self- and observer-reports, no respondent had more than two missing values across all 37 items (average number of missing values 0.08 and 0.12 respectively). Overall, this indicates a very low number of missing values on the sensitive UB items.² Missing values are handled through exclusion by analysis. Screening of the data also revealed considerable positive skewness and positive kurtosis in both observer- and self-reports. Positive skewness in both forms of reports of UB was expected (given the current study's coding of the answer scale with a minimum of 1 and a maximum of 5), as UB is a low-base-rate phenomenon.

3.3.2 Strategy for analysis

To test Hypotheses 1 and 2, we compare observer-reports and self-reports of UB in terms of the reported scores on the 5-point Likert scale, the participation rates obtained by dichotomizing the responses, and the variation in reported scores on the 5-point Likert scale. Given the skewness and kurtosis of the data, and that observer- and self-reports are obtained from the same persons, non-parametric (or robust or distribution-free) statistical tests for related measures will be employed for hypothesis testing.

To compare the participation rates, or proportions of the sample that has observed (committed) UB, McNemar's test for correlated proportions (also called McNemar change test) will be used (Baguley 2012; Siegel and Castellan 1988), as implemented in standard statistical software (we used SPSS v19). Signed rank tests will

be employed to compare the reported scores on the 5-point Likert scale. The sign test examines the direction of non-zero differences (i.e. positive or negative) in pairs of related scores arising from a continuous underlying variable (Siegel and Castellan 1988). As only non-zero differences are analyzed in the test, the number of cases used in the test can be substantially lower than the number of available cases (pairs) in the sample. The sign test is implemented in standard statistical software (we used SPSS v19). A paired-samples *t*-test for difference in means is not appropriate due to the skewness of the data. Similarly, the preliminary examination of differences in the scores between observer-reports and self-reports revealed considerable skewness in these differences as well, such that the Wilcoxon signed-rank test was not a suitable test either. Kasuya (2010, p. 767) has in fact concluded that this test inflates the type I error rate when the distribution of the tested differences is asymmetric. He suggests using the sign test when asymmetry in the data prevents the use of the Wilcoxon signed-rank test.³

The variation of observer- and self-reports will be compared using Bonett and Seier's (2003) test for dispersion in paired data. This test was specifically developed to address situations where bivariate normality of paired, or related, data is violated. The test is based on a robust measure of dispersion, the mean absolute deviation from the median (MAD), rather than upon standard deviation (and variance), and examines the ratio of the MADs. Bonett and Seier's (2003) test is implemented in the package PairedData (Champely, 2013, April 19) in the statistical software R (R Core Team 2014).

To further explore the relationship between observer- and self-reports we will analyze the dichotomized responses as well as the scores on the 5-point Likert-scale both across all participants (i.e. at the aggregate level) for each item, and at the level of responses (i.e. 428 respondents answering 37 items each). For these further analyses, we will rely on ratios of observer-reports to self-reports. As a relative measure that is unaffected by absolute levels, ratios allow for a meaningful comparison of the relationship between observer- and self-reports for different forms UB that have quite different absolute levels.

4 Results

4.1 Descriptive statistics for observer-reports

Table III.3 reports the number of valid responses, means, and participation rates (calculated as % of valid responses per item) for observer-reports of all 37 items of UB. To calculate participation rates, respondent is considered as having ‘participated’ in a behavior if he reported to have observed it ‘Rarely’, ‘Sometimes’, ‘Often’ or ‘(Almost) always’. All forms of UB described in the scale have been observed. The average (unweighted) participation rate across items is 12.4%, the median participation rate 8.2%. Participation rates range from less than 1% (*trading securities based on insider information*) to more than 50% (*wasting, mismanaging, or abusing organizational resources*). For five behaviors, participation rates above 25% are reported, and for eleven behaviors, participation rates are below 5%. Means for the behavior items range from 1.01 (*trading securities based on insider information; making improper political or financial contributions to domestic or foreign officials*) to 1.84 (*wasting, mismanaging, or abusing organizational resources*). The grand mean across the 37 items is 1.18, the median equals 1 for all but one item (*wasting, mismanaging, or abusing organizational resources*, median = 2). For 34 out of the 37 items, the mean is below 1.5, with the grand mean across the 37 items at 1.18. Standard deviations range from 0.12 to 0.94, and for 13 items, the standard deviation is above 0.5. The low standard deviations reflect the concentration of the data towards the mean close to the minimum of the scale range for most items. This concentration is also evident in the skewness (not reported in Table III.3) of the distribution of the values for all 37 items, ranging from 0.98 up to 13.99. Similarly, all 37 items exhibit positive kurtosis (not reported in Table III.3), ranging from 0.34 to 210.70. The item with the highest mean has at the same time the highest standard deviation and the lowest skewness and lowest kurtosis; and the two items with the lowest mean have at the same time the lowest standard deviations, and the highest skewness and highest kurtosis.

Focusing on respondents rather than on behavior items, Figure III.1 depicts the proportion of respondents who reported having observed a certain number of different

forms of UB. 17% of respondents reported never having observed any UB, and about one third (35%) of respondents reported having observed between one and three forms of UB. Approximately 15% of respondents observed 10 or more forms of UB.

Comparison of the observer-report data of the current study with two studies conducted in the U.S. shows that participation rates obtained in the current study are generally lower than participation rates in one study, and comparable or higher than the participation rates in the other study. Kaptein (2010) used the same UB scale as the current study in two large samples of the US working population in 2004 and 2008 ($N=4,056$ and $N=5,065$ respectively) that included adults who were employed in organizations with at least 200 employees. The 2011 National Business Ethics Survey® (NBES) (Ethics Resource Center, 2012) reports participation rates on a number of items comparable to items of the current study for a large sample of the US working population ($N=4,683$) that consists of individuals in the U.S. that work for companies that have at least two employees. Table III.4 and Table III.5 compare the participation rates of the current study to those of these two studies respectively. The data reported for the 2004 and 2008 waves of Kaptein's (2010) study reveal higher participation rates than the current study for 33 and 32 items of the 37 items respectively. The largest differences in both 2004 and 2008 arise for the following items: *discriminating against employees (on the basis of age, race, gender, religious belief, sexual orientation, etc.); entering into customer contracts relationships without the proper terms, conditions, or approvals; engaging in (sexual) harassment or creating a hostile work environment (e.g., intimidation, racism, pestering, verbal abuse, and physical violence)*, for which the participation rates reported by Kaptein (2010) are 13% to 18% higher in absolute terms. The largest difference in the other direction is found for the item *engaging in activities that pose a conflict of interest (e.g., conflicting sideline activities, favoritism of family and friends, use of working hours for private purposes, executing conflicting tasks)*, where the current study finds participation rates that are 17% and 18% higher compared to the 2004 and 2008 data respectively from Kaptein's (2010) study.

Table III.3
Descriptive statistics for observer-reports of UB (N=428)

Item Description	N valid ^{a)}	Mean	Std. Deviation	Participation Rate ^{b)}
Wasting, mismanaging, or abusing organizational resources	427	1.84	0.943	54.6%
Engaging in activities that pose a conflict of interest (e.g., conflicting sideline activities, favoritism of family and friends, use of working hours for private purposes, executing conflicting tasks)	427	1.63	0.910	40.0%
Violating workplace health and safety rules or principles	427	1.53	0.808	37.5%
Violating employee wage, overtime, or benefits rules	427	1.48	0.881	29.3%
Violating environmental standards or regulations	428	1.36	0.706	26.4%
Discriminating against employees (on the basis of age, race, gender, religious belief, sexual orientation, etc.)	425	1.33	0.713	22.1%
Breaching employee privacy	427	1.32	0.733	21.1%
Falsifying time and expense reports	428	1.21	0.534	16.6%
Breaching computer, network, or database controls	428	1.23	0.563	16.6%
Engaging in (sexual) harassment or creating a hostile work environment (e.g., intimidation, racism, pestering, verbal abuse, and physical violence)	427	1.25	0.662	15.7%
Violating document retention rules	428	1.21	0.571	14.7%
Engaging in false or deceptive sales and marketing practices (e.g., creating unrealistic expectations)	428	1.20	0.563	14.0%
Stealing or misappropriating assets (e.g. money, equipment, materials)	428	1.16	0.450	13.1%
Accepting inappropriate gifts, favors, entertainment, or kickbacks from suppliers	428	1.16	0.445	12.6%
Abusing or misusing confidential or proprietary information of the organization	427	1.16	0.468	12.2%
Breaching customer or consumer privacy	427	1.14	0.453	10.5%
Violating or circumventing supplier selection rules	428	1.11	0.346	9.6%
Making false or misleading claims to the public or media	427	1.13	0.468	8.4%
Falsifying or manipulating financial reporting information	425	1.14	0.541	8.2%
Providing regulators with false or misleading information	425	1.11	0.421	7.5%
Violating contract or payment terms with suppliers	426	1.10	0.408	7.3%
Doing business with disreputable suppliers	426	1.08	0.315	7.0%
Fabricating or manipulating product quality or safety test results	425	1.07	0.310	5.9%
Exposing the public to safety risk	427	1.07	0.275	5.9%
Violating international labor law or human rights	428	1.08	0.372	5.8%
Improperly gathering competitors' confidential information	428	1.07	0.307	5.1%
Submitting false or misleading invoices to customers	427	1.06	0.259	4.9%
Engaging in anti-competitive practices (e.g., market rigging, quid pro quo deals, offering bribes or other improper gifts, favors, and entertainment to influence customers)	428	1.07	0.322	4.7%
Entering into customer contracts relationships without the proper terms, conditions, or approvals	428	1.05	0.274	3.7%
Entering into supplier contracts that lack proper terms, conditions, or approvals	428	1.04	0.196	3.3%

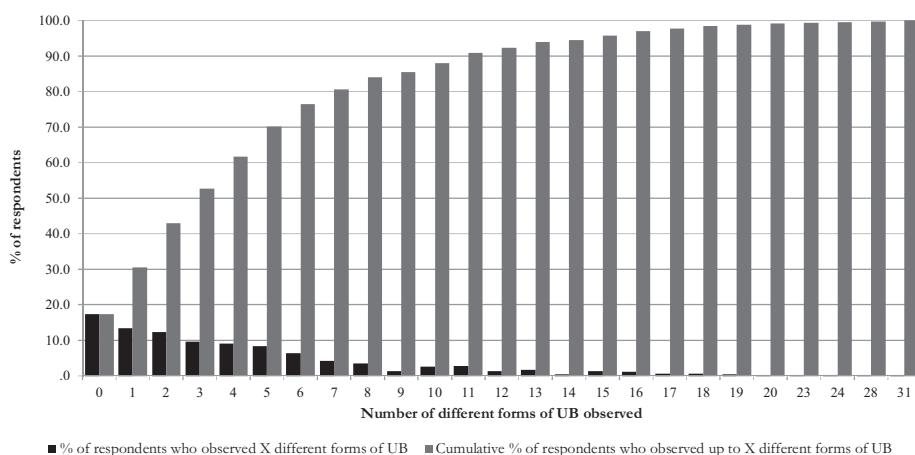
Table III.3 – continued

Item Description	N valid ^{a)}	Mean	Std. Deviation	Participation Rate ^{b)}
Violating intellectual property rights or confidential information of suppliers	427	1.04	0.240	2.6%
Providing inappropriate information to analysts and investors	427	1.03	0.179	2.6%
Violating contract terms with customers	428	1.03	0.179	2.6%
Paying suppliers without accurate invoices or records	427	1.02	0.151	2.3%
Doing business with third parties that may be involved in money laundering or are prohibited under international trade restrictions and embargos	428	1.02	0.173	1.6%
Making improper political or financial contributions to domestic or foreign officials	425	1.01	0.137	1.2%
Trading securities based on inside information	426	1.01	0.118	0.7%

^{a)} Response alternative “not applicable in my direct work environment” is treated as valid response and coded equivalent to “never”.

^{b)} Participation rate expressed in % of valid responses per item. Items sorted from highest to lowest participation rate.

Figure III.1
Number of different forms of UB observed by respondents



In the NBES, not all item descriptions exactly match the item description of the scale used in the current study (e.g. more restrictive definition of a behavior in NBES than in current study, or vice versa) which renders a complete comparison on a per-item basis somewhat inexact. Overall, a comparison of items that are almost identical between the current study and the NBES shows that the current study finds higher participation rates for most items. In particular, the largest differences for almost identically described items arise where current study found substantially higher participation rate than the NBES: *violation of health and safety rules* (absolute difference 25%), *environmental violations* (19%), and *violations of employee benefit rules* (19%). A comparably large difference (16%) in the other direction only results when participation rates for the NBES items *abusive behavior* and *sexual harassment* are summed and compared to this study's item *engaging in (sexual) harassment or creating a hostile work environment (e.g., intimidation, racism, pestering, verbal abuse, and physical violence)*. The differences in the results of the comparison of the current study's data to the NBES data and to Kaptein's (2010) data may partly be due to differences in the sample: both the current study and the NBES sample included employees working in small firms, whereas Kaptein's (2010) studies only include employees working for firms with more than 200 employees. Specifically, 45% of respondents in the current survey worked for organizations with up to 250 employees (see Table III.2), and 35% of respondents in the 2011 NBES worked for companies with up to 99 employees, and another 16% worked for companies with 100 to 499 employees (Ethics Resource Center, 2011, p. 10).

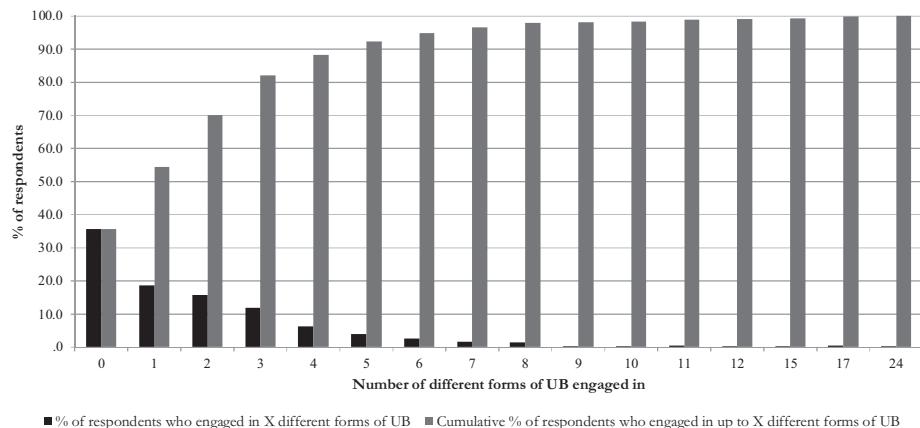
The level of observed UB reported in other surveys provide context against which to assess the findings of the current study, but these comparisons do not allow any conclusions about whether the Swiss working population is behaving more or less ethically compared to the US working population: not only are there differences in the timing of the surveys and potential time trends in UB confounding the comparison, but also because of the factors impacting responses to the survey items we have discussed earlier.

4.2 Descriptive statistics for self-reports

Table III.6 reports the number of valid responses, means, and participation rates (as % of valid responses) for self-reports of all 37 items of UB. Participation rates were calculated as for the observer-reports. All forms of UB described in the scale have been committed. The average (un-weighted) participation rate across items is 5.4%, the median participation rate 2.3%. Participation rates range from less than 1% (6 items) to 36.4% *wasting, mismanaging, or abusing organizational resources*). Participation rates above 10% are reported for five items, and for 26 items, participation rates are below 5%. Means for the behavior items range from 1.00 (*trading securities based on insider information; making improper political or financial contributions to domestic or foreign officials*) to 1.41 (*wasting, mismanaging, or abusing organizational resources*). The grand mean across the 37 items is 1.06, the median equals 1 for all items. Standard deviations range from 0.05 to 0.63, and for four items, the standard deviation is above 0.5. The low standard deviations reflect the concentration of the data towards the minimum of the scale range in the items. All 37 items accordingly show positive skewness (not reported in Table III.6) ranging from 1.07 to 20.64. Kurtosis (not reported in Table III.6) is also positive for all 37 items, ranging from 0.15 to 426.00.

Figure III.2 shows that 36% of respondents reported having never engaged in any form of UB over the past 12 months. 34% of respondents reported having engaged in one or two forms of UB. 2% of respondents reported having engaged in 10 or more forms of UB.

Figure III.2
Number of different forms of UB engaged in by respondents



■ % of respondents who engaged in X different forms of UB ■ Cumulative % of respondents who engaged in up to X different forms of UB

4.3 Relationship between observer- and self-reports

A first inspection of the data reveals that all five highest-ranked items according to participation rates in observer-reports also figure among the five highest ranked items according to participation rates in self-reports. Similarly, four of the seven least frequently reported items according to participation rates in observer-reports (of which 3 items with 2.6%) are also among the six least frequently reported items according to participation rates in self-reports (of which two items each at 0.2%, 0.7%, and 0.9%). Ranking the items according to means results in a similar picture: all five behaviors with the highest means in observer-reports are also among the five behaviors with the highest means in self-reports. Finally, the six items with the lowest means in observer-reports (of which two items each at 1.01, 1.02 and 1.03) are also among the nine items with the lowest means (2 items with 1.00, 7 items with 1.01) in self-reports.

Table III.4
Comparison of participation rates in observer-reports of the current study to data from Kaptein (2010)

Item description	Participation rate observer-reports current study (N=428) ^{a)}	Participation rate observer-reports Kaptein (2010) ^{b)}	
		2004 (N=4,056)	2008 (N=5,065)
Wasting, mismanaging, or abusing organizational resources	54.6%	44.1%	45.7%
Engaging in activities that pose a conflict of interest (e.g., conflicting sideline activities, favoritism of family and friends, use of working hours for private purposes, executing conflicting tasks)	40.0%	23.4%	21.9%
Violating workplace health and safety rules or principles	37.5%	34.1%	34.7%
Violating employee wage, overtime, or benefits rules	29.3%	30.9%	27.7%
Violating environmental standards or regulations	26.4%	20.5%	18.1%
Discriminating against employees (on the basis of age, race, gender, religious belief, sexual orientation, etc.)	22.1%	39.9%	39.2%
Breaching employee privacy	21.1%	31.0%	28.2%
Falsifying time and expense reports	16.6%	23.6%	21.2%
Breaching computer, network, or database controls	16.6%	20.8%	19.3%
Engaging in (sexual) harassment or creating a hostile work environment (e.g., intimidation, racism, pestering, verbal abuse, and physical violence)	15.7%	31.7%	30.9%
Violating document retention rules	14.7%	19.5%	20.7%
Engaging in false or deceptive sales and marketing practices (e.g., creating unrealistic expectations)	14.0%	27.0%	20.3%
Stealing or misappropriating assets (e.g. money, equipment, materials)	13.1%	18.9%	18.4%
Accepting inappropriate gifts, favors, entertainment, or kickbacks from suppliers	12.6%	17.1%	15.0%
Abusing or misusing confidential or proprietary information of the organization	12.2%	24.0%	22.9%
Breaching customer or consumer privacy	10.5%	21.6%	16.7%
Violating or circumventing supplier selection rules	9.6%	14.4%	12.7%
Making false or misleading claims to the public or media	8.4%	18.5%	14.6%
Falsifying or manipulating financial reporting information	8.2%	13.8%	11.4%
Providing regulators with false or misleading information	7.5%	12.4%	10.4%
Violating contract or payment terms with suppliers	7.3%	11.2%	9.4%
Doing business with disreputable suppliers	7.0%	11.2%	10.5%
Fabricating or manipulating product quality or safety test results	5.9%	14.2%	13.8%
Exposing the public to safety risk	5.9%	16.5%	13.6%
Violating international labor law or human rights	5.8%	7.6%	6.4%
Improperly gathering competitors' confidential information	5.1%	15.9%	12.9%
Submitting false or misleading invoices to customers	4.9%	13.1%	10.1%
Engaging in anti-competitive practices (e.g., market rigging, quid pro quo deals, offering bribes or other improper gifts, favors, and entertainment to influence customers)	4.7%	13.8%	11.1%
Entering into customer contracts relationships without the proper terms, conditions, or approvals	3.7%	21.1%	16.8%

Table III.4 – continued

Item description	Participation rate observer-reports current study (N=428) ^{a)}	Participation rate observer-reports Kaptein (2010) ^{b)}	
		2004 (N=4,056)	2008 (N=5,065)
Entering into customer contracts without the proper terms, conditions, or approvals	3.7%	21.1%	16.8%
Entering into supplier contracts that lack proper terms, conditions, or approvals	3.3%	12.6%	10.9%
Violating intellectual property rights or confidential information of suppliers	2.6%	9.6%	8.6%
Providing inappropriate information to analysts and investors	2.6%	11.5%	9.3%
Violating contract terms with customers	2.6%	17.5%	15.0%
Paying suppliers without accurate invoices or records	2.3%	9.4%	7.8%
Doing business with third parties that may be involved in money laundering or are prohibited under international trade restrictions and embargos	1.6%	4.9%	4.1%
Making improper political or financial contributions to domestic or foreign officials	1.2%	7.2%	5.6%
Trading securities based on inside information	0.7%	8.1%	6.6%

^{a)} Participation rate expressed in % of valid responses per item. Items sorted from highest to lowest participation rate.

^{b)} The sample of the survey reported by Kaptein (2010) includes U.S. adults who work for organizations with at least 200 employees.

Table III.5

Comparison of participation rates in observer-reports of the current study to data from the 2011 National Business Ethics Survey of the Ethics Resource Center

Item Description	Current Study		2011 National Business Ethics Survey (Ethics Resource Center)	
	Participation rate all participants, N=428	Participation rate excluding government and not-for-profit sectors, N=353	Item Description	Participation rate N=4,683 (does not include government sector)
Discriminating against employees (on the basis of age, race, gender, religious belief, sexual orientation, etc.)	22.1%	21.4%	Discrimination	15.0%
Engaging in (sexual) harassment or creating a hostile work environment (e.g., intimidation, racism, pestering, verbal abuse, and physical violence)	15.7%	15.9%	Abusive behavior	21.0%
-	-	-	Sexual harassment	11.0%
Violating workplace health and safety rules or principles	37.5%	37.7%	Health or safety violations	13.0%
Violating employee wage, overtime, or benefits rules	29.3%	30.7%	Employee benefits violations	12.0%
Breaching employee privacy	21.1%	19.6%	Employee privacy breach	11.0%
Falsifying or manipulating financial reporting information	8.2%	7.4%	Misrepresenting financial records	5.0%

Table III.5 – continued

Current Study			2011 National Business Ethics Survey (Ethics Resource Center)	
Item Description	Participation rate all participants, N=428	Participation rate excluding government and not-for-profit sectors, N=353	Item Description	Participation rate N=4,683 (does not include government sector)
Falsifying time and expense reports	16.6%	15.9%	Falsifying time reports or hours worked	12.0%
-	-	-	Falsifying expense reports	5.0%
Stealing or misappropriating assets (e.g. money, equipment, materials)	13.1%	13.6%	Stealing	12.0%
Breaching computer, network, or database controls	16.6%	16.1%	-	-
Abusing or misusing confidential or proprietary information of the organization	12.2%	13.1%	Misuse of company's confidential information	7.0%
Violating document retention rules	14.7%	14.7%	-	-
Providing inappropriate information to analysts and investors	2.6%	2.8%	-	-
Trading securities based on inside information	0.7%	0.6%	Insider trading	4.0%
Engaging in activities that pose a conflict of interest (e.g., conflicting sideline activities, favoritism of family and friends, use of working hours for private purposes, executing conflicting tasks)	40.0%	39.8%	Conflicts of interest	15.0%
-	-	-	Misuse of company time	33.0%
Wasting, mismanaging, or abusing organizational resources	54.6%	53.1%	Company resource abuse	20.0%
Engaging in false or deceptive sales and marketing practices (e.g., creating unrealistic expectations)	14.0%	14.2%	Lying to outside stakeholders(item repeated)	12.0%
Submitting false or misleading invoices to customers	4.9%	4.8%	-	-
Engaging in anti-competitive practices (e.g., market rigging, quid pro quo deals, offering bribes or other improper gifts, favors, and entertainment to influence customers)	4.7%	5.4%	Anti-competitive practices	4.0%
-	-	-	Offering potential clients bribes/ improper payments	5.0%

Table III.5 – continued

Current Study			2011 National Business Ethics Survey (Ethics Resource Center)	
Item Description	Participation rate all participants, N=428	Participation rate excluding government and not-for-profit sectors, N=353	Item Description	Participation rate N=4,683 (does not include government sector)
-	-	-	Offering public officials bribes/improper payments	4.0%
Improperly gathering competitors' confidential information	5.1%	5.9%	Misuse of competitor's information	5.0%
Fabricating or manipulating product quality or safety test results	5.9%	6.6%	Poor product quality	10.0%
Breaching customer or consumer privacy	10.5%	10.8%	Customer privacy breach	7.0%
Entering into customer contracts without the proper terms, conditions, or approvals	3.7%	4.0%	<i>Improper contracts (item repeated)</i>	6.0%
Violating contract terms with customers	2.6%	2.3%	<i>Contract violations (item repeated)</i>	6.0%
Violating or circumventing supplier selection rules	9.6%	9.1%	-	-
Accepting inappropriate gifts, favors, entertainment, or kickbacks from suppliers	12.6%	11.9%	Accepting kickbacks or bribes	5.0%
Paying suppliers without accurate invoices or records	2.3%	2.3%	-	-
Entering into supplier contracts that lack proper terms, conditions, or approvals	3.3%	3.4%	<i>Improper contracts (item repeated)</i>	6.0%
Violating intellectual property rights or confidential information of suppliers	2.6%	2.3%	-	-
Violating contract or payment terms with suppliers	7.3%	7.1%	<i>Contract violations (item repeated)</i>	6.0%
Doing business with disreputable suppliers	7.0%	6.5%	-	-
Violating environmental standards or regulations	26.4%	25.8%	Environmental violations	7.0%
Exposing the public to safety risks	5.9%	4.3%	-	-
Making false or misleading claims to the public or media	8.4%	7.1%	<i>Lying to outside stakeholders (item repeated)</i>	12.0%
Providing regulators with false or misleading information	7.5%	6.8%	<i>Lying to outside stakeholders (item repeated)</i>	12.0%
Making improper political or financial contributions to domestic or foreign officials	1.2%	1.1%	Illegal political contributions	4.0%

Table III.5 – continued

Current Study			2011 National Business Ethics Survey (Ethics Resource Center)	
Item Description	Participation rate all participants, <i>N</i> =428	Participation rate excluding government and not-for-profit sectors, <i>N</i> =353	Item Description	Participation rate <i>N</i> =4,683 (does not include government sector)
Doing business with third parties that may be involved in money laundering or are prohibited under international trade restrictions and embargos	1.6%	1.4%	-	-
Violating international labor law or human rights	5.8%	5.4%	-	-

Note: Item descriptions in italics designate items of the National Business Ethics Survey that are repeatedly listed in this table. Items of the National Business Ethics Survey are repeatedly listed when several items of the current study could be subsumed under one broad item of the National Business Ethics Survey.

Table III.6
Descriptive statistics for self-reports of UB (*N*=428)

Item Description	N valid ^{a)}	Mean	Std. Deviation	Participation Rate ^{b)}
Wasting, mismanaging, or abusing organizational resources	426	1.41	0.576	36.4%
Engaging in activities that pose a conflict of interest (e.g., conflicting sideline activities, favoritism of family and friends, use of working hours for private purposes, executing conflicting tasks)	427	1.33	0.631	24.8%
Violating workplace health and safety rules or principles	427	1.25	0.561	20.6%
Violating environmental standards or regulations	427	1.20	0.505	17.1%
Violating employee wage, overtime, or benefits rules	427	1.14	0.455	10.1%
Violating document retention rules	427	1.11	0.357	9.4%
Breaching computer, network, or database controls	428	1.11	0.403	8.6%
Breaching employee privacy	427	1.05	0.226	5.4%
Discriminating against employees (on the basis of age, race, gender, religious belief, sexual orientation, etc.)	425	1.05	0.237	5.2%
Accepting inappropriate gifts, favors, entertainment, or kickbacks from suppliers	425	1.05	0.222	5.2%
Engaging in false or deceptive sales and marketing practices (e.g., creating unrealistic expectations)	427	1.05	0.236	5.2%
Stealing or misappropriating assets (e.g. money, equipment, materials)	428	1.05	0.246	4.9%
Falsifying time and expense reports	428	1.06	0.272	4.9%
Abusing or misusing confidential or proprietary information of the organization	428	1.04	0.196	4.0%

Table III.6 – continued

Item Description	N valid ^{a)}	Mean	Std. Deviation	Participation Rate ^{b)}
Improperly gathering competitors' confidential information	427	1.04	0.202	3.5%
Breaching customer or consumer privacy	427	1.04	0.239	3.0%
Falsifying or manipulating financial reporting information	424	1.03	0.215	2.6%
Violating or circumventing supplier selection rules	425	1.03	0.173	2.4%
Violating contract or payment terms with suppliers	426	1.02	0.152	2.3%
Engaging in (sexual) harassment or creating a hostile work environment (e.g., intimidation, racism, pestering, verbal abuse, and physical violence)	427	1.02	0.151	2.3%
Doing business with disreputable suppliers	425	1.02	0.167	2.1%
Fabricating or manipulating product quality or safety test results	426	1.02	0.166	2.1%
Exposing the public to safety risk	428	1.02	0.166	2.1%
Entering into supplier contracts that lack proper terms, conditions, or approvals	428	1.02	0.127	1.6%
Violating international labor law or human rights	428	1.02	0.127	1.6%
Providing regulators with false or misleading information	425	1.02	0.145	1.4%
Violating intellectual property rights or confidential information of suppliers	426	1.02	0.145	1.4%
Making false or misleading claims to the public or media	427	1.02	0.221	1.4%
Entering into customer contracts relationships without the proper terms, conditions, or approvals	427	1.01	0.108	1.2%
Paying suppliers without accurate invoices or records	427	1.01	0.108	1.2%
Violating contract terms with customers	428	1.01	0.108	1.2%
Submitting false or misleading invoices to customers	425	1.01	0.097	0.9%
Providing inappropriate information to analysts and investors	427	1.01	0.128	0.9%
Engaging in anti-competitive practices (e.g., market rigging, quid pro quo deals, offering bribes or other improper gifts, favors, and entertainment to influence customers)	427	1.01	0.084	0.7%
Doing business with third parties that may be involved in money laundering or are prohibited under international trade restrictions and embargos	428	1.01	0.084	0.7%
Trading securities based on inside information	425	1.00	0.049	0.2%
Making improper political or financial contributions to domestic or foreign officials	426	1.00	0.048	0.2%
<i>Valid N listwise</i>	388			

^{a)} Response alternative “not applicable in my direct work environment” is treated as valid response and coded equivalent to “never”.^{b)} Participation rate expressed in % of valid responses for item. Items sorted from highest to lowest participation rate.

4.3.1 Hypothesis testing

Table III.7 reports the absolute differences in means, participation rates, and standard deviations between observer- and self-reports. The level of UB reported in observer-reports and self-reports can be compared either using the original reported scores on the 5-point Likert scale, or using dichotomized responses to create participation rates. We use both methods for comparing the reported levels of UB. For all items, means and participation rates of observer-reports are higher than means participation rates of self-reports, providing preliminary support for Hypothesis 1. The sign test (one-sided) for differences in scores reported in Table III.7 (column 4) revealed that for 32 items, the difference in scores was significant at $p < 0.05$ (29 items at $p < 0.01$), supporting Hypothesis 1 for the majority of items. Similarly, McNemar's test (one-sided) for correlated proportions reported in Table III.7 (column 5) revealed a significant difference in participation rates for 31 items at $p < 0.05$ (30 items at $p < 0.01$), also supporting Hypothesis 1 for the majority of items. The five items with non-significant differences in the sign test also showed non-significant results in McNemar's test. The items with non-significant results in the sign test and McNemar's test rank very low in terms of participation rates and means, both in observer- and self-reports.

Turning to the variation in reported levels of UB, Table III.7 shows that the standard deviations were higher for observer-reports than for self-reports across all items, providing preliminary support for Hypothesis 2. Bonett and Seier's (2003) test (one-sided) for dispersion in related samples reported in Table III.7 (column 6) showed that the difference in mean absolute deviations from the median was significant at $p < 0.05$ for 35 items (31 items at $p < 0.01$), supporting Hypothesis 2. The two items for which Bonett and Seier's test was non-significant (*trading securities based on inside information; making improper political or financial contributions to domestic or foreign officials*) also showed non-significant results in the sign test and in McNemar's test.

Table III.7
Relationship between observer-reports and self-reports of UB

Item Description	Absolute Differences (observer-reports – self-reports) in			Tests (p-values)		
	Means	Participation rates	Standard deviations	Sign Test ^{a)}	McNemar's Test ^{b)}	Bonett- Seier Test ^{c)}
Discriminating against employees (on the basis of age, race, gender, religious belief, sexual orientation, etc.)	0.27	16.90%	0.48	0.000 (341)	0.000	0.000
Engaging in (sexual) harassment or creating a hostile work environment (e.g., intimidation, racism, pestering, verbal abuse, and physical violence)	0.23	13.30%	0.51	0.000 (364)	0.000	0.000
Violating workplace health and safety rules or principles	0.28	16.90%	0.25	0.000 (319)	0.000	0.000
Violating employee wage, overtime, or benefits rules	0.35	19.20%	0.43	0.000 (313)	0.000	0.000
Breaching employee privacy	0.27	15.70%	0.51	0.000 (353)	0.000	0.000
Falsifying or manipulating financial reporting information	0.11	5.60%	0.33	0.000 (394)	0.000	0.000
Falsifying time and expense reports	0.15	11.70%	0.26	0.000 (368)	0.000	0.000
Stealing or misappropriating assets (e.g., money, equipment, materials)	0.11	8.20%	0.2	0.000 (372)	0.000	0.000
Breaching computer, network, or database controls	0.11	7.90%	0.16	0.000 (374)	0.000	0.000
Abusing or misusing confidential or proprietary information of the organization	0.12	8.20%	0.27	0.000 (384)	0.000	0.000
Violating document retention rules	0.10	5.40%	0.21	0.000 (388)	0.000	0.000
Providing inappropriate information to analysts and investors	0.02	1.60%	0.05	0.020 (418)	0.008	0.019
Trading securities based on inside information	0.01	0.50%	0.07	0.250 (423)	0.250	0.069
Engaging in activities that pose a conflict of interest (e.g., conflicting sideline activities, favoritism of family and friends, use of working hours for private purposes, executing conflicting tasks)	0.31	15.20%	0.28	0.000 (324)	0.000	0.000
Wasting, mismanaging, or abusing organizational resources	0.43	18.20%	0.37	0.000 (280)	0.000	0.000
Engaging in false or deceptive sales and marketing practices (e.g., creating unrealistic expectations)	0.15	8.90%	0.33	0.000 (380)	0.000	0.000
Submitting false or misleading invoices to customers	0.05	4.00%	0.16	0.000 (407)	0.000	0.000
Engaging in anti-competitive practices (e.g., market rigging, quid pro quo deals, offering bribes or other improper gifts, favors, and entertainment to influence customers)	0.06	4.00%	0.24	0.000 (410)	0.000	0.000
Improperly gathering competitors' confidential information	0.03	1.60%	0.1	0.038 (411)	0.059	0.007
Fabricating or manipulating product quality or safety test results	0.05	3.80%	0.14	0.000 (407)	0.000	0.000

Table III.7 – continued

Item Description	Absolute Differences (observer-reports – self-reports) in			Tests (p-values)		
	Means	Participation rates	Standard deviations	Sign Test ^{a)}	McNemar's Test ^{b)}	Bonett- Seier Test ^{c)}
Breaching customer or consumer privacy	0.10	7.50%	0.21	0.000 (392)	0.000	0.000
Entering into customer contracts without the proper terms, conditions, or approvals	0.04	2.60%	0.17	0.000 (414)	0.000	0.000
Violating contract terms with customers	0.02	1.40%	0.07	0.016 (422)	0.016	0.008
Violating or circumventing supplier selection rules	0.08	7.20%	0.17	0.000 (396)	0.000	0.000
Accepting inappropriate gifts, favors, entertainment, or kickbacks from suppliers	0.1	7.40%	0.22	0.000 (386)	0.000	0.000
Paying suppliers without accurate invoices or records	0.01	1.20%	0.04	0.063 (420)	0.063	0.032
Entering into supplier contracts that lack proper terms, conditions, or approvals	0.02	1.60%	0.07	0.008 (421)	0.008	0.005
Violating intellectual property rights or confidential information of suppliers	0.02	1.20%	0.1	0.063 (419)	0.063	0.022
Violating contract or payment terms with suppliers	0.08	4.90%	0.26	0.000 (403)	0.000	0.000
Doing business with disreputable suppliers	0.06	4.90%	0.15	0.000 (401)	0.000	0.000
Violating environmental standards or regulations	0.16	9.30%	0.2	0.000 (368)	0.000	0.000
Exposing the public to safety risks	0.04	3.80%	0.11	0.000 (409)	0.000	0.000
Making false or misleading claims to the public or media	0.11	7.00%	0.25	0.000 (395)	0.000	0.000
Providing regulators with false or misleading information	0.09	6.10%	0.28	0.000 (395)	0.000	0.000
Making improper political or financial contributions to domestic or foreign officials	0.01	0.90%	0.09	0.109 (419)	0.109	0.053
Doing business with third parties that may be involved in money laundering or are prohibited under international trade restrictions and embargos	0.01	0.90%	0.09	0.063 (424)	0.063	0.018
Violating international labor law or human rights	0.07	4.20%	0.24	0.000 (407)	0.000	0.000

^{a)} Significance of difference reported based on sign test for differences in scores in related samples. H0: Prob(observer-report > self-report) = Prob(observer-report < self-report) = 0.5, H1: Prob(observer-report > self-report) > Prob(observer-report < self-report), exact p-values for one-sided test (as implemented in SPSS v19). Numbers in brackets are number of ties (cases with zero difference).

^{b)} Significance of difference reported based on McNemar's test for proportions in related samples. H0: Number of pairs with “not observed – committed” = number of pairs “observed – not committed” pairs, H1: Number of pairs “not observed – committed” < Number of pairs “observed – not committed” (as implemented in SPSS v19).

^{c)} Significance of difference based on Bonett-Seier test for dispersion in paired samples. The Bonett-Seier test uses mean absolute deviation from median (MAD). H0: MAD observer-reports/ MAD self-reports = 1, H1: MAD observer-reports/ MAD self-reports > 1 (as implemented in the R package “PairedData”).

4.3.2 *Exploration of dichotomized scores (participation rates)*

The relationship between observer- and self-reports can be analyzed first by exploring how responses are distributed across the four possible combinations of the dichotomized responses (observed/not observed; committed/not committed) across all items. Table III.8 shows the cross-tabulation of the responses in four cells corresponding to the four possible combinations of dichotomized responses. There are a total of 15,836 possible response pairs (i.e. 428 participants providing observer-reports and self-reports on 37 UB items) in the study, of which 15,781 have no missing values, and can be analyzed (see Table III.8). As a result of the low base-rate of UB, in 87.2% of the response pairs, respondents reported both never having observed and never having engaged in UB. In 5.0% of the response pairs, respondents reported both having observed and committed UB. In 7.4% of the response pairs, they reported having observed, but never having committed UB, and in 0.4% of the instances, they reported never having observed, but having engaged in UB. In other words, in 7.8% of the instances, the dichotomized answer to the observer-report item did not correspond to the dichotomized answer to the self-report item.

To further explore the quantitative relationship between observer- and self-reports of UB on the aggregate (sample) level, we analyzed the ratio of participation rates in observer-reports to participation rates in self-reports.

Figure III.3a graphically shows, for each of the 37 items, the participation rate of observer-reports versus the participation rate for self-reports. The ratios in participation rates are reported in the third column of Table III.10. They vary widely from 6.70 (*engaging in (sexual) harassment or creating a hostile work environment*) to 1.46 (*improperly gathering competitor's confidential information*) with an average ratio across all 37 item of 3.17. Six items have a ratio greater than 5, two items a ratio between 4 and 5, nine items between 3 and 4, twelve items between 2 and 3, and eight between 1 and 2.

4.3.3 Exploration of original scores

Observer- and self-reports can also be compared using the ratings on the 5-point scale (i.e. *Never, Rarely, Sometimes, Often, (Almost) always*, coded 1 through 5) rather than the dichotomized responses. On the aggregate (sample) level,

Figure III.3b graphically shows, for each of the 37 items, the mean of observer-reports versus the mean for self-reports. Table III.10 (second column) reveals that the ratios of the mean in observer-reports to the mean in self-reports⁴ vary to a much lesser degree than the ratios in participation rates. The ratios in means range from 1.31 (*wasting, mismanaging, or abusing organizational resources; violating employee wage, overtime, or benefits rules*) to 1.01 (4 items), with the average ratio across the 37 items at 1.10.

In calculating the ratio of means, all responses are taken into account for the comparison, and as the responses are strongly skewed towards the minimum of the scale for both observer- and self-reports, these responses have the strongest impact on the mean. This translates into the ratio as a sort of attenuating effect, such that the high number of minimum scores leads to a ratio close to 1. By contrast, when calculating the ratio in participation rates, in fact only responses *not* located at the minimum of the scale are compared. This implies that the large number of responses at the minimum of the scale in both observer- and self-reports does not impact (or attenuate) the ratio of participation rates.

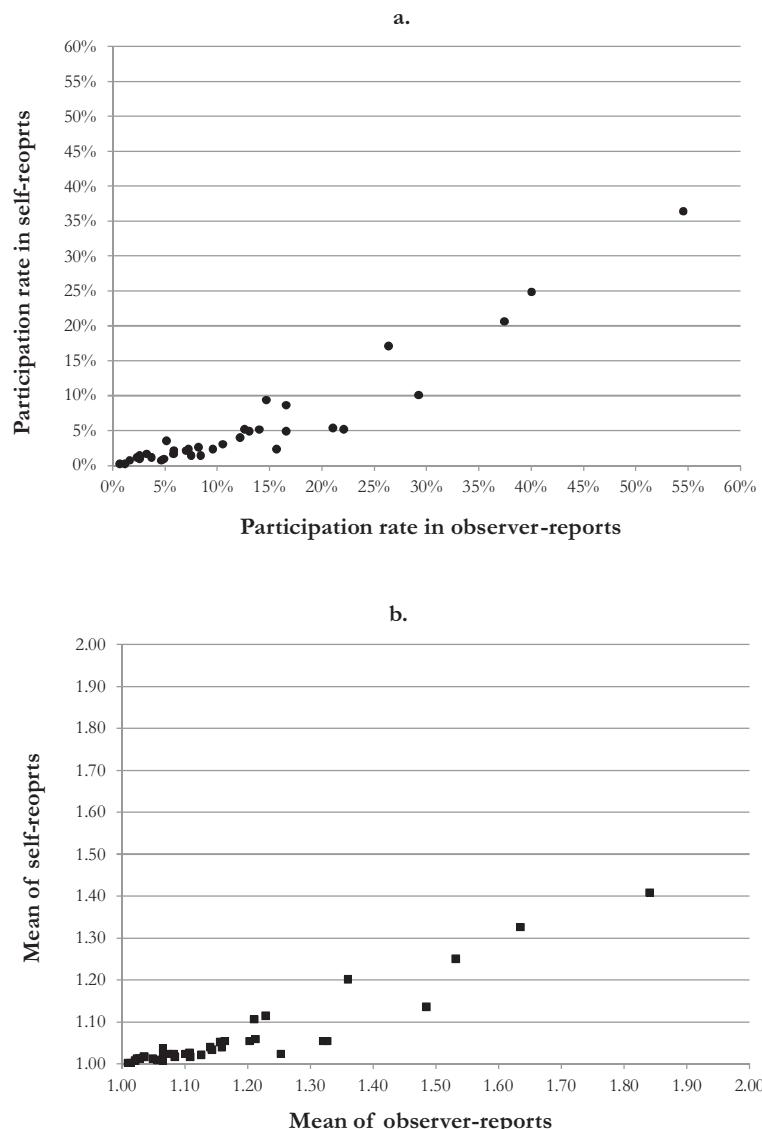
Table III.8
Cross-tabulation of response combinations in observer- and self-reports

	Self-reports		Total
	never committed	committed	
Observer-reports			
never observed	No.	13,765	66
	%	87.2%	0.4%
observed	No.	1,167	783
	%	7.4%	5.0%
Total	No.	14,932	849
	%	94.6%	5.4%
			15,781 ^{a)}
			100.0%

^{a)} Total number of possible responses is 15,836 (428 participants*37 items), of which 55 have missing values, resulting in a total of 15,781 available responses.

Figure III.3

a. Comparison of participation rates in observer- and self-reports for 37 items
b. Comparison of means of observer- and self-reports for 37 items



The items that show the highest and lowest ratios in means are not the same items that show the highest and lowest ratios in participation rates. Among the five items with the highest ratios in means (*violating employee wage, overtime, or benefits rules; wasting, mismanaging, or abusing organizational resources; discriminating against employees; breaching employee privacy; engaging in activities that pose a conflict of interest*), there are two of the five items that have the highest participation rates (and means) in observer- and self-reports (*wasting, mismanaging, or abusing organizational resources; engaging in activities that pose a conflict of interest; violating workplace health and safety rules or principles; violating employee wage, overtime, or benefits rules; violating environmental standards or regulations*). This result contrasts with the results obtained in the analysis of participation rates discussed above, where items with high participation rates (and means) tended to show low ratios in participation rates. The contrasting results can be explained by the fact that the participation rate only considers whether or not a behavior was observed (committed) at all, but does not take into account how often it was observed (committed). The more respondents never observe (commit) a behavior, the closer to 1 the mean for observer-reports (self-reports), and the closer to 1 the ratio of the mean of observer-reports to the mean of self-reports. When there are many respondents who at least rarely observe (commit) a behavior (high participation rate), the probability is higher that there are some respondents who observe (commit) it rather often (high values on the scale), such that a higher mean score can result compared to items that are only observed (committed) by few respondents. This effect is more pronounced for observer- than for self-reports, as we have found that scores and dispersion are higher for observer-reports than for self-reports, such that higher ratios in means result. This analysis suggests that ratios of the mean of observer-reports to the mean of self-reports tend to be higher for forms of UB that are more frequently reported to be observed and committed (higher participation rates and means), compared to less frequent forms of UB.

The analysis of the ratio of observer-reports to self-reports at the level of responses (i.e. 428 participants answering 37 items) is reported in Table III.9. Of a total of 15,781 available ratios, 90.7% are equal to 1, 8.7% greater than 1, and 0.6% smaller

than 1. As already shown in Table III.8, there are 13,765 responses where the participant reported never having observed and never having engaged in this behavior (“never-never response”), resulting in a ratio of observer- to self-reports of 1 (response option *never* coded as 1 in the current study). Excluding the ratios which arise from response combinations “never-never”, (see Table III.9, lower panel), 68.1% of the remaining ratios are above 1, 27.6% are equal to 1, and 4.4% are smaller than 1. Thus, when an item of UB is committed and/or observed, in about two thirds of the instances respondents indicate that they have observed UB more frequently than they have engaged in it. When considering all responses (including the “never-never responses), in slightly over 90% of the instances, the same frequency for observed and committed UB was reported (see Table III.9, upper panel), the majority of which result from instances where a behavior was neither observed nor committed.

Table III.9
Analysis of ratios of observer-reports to self-reports at the level of responses

	No.	Percentage (%)
Possible total number of ratios^{a)}	15,836	100.0%
Number of missing values	55	0.3%
Total number of available ratios	15,781	100.0%
Number of ratios <1	88	0.6%
Number of ratios =1	14,321	90.7%
Of which ratios due to 1:1 (never:never)	13,765	87.2%
Of which ratios not due to 1:1	556	3.5%
Number of ratios >1	1,372	8.7%
Total number of available ratios excluding ratios due to 1:1	2,016	100.0%
Number of ratios <1	88	4.4%
Number of ratios = 1 (not due to 1:1)	556	27.6%
Number of ratios >1	1,372	68.1%

a) 428 respondents * 37 items

Table III.10
Ratios of observer-reports to self-reports of UB

Item Description	Ratios	
	Mean of observer-reports/ Mean of self-reports ^{b)}	Participation rate in observer-reports/ participation rate in self-reports ^{a)c)}
Engaging in (sexual) harassment or creating a hostile work environment (e.g., intimidation, racism, pestering, verbal abuse, and physical violence)	1.22	6.70
Engaging in anti-competitive practices (e.g., market rigging, quid pro quo deals, offering bribes or other improper gifts, favors, and entertainment to influence customers)	1.06	6.65
Making false or misleading claims to the public or media	1.10	6.00
Providing regulators with false or misleading information	1.09	5.33
Submitting false or misleading invoices to customers	1.05	5.23
Making improper political or financial contributions to domestic or foreign officials	(1.01)	(5.01)
Discriminating against employees (on the basis of age, race, gender, religious belief, sexual orientation, etc.)	1.26	4.27
Violating or circumventing supplier selection rules	1.08	4.07
Breaching employee privacy	1.25	3.91
Violating international labor law or human rights	1.07	3.57
Breaching customer or consumer privacy	1.10	3.46
Falsifying time and expense reports	1.15	3.38
Doing business with disreputable suppliers	1.06	3.33
Entering into customer contracts without the proper terms, conditions, or approvals	1.04	3.19
Falsifying or manipulating financial reporting information	1.11	3.17
Violating contract or payment terms with suppliers	1.08	3.10
Abusing or misusing confidential or proprietary information of the organization	1.11	3.07
Trading securities based on inside information	(1.01)	(2.99)
Violating employee wage, overtime, or benefits rules	1.31	2.91
Fabricating or manipulating product quality or safety test results	1.05	2.78
Exposing the public to safety risks	1.04	2.78
Providing inappropriate information to analysts and investors	1.02	2.75
Engaging in false or deceptive sales and marketing practices (e.g., creating unrealistic expectations)	1.14	2.72
Stealing or misappropriating assets (e.g. money, equipment, materials)	1.10	2.67
Accepting inappropriate gifts, favors, entertainment, or kickbacks from suppliers	1.10	2.44
Doing business with third parties that may be involved in money laundering or are prohibited under international trade restrictions and embargos	(1.01)	(2.33)

Table III.10 – continued

Item Description	Ratios	
	Mean of observer-reports/ Mean of self-reports ^{b)}	Participation rate in observer-reports/ participation rate in self-reports ^{a)c)}
Violating contract terms with customers	1.02	2.20
Paying suppliers without accurate invoices or records	(1.01)	(2.00)
Entering into supplier contracts that lack proper terms, conditions, or approvals	1.02	2.00
Breaching computer, network, or database controls	1.10	1.92
Violating intellectual property rights or confidential information of suppliers	(1.02)	(1.83)
Violating workplace health and safety rules or principles	1.22	1.82
Engaging in activities that pose a conflict of interest (e.g., conflicting sideline activities, favoritism of family and friends, use of working hours for private purposes, executing conflicting tasks)	1.23	1.61
Violating document retention rules	1.09	1.57
Violating environmental standards or regulations	1.13	1.54
Wasting, mismanaging, or abusing organizational resources	1.31	1.50
Improperly gathering competitors' confidential information	1.03	(1.46)

^{a)} Ordered in descending order of ratios in participation rates.

^{b)} Numbers in brackets indicate that the sign test (see Table III.7) was not significant at $p < 0.05$.

^{c)} Numbers in brackets indicate that McNemar's Test (see Table III.7) was not significant at $p < 0.05$.

5 Discussion

This study has been the first to systematically compare respondents' reports about others' UB they have observed (observer-reports) to their reports about their own UB (self-reports) for a broad variety of UB in a business context, and to explore the relationship between these two measures of UB in organizations. Consistent with Hypothesis 1, observer-reports resulted in higher reported levels of UB (as measured by scores and participation rates) compared to self-reports for all 37 items, and these differences were significant for 32 items in terms of scores and for 31 in terms of participation rates. Consistent with Hypothesis 2, the standard deviation in observer-reports also exceeded the standard deviation in self-reports, which can be advantageous

for statistical analysis. Significant differences in mean absolute deviation from the median were identified for 35 items. These results suggest observer-reports lead to a higher estimate of the scope of UB than self-reports because they reflect the (observed) behavior of more persons compared to self-reports, and may be less affected by socially desirable responding. These two factors appear to dominate the effect of the impossibility to observe others' behavior which could lead to lower observer-reports. Studies comparing other-reports (i.e. reports on UB of one specific other person) to self-reports (e.g. Berry et al. 2012; Fox et al. 2007; Fox et al. 2012) found self-reports of UB to be higher than other-reports, although not consistently so. Considering the findings of these studies together with the current study's results indicates that the main reason for the results of the current study may be the multiple referent persons about whom participants report when using observer-reports, rather than a lower tendency for socially desirable responding.

All of the 37 forms of UB included in Kaptein's (2008a) scale were reported to have been observed and committed by respondents, indicating that all items of this comprehensive scale are relevant for organizations, and that respondents are willing to report about all forms of UB. In line with research on specific forms of UB, such as counterproductive work behavior or organizational deviance that has often relied on self-report measures (see Berry et al. 2012), this study provides evidence that self-reports can also be used for a larger variety of forms of UB in business contexts, including illegal behavior (e.g. anti-competitive practices; violation of environmental norms). While Treviño and Weaver (2003, p. 306) have highlighted that it is difficult to obtain accurate self-reports of UB, the current study's data suggests that self-reports are a viable method for measuring UB in organizations, and can yield useful data. For example, 64% of respondents in this study reported having engaged in at least one form of UB, 30% of respondents reported having engaged in at least three forms of UB, and 2% of respondents reported having engaged in 10 or more forms of UB during the past 12 months. The accuracy of the self-reports, however, cannot be assessed in the

current study, as independent observational or archival measures for the prevalence of UB are not available.

5.1 Low ratios of means of observer-reports to means of self-reports

The exploratory analysis of the relationship (ratio) between observer-reports and self-reports has revealed different results when looking at participation rates (dichotomized scores) and at means. The ratios in means for the 37 items range from 1.01 to 1.31, with the average ratio of 1.10. This result reflects the concentration of means for both observer- and self-reports at the lower end of the scale for all items. These rather low ratios in means could be interpreted as evidence in favor of using observer-reports to approximate self-report data when researchers are working with scale (mean) scores. At the same time, it is important to note that a mere quantitative similarity in scores of observer- and self-reports does not imply that the relationship of the scores with criterion variables of interest is also similar. We will return to this point when discussing the implications.

The current study's average ratio in means can also be compared to data reported in other studies that used different scales for UB.⁵ Andreoli and Lefkowitz (2009) reported a mean of observer-reports of 1.75 and a mean of self-reports at 1.15 (scale 1-4), resulting in a ratio of 1.52, based on a 4-item measure of UB. O'Fallon and Butterfield (2011) reported a mean of observer-reports of 2.01, and a mean of self-reports of 1.38 (scale 1-5) for a ratio of 1.47, based on a 17-item academic dishonesty scale. Finally, Reynolds (2008) used Newstrom and Ruch's (1975) measure (scale 1-7), and reported a mean of observer-reports of 3.06 and a mean of self-reports of 1.93 for a ratio of 1.59. These previous studies have thus found higher ratios of observer-reports to self-reports than the current study.

When comparing these results, however, it has to be borne in mind that the employed measures of UB differed across the studies, both in terms of the items and the response scale. In particular, the previous studies focused mainly on intra-organizational forms of UB that many, or most, employees have the opportunity to

engage in, or on academic cheating that all students can engage in, while the current study examined also (extra-organizational) forms of UB that only certain employees could engage in when their role involves certain activities (e.g. interaction with suppliers). Forms of UB that many or most employees have the opportunity to commit are more likely to be observed more frequently (high means in observer-reports) than behaviors that only few employees can engage in. Assuming that the difference in opportunities to engage in UB affects self-reports less than observer-reports as self-reports only reflect one person's behavior, ratios in means can be expected to be higher for behaviors available to many employees than ratios in means for behaviors available to few employees only. Thus, the previous studies might have found higher ratios in means partly because they have examined forms of UB that most respondents have the opportunity to commit.

5.2 *Divergent ratios of participation rates in observer-reports to participation rates in self-reports*

Turning to the ratios of participation rates in observer-reports to participation rates in self-reports we found that they varied rather widely across the different forms of UB, with ratios ranging from 1.46 and 6.40 (average ratio 3.17). The difference of this result to the result obtained by analyzing the ratios of means is due to the fact that the high number of responses at the minimum of the scale (*Never*, coded as 1) in both observer- and self-reports leads to means close to 1 for both observer- and self-reports, and thus to ratios in means close to 1. By contrast, the high number of *Never*-responses does not affect the ratio of participation rates, as we effectively compare only the number of respondents who did not respond with *Never*. The diversity in the ratios in participation rates indicates that researchers cannot easily rely on observer-reports infer or approximate the rate at which different forms of UB are committed in a population. Reports about UB in organizations that use observer-reports may paint a darker picture of the ethics in organizations than reports using self-reports, such that it is important

to carefully formulate any conclusions in function of the method used to measure UB that was used.

Possible reasons for the differing ratios in participation rates can be identified in relation to survey response process, as well as in the organizational reality independent of the survey response process. They include first, in relation to the survey response process, socially desirable responding. In relation to the organizational reality, potential reasons are, second, the possibilities to observe others' UB; third, the opportunities to engage in UB, and fourth, the extent to which observing UB leads the observer to engage in UB himself. We discuss each of these four possible reasons below.

5.2.1 Socially desirable responding and perceived unethicability of behavior

First, the impact of socially desirable responding on self-reports of UB could differ in function of the perceived unethicability (see Newstrom and Ruch 1975) or moral intensity (Jones 1991) of specific forms of UB. The more unethical a behavior item is perceived to be by a respondent, the stronger the tendency to underreport the behavior due to concerns about presenting oneself in negative light, and about social sanctions. This suggests that for items for which the ratio of observer-reports to self-reports is comparatively high, self-reports could be more strongly impacted by under-reporting due to socially desirable responding compared to items where the ratio is low.

Looking at the ratios in participation rates identified in our study, we find that low ratios in participation rates tend to occur for behaviors that relatively many employees engage in: four out of the five items ranking highest in participation rates in observer-reports and self-reports figure among the eight items with ratios in participation rates below two. This pattern suggests two ways in which perceived unethicability of a behavior could impact the reports about this behavior: behaviors that are considered not very unethical are frequently engaged in, and self-reports for these behaviors are less affected by socially desirable responding compared to behaviors considered more unethical, such that the ratio of observer- to self-reports is rather low.

Consistent with this idea, Newstrom and Ruch (1975, p. 32) for example find that the frequency of self-reported UB was generally congruent with respondents' ratings of the degree of unethicality of behaviors: the more unethical behaviors were considered to be, the less frequently they were committed.

Alternatively, behaviors can become to be perceived as not very unethical, or even acceptable, *because* they are frequently observed. Descriptive norms created by others' behavior (e.g. Cialdini et al. 1990) can lead observers to conclude that this UB is not very unethical. The perceived threat of social sanctions for admitting to this UB is becomes lower in this case, and respondents are likely to be more willing to admit to this UB if they have engaged in it. This implies that self-reports for frequently observed forms of UB could be higher relative to observer-reports, leading to a lower ratio in participation rates compared to other, less common forms of UB.

5.2.2 *Work environment and transparency*

Turning secondly to reasons related to organizational reality, the possibility to observe the behavior of others in one's work environment is likely to impact the ratio of observer- to self-reports, as we have briefly mentioned in our discussion of concepts. The possibility to observe UB can depend of the characteristics of the UB itself, but also on the characteristics of the work environment. With respect to the former reason, we find in our study that two among the six items with ratios in participation rates above five involve publicly providing false information (*making false or misleading claims to the public or media; providing regulators with false or misleading information*), one item concerns interpersonal behavior (*engaging in (sexual) harassment or creating a hostile work environment*), and one item refers to anti-competitive behaviors that may well involve collaboration of several persons (e.g. *market rigging, quid pro quo deals*). Publicly providing false information and interpersonal forms of UB are behaviors that can well be observed by several others when one employee engages in these behaviors. For anti-competitive behaviors that require collaboration of several persons (e.g. market rigging), relatively many non-involved others may know about these behaviors because each of the

involved persons' behavior can be observed by several non-involved persons. Thus, ratios between observer- and self-reports appear to be higher for behaviors which can easily be observed or learnt about by others. The remaining two items with ratios above five, however, do not appear to fit easily in this picture (*making improper political or financial contributions to domestic or foreign officials; submitting false or misleading invoices to customers*).

Whether others can easily observe a specific form of UB may also depend on the perceived unethicality of the behavior. The more unethical and socially disapproved a form of UB is considered to be in a given social environment, the higher the perpetrator's motivation to hide this behavior from others to avoid negative consequences. Thus, the perceived unethicality of certain forms of UB could not only impact the willingness to (self-)report such behavior in the response process, but also the possibility for others to observe this behavior in the first place. According to this reasoning, the ratio of observer- to self-reports would tend to be lower for behaviors that are more unethical – a prediction contrary to the one derived above when we focused on the impact of unethicality of behaviors on self-reports.

The characteristics of work environment also affect the possibility to observe others' UB. Zey-Ferrell and Ferrell (1982, p. 591) for example argue that boundaries in organizations reduce knowledge about others' behavior. The closer colleagues work together, and the more similar their tasks and jobs are, by contrast, the more possibilities they may have to observe when colleagues engage in UB. For example, in work environments where employees spend most of their time together at workplaces that are physically close, more opportunities to observe colleagues' behavior are likely to exist compared to situations where employees are frequently travelling alone to provide services to clients.

The possibility to observe colleagues' behavior is also affected by digital technologies that increasingly permeate organizations (Yoo et al. 2012, p. 1398) and have enabled new forms of work, so-called virtual work.⁶ At first sight, virtual work appears to provide fewer opportunities to directly observe unethical behavior by

colleagues. Work in virtual teams that are not physically collocated (Bailey et al. 2012) and telework or telecommuting (Wellman et al. 1996) is now part of the work environment for many employees. Work in virtual teams and telecommuting implies that “teams now routinely communicate and coordinate via e-mail, instant messaging and Web-conferencing” (Bailey et al. 2012, p. 1485) to deliver their work without necessarily ever meeting in person. The same technologies, however, that enable virtual work also enable new forms of communication and access to information. Examples include instant messaging and social networking platforms available both on computers and on mobile devices that allow for instantaneous and rather informal communication and sharing of information.

A recent study by the Ethics Resource Center (Ethics Resource Center, 2013) concludes that “social networking is becoming the norm” (p. 14) both during working time and leisure time. While being connected to social networks such as Facebook, Twitter, or LinkedIn, employees can immediately post and comment on events occurring at their workplace or concerning their company, creating “worker-driven transparency” (Ethics Resource Center, 2013, p. 24) within and across the boundaries of organizations. Interestingly, the study found that persons spending 30 percent or more of their working time connected to social networks are more likely to observe UB of all of the investigated types compared to other employees (Ethics Resource Center, 2013, p. 27). In this context, it is important to distinguish directly observing or having first-hand knowledge about UB – the question asked in our study – from indirect knowledge about UB, where the latter has been defined as “merely hearing second-hand about deviant episodes” (Ferguson and Barry 2011, p. 83). Activity and interaction on social networks and the use of other digital communication tools may increase the opportunities to indirectly learn about UB, especially when employees work virtually and have no or very limited physical interaction with colleagues, while direct observation (and first-hand knowledge, e.g. based on [documentary] evidence) of UB may be less frequent under these circumstances.⁷

An employee's role and responsibilities can also affect his ability to observe UB by others. To the extent that monitoring and checking others' work is part of an employee's role, he is more likely to observe UB by others. This would imply that the ratio of observer- to self-reports may be higher among employees who are supervising others' work (e.g. team leaders, managers), or whose role is dedicated to control activities (e.g. controllers, internal auditors, quality control officers). Abstracting from the individual employee's situation and role, work environments can more generally be characterized in terms of transparency, "the degree to which employee conduct and its consequences are perceptible" to others (Kaptein 2008b, p. 926). Transparency has been described as an organizational virtue, and a dimension of the ethical culture (Kaptein 2008b). In work environments characterized by high transparency, employees can be expected to be able to observe others' behavior easily. In transparent work environments, the ratio in participation rates could thus be expected to be higher compared to work environments with low transparency, because there are more possibilities to observe UB by others.

5.2.3 Opportunity to commit UB

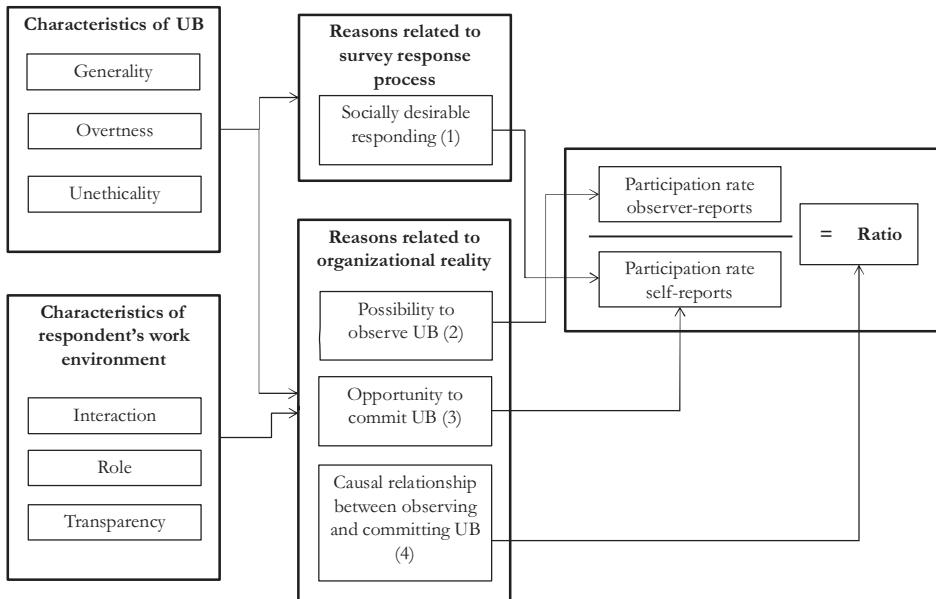
Third, apart from the possibility to observe UB, the ratio in participation rates can also be influenced by the opportunity to commit UB. For certain forms of UB, there may only be a few persons in a group or department who would have the opportunity to engage in this behavior due to their roles and responsibilities, while there are many others who could observe it. For example, almost every employee is able to waste or mismanage organizational resources in some way; by contrast, only few employees may be involved in sending invoices to customers. As a result, ratios in participation rates may be higher for what could be termed 'specialist' forms of UB, while they may be lower for 'general' or widely accessible forms of UB.

5.2.4 *Observing and committing UB: monkey see, monkey do*

Fourth and finally, the ratio of observer- to self-reports may also be impacted by the causal relationship between observing others behaving unethically, and behaving unethically oneself (“monkey see, monkey do”, Robinson and O’Leary-Kelly 1998). The possibility to observe others in one’s work environment enables others to serve as role models (Robinson and O’Leary-Kelly 1998, p. 659). The ethical or unethical behavior of these role models influences one’s own ethical or unethical behavior (Robinson and O’Leary-Kelly 1998; Treviño et al. 2006, p. 966-967). To the extent that observing others engaging in UB leads observers to engage in this same form of UB themselves, high participation as measured by observer-reports should also imply high participation as measured by self-reports, moving the ratio in participation rates towards one. Imitating UB by others may not always be possible, as we have argued above, when the form of UB is very specific to a role for example. In addition, the perceived unethicality of a form of UB could also impact the likelihood that UB is imitated upon observing it: the more unethical UB is perceived to be, the less likely it is to be imitated. Thus, different forms of UB may differ to the extent to which they are imitated by others when observed, leading to different ratios in participation rates for the different forms of UB.

We have discussed four main reasons that can cause differences in the ratios in participation rates between different forms of UB as summarized in Figure III.4. One reason is related to the survey response process, and three reasons are related to organizational reality. All of the reasons in turn depend on characteristics of the specific behavior in question, and the work environment. In sum, predictions for ratios in participation rates for different forms of UB appear to be rather difficult to make, because not only the characteristics of the specific form of UB impact the ratio, but also the characteristics of respondents’ work environment.

Figure III.4
Overview of factors impacting the ratio of participation rates



5.3 Implications for research and organizational practice

The results of the current study indicate that researchers should not assume that they can approximate the level of committed UB by measuring the level of observed UB. First, the ratio of participation rates differed widely across different forms of UB. Second, even though ratios of means of observer-reports to means of self-reports were found to be quite close to one for most forms of UB, this quantitative similarity of means does not provide any information about whether observer- and self-reports can be expected to have the same relationships to criterion variables researchers are interested in.

It is important to consider this latter point when interpreting studies examining the impact of the organization's ethical environment, notably ethical climate and ethical culture. Such studies have frequently measured UB through observer-reports (Kish-Gephart et al. 2010, p. 11) to reduce social desirability bias (Treviño et al. 1998; Treviño and Weaver 2001). Treviño et al. (1998) for example asked respondents to report about

ethical culture, ethical climate, and observed UB by other members of the organization, and Treviño and Weaver (2001) asked respondents to report about ethics program follow-through and UB they observed in their organization. In a research design avoiding common-method bias, Kaptein (2011b) had a manager report about the ethics program, one employee about the ethical culture and ethical climate, and a third employee about observed UB.

It is worthwhile to carefully consider whose perception of the ethical environment in an organization is related to whose (unethical) behavior in these research designs. Upon reflection, one key assumption appears to be underlying these research designs: the perception of the ethical environment is thought to be (sufficiently) similar across employees, such that one employee's perception is assumed to be a good approximation for others' perception. If this assumption holds, researchers can ask one respondent about observed UB and relate this measure to this (or another) employee's perception of the ethical environment.

Thus, two issues are apparent with respect to such research designs: First, when different raters report about the perceived ethical environment and observed UB, only the assumption described above justifies relating one employee's perception of the ethical environment to another employee's observation of UB committed by yet other (non-specified) employees. Some support for making this assumption is provided by study 4 reported by Kaptein (2008b) where he examined the within-group agreement of employees' perception of ethical culture in three organizations. He found that the agreement among employees within the same organization was sufficient to justify aggregation of perceptions within the organizations. Second, in common-source designs, an employee's perception of the ethical environment could depend on the amount of UB he observes, rather than the amount of observed UB being a consequence of the 'actually' ethical environment that is, moreover, accurately perceived by the respondent.

Future research on ethical culture, ethical climate, and other components of an organization's ethical environment could use self-report measures of UB to explore

whether the relationships identified in extant studies using observer-reports can be replicated in studies using self-reports, notwithstanding a potentially stronger impact of socially desirable responding on self-reports. As the current study shows, self-reports for a broad range of UB can be elicited under conditions of anonymity. Future research on the ethical environment and UB would also benefit from being more explicit about the assumptions underlying their research design, and carefully specifying in the discussion of results that the ethical environment was found to predict the level of *observed* UB. While it is certainly true that UB needs to be committed in order for any UB to be observed, UB can also be committed without being observed. To illustrate this idea with a hypothetical extreme case, a study based on observer-reports could conclude that formal ethics programs in organizations reduce UB (not specifying that it is actually *observed* UB), while in reality, UB was committed quite often, but hardly observed, in organizations with formal ethics programs.

The current study provides organizations, and especially organizations in Switzerland, with an indication of the prevalence of different forms of UB. The ratios of observer- to self-reports provide a first idea as to what information about the level of committed UB in organizations could be gleaned from data on observed UB. This may be important for organizations considering the use of surveys to assess the prevalence of UB, as the use of self-reports of UB in a survey mandated and/ or administered by the organization itself is likely to be problematic due to concerns about anonymity, the fear of negative consequences for respondents' employment, and socially desirable responding. Observer-reports could be more viable than self-reports for organizations conducting surveys, but may still be plagued by the concerns just mentioned, even though to a lesser extent than self-reports (or other-reports which involve stronger concerns about counternormative peer reporting than observer-reports).

The finding that more persons observe UB than commit UB across all different forms of UB has two important implications for organizations, one negative and one positive. On the negative side, descriptive norms (Cialdini et al. 1990) and the "monkey

see, monkey do” perspective (Robinson and O’Leary-Kelly 1998) suggest that observing UB can lead persons to engage in UB themselves. In support of such an effect, Ferguson and Barry (2011) found that indirect knowledge (but not direct observation) of interpersonal deviance committed by peers led to interpersonal deviance committed by the observer. Thus, UB by one person could spread in an organization with a ‘multiplier effect’ because there are several observers of a (first) act of UB, who in turn may engage in UB once they have observed it. The UB of each of these observers who turn into perpetrators, in turn, may be observed by yet other observers who then potentially engage in UB themselves.

On the positive side, each person observing UB who is not engaging in that UB himself can help the organization to also formally detect and appropriately sanction this UB. Members of organizations therefore need to be encouraged to react appropriately when observing UB by reporting the incident to their line manager, the compliance department, a whistle-blowing line, or through any other channel designated by the organization (see e.g. Kaptein 2011a). To limit damage caused by continued, not formally detected UB, to prevent the spread of UB through observers, and to maintain an ethical culture by sanctioning UB, organizations could thus focus on training and encouraging their members on the appropriate reactions when observing UB.

5.4 *Limitations and future research*

This study has set out to explore the relationship between observer- and self-reports of different forms of UB in business organizations through a web-survey in a cross-sectional sample of the Swiss-German working population. This research design has several advantages: the anonymity of respondents could be protected by anonymous transmission of the data to the researchers by the market research firm, and by the administration of the survey outside respondents’ organizations. A variety of industries and organizations of different sizes were represented in the sample, such that the prevalence of a broad range of UB could be assessed in different work contexts. We

used a measure of UB that was well-developed and tested, and covers a broad range of intra- and extraorganizational forms of UB (Kaptein 2008a). This measure, however, was developed using observer-reports, and in the current study, we adapted it to also elicit self-reports. The work of Stewart et al. (2009) on Bennett and Robinson's (2000) workplace deviance scale – developed using self-reports – found that the factor structure of self-reports did not correspond to the factor structure of other-reports. Thus, future research could also examine whether the five factors identified by Kaptein (2008a) for his scale using observer-reports can also be found in self-reports using the same items.

The sample for the current research consisted of persons living and working in Switzerland, and comparison of the demographic characteristics of the sample to those of the Swiss working population showed that the sample differed from the Swiss working population in terms of age, tenure, and industry composition. Further studies using different samples are needed before the findings from the current studies can be confidently generalized to other populations.

In order to be able to compare observer-reports and self-reports of UB, the current study used common-source data collected at the same point in time: the same respondents were asked to report about UB they have observed, and about their own UB in one survey. As we did not attempt to establish any (causal) relationships between observer-reports, self-reports, and other variables, the cross-sectional and common-source nature of the data does not represent a concern with respect to the aims of the current study.

The current study has not included various variables that may, as discussed above, explain the varying ratios of participation rates. Variables such as ratings of the perceived unethicality of the different forms of UB, measures of self-deception and impression management, questions designed to assess how easy to observe the different forms of UB are in participants' opinion, or how many persons they think would have the opportunity to engage in the different forms of UB could be used to further explore and test potential reasons for the different ratios.

Future research could also attempt to compare self- and observer-reports of (some forms of) UB to objective or observational data on UB. For example, organizations may be able to provide data on (detected) falsification of expense reports, complaints about bullying and other forms of harassment, or complaints by customers about false invoices or low-quality products. Such studies would require access to organizational records, and organizations' willingness to participate in a study of such sensitive behavior. Recruiting organizations for such studies, however, is quite a difficult venture due, in particular, to legal concerns of organizations (Treviño and Weaver 2003).

Whether observer-reports, other-reports, or self-reports are used, survey-based empirical research into UB in organizations is likely to remain difficult to conduct for researchers due to the sensitivity of the topic and the (fortunately) low base-rate of such behavior. Still, careful consideration of the type of reports about UB to be used in the survey, based on both theoretical and practical criteria, can help researchers in obtaining valid results in reward for their considerable efforts. In that respect it is essential to realize that measuring UB by self- or observer-reports is not painting with the same brush.

Notes

- 1 Jones (1991, p. 367) himself noted that this definition is relativistic. Tenbrunsel and Smith-Crowe (2008) have discussed the fundamental problem in business ethics research of providing definitions of unethical decisions and behavior that “in and of themselves truly explicate the content of what is ethical” (p. 550). For the purposes of the current paper, we use Jones (1991) definition, while we acknowledge the need for and importance of developing definitions of unethical behavior based on substantive philosophical grounds.
- 2 The response alternative *not applicable in my direct work environment* (*n.a.* in what follows) was treated as equivalent to *never* responses in the following analysis. This treatment is based on the analysis of the frequency with which respondents chose the response alternative *n.a.* While respondents could have chosen the answer *n.a* instead of skipping the question, in which case selecting *n.a.* would be similar to not answering the question, there are a number of UB items in Kaptein’s (2008a) scale that are quite specific to interactions with customers, suppliers, or regulatory authorities. Engaging and/ or observing such behavior is thus not possible in all job roles or environments, such that some respondents can be expected to select the *n.a.* responses for such behaviors. Consistent with this reasoning, examination of the frequency of *n.a.* responses across all 37 UB items showed that the number of *n.a.* responses per item varied widely across the items, from 1 in self-reports (1 in observer-reports) for *breaching employee privacy* to 178 (178) for *doing business with third parties that may be involved in money laundering or are prohibited under international trade restrictions or embargoes*. Comparison of the average number of *n.a.* responses in groups of items related to specific stakeholders as defined in Kaptein’s (2008a) scale similarly revealed that for both for self- and observer-reports, this number was highest for UB in relation to suppliers (158 for observer- and 160 for self-reports), followed by UB in relation to customers (134 and 135), and lowest for UB towards employees (8 and 8). This data supports the idea that respondents chose the *n.a.* response when, in their job role and/ or their direct work environment, a behavior could not be observed or engaged in because the tasks and interactions does not provide the possibility for this behavior. Finally, treating *n.a.* responses as missing values, and calculating participation rates subsequently as percentage of non-missing responses would result in inflated participation rates. Similarly, inflated means would result if *n.a.* responses were excluded from analysis, rather than treated as *never* responses.
- 3 Tests using robust measures of location that rely on trimming of data or removal of outliers (Wilcox and Keselman 2003) do not seem appropriate for this study’s data, as the non-normality of the data does not result from a situation “where the underlying population is normally distributed, but a certain portion of observations deviates for any reason” (Wiedermann and Alexandrowicz 2011, p. 25), but

rather from a situation where the behavior examined does not follow a normal distribution in the population.

- 4 The ratio in means for each item was calculated as $\frac{\text{mean (observer-reports)}}{\text{mean(self-reports)}}$, i.e. the ratio of the mean of observer-reports to the mean self-reports. Alternatively, a mean ratio of observer-reports to self-reports could be calculated as $\text{mean} \left(\frac{\text{observer-report}}{\text{self-report}} \right)$, i.e. the mean of the ratios of observer-report to self-report across the respondents.
- 5 In the results section, we have reported the average ratio in means of observer- to self-reports calculated by taking the average of the ratios of the means across the 37 items. An alternative for determining the average ratio of observer- to self-reports across all items is to calculate the mean scale score of observer-reports across the 37 items for each respondent (the sample mean of this scale score is 1.18) and the mean scale score of self-reports across the 37 items for each respondent (the sample mean of this scale score is 1.06), and to take the ratio of these two sample means. This alternative method results in an average ratio of observer-reports to self-reports of 1.11, compared to 1.10 using the other method. The alternative method is more comparable to how the ratios can be calculated based on the scale score reported in the studies cited above.
- 6 Bailey et al. (2012) provide a useful distinction of different types of virtual work. In their terminology, we focus on virtual teams in our discussion.
- 7 The study by the Ethics Resource Center (2013) does not provide reasons as to why those spending thirty percent or more of their working time connected to social networks (active social networkers) observe more UB. On the one hand, is not entirely clear from that study how “observing” was defined in the questionnaire, i.e. whether indirect knowledge also is included in this concept. On the other hand, the study reports, that active social networkers are more likely to be managers, are younger, and more likely to be male than other employees (p. 18). In line with the argument present in the following paragraph of the main text, because more of the active social networkers are in management position that involve monitoring and checking of others’ work, active social networkers may on average observe more UB.

Chapter IV

ADDING THE YARDSTICK TO THE MONKEYS: EXAMINING THE INTERPLAY BETWEEN DESCRIPTIVE AND INJUNCTIVE NORMS IN ORGANIZATIONS

1 Introduction

Imagine an employee who observes that his colleagues generously ‘round up’ their working hours, while the firm’s policy requires employees to accurately report their working time. Or imagine a bank employee who is told in training that she should always act in the clients’ best interest, while she sees that her colleagues constantly try to sell the product generating most revenue for the bank. Such situations raise the question of what this focal employee will do herself: will she do what the others do, or will she follow the company’s policy? Doing the former, she would follow the descriptive norms, or “the norms of ‘is’” that are defined by others’ behavior; doing the latter, she would follow “the norms of ‘ought’”, the so-called injunctive norms (Cialdini et al. 1991, p. 203).

Whether people tend to follow injunctive or descriptive norms in situations where these norms are contradictory has been examined in research based on the focus theory of norms (Cialdini et al. 1990; Cialdini et al. 1991; Kallgren et al. 2000). Experimental research has shown that people tend to behave in line with that type of norm on which they are focused at the time of the decision. While such experiments demonstrate how individuals react in one specific situation, they cannot answer the question how injunctive and descriptive norms in a given social environment jointly

influence individuals' behavior over a longer period of time. The latter question is key to understanding behavior in organizations, where both descriptive and injunctive norms constantly co-exist: the organization's members observe peers' behavior, while codes of conduct, policies, and guidelines define the expected standard for their behavior. Knowing how descriptive norms influence employees' behavior in conjunction with such written injunctive norms, managers can more effectively steer employees' behavior towards a desired ethical standard. While codes of conduct have become very prevalent in organizations, scholars still need to understand better how and when codes of conduct influence (un)ethical behavior in organizations (Treviño et al. 2014a). Understanding the interplay of descriptive and injunctive norms can contribute to answering these questions.

Business ethics research has examined injunctive norms and their enforcement as elements of the organization's "ethical infrastructure" that may impact why and when an organization's members are likely to behave unethically (for a meta-analytic review see Kish-Gephart et al. 2010; for reviews see Treviño et al. 2014a; Treviño et al. 2006). Peers' unethical behavior (descriptive norms) has been identified as a strong predictor of individuals' unethical behavior (e.g. Gino et al. 2009a; Gino and Galinsky 2012; Israeli 1988; McCabe and Treviño 1993; McCabe et al. 2002; McCabe et al. 2006; O'Fallon and Butterfield 2011). Robinson and O'Leary-Kelly (1998) have coined the catchphrase "monkey see, monkey do" to describe this kind of social influence. Extant research, however, has not analyzed the interplay of descriptive and injunctive norms beyond considering both as predictors of individuals' (un)ethical behavior operating independently of each other, or has studied only one type of norm.

The current study therefore investigates the interplay of descriptive and injunctive norms in organizations by developing two competing models. These are based on these two different social influence mechanisms that may explain how injunctive and descriptive norms jointly influence individuals' behavior. Drawing on social learning theory and role modeling, the moderation model proposes that the existence of clear injunctive norms and enforcement of these norms weaken the

positive relationship between peers' unethical behavior and an individual's unethical behavior. This model extends previous research that has investigated individual-level (O'Fallon and Butterfield 2011; Pitesa and Thau 2013) and group-level (Robinson and O'Leary-Kelly 1998) moderators of the relationship between peers' and an individual's unethical behavior. The competing mediation model is rooted in a social information processing perspective and proposes that the existence of clear injunctive norms and their enforcement indirectly reduce an individual's unethical behavior by reducing peers' unethical behavior that is observed by the individual. To extend previous studies that focused on the academic environment and academic cheating (e.g. McCabe and Treviño 1993; McCabe et al. 2002; McCabe et al. 2006; O'Fallon and Butterfield 2011; 2012), I test these models in a Swiss sample of working adults.

For the purpose of this study, I define unethical behavior as behavior that is "either illegal or morally unacceptable to the larger community" (Jones 1991, p. 367). I focus on unethical behavior by members of an individual's direct work environment, and do not explicitly distinguish between peers at the same hierarchical level and supervisors or leaders. Further, I operationalize the organization's ethical infrastructure as an individual-level perception of the organization's ethical infrastructure, as most prior research on ethical culture and climate has done (Treviño et al. 2014a).

In what follows, I first provide the theoretical background and derive the hypotheses for the competing models. Next, I describe the methods applied to test the hypotheses, and then present the results of the analysis. I conclude with a discussion of the results, limitations of the study and opportunities for further research.

2 The impact of social norms on unethical behavior

2.1 Descriptive norms

Descriptive norms can be understood as behavioral expectations in a given context that are defined by what other people do in that specific context (Moore and Gino 2013).

Theoretical explanations and empirical evidence for the impact of descriptive norms on unethical behavior are briefly reviewed below.

2.1.1 *Theoretical explanations*

Social learning theory (Bandura 1977) is one of the main theoretical perspectives invoked to explain the influence of peer behavior (e.g. McCabe and Treviño 1993; McCabe et al. 2006; O'Fallon and Butterfield 2011; Robinson and O'Leary-Kelly 1998). Most fundamentally, social learning theory holds that “organizational participants learn how to behave from observing those around them” (Davis and Luthans 1980, p. 264). In this process, also characterized as vicarious learning, an individual learns from the consequences that others’ behavior has, rather than learning directly from the consequences of his own behavior (Davis and Luthans 1980; Moberg 2000).

A key concept in the social learning perspective is modeling (Davis and Luthans 1980), a concept that has also been used by business ethics researchers (e.g. Brown et al. 2005; Moberg 2000; Weaver et al. 2005). Employees turn their attention to a role model with whom they identify to “guide their own behavior” (Weaver et al. 2005, p. 314). Importantly, Weaver et al. (2005) found that employees identified persons with whom they interacted frequently as ethical role models, rather than persons whom they did not know from daily interactions. Similarly, Moberg (2000) proposes that employees will orient themselves to role models who are demographically similar to themselves, and Robinson and O'Leary-Kelly (1998) argued that group members are likely to use other group members as role models. These arguments suggest that not only supervisors and managers, but in particular the peers with whom the organization's members interact on a daily basis are important role models.

Other theories have also been invoked by business ethics researchers, such as differential association theory (Zey-Ferrell et al. 1979; Zey-Ferrell and Ferrell 1982), as well as social comparison theory (O'Fallon and Butterfield 2012) and social identity theory (e.g. Gino et al. 2009a; O'Fallon and Butterfield 2012). Social identity approaches emphasize that individuals are motivated to achieve “behavioral

conformity consistent with the group prototype" (O'Fallon and Butterfield 2012, p. 120) of the group into which they categorize themselves.

2.1.2 *Empirical evidence*

Several field studies involving employee and student samples suggest that the effect of peers' unethical behavior (as perceived by the focal individual) on the focal individual's unethical behavior is very strong, and may be dominant when compared to other antecedents (Izraeli 1988; McCabe and Treviño 1993; McCabe et al. 2002; McCabe et al. 2006; Zey-Ferrell et al. 1979; Zey-Ferrell and Ferrell 1982). Other studies examined moderators of the relationship between peers' unethical behavior and the focal individual's unethical behavior. Robinson and O'Leary-Kelly (1998) identified moderators related to the organizational environment (tenure in the work group, similarity in levels of unethical behavior among peers, task interdependence, perceived likelihood of punishment), while O'Fallon and Butterfield (2011) found individual characteristics to be moderators (moral identity, need for affiliation, introversion).

Experimental results also support the impact of peers' behavior on an individual's behavior. Experiments on cheating revealed, however, that the group membership of the cheating peer who defined the descriptive norm by his behavior was important (Gino et al. 2009a, Experiment 1): only when the norm-setting peer was an in-group member, did individuals follow the descriptive norm created by his behavior. Similarly, Gino and Galinsky (2012) found that a feeling of psychological closeness to a peer led the focal individual to follow the peer's behavior. An individual's sense of power, through increased self-focus, however, diminishes the impact of peers' ethical decisions on the individual's ethical decisions (Pitesa and Thau 2013).

Taken together, prior research provides rather strong and consistent support for influence of peer behavior mainly through processes of social learning and social identity, and indicates that both individual-level factors as well as group-related and environmental factors moderate the effect of peers' (un)ethical behavior on an individual's (un)ethical behavior.

2.2 *Injunctive norms*

Injunctive norms define “what constitutes morally approved and disapproved conduct” (Cialdini et al. 1990, p. 1015) in a given context. The next paragraphs summarize theoretical explanations and empirical evidence for the effect of injunctive norms on individuals’ (un)ethical behavior.

2.2.1 *Theoretical explanations*

Theoretical explanations as to why people comply with injunctive norms in organizations can be roughly grouped into two categories (see Tyler and Blader 2005). The first category focuses on processes internal to the individual such as social identity, internalization of norms, self-concept, and self-regulatory processes. As part of the socialization process in society in general, and in specific organizations or groups, individuals learn about the values and injunctive norms of the social group (Ashforth and Mael 1989). In this process, they also develop a shared identity with the group such that their group-membership becomes part of their self-definition (Ashforth and Mael 1989). Socialization then leads both directly and indirectly, through identification with the group, to the internalization of the group’s values and injunctive norms (Ashforth and Mael 1989; Bamberger and Biron 2007). When injunctive norms are internalized, self-regulatory processes motivate individuals to behave in a manner consistent with the internalized norms in order to maintain a positive self-concept as a moral person (Mazar et al. 2008).

The second category of explanations focuses on forces external to the individual. Sanctions are among the most prevalent means in societies “to uphold social norms within a group, signal appropriate and inappropriate behaviors [...] [and] deter misconduct” (Treviño 1992, p. 647). Typically, a society’s injunctive norms are defined in laws, and violations of laws are punished. Within specific social groups, such as organizations, similar measures are typically taken to formally enforce injunctive norms, described by Tyler and Blader (2005) as the “command-and-control” approach.

2.2.2 *Empirical evidence*

The evidence for the impact of injunctive norms on ethical behavior is largely experimental to date. Experiments have shown that making injunctive norms salient through memory tasks (Mazar et al. 2008), questions regarding the admissibility of cheating (Gino et al. 2009a, experiment 2), reading and signing honor codes (Shu et al. 2011, studies 3 and 4) or signing pledges (Shu et al. 2012) prior to performing experimental tasks reduces or even eliminates unethical behavior (cheating) in these tasks. This evidence is consistent with the focus theory of norms in that when participants were focused on injunctive norms, these norms actually impacted their behavior.

In organizations, codes of conduct or codes of ethics are an explicit and increasingly prevalent form in which injunctive norms specific to the organization's context are defined (Kaptein and Schwartz 2008; Treviño et al. 2014a). While further research on the impact of codes of conduct on (un)ethical behavior and attitudes in organizations is still needed (Treviño et al. 2014a), a meta-analytic review documented no significant correlation between the existence of a code of conduct and unethical choices, but found a strong negative correlation between the enforcement of a code of conduct and unethical choices (Kish-Gephart et al. 2010).

In summary, experimental research provides evidence that injunctive norms exert influence on unethical behavior if they are made salient, which is consistent with explanations based on the internalization of norms and self-regulatory processes. Meta-analytic evidence from business ethics research does not show an impact of injunctive norms in the form of codes of conduct, but finds evidence for the impact of the enforcement of codes on unethical choice.

2.3 *The interplay between injunctive and descriptive norms in organizations*

The experiments reviewed above provide consistent evidence for the impact of injunctive and descriptive norms, separately considered, on individuals' unethical behavior. Experimental research based on focus theory of norms (e.g. Cialdini et al.

1990; Cialdini 2003; Keizer et al. 2008; Reno et al. 1993) has examined the interplay of injunctive and descriptive norms. Results from this research support the theory's prediction that the type of norms which is made salient to participants influences their behavior in situations where the two types of norms are contradictory. This experimental research does, however, not provide evidence as to how injunctive and descriptive norms jointly influence employees' behavior in organizations beyond one specific situation. Field studies conducted in an organizational context by contrast have not examined the interplay of descriptive and injunctive norms beyond typically including both in the analysis as predictors of individuals' (un)ethical behavior which operate independently of each other (e.g. Izraeli 1988; McCabe and Treviño 1993; McCabe et al. 2002; McCabe et al. 2006; Zey-Ferrell et al. 1979; Zey-Ferrell and Ferrell 1982). Still other studies in an organizational context have only considered descriptive norms (e.g. O'Fallon and Butterfield 2011; 2012; Robinson and O'Leary-Kelly 1998).

To explicitly examine this interplay between injunctive and descriptive norms in organizations I develop two competing models. These models are based on two alternative mechanisms of social influence that may explain the interplay between injunctive and descriptive norms. The starting point for developing these two models is the situation where the focal employee has observed unethical behavior by peers, such that there are descriptive norms contradictory to the organization's injunctive norms. This situation implies the assumption that most organizations define injunctive norms that are consistent with the ethical standards of society, such that unethical behavior contradicts the organization's injunctive norms. Exceptions are possible to the extent that an organization develops a deviant sub-culture, or is an illegal organization.

2.3.1 Injunctive norms and their enforcement as moderators of the impact of descriptive norms

The idea that injunctive norms moderate the positive relationship between peers' unethical behavior and the focal individual's unethical behavior follows the logic of prior research that has investigated group-level (Robinson and O'Leary-Kelly 1998) and individual-level moderators of the relationship between peers' behavior and the focal individual's behavior (O'Fallon and Butterfield 2011; Pitesa and Thau 2013). Social learning theory and the empirical evidence for the strong impact of descriptive norms suggest that in such a situation, the focal employee will follow the example of his peers, and engage in unethical behavior himself, despite the presence of the contradictory injunctive norms. In addition, the increasing prevalence of "team-based structures" in organizations over recent decades (Hollenbeck et al. 2012, p. 82) is likely to have increased the importance of peers' behavior as a reference point for individuals. Task interdependence and close collaboration to achieve common team (performance) goals may induce a strong focus on peers' behavior and thus on the descriptive norms generated by peers' unethical behavior.

While extant field research reviewed earlier indicates that descriptive norms have a stronger impact than injunctive norms in the form of codes or policies, the simultaneous existence of clear injunctive norms prohibiting unethical behavior may weaken, but not eliminate, the impact of the descriptive norms favoring unethical behavior. In other words, the existence of clear injunctive norms may weaken the positive relationship between peers' unethical behavior (descriptive norms) and an individual's behavior predicted by social learning theory. The more clear-cut and unambiguous injunctive norms are perceived to be, the more they can be expected to weaken the impact of descriptive norms, because rationalization becomes more difficult when there is less ambiguity (Ashforth and Anand 2003). When rationalization is more difficult, the likelihood of unethical behavior by the individual decreases even when descriptive norms favor unethical behavior. This leads to the first hypothesis:

Hypothesis 1: *The positive relationship between peers' unethical behavior (descriptive norms) and unethical behavior committed by a focal individual is moderated by the individual's perception that clear injunctive norms exist such that this relationship is weaker the stronger the perception that there are clear injunctive norms.*

The mere existence of injunctive norms in an organization is not a sufficient condition for these norms to effectively influence behavior as suggested by the meta-analytic evidence on the impact of codes of ethics cited earlier; rather, such codes also need to be enforced. Treviño and Weaver (2001) similarly found that “the extent to which a company takes action to deal [...] with violations of the company’s formal ethics policies” (Treviño and Weaver 2001, p. 651) significantly predicted unethical behavior. Sanctions signal that the organization is committed to those injunctive norms and “truly values ethical behavior” (Treviño and Weaver 2001, p. 656) and are therefore a key element in the organization’s ethical infrastructure (Kaptein 2008b; Tenbrunsel et al. 2003; Treviño et al. 1998). The organization’s enforcement efforts support the injunctive norms prohibiting unethical behavior, such that the impact of descriptive norms favoring unethical behavior should be weakened. Consistent with this notion, Robinson and O’Leary-Kelly (1998) hypothesized and found that the likelihood of punishment weakened the relationship between the level of peers’ and the focal individual’s antisocial behavior.

Not only punishments, but also rewards can be used to reinforce injunctive norms (Mulder 2008). Thus, a second aspect of the enforcement of injunctive norms pertains to rewarding ethical behavior (Kaptein 2008b). Even though this aspect has been analyzed less in business ethics research, in part because much of the research focuses on unethical rather than ethical behavior, reward systems are an important part of an ethical organizational environment that shapes members’ behavior (Kish-Gephart et al. 2010; Treviño et al. 2006). Rewarding ethical behavior signals that unethical behavior is undesired, and is therefore expected to reduce unethical behavior, as punishment of unethical behavior does.

In order to be able to punish (reward) unethical (ethical) behavior, however, members of the organization authorized to enact punishments and rewards have to be aware of the actual behavior. The higher the likelihood that those members become aware of unethical (ethical) behavior, the more members of the organization will expect punishments (rewards) to be applied. Such an effect is suggested by deterrence theory in criminology (e.g. Matthews and Agnew 2008; Treviño 1992): the probability of detection, together with the severity of sanctions, discourages violations of norms. Thus, enforcement of injunctive norms can be considered as consisting of two parts: awareness of the actual behavior occurring in the organization, and punishments (rewards) enacted when unethical (ethical) behavior is detected.

The following hypothesis follows from these arguments:

Hypothesis 2: The positive relationship between peers' unethical behavior (descriptive norms) and unethical behavior committed by a focal individual is moderated by the individual's perception that injunctive norms are enforced, such that this relationship is weaker the stronger the perception that injunctive norms are enforced.

Hypotheses 1 and 2 (H1 and H2) can be interpreted as a model of direct social influence where peers' behavior impacts a focal subject's unethical behavior through social learning and modeling, while this impact can be weakened by the existence of clear injunctive norms and their enforcement. Further, H1 and H2 imply that injunctive and descriptive norms exist and are perceived separately and independently of each other, but can interact to influence behavior. This assumption is characteristic also of experiments conducted in the tradition of focus theory of norms.

One's perception of these two types of social norms, however, is often related in a given situation (Cialdini 2007, p. 264). In an organizational context, it seems particularly likely that perceived injunctive and descriptive norms are related due to the ongoing interaction between members of the organization, and the interaction between these social actors and the social structure. Such a relation between perceived injunctive and descriptive norms can be analyzed using the concept of social information seeking

that is at the heart social referencing theories (McLain 2014). The competing mediation model to be developed next is based on this theoretical lens.

2.3.2 Descriptive norms as mediators of the impact of injunctive norms and their enforcement

The core of social referencing theories is the idea that individuals observe others “to fill in for information that is not directly [...] available through experience, or to help in the interpretation of that information” (McLain 2014, p. 426) to determine their own behavior. One prominent example of such a social referencing theory is social information processing theory (Salancik and Pfeffer 1978). Social information processing theory suggests individuals attend to others’ reactions to the characteristics of the shared work environment to assess those characteristics and respond accordingly. Further, the more ambiguous or equivocal those characteristics or conditions of the work environment are, the more an individual relies on others to determine his own behavior. In other words, the behavior of peers is observed and attended to by a focal individual in order to interpret inadequate or ambiguous information (Felps et al. 2009; McLain 2014).

An organization’s injunctive norms are one characteristic of an individual’s work environment. Most commonly expressed in the form of formal codes of conduct or ethics, policies, and guidelines, they necessarily involve some degree of abstraction and generality. Such generality is necessary because it is virtually impossible, and at least extremely costly, to define rules for every possible specific situation that could be confronted (Kaplow 1992). By consequence, organization members have to interpret the general injunctive norms when they have to determine the appropriate behavior in the specific situation at hand (Mulder et al. 2015).

Looking for an interpretation of the general injunctive norm in the situation at hand, an individual will turn to peers according to social information processing theory. The behavior of peers who are subject to the same injunctive norms in situations similar to his own situation provides social information on how to interpret and apply the general injunctive norm in the specific situation. As Goldstein and Cialdini (2011, p.

70) note, “descriptive norms are more situation specific in the information they convey” compared to injunctive norms.

Thus, the social information processing perspective suggests that injunctive norms influence the behavior of a focal individual to the extent that they influence the behavior of peers which is then observed and used by this individual as guidance for interpreting the injunctive norms. Applied to the situation under consideration here, which involves injunctive norms prohibiting, and contrary descriptive norms favoring unethical behavior, this reasoning leads to the following hypothesis:

Hypothesis 3: Perceived injunctive norms are negatively related to peers' unethical behavior, which in turn is positively related to the focal individual's unethical behavior, such that there is a negative indirect effect of perceived injunctive norms on the focal individual's unethical behavior.

In other words, the social information processing perspective suggests that the existence of clear injunctive norms inhibits unethical behavior by a focal individual to the extent that these injunctive norms are seen by this individual to inhibit unethical behavior by others who are subject to same injunctive norms.

The extent to which injunctive norms are enforced is a second relevant characteristic of the work environment in relation to unethical behavior (e.g. Mulder et al. 2009; Treviño 1992). Research has also shown that organizations’ “surveilling and sanctioning systems” (Tenbrunsel and Messick 1999) can have counterproductive effects which run contrary to what would be expected based on deterrence arguments (Mulder et al. 2009). These counterproductive effects arise because individuals interpret sanctions not only as a signal that the punished behavior is undesired. Instead, they may perceive as sanctions cues for the framing to be used in the decision situation, leading to framing that may undermine moral motives (Tenbrunsel and Messick 1999) or as compensatory rather than retributive measures (Mulder 2009). Therefore, an individual is likely to perceive some ambiguity also in relation to interpretation of sanctions imposed by the organization. Social information processing theory predicts, then, that the individual attends to peers’ behavioral reactions to the enforcement

system in order to understand how they have interpreted it, and to choose his behavior accordingly.

Some ambiguity regarding the interpretation may also exist for rewards for behavior that conforms to the norms. As Mulder (2008) argues, rewards for behavior compliant with injunctive norms can be interpreted as a signal that the injunctive norms are only voluntary rules, as opposed to obligatory rules. An individual therefore may attend to others' behavior to understand the meaning of rewards and decide on his behavior. Put differently, the impact of the enforcement of injunctive norms – both rewards and punishment – on a focal individual's behavior is mediated through the behavior of peers as observed by the focal individual. Applied to the situation under consideration here, this reasoning leads to the final hypothesis:

Hypothesis 4: *Perceived enforcement of injunctive norms is negatively related to peers' unethical behavior, which in turn is positively related to the focal individual's unethical behavior, such that there is a negative indirect effect of perceived enforcement on the focal individual's unethical behavior.*

By including a negative relationship between perceived enforcement and peers' unethical behavior, and, indirectly, the focal individual's unethical behavior in this hypothesis, I assume that enforcement of injunctive norms prohibiting unethical behavior reduces unethical behavior in keeping with deterrence arguments (Treviño 1992) and research supporting the expressive function of punishment (Mulder 2008). As indicated above, however, such an effect is due to a specific interpretation of enforcement actions, and other interpretations leading to the contrary effect would be theoretically possible. Still, in organizational context, meta-analytic evidence supports the negative relationship between enforcement of a code of conduct and unethical choice (Kish-Gephart et al. 2010).

We now have two competing models that describe the possible interplay of descriptive norms and the existence and enforcement of injunctive norms in organizations based on alternative social influence mechanisms: a moderation model (H1 and H2) based on a social learning and role modeling perspective, and a mediation

model (H3 and H4) based on a social information processing perspective. Tests of the hypotheses will show which model is more consistent with data collected in a survey among the Swiss working population.

3 Methods

3.1 Sample and procedures

The sample and procedures for collecting the data are described in section 3.1 of Chapter III. As the usable sample for this study differs only by one participant from the usable sample for the study described in Chapter III, the demographic and work-related characteristics of the sample as described in section 3.1 of Chapter III apply also to the current sample. Information on the demographic and work-related characteristics of the sample used for the analysis in the current study after exclusion of outliers (see section 4.1 in this Chapter) is provided by the descriptive statistics of the control variables included in Table IV.2 below.

3.2 Measures

3.2.1 Independent variables

Descriptive norms were measured using Kaptein's (2008a) scale of observed unethical behavior as described in section 3.2 of Chapter III. Cronbach's alpha for this scale was 0.89 (bias-corrected 95% bootstrap confidence interval 0.87 to 0.92), and Omega was 0.90 (95% CI 0.87 to 0.92) (see Dunn et al. 2014; Kelley 2007; calculated by R-package MBESS, version 3.3.3, Kelley and Lai 2012, December).

The *existence and enforcement of injunctive norms* were measured with items developed by Kaptein (2008b) as sub-scales of a measure of ethical culture. Ten items measured the perceived existence of clear injunctive norms (clarity, Kaptein 2008b). Sample items include 'The organization makes it sufficiently clear to me how I should handle more and other financial assets responsibly' or 'The organization makes it sufficiently clear to me how I should deal

with environmental issues in a responsible way'. The two aspects of enforcement, awareness of actual behavior (likelihood of detection) and sanctioning, were measured by 16 items in total. Seven items measured the perception of the extent to which others in the organization are aware of unethical behavior occurring (transparency, Kaptein 2008b, e.g. *If a colleague does something which is not permitted, my manager will find out about it*', *In my immediate working environment, there is adequate awareness of potential violations and incidents in the organization*). Nine items assessed the perception that unethical behavior is punished and ethical behavior rewarded (sanctionability, Kaptein 2008b, e.g. *If necessary, employees will be disciplined they behave unethically*', *If I reported unethical conduct to management, I believe those involved would be disciplined fairly regardless of their position*', *In my immediate working environment, ethical conduct is rewarded*'). Since some of the items measuring sanctioning and detection refer to ethical or unethical behavior, these two terms were defined in two introductory sentences on the questionnaire based on Jones's (1991) definition. All items measuring the existence and enforcement of injunctive norms were assessed on a six-point Likert-type scale ranging from *Strongly disagree* to *Strongly agree* (coded 1 to 6), as in Kaptein (2008b). Cronbach's alpha for injunctive norms was 0.92 (95% CI 0.91 to 0.93), and Omega was 0.92 (95% CI 0.91 to 0.93); for awareness, Cronbach's alpha was 0.84 (95% CI 0.82 to 0.87) and Omega 0.85 (95% CI 0.82 to 0.87); and for sanctioning, Cronbach's alpha was 0.89 (95% CI 0.87 to 0.90) and Omega 0.89 (95% CI 0.87 to 0.90).

3.2.2 Dependent variable

The same items from Kaptein's (2008a) scale used to measure peers' unethical behavior (descriptive norms) were employed to measure the focal individual's unethical behavior (see e.g. O'Fallon and Butterfield 2011). The scale is described in section 3.2 of Chapter III. Cronbach's alpha for this scale was 0.75 (95% bias-corrected bootstrap confidence interval 0.65 to 0.87), and Omega was 0.69 (95% CI 0.48 to 0.86).

3.2.3 Control variables

In line with prior research I controlled for demographic characteristics as they had been found to be related to antisocial behavior at work (Robinson and O'Leary-Kelly 1998) by including age and gender. Variables related to respondents' work situation were also included as they may impact the opportunities for committing and observing unethical behavior as well as perceptions of the organization's characteristics (see Treviño et al. 2008). I controlled for full vs. part-time employment (binary coding, 0 = part-time), tenure with the organization (years), hierarchical position in the organization (*Team member; Team leader; Middle-level manager; Member of top management, or owner*, coded 1 to 4), size of the direct work environment, number of employees of the respondents' organization in Switzerland, and frequency of interaction with external parties such as clients, suppliers or authorities (*Less than once per month; 1-3 times per month; 1-3 times per week; Every day*; coded 1 to 4).

In order to address concerns of socially desirable responding, the questionnaire included a short version of Paulhus' (1984) scale for impression management developed for the German socio-economic panel (Winkler et al., 2006). This measure, however, showed very low internal consistency (Cronbach's alpha = 0.44) and could therefore not be used as control variable.

3.3 Analysis

3.3.1 Data screening and missing values

Screening of data of the 447 participants revealed 20 cases that had to be excluded for the analysis, for a usable sample of $N = 427$. In the items measuring peers' and the focal individuals unethical behavior, the response '*not applicable in my direct work environment*' (*n.a.*) was coded as 'never' response for the analysis, as this response implies that a behavior was never observed or engaged in. Consistent with the original motivation to include the *n.a.* response alternative described above, *n.a.* responses were

by far most frequently chosen when items related to the interaction with customers or suppliers.

Overall, there was a very low number of missing values on the unethical behavior items (max. of 2 missing values per respondent for both observed and own unethical behavior). In the items for the scales measuring the existences of clear injunctive norms, awareness of unethical behavior, and sanctioning, 96.5%, 97.7% and 95.5% of respondents respectively had no missing values. All scale scores were thus calculated as mean of the items with non-missing values for all respondents. Missing values on the control variables were handled through listwise deletion in the regression models.

Examination of the distribution of the responses to the unethical behavior items (see Table VII.1 in the Appendix Chapter VII) revealed, as expected, strong concentration of the responses at the minimum of the Likert-scale. As a consequence, the scale scores for both peers' and the respondent's own unethical behavior exhibited a strong positive skewness, as well as kurtosis (see Table IV.2), departing substantially from a normal distribution (for a similar finding on a skewed behavior variable see also McCabe et al. 2006). Implications of this non-normality for the analyses will be further discussed below. The unethical behavior items are treated as interval data as is common practice for items on a Likert-scale with five or more categories (for behavior items see e.g. Kaptein 2011b; McCabe et al. 2006; Robinson and O'Leary-Kelly 1998). I acknowledge, however, that this treatment may be challenged if not all available response categories are used by the respondents.

3.3.2 Strategy for analysis

Confirmatory factor analysis (CFA) was carried out prior to the main analysis in order to examine the appropriateness of the measurement model using the R-package lavaan (R Core Team 2014; Rosseel 2012). I applied a facet representative item parceling strategy (Little et al. 2002; Little et al. 2013) to the measures of peers' and the focal individual's unethical behavior (for a similar approach see e.g. Mayer, Aquino et al.

2012). Robust maximum likelihood estimation with Yuan-Bentler corrected test statistics, robust Huber-White standard errors and Satorra-Bentler (2001) scaled Chi-square difference tests were employed to estimate and test the models, where all observed variables were treated as continuous in line with prior research (e.g. Kangas et al. 2014; Kaptein 2008b). Only complete cases were used for the estimation. Model fit was assessed with the multiple index presentation strategy and cut-offs for maximum likelihood estimation-based indices proposed by Hu and Bentler (1999).

I tested the moderation hypotheses H1 and H2 by hierarchical regression analysis with interaction terms following O'Fallon and Butterfield (2011), using SPSS v23 and the SPSS Macro HCREG (Hayes and Cai 2007). The mediation hypotheses H3 and H4 were tested following the contemporary approach, as described by Hayes (2013; Preacher and Hayes 2004) using SPSS v23 and the SPSS Macro PROCESS 2.13 (Hayes 2013). This approach focuses on the indirect effect to assess mediation, rather than relying primarily on the steps described by Baron and Kenny (1986).

Potential violations of the assumptions underlying linear regression were assessed for both analyses following recommendations by Cohen et al. (2003) and Tabachnik and Fidell (2007). As outliers can have a particularly strong impact in regressions including higher-order terms (Cohen et al. 2003), I inspected the data and regression results for both models for outliers. To ensure comparability of the results between the moderation and mediation models, cases were labeled as outliers, and subsequently excluded, only if they appeared as outliers in the final models of both analyses.

4 Results

4.1 Preliminary analysis

4.1.1 Confirmatory factor analysis

I estimated five models to confirm the factor structure of the dependent and independent variables jointly, summarized in Table IV.1. Model 1 was a five-factor model that included sanctioning, awareness, injunctive norms, peers' behavior, the focal individual's behavior, and five error correlations for the corresponding item parcels between peers' and the individual's unethical behavior following the correlated uniqueness approach described by Podsakoff et al. (2003). It exhibited acceptable fit in terms of the absolute fit indices (SRMR=0.061, RSMEA=0.058), but comparative fit indices were not satisfactory (CFI=0.87, TLI=0.86, IFI=0.79).

Leaving a strictly confirmatory framework and employing a strategy of consecutive modification based on areas of misfit in the models as indicated by modification indices (Byrne 2012), I added step by step five error correlations within item pairs measuring injunctive norms, awareness, and sanctioning. This process led to model 2, which exhibited significantly better fit (scaled $\Delta\chi^2=147.6$, $\Delta df=5$, $p<0.001$) both in terms of absolute (SRMR=0.058, RMSEA=0.049) and especially the comparative fit indices (CFI=0.91, TLI=0.90, IFI=0.83) than model 1. In this model, all (parcels of) variables loaded significantly on their hypothesized factors, with an average completely standardized factor loading of 0.68.

In model 3, I combined sanctioning and awareness to form one factor representing enforcement of injunctive norms, while the existence of injunctive norms remained separate. This model corresponds most closely to the hypotheses of the study, while models 1 and 2 correspond more closely to the structure of the scales used. This model exhibited very similar fit compared to model 2 (SRMR=0.060, RMSEA=0.051, CFI=0.90, TLI=0.89, IFI= 0.82). All (parcels of) observed variables loaded significantly on their predicted factors, with an average completely standardized factor

loading of 0.67. The newly combined enforcement measure had a Cronbach's alpha of 0.92 (95% CI 0.91 to 0.93), and Omega was 0.92 (95% CI 0.91 to 0.93).

Model 3 (AIC=21,905; BIC=22,397) showed better fit than two alternative models that combined injunctive norms and enforcement (model 4, AIC=22,463; BIC=22,943) or included only one common method factor explaining all observed variables (model 5, AIC=23,214; BIC=23,682). In conclusion, the fit of model 3 with four factors measuring the individual's unethical behavior, peers' unethical behavior, the existence and the enforcement of injunctive norms respectively, and with the additional correlated error terms as described above was deemed acceptable. I preferred this four-factor model over a five-factor model that included the two aspects of enforcement as separate latent variables because the fit indices differed only slightly between the two models, the four-factor model aligned more closely with the hypotheses to be tested, and the high correlation between the sanctioning and awareness latent variables observed in model 2 ($\Psi_{\text{sanctioning, awareness}}=0.874$, model 2) suggested potential multicollinearity problems for the regression analyses.

4.1.2 Assumptions of linear regression and outlier identification

Preliminary ordinary least squares regressions for the mediation and moderation models revealed considerable non-normality of the standardized residuals in both models, which was not unexpected given the pronounced non-normality of the dependent variable and one independent variable. Following the recommendations of Cohen et al. (2003), I transformed the dependent variable with a transformation from the Box-Cox family of power transformations determined by a diagnostic test. After transformation of the dependent variable, the distribution of the standardized residuals of the regression was considerably closer to the assumed normal distribution in both the moderation and the mediation model (moderation model: skewness=0.39, kurtosis=0.43; mediation model: skewness=0.36, kurtosis=0.85). Therefore, I used the transformed independent variable for testing the hypotheses. Due to this transformation, the values of this variable are small compared to the other variables,

which will translate into small absolute values for unstandardized regression coefficients (B s) and their standard errors in regression results.

Preliminary regression results were also examined for outliers, heteroskedasticity of residuals, and multicollinearity. Considering both the final mediation and moderation models, five cases were identified as outliers due to high influence combined with either high leverage or high discrepancy. They were removed for hypotheses testing, resulting in a final sample of $N=422$ ($N=419$ after listwise deletion). Inspection of plots of standardized residuals against the dependent variables suggested heteroscedasticity, such that I applied heteroskedasticity-consistent estimators of standard errors for significances tests of regression coefficients and for F -tests for sets of regression coefficients. Finally, examination of the variance inflation factor scores did not indicate problems with multicollinearity ($VIF < 10$) in either model.

4.2 *Hypotheses tests*

Table IV.2 provides the means, standard deviations, skewnesses, kurtoses and Pearson correlations for the final sample used in testing the moderation and mediation models below. There is a strong and significant positive correlation between peers' and the focal individual's unethical behavior. Significant negative correlations exist between both the existence and enforcement of injunctive norms on the one hand, and both peers' and the individual's unethical behavior on the other hand. Both the existence and the enforcement of injunctive norms are more strongly correlated with peers' unethical behavior than with the individual's unethical behavior.

Table IV.1
Results of confirmatory factor analysis (listwise N=391)^{a)}

Model no.	Description of the model	Yuan-Bentler scaled χ^2	df	P-value for χ^2 given df	CFI (NNFI)	TLI	IFI	AIC	BIC	SRMR	RMSEA (95% CI)
1	5-factor model with correlated uniqueness for UB parcels	1,333.62	579	0.000	0.870	0.858	0.792	22,116	22,605	0.061	0.058 (0.054, 0.061)
2	Adjusted 5-factor model with correlated uniqueness UB, and 5 additional error correlations	1,102.79	574	0.000	0.909	0.900	0.828	21,830	22,338	0.058	(0.045, 0.052)
3	4-factor model: one factor measuring injunctive norms, one factor measuring enforcement, error correlations as in model 2	1,167.38	578	0.000	0.898	0.889	0.818	21,905	22,397	0.060	(0.047, 0.055)
4	Alternative 3-factor model: one factor measuring injunctive norms and their enforcement, error correlations as in model 2	1,597.91	581	0.000	0.824	0.809	0.751	22,463	22,943	0.071	0.067 (0.063, 0.070)
5	Alternative 1-factor model: one common method factor on which all items load, error correlations as in model 2	2,170.56	584	0.000	0.726	0.704	0.662	23,214	23,683	0.091	0.083 (0.080, 0.087)

UB = unethical behavior

a) Analysis performed with the R-package lavaan (versions 0.5-17.711 and 0.5-19).

Table IV.2
Descriptive statistics and correlations for the main variables

Variable	Descriptive statistics ^{a)}				Correlations ^{b)}											
	N ^{c)}	Mean (median)	SD	Skew- ness	Kur- tosis	1	2	3	4	5	6	7	8	9	10	11
1 Focal individual's UB (transformed) ^{d)}	422	0.05 (0.03)	0.05	1.15	1.11											
2 Peers' UB	422	1.17 (1.11)	0.19	1.87	3.61	.581**										
3 Injanctive norms	422	4.72 (4.90)	0.83	-0.98	1.26	-.262**	-.415**									
4 Enforcement	422	3.94 (3.97)	0.76	-0.25	-0.14	-.275**	-.485**	.668**								
5 Gender (0=male, 1=female)	422	0.48 (0.00)	0.50	0.08	-2.00	-.197**	-.143**	.087	.102*							
6 Age (years)	422	47.52 (49.00)	9.51	-0.49	-0.15	-.091	-.059	.032	-.021	-.100*						
7 Employment type (0=part-time, 1=fulltime)	422	0.61 (1.00)	0.49	-0.45	-1.81	1.56**	1.35**	.044	-.029	-.600**	.012					
8 Tenure (years)	421	13.13 (10.00)	10.44	0.93	0.22	-.067	-.079	.078	.036	-.154**	.474**	.084				
9 Hierarchical position (categories)	421	1.65 (1.0)	0.93	1.13	-0.04	.015	.015	1.18*	.169**	-.164**	.062	.274**	.046			
10 Interaction with external parties (categories)	422	3.27 (4.0)	1.04	-1.19	0.04	.056	.061	.023	.057	-.007	-.013	.129**	-.072	.162**		
11 Size work environment (no. employees)	422	21.89 (10.00)	34.20	4.08	20.56	.089	.054	.089	.063	-.037	-.004	.112*	.075	.121*		
12 Size organization (categories)	421	2.68 (3.00)	1.35	0.35	-0.92	-.067	-.024	.079	.070	-.053	.071	.086	.350**	-.030	-.161**	.156**
<i>Latent N</i>																
<i>Latent N</i>																
<i>Latent N</i>																

SD= Standard deviation, UB = unethical behavior

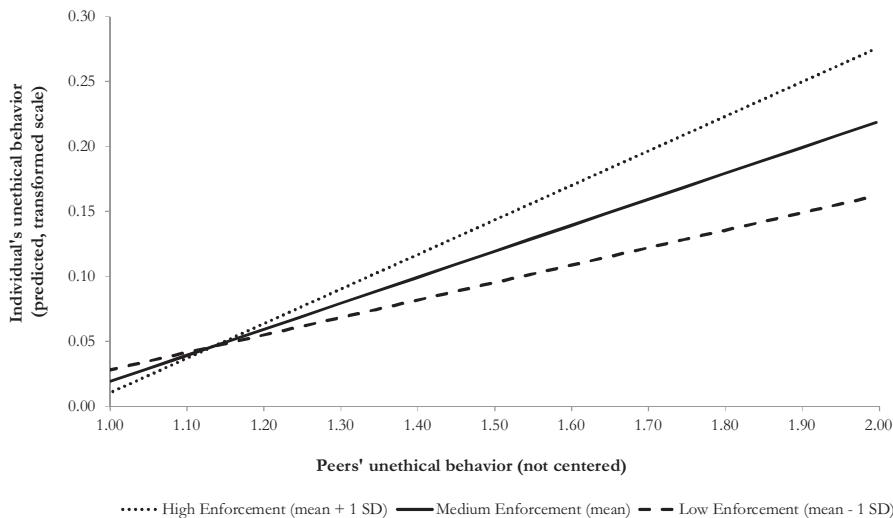
^{a)} Descriptive statistics based on all available data per variable.^{b)} Pearson correlations based on listwise missing data, N=419, ** $p < 0.01$, * $p < 0.05$.^{c)} N of non-missing values^{d)} The descriptive statistics for the untransformed variable are as follows: mean=1.06, median=1.03, standard deviation=0.08, skewness=2.35, kurtosis=8.05

4.2.1 *Moderation hypotheses (H1 and H2)*

Table IV.3 shows the results of the hierarchical (sequential) regression analysis testing Hypotheses 1 and 2. In the first step, control variables entered the regression, in the second step, the main effects of the independent variables were added, and in the final step the interaction terms between peers' unethical behavior and injunctive norms and enforcement, respectively, were included. In each step, R^2 was significantly different from zero. Model 2 including the main effects only showed an R^2 of 0.37 (95% confidence interval from 0.29 to 0.44), $F(11, 407)=10.0, p < 0.001$, a significant increase from Model 1 ($\Delta R^2=0.30, F_{incremental}(3, 407)=22.6, p < 0.001$). Peers' unethical behavior ($B=0.14, p < 0.001, sr^2=0.22$) had a significant effect in this model; the coefficients for the existence of clear injunctive norms ($B=-0.003, \text{n.s.}$) and enforcement of injunctive norms ($B= 0.003, \text{n.s.}$) were not significant.

Including the interactions of peers' unethical behavior with the existence of injunctive norms and enforcement respectively in the final model led to a significant increase in R^2 ($\Delta R^2=0.09, F_{incremental}(2, 405) =24.2, p < 0.001$) for a final R^2 of 0.45 (95% confidence interval from 0.38 to 0.52). Only the interaction between peers' unethical behavior and enforcement was significant ($B=0.086, p < 0.001, sr^2=0.046$), but opposite to the direction predicted in Hypothesis 2. Following the recommendations of Cohen et al. (2003), Figure IV.1 graphically shows the significant interaction effect between enforcement and peers' unethical behavior: the stronger the perceived enforcement of injunctive norms, the stronger the relationship between peers' and the individual's unethical behavior. Thus, Hypothesis 1, predicting that the existence of clear injunctive norms would weaken the impact of descriptive norms created by peers' unethical behavior, was not supported, while in relation to Hypothesis 2, a significant interaction effect was identified, but contrary to the predicted direction.

Figure IV.1
Interaction effect between peers' unethical behavior and the enforcement of injunctive norms



4.2.2 Mediation hypotheses (H_3 and H_4)

Table IV.4 provides the results in relation to Hypotheses 3 and 4. The existence ($B = -0.039, p < 0.05$) and enforcement of injunctive norms ($B = -0.097, p < 0.001$) were significantly negatively related to unethical behavior by peers, the mediator (Model 1). Injunctive norms and enforcement also both significantly predicted the focal individual's unethical behavior when entered without the mediator ($B = -0.008, p < 0.05$, $sr^2 = 0.010$ for injunctive norms, $B = -0.011, p < 0.01, sr^2 = 0.016$ for enforcement; Model 2). When peers' unethical behavior, the hypothesized mediator, was included in the regression (Model 3), it had a significant and positive effect on the individual's unethical behavior ($B = 0.142, p < 0.001, sr^2 = 0.218$). The bias-corrected 95% bootstrap confidence intervals based on 5,000 bootstrap samples for the indirect effect of injunctive norms and of enforcement on the individual's unethical behavior through peers' unethical behavior were entirely below zero (-0.010 to -0.001 for injunctive norms, -0.020 to -0.009 for enforcement). Thus, Hypotheses 3 and 4 predicting a negative indirect effects

of perceived injunctive norms and their enforcement on unethical behavior committed by the focal individual were supported.

As neither the coefficient for injunctive norms ($B = -0.003$, n.s.) nor for enforcement ($B = 0.003$, n.s.) was significant in the final model including the mediator, there is no evidence that existence and enforcement of injunctive norms have a direct effect on the individual's unethical behavior independent of their influence on peers' unethical behavior.

In sum, the two hypotheses predicting a mediating role for descriptive norms in relation to injunctive norms were not rejected, while the hypothesis predicting a moderating role of clear injunctive norms in relation to descriptive norms was rejected. With respect to the second moderation hypothesis, a significant interaction effect between enforcement and peers' unethical behavior was confirmed, but it was contrary to the predicted direction.

In order to increase the confidence in these results, I examined the robustness of the results in three directions. First, I varied the sample (a) by including the five outliers excluded for the hypotheses tests, and (b) by excluding respondents with tenure of less than one year. Second, to address the rather extreme skewness and kurtosis of the unethical behavior variables, I (a) transformed the independent variable unethical behavior by peers, and (b) created a less extremely distributed ad-hoc measures of unethical behavior from ten selected items as additional alternative. Third, as an alternative to OLS regression, I employed two generalized linear models that take into account the extreme distributional properties of the dependent variable. In total, I conducted six analyses for each the moderation and mediation model. Section 2 of the Appendix Chapter VII provides a detailed description of these analyses as well as the detailed results (see Table VII.2 and Table VII.3). The results consistently supported the mediation hypotheses, and rejected the moderation hypothesis in relation to the existence of clear injunctive norms, while a significant interaction between peers' unethical behavior and enforcement contrary to the hypothesized direction was found. These robustness checks increase the confidence in the results of the hypotheses tests.

Table IV-3
Results of regression analysis relating to hypotheses 1 and 2 (listwise N=419)

Variables	Model 1						Model 2						Model 3					
	B		SE(B) ^{a)}		95% CI (B) ^{a)}		B		SE(B) ^{a)}		95% CI (B) ^{a)}		B		SE(B) ^{a)}		95% CI (B) ^{a)}	
	sr ²	p ^{a)}	sr ²	p ^{a)}	sr ²	p ^{a)}	sr ²	p ^{a)}	sr ²	p ^{a)}	sr ²	p ^{a)}	sr ²	p ^{a)}	sr ²	p ^{a)}	sr ²	p ^{a)}
<i>Control variables</i>																		
Intercept	0.076***	0.016	0.000	(0.045, 0.108)	0.072***	0.013	0.000	(0.045, 0.098)	0.085***	0.013	0.000	(0.060, 0.110)						
Gender (0=male)	-0.019**	0.005	0.001	(-0.030, -0.008)	0.023	-0.012*	0.005	(-0.022, -0.002)	0.009	-0.012*	0.005	(-0.021, -0.003)	0.009					
Age	0.000	0.000	0.129	(-0.001, 0.000)	0.005	0.000	0.000	(-0.001, 0.000)	0.003	0.000*	0.000	(-0.001, 0.000)	0.006					
Employment type (0=part-time)	0.005	0.006	0.424	(-0.007, 0.016)	0.001	0.002	0.005	(-0.008, 0.011)	0.000	0.005	0.000	(-0.009, 0.009)	0.000					
Tenure	0.000	0.000	0.506	(-0.001, 0.000)	0.001	0.000	0.000	(0.000, 0.001)	0.000	0.000	0.000	(0.000, 0.001)	0.000	0.566	(0.000, 0.001)	0.000		
Hierarchical position	-0.002	0.003	0.376	(-0.007, 0.003)	0.002	-0.001	0.002	0.544	(-0.006, 0.003)	0.001	-0.002	(-0.007, 0.002)	0.002	0.244	(-0.007, 0.002)	0.002		
Interaction with external parties	0.002	0.002	0.401	(-0.003, 0.006)	0.002	0.001	0.002	0.768	(-0.003, 0.004)	0.000	0.001	(-0.002, 0.004)	0.000	0.557	(-0.002, 0.004)	0.000		
Size work environment	0.000**	0.000	0.004	(0.000, 0.000)	0.009	0.000	0.000	0.085	(0.000, 0.000)	0.004	0.000	(0.000, 0.000)	0.003	0.126	(0.000, 0.000)	0.003		
Size organization	-0.003	0.002	0.170	(-0.006, 0.001)	0.004	-0.003	0.002	0.122	(-0.006, 0.001)	0.004	-0.003	(-0.006, 0.000)	0.005	0.057	(-0.006, 0.000)	0.005		
<i>Main effects</i>																		
Injunctive norms																		
Enforcement																		
Peers' UB																		
<i>Interactions</i>																		
Inj. norms * Peers' UB																		
Enforcement * Peers' UB																		
<i>Model Summary</i>																		
N (listwise)	419																	
F ^{b)}	5.464																	
R ²	0.070***																	
95% CI R ² ^{c)}	(0.011, 0.093)																	
ΔR ²	-																	
F _{enforcement^{b)}}	0.295***																	
	22.566																	

UB = unethical behavior, B= unstandardized regression coefficient, SE = standard error, CI = confidence interval, sr²= squared semi-partial correlation
 * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

a) SE(B), 95% CI (B), and significance tests for B are based on heteroskedasticity-consistent Huber-White (sandwich) estimators (HC0) for the variance of the regression coefficients.

b) F-Tests for the significance of the squared multiple correlation (R^2), as well as increases in R^2 , are based on the heteroskedasticity-consistent Huber-White estimator (HC0) of the variance-covariance matrix of B as implemented in the SPSS Macro HCREG (Hayes and Cai, 2007).

c) The 95% CI for R^2 is based on the formula and approximate critical value (χ) as provided by J. Cohen et al. (2003, p. 88).

Table IV.4
Results of regression analysis relating to hypotheses 3 and 4 (listwise N=419)

Variables	Model 1 – DV: peers' UB				Model 2 – DV: focal individual's UB				Model 3 – DV: focal individual's UB				
	B	SE(B) ^a	p ^a	95% CI (B) ^a	B	SE(B) ^a	p ^a	95% CI (B) ^a	B	SE(B) ^a	p ^a	95% CI (B) ^a	
<i>Control variables</i>													
Intercept	1.695***	0.084	0.000	(1.530, 1.860)	0.149***	0.020	0.000	(0.110, 0.18)	-0.091**	0.033	0.006	(-0.153, -0.026)	
Gender (0=male)	-0.017	0.023	0.451	(-0.061, 0.027)	0.001	-0.014*	0.006	0.015	(-0.026, -0.003)	0.013	-0.012*	0.005	0.026 (-0.022, -0.001)
Age	-0.001	0.001	0.439	(-0.003, 0.001)	0.001	-0.001	0.000	0.091	(-0.001, 0.000)	0.006	0.000	0.144 (-0.001, 0.000)	0.003
Employment type (0=part-time)	0.029	0.022	0.191	(-0.015, 0.073)	0.003	0.006	0.006	0.350	(-0.006, 0.018)	0.002	0.002	0.005	0.775 (-0.009, 0.012)
Tenure	-0.001	0.001	0.267	(-0.003, 0.001)	0.002	0.000	0.000	0.718	(-0.001, 0.000)	0.000	0.000	0.789 (-0.000, 0.001)	0.000
Hierarchical position	0.012	0.009	0.167	(-0.005, 0.030)	0.003	0.000	0.003	0.907	(-0.005, 0.005)	0.000	-0.001	0.003	0.562 (-0.006, 0.004)
Interaction with external parties	0.013	0.008	0.105	(-0.003, 0.028)	0.004	0.002	0.002	0.321	(-0.002, 0.007)	0.002	0.001	0.002	0.776 (-0.003, 0.004)
Size work environment	0.000	0.000	0.056	(-0.000, 0.001)	0.005	0.000**	0.000	0.004	(0.000, 0.000)	0.011	0.000	0.000	0.113 (0.000, 0.000)
Size organization	0.005	0.008	0.526	(-0.010, 0.020)	0.001	-0.002	0.002	0.321	(-0.006, 0.002)	0.002	-0.003	0.002	0.139 (-0.006, 0.001)
<i>Predictors</i>													
Injunctive norms	-0.039*	0.016	0.015	(-0.071, -0.008)	0.015	-0.008*	0.004	0.034	(-0.016, -0.001)	0.010	-0.003	0.004	0.459 (-0.010, 0.005)
Enforcement	-0.097***	0.018	0.000	(-0.133, -0.061)	0.079	-0.011**	0.004	0.006	(-0.019, -0.003)	0.016	0.003	0.004	0.529 (-0.006, 0.011)
<i>Mediator</i>													
Peers' UB									0.142***	0.020	0.000	(0.103, 0.181)	
<i>Model Summary</i>													
N (listwise)	419				419					419			
F	12.157				8.145					9.037			
R ²	0.289***				0.147***					0.365***			
95% CI R ²	(0.217, 0.362)				(0.085, 0.209)								
<i>Indirect Effects^a</i>													
Injunctive norms									Effect	SE (Effect)	95% CI (Effect)		
Enforcement									-0.006	0.002	(-0.010, -0.001)		
									-0.014	0.003	(-0.020, -0.009)		

DV = dependent variable, UB = unethical behavior, B = unstandardized regression coefficient, SE = standard error, CI = confidence interval, sr² = squared semi-partial correlation

* p < 0.05, ** p < 0.01, *** p < 0.001

^a SE(B), 95% CI (B), and significance tests for B are based on heteroskedasticity-consistent HC3 estimators for the variance of the regression coefficients as provided by the SPSS Macro PROCESS (Hayes 2013).

^b F-T tests for the significance of the squared multiple correlation (R²) are based on the heteroskedasticity-consistent HC3 estimator of the variance-covariance matrix of B as implemented in the SPSS Macro PROCESS (Hayes 2013).

^c The 95% CI for R² is based on the formula and approximate critical t-value (t_{0.025}) as provided by J. Cohen et al. (2003, p. 88)

^d The standard errors and 95% CI for the indirect effects are based on 5,000 bootstrap samples, the 95% CI is biased-corrected. Bootstrapping as implemented in the SPSS Macro PROCESS (Hayes 2013) was used.

5 Discussion

This study has examined how descriptive and injunctive norms interact in organizational context to influence individuals' unethical behavior by testing two competing models derived from alternative mechanisms of social influence. The results supported a mediation model based on social information processing theory: the existence and enforcement of clear injunctive norms indirectly influence individuals' unethical behavior through descriptive norms defined by peers' behavior. The existence of injunctive norms did not weaken the positive relationship between peers' and the individual's unethical behavior as hypothesized in the moderation model; instead, enforcement unexpectedly strengthened, rather than weakened, this relationship.

By investigating the interplay of injunctive and descriptive norms in a non-experimental setting and emphasizing the relation and interaction between these two types of norms in an organizational context, this study complements experimental research that used independent manipulations of the norms. This study also contributes to literature on the monkey see, monkey do effect (e.g. McCabe and Treviño 1993; McCabe et al. 2002; O'Fallon and Butterfield 2011; Robinson and O'Leary-Kelly 1998) by explicitly considering the impact of injunctive norms – the yardstick, so to speak – along with the descriptive norms, and by using a broad measure of intra- and extraorganizational unethical behavior relevant in organizations, rather than narrower or domain-specific measures.

The findings of this study have several theoretical implications that arise, on the one hand, from the supported mediation model based and, on the other hand, from the unexpected positive moderating effect of enforcement. A first implication relates to the central tenet of the focus theory of normative conduct which holds that only the situationally activated, salient type of norm determines individuals' behavior. While this argument applies directly to the specific situations, and resulting behavioral *responses* as investigated by social norm researchers in experiments, it needs to be modified in order to account for behavioral *patterns* in an organizational context across multiple situations

over a longer time span. To explain behavioral patterns, it appears useful to refer to a *chronically dominant* normative focus, rather than to claim that in every situation they faced, individuals were more focused on one type of norms. I suggest that the chronically dominant type of norm will determine individuals' behavior in the absence of a specific situational re-focusing that overrides the chronic normative focus. A chronically dominant normative focus in turn may be induced by certain social contexts. Just as certain behavioral scripts or decision frames are more accessible in a business context (e.g. Gioia and Poole 1984; Kouchaki et al. 2013; Sonenshein 2007; Tenbrunsel and Messick 1999), an organizational context may also induce a chronic normative focus.

This study's findings suggest, then, that individuals' chronic normative focus in an organizational context is on descriptive norms: in the mediation model, descriptive norms were identified as the more proximal predictor of individuals' behavior, while injunctive norms had an indirect impact through the descriptive norms. A chronic focus on descriptive norms is consistent with the social information processing perspective, according to which "conditions of the workplace are not given but constructed" (Salancik and Pfeffer 1978, p. 227): individuals therefore attend to peers' behavior (descriptive norms) to construct their interpretation of the conditions in their work environment, including injunctive norms, punishments for unethical, and rewards for ethical behavior.

In addition, such a chronic orientation towards peers' behavior in an organizational context appears functionally useful considering the importance of collaboration and coordination to achieve the common goals that define an organization. Furthermore, it also fits well with theoretical accounts of the spread of unethical behavior or corrupt practices in organizations (e.g. Ashforth and Anand 2003; Moore 2009; Pinto et al. 2008). Therefore, it may be worthwhile to consider an extension of the focus theory of norms that includes, in addition to the situation-specific normative focus, also a chronic normative focus operating as the 'default' focus in a given social context.

A second implication is that the relation between descriptive and injunctive norms has to be carefully considered in organizational contexts, as the mediation model supported in this study implies that injunctive norms are related to descriptive norms. Experiments based on the focus theory of norms manipulated those two types of norms orthogonally, implicitly assuming (1) the independence of these norms and (2) that participants actually – even if unconsciously – distinguish between those two types of norms. Recent experimental evidence, however, challenges both assumptions: Eriksson et al. (2015, p. 59) conclude that the distinction between injunctive and descriptive norms “is far from clear in the cognition of social norms.” While the current study only hypothesized a link from injunctive to descriptive norms, Eriksson et al. (2015) found a bidirectional association between the two types of norms. They argue that people automatically form associations between injunctive and descriptive norms because in most situations they encounter, behaviors that are common are also morally approved. Hence, individuals tend to perceive common behaviors as moral and moral behaviors as common. Eriksson et al.’s (2015) experiments go beyond the current study’s findings in that they allow causal inferences and investigated a bidirectional association between injunctive and descriptive norms. Considered together with the current findings, their results suggest that further developments of the focus theory of norms will also need to explicitly consider the relation between the two types of norms.

Turning to the unexpected significant positive interaction between enforcement and peers’ unethical behavior, this result is counter to what deterrence theory and social learning theory predict. A similar “perplexing” finding has been reported by McCabe et al. (2002, p. 375) who identified a significant *positive* relationship between academic dishonesty by the individual and the perceived severity of sanctions in their model combining the results of three surveys. Taken at face value, this result suggests that the “command-and-control approach” (Tyler and Blader 2005) focusing on punishments and rewards to foster compliance with injunctive norms may not work as intended.

A closer examination of the workings of punishments and rewards suggests at least two potential explanations for this finding. Those relate, first, to the interpretation

of punishments as such; and second, to induced changes in the interpretation of the situation. With respect to the interpretation of sanctions, Mulder (2009) and Mulder et al. (2009) argue that sanctions can be perceived by observers as either retributive or compensatory. In the former interpretation, sanctions are intended to punish the perpetrator, express social disapproval for the sanctioned behavior, and deter future perpetrators. In the latter case, compensation for the damage caused by the behavior is perceived as the primary function of the sanction. Mulder (2009) suggests that sanctions are likely to strengthen the moral (injunctive) norms when they are interpreted in a retributive way. By contrast, sanctions can weaken moral norms when they are interpreted in a compensatory way because people perceive them as a payment for benefits obtained (or damage caused) by their behavior. Moreover, she argues that “if many people show the sanctioned behavior [the sanction] is less likely to be interpreted as retributive measure” (Mulder 2009, p. 174). An individual may therefore be more likely to follow the example of peers who have behaved unethically when he perceives that they compensated for the damage caused by their behavior through the sanctions. The perception that norm-infringing behavior can be compensated facilitates the rationalization of such behavior, and makes it appear less reproachable.

Second, sanctions may fundamentally change the way individuals perceive a situation (Gneezy and Rustichini 2000). Tenbrunsel and Messick (1999) argue that the presence or absence of sanctions at a first stage determines whether individuals adopt an ethical or a business decision frame. Similarly, Gneezy and Rustichini (2000) argue that with the introduction of a fine, individuals perceive the situation as a market exchange where the fine is the price to be paid for engaging in the prohibited activity, rather than as a situation where one is obliged to stick to the agreed rules. Applied to the current study, these arguments would imply that to the extent individuals perceive that unethical behavior is punished, they more frequently adopt a business or market exchange frame in decision situations rather than attending to the situation’s ethical features. Therefore, when individuals observe unethical behavior by peers and at the same time see that those ‘pay’ to engage in this behavior, this may trigger a market or

business framing for future situations. A business decision frame in turn has been shown to increase the likelihood of unethical behavior and intentions (Kouchaki et al. 2013).

5.1 Implications for organizational practice

Ethics and compliance programs in organizations are designed to ensure adherence to injunctive norms that are defined by the organization itself as well as by external social actors. The focus on injunctive norms inherent in such programs may lead those responsible for these programs to overlook the importance of descriptive norms in the daily activities of employees. The results of the current study suggests that those responsible for ethics and compliance programs should also consider what kind of behaviors employees may observe on a day-to-day basis, and how this may impact their willingness to follow policies.

Employees' chronic focus on descriptive norms, as proposed above, is problematic for organizations when descriptive norms diverge from the injunctive norms. It would appear rather difficult to design interventions that change the chronic focus on peers' behavior to a chronic focus on injunctive norms, given the team-orientation prevailing in many contemporary workplaces. However, the experimental research on social norms reviewed earlier has demonstrated that the normative focus can be changed by interventions. Hence, it may well be possible to change, or override, the chronic focus on descriptive norms through interventions in specific situations where descriptive and injunctive norms are likely to be contradictory. Those responsible for managing ethics and compliance programs could try to target interventions at such situations. Divergence between injunctive and descriptive norms is more likely, for example, when new injunctive norms are introduced, requiring a change of long-standing practices; when there are highly specialized and complex activities such that the application of the injunctive norms to those activities is not well-defined; when close-knit groups of specialists transmit knowledge and know-how

within their groups and train newcomers; or when compliance with injunctive norms requires substantial extra effort.

Such a targeted approach to making injunctive norms salient contrasts with the approach many organizations take to communicate injunctive norms. Often, codes of conduct and policies are communicated through periodical (online) trainings and affirmations, announcements on the intranet, or mass e-mails to members of the organization (KPMG, 2014; NYSE Governance Services and Society of Corporate Compliance and Ethics, 2014). While this sort of communication is certainly necessary, it is less clear whether such one-off communications suffice to make injunctive norms salient at the moment when employees carry out an activity to which an injunctive norm is relevant. Therefore, targeted reminders of the specific injunctive norms at the time of carrying out relevant activities may increase the effectiveness of injunctive norms. The importance of the features of the specific decision situation is similarly highlighted by research on choice architecture (Thaler and Sunstein 2003; Thaler and Sunstein 2009). This research suggests that individuals can be nudged to make better decisions by changing situational features, such as the framing and order of options, or the default option (Zhang et al., 2014).

5.2 *Limitations and future research*

Opportunities for future research result from limitations of the current study with respect to theoretical scope and methods. A first theoretical limitation of the current study is that it has only investigated social norms, while personal norms are likely to be important as well. Personal norms represent what one believes one ought to do, and are, therefore, akin to injunctive norms. They are, however, not – or not directly – *socially* defined injunctive norms. Kallgren et al. (2000, study 3) for example found that focus on one's own person strengthens the impact of one's personal norms on one's behavior. Similarly, Pitesa and Thau (2013, studies 3 and 4) have shown that power, by focusing the individual on himself, increases the influence of the individual's personal ethical preferences compared to the influence of social norms. Neither of those papers,

however, explicitly discusses the distinction between (injunctive) social norms and personal norms. To obtain a more complete picture of the interplay of different norms in determining individuals' (un)ethical behavior, future theory and empirical studies may therefore benefit from integrating personal norms in addition to social norms.

Considering personal norms in future research may also provide the opportunity to link research on social norms to research on moral personality and identity. Recent socio-cognitive approaches to understanding moral personality (e.g. Narvaez et al. 2006) and identity (e.g. Aquino and Reed 2002; Aquino et al. 2009) focus on the “chronic accessibility of moral constructs” (Narvaez et al. 2006, p. 969), and on the “accessibility of moral identity within the working self-concept” (Aquino et al. 2009, p. 123). Just as the focus theory of norms does, this research relies on the concept of salience to explain how behavior is impacted by the focal variable in a specific situation. This commonality suggests that the influence of social and personal norms could be studied in an integrated social-cognitive framework based on the ideas of salience and activation of individuals' identities and norms linked to those identities.

A second theoretical limitation relates to the perceptions of the existence and enforcement of injunctive norms. I have theoretically focused on and measured the individual's perception of these elements of the organization's ethical infrastructure, as most extant research on ethical culture and climate has done (Treviño et al. 2014a). I have not addressed whether and to what extent *shared* perceptions and the concordance of perceptions across individuals may matter for the individual's behavior. Robinson and O'Leary-Kelly (1998) for example argued that it is the aggregate of group members' perceptions of an environment that matters for behavior, and that the impact of those perceptions on behavior is stronger when they are similar. Thus, future research could examine to what extent shared perceptions of the existence and enforcement of injunctive norms, as well as descriptive norms, predict individuals' behavior, and whether the similarity of perceptions strengthens or weakens this relation.

A third theoretical limitation concerns the treatment of punishments for unethical behavior and rewards for ethical behavior. In the theoretical arguments and

hypotheses, these were subsumed under the concept of enforcement, and the measure accordingly contained items for both aspects. This approach is supported by the satisfactory internal consistency of the corresponding scale developed by Kaptein (2008b). However, Mulder's (2008) research suggests that rewarding desired behavior strengthens injunctive norms less than punishing undesired behavior. Future research could thus attempt to separate positive and negative enforcement actions and their effects on behavior in conjunction with injunctive and descriptive norms.

Fourth, the current study has subsumed unethical behavior by supervisors or managers under unethical behavior by members of an individual's direct work environment in general. Therefore, potential differences between the impact of behavior by colleagues at the same (or a lower) hierarchical level and behavior by those at higher hierarchical levels have not been investigated.

Turning to the methodological limitations, the use of a cross-sectional design to examine the hypothesized relationships constitutes an important limitation. The causal direction of these relationships can therefore only be inferred from the theoretical arguments presented. Second, all variables were assessed by reports from a single source, which may lead to common methods bias in the estimated parameters (Podsakoff et al. 2012). To the extent that individuals' perceptions, rather than any 'objective' features, of the organizational environment, are thought to influence individuals' behavior, or when covert behavior is studied, such perceptual approaches can still be appropriate (Podsakoff et al. 2012). As perceptions and interpretations are pivotal for understanding individuals' behavior in the social learning and social information processing perspectives underlying the current study's hypotheses (see McCabe et al. 2002), the use perceptual measures can be considered justified. However, to counter concerns of common method bias, future research may improve on the design of the current study by obtaining the measures for the independent and dependent variables from different sources or using observational measures or archival records. If the variables still need to be assessed from a common source, the items measuring the dependent and independent can be temporally, proximally, or

psychologically separated, or additional statistical techniques may be applied (Podsakoff et al. 2012).

Due to the sensitive nature of unethical behavior, respondents' reports on their own unethical behavior, and to a lesser extent also on peers' unethical behavior, may be affected by social desirability bias (Randall and Fernandes 1991). I have attempted to reduce the impact of social desirability by assuring participants of the anonymity of the survey (Podsakoff et al. 2003); by collecting the data through an online survey allowing participants to respond privately; by collecting the data outside the organizational environment; and by framing the unethical behaviors neutrally as behaviors that can occur in the workplace. Still, it is possible that the findings of this study are influenced by social desirability bias. Further, the sample comprised individuals from the working population in one linguistic region of a small country, such that findings may not necessarily be generalizable to other working populations.

Unethical behavior as a rare phenomenon and sensitive topic raises several methodological challenges for researchers as Treviño and Weaver (2003) have discussed. In addition to the challenges they have highlighted, there are specific challenges with respect to the statistical methods for analyzing data about unethical behavior, evident also in the current study. If rare behaviors are measured on a frequency scale in a general population sample, and the resulting measurements are treated as continuous, they tend to be highly skewed towards the lowest values. As reported above, this was the case in the current study. While I have transformed the skewed (and kurtotic) dependent variable, and have also transformed the dependent variable unethical behavior by peers in the robustness checks, other options are possible. Such variables could be treated as categorical, but in this case, numerous empty cells are likely to result, which renders the analysis difficult. While dichotomization is another alternative, the loss of information may be considerable, certain hypotheses cannot be tested, and the split among two categories is still likely to be so uneven as to create problems in analysis. Assessing unethical behavior via a count

variable, rather than on a frequency scale, and using statistical techniques for count data is an additional option that future research may consider.

When researchers analyze data on unethical behavior as continuous data, the question arises whether the statistical methods most commonly used in behavioral science and management research (e.g. OLS regression, ANOVA, EFA, CFA) can be applied to such strongly skewed data. Many of these methods are based on the assumption of normal distribution of the variables and/or of other components of the statistical model. In the presence of strongly skewed (and kurtotic) data, such assumptions have to be particularly carefully evaluated to assess whether the method under consideration should be applied, and if so, to what extent a cautious interpretation of the results may be warranted. In the current study, I have therefore carried out robustness checks that examined whether generalized linear models as alternatives to OLS regression appropriate for skewed data provide results that are consistent with those of OLS regression. Future research on unethical behavior would benefit if, in particular, skewness and kurtosis of variables measuring unethical behavior were reported, along with the assessment of assumptions underlying the particular statistical method employed. In addition, advances in the methodological literature and the implementation of new methods into accessible statistical software provide the opportunity for researchers to explore adjusted or entirely different statistical methods designed for specific kinds of data.

6 Conclusion

Consistent with prior, mostly experimental research the current field study shows that it is worthwhile to disentangle the impact of descriptive and injunctive norms on unethical behavior, even though, oftentimes “what is commonly approved [...] is also what is commonly done” (Goldstein and Cialdini 2011, p. 69). The results of this study show that individuals first of all look to their peers when deciding how to behave, as suggested by the catch-phrase “monkey see, monkey do” coined by Robinson and

O'Leary-Kelly (1998). The existence and enforcement of injunctive norms – the yardstick – impact their behavior indirectly to the extent that these influence peers' behavior.

I hope that this work motivates further theorizing and empirical research on the impact of and interaction between different types of norms in organizational context. In particular, as injunctive norms are fundamental in organizational ethics and compliance programs, such research has the potential to help organizations to more effectively steer members' behavior towards what is morally right.

Chapter V

RELATIONSHIPS TO PERSONS WITH NAMES AND FACES: VENTURING A RELATIONAL NORMATIVE CORE FOR STAKEHOLDER THEORY

«Then there's the gradual loss of the ability to empathise. [...] The thing is, the life of an investment banker is such that you become entirely self-absorbed and self-centred. [...] Outsiders focus on the pay investment bankers get. What they may not see is what that pay means to the bank: they effectively absolve themselves of all responsibility to treat you well. [...] You're a resource in banks, not a human being, and that applies to the people higher up as well.»

Former investment banker working in Mergers & Acquisitions,
cited in Luydendijk (2013, May 2)

1 Introduction

The introductory quote illustrates something many observers, including researchers, are concerned about when they look at current practices and ways of thinking in contemporary business life: a focus on one's own (or the firm's) interests, the ignorance of others and their well-being, and lack of responsibility towards others. In response to such concerns, stakeholder theory has been proposed as an approach to management that not only considers the interests of the firm's shareholders in business decisions, but also those of others affected by the business activities. In this approach,

stakeholders are predominantly conceived as abstract, generic groups that are defined by their roles in or for the firm (McVea and Freeman 2005). McVea and Freeman (2005) not only criticize that such “generic analyses disguise the real human relationships that exist between the firm and its stakeholders” (p. 60), but posit that such a view has perpetuated, rather than solved, the problem of perceiving business and ethics as separable and separate domains.

To overcome these two problems, McVea and Freeman (2005) propose a names-and-faces approach to stakeholder management in which stakeholders are viewed “as real people with names and faces” (p. 57). They argue further that this new approach can also help to solve the “*normative problem* of generic stakeholder theory” (p. 50, emphasis in original) which arises because human values and individual moral worth are removed from the decision-making process by abstracting from individuals and thinking of generic stakeholder groups instead. They suggest that “we can make more progress in integrating ethical responsibility in business if it is founded in the physical reality of the personal relationships” (p. 64). They do, however, not further elaborate on the normative element of their names-and-faces version of stakeholder theory in their article or in other published work. The current study therefore strives to identify a suitable normative perspective in philosophy, and to develop a normative core for the names-and-faces version of stakeholder theory based on this perspective.

Normative elements are at the core of stakeholder theory (Donaldson and Preston 1995), even though, as a managerial theory, it “recommends courses of action for managers and deals *at once* with normative, instrumental, and descriptive claims” (Freeman and Phillips 2002, p. 339). Different normative cores or ethical foundations for stakeholder theory have been proposed, including Kantian philosophy, Rawlsian doctrine of fair contracts, Integrative Social Contracts Theory, and Critical Theory (Parmar et al. 2010). Extant normative work is mainly informed by the conventional conception of stakeholders as generic groups, as it has been conducted prior to McVea and Freeman’s (2005) suggested refocusing of stakeholder theory on individuals. An exception is the work of Ray et al. (2014) who propose a religiously grounded

normative core for the names-and-faces version of stakeholder theory based on Judaism, Christianity, and Islam. However, a philosophically rather than religiously grounded normative core for the names-and-faces approach has, to the best of my knowledge, not yet been developed.

The emphasis of the names-and-faces approach on concrete, physical relationships to individuals who have intrinsic moral worth provides the criterion to identify philosophical perspectives on ethics relevant for the current purpose. Such emphasis is found in the work of Martin Buber and Emmanuel Levinas, characterized as the two “great philosopher[s] of the interpersonal” (Tallon 2004, p. 58). Buber ([1947] 2002; [1950] 1962; [1958] 1996) stresses the unique ability of humans to enter into a distinctive kind of relationship with others, and the related ability to enter into a dialogue with the other person. Levinas ([1961] 1969; [1974] 1998; [1984] 1989) puts the response – and literally responsibility – to the other person’s face at the center of his thinking about ethics, a response that is imperatively called for prior to any reflection. While Buber’s work has been widely received and read also outside philosophy for decades and presents one of the first philosophies of dialogue (Atterton et al. 2004a, p. 9), it has not been taken up in business ethics debates. By contrast, Levinas’s work has been discussed by business ethicists for a bit more than ten years (Jones 2007). For example, Bevan and Werhane (2011) hint at a possible connection between McVea and Freeman’s (2005) emphasis on individuals with names and faces and Levinas’s thinking, without, however, further elaborating on it. Here, the works of Buber and Levinas will be examined as a possible philosophical basis for a normative core of the names-and-faces version of stakeholder theory.

By developing such a normative core, this study contributes an alternative perspective on ethics to normative stakeholder theory, a perspective focusing on social relationships and responsibility. Compared to perspectives based on classical theories of ethics, this perspective speaks more directly to the concerns of contemporary business life because it is rooted in 20th century continental philosophy that has explicitly engaged with modern economic structures and organizations. The practical

relevance of this perspective is supported by descriptive research that has demonstrated the importance of perceiving specific individuals, and of affective and non-deliberative processes for ethical behavior.

The purpose of the current study is neither to provide an exposition and comparison of the philosophical positions of Buber and Levinas (for this, see e.g. Atterton et al. 2004b) nor to develop a full-fledged ethical theory that would be of similar type as virtue ethics, contractual business ethics, or utilitarianism. Rather, the purpose is to show how McVea and Freeman's (2005) names-and-faces version of stakeholder theory may be normatively grounded in the work of Buber and Levinas. Further, I will focus on developing a normative core for the names-and-faces version of stakeholder theory, rather than discussing legal and institutional changes required as a result of accepting such a normative core. I will, however, discuss challenges in implementing such a normative core in organizations.

In what follows, I will first retrace the relational perspective on ethics in the work of Buber and Levinas, starting from their views on human nature and moving to their conceptions of the ethical. Based on these, I will then delineate a relational normative core for the names-and-faces approach. Subsequently, I will discuss challenges involved in the application of a relational perspective to organizational life. I will conclude by relating the proposed normative core to other strands in normative business ethics research and to descriptive research on ethical behavior.

2 Grounding the normative core in human existence

McVea and Freeman (2005, p. 63) point out that the “complex, abstract and philosophical foundations”, such as Kantianism, utilitarianism, or virtue ethics, that are used to provide a normative core for group-based stakeholder theory are too far removed from individuals’ daily experience in organizations. In their assessment, such normative arguments are therefore unlikely to be considered in decision making. In contrast to such ethical theories, Buber and Levinas both strive to secure the

connection between ethics and daily human experience by rooting their ethical thinking in an investigation of what human nature and human existence is. Indeed, Buber's "ethics is directly based on and informed by his philosophical anthropology – [...] these two are, in fact, inseparable" (Friedman 1967, p. 179). While Buber very explicitly addresses and answers Kant's anthropological question in his work, Levinas is less explicit in doing so, but he nevertheless provides a view of human nature. The next two sections briefly outline Buber's and Levinas' thinking about human nature, which is the basis for their understanding of the ethical.

2.1 *Man with man*

Buber answers the anthropological question most succinctly as follows: "The fundamental fact of human existence is man with man. What is peculiarly characteristic of the human world is above all that something takes place between one being and another the like of which can be found nowhere in nature" (Buber [1947] 2002, p. 240). In other words, the kind of relationship that is possible between human beings is distinctive of humankind.¹ Buber opposes this view of man as relational being to modern individualism and modern collectivism which he describes as a "false alternative" (Buber [1947] 2002, p. 240): "Individualism sees man only in [his] relation to himself, but collectivism does not see *man* at all, it only sees 'society'" (Buber [1947] 2002, p. 237, emphasis in original).

Buber goes one step further in asserting the primacy of relationships for human beings. For him, the "principle of human being" is a "double movement" of distancing and relating (Buber [1950] 1962, p. 412, author's translation). Distance ("Urdistanz") enables the emergence of man ("des Menschen"), and relationship ("Beziehung") is the realization of human being ("Menschsein") (Buber [1950] 1962, p. 416, author's translation). Distancing, as the first movement, is a necessary condition for the second movement, entering into relationship. In sum, Buber views human beings' ability to enter into relationships – which necessarily presupposes the ability to "know an

independent world as existing” (Wheelwright 1967, p. 84), i.e. distancing – as characteristic and distinctive of our species.

2.1.1 *I-It and I-Thou*

Buber then distinguishes two different kinds of relationships which are possible for human beings: the I-It² and the I-Thou. It is these two kinds of relationships that characterize the “essential twofoldness” in man’s world, the “human duality” (Buber [1958] 1996, p. 64). The I-It relationship belongs to experience, to human beings’ relationships with objects, in which they “give this world shape, meaning and a pragmatic ‘use-value’” (Gardiner 1996, p. 125). Without I-It relationships, “no earthly persistence of human existence is possible” (Buber 1967, p. 716). The true potential of human beings, or “authentic existence”, however, can only be realized in the I-Thou relationship (Friedman 1967, p. 189), which is an “unmediated” one, in which all purposes and means are absent (Buber [1958] 1996, pp. 62-63). In this relationship, the human being “does not have something for his object”, “but he stands in relationship” (Buber [1958] 1996, p. 55).³ It is in this kind of relationship that the I “appears as a person and becomes conscious of itself as subjectivity” (Buber [1958] 1996, p. 112).

2.1.2 *Language and dialogue*

Language is the “hallmark and monument of human being-together [Miteinandersein]” (Buber [1950] 1962, p. 420, author’s translation). Dialogue, in Buber’s sense, is that which takes place when “one being turn[s] to another as another, as this particular other being, in order to communicate with it in a sphere which is common to them [...], the sphere of ‘between’” (Buber [1947] 2002, p. 241). In “genuine dialogue [...] each of the participants really has in mind the other or others in their present and particular being and turns to them with the intention of establishing a living mutual relation[ship] between himself and them” (Buber [1947] 2002, p. 22), an I-Thou relationship. Such dialogue implies, in Buber’s conception, reciprocity: the participant “is not only an *I* in the presence of a *thou*, but where such presence is fully realized he thereby becomes a

thou, recognizing that other *thou* to be an *I* in its (her, his) own right" (Wheelwright 1967, p. 91).

2.2 ***Being is exteriority***

In characterizing human existence, Levinas first establishes the notion of enjoyment as "an ultimate relation with the substantial plenitude of being, with its materiality – [which] embraces all relations with things" (Levinas [1961] 1969, p. 133). Man enjoys what he lives from, including food, air or light, resulting in "a complacency with regard to what life depends on" (Levinas [1961] 1969, p. 114). This self-sufficient enjoyment "is a withdrawal into oneself, an involution" (Levinas [1961] 1969, p. 118). This complacency, however, is described by Levinas as an "animal complacency" ([1961] 1969, p. 149). In order for man to rise from the animal condition, the involution or "interiority must be at the same time closed and open" (Levinas [1961] 1969, p. 149). The openness is created by "the insecurity troubling [the] fundamental security" of enjoyment, an insecurity "lived [...] as the concern for the morrow" (Levinas [1961] 1969, pp. 149-150). This insecurity opens the human being to what is exterior to it, and thus makes the encounter with and relationship to the Other possible (Perpich 2008): "Man as Other comes to us from the outside, a separated [...] face" (Levinas [1961] 1969, p. 291).

This special, transcendental relationship "from me to the other in the face to face", the "social relation" is "the logical plot of being" in Levinas' words ([1961] 1969, pp. 289-290). He posits that "man par excellence – the source of humanity – is perhaps the Other" (Levinas [1962] 1996, p. 14). Man is therefore defined as the being who is "capable of living for the Other and of *being* on the basis of the Other who is exterior to him." (Levinas [1961] 1969, p. 149, emphasis in original). While man can enter into a relationship with another man, this Other cannot be "comprehended" or "encompassed" through representation or thematization, described as totalization by Levinas. Instead, "the Other remains infinitely transcendent, infinitely foreign" to that human being (Levinas [1961] 1969, p. 194).

3 Defining the ethical

Based on their views of human existence, in which relationship and the other human being are central – although with differing emphasis –, Buber and Levinas characterize what the ethical is. Responding to and responsibility for the other human being are key notions for both of them.

3.1 Responding to the Thou in the moment

Buber derives the ethical ‘ought’ from the authentic human existence as described in his philosophical anthropology (Friedman 1967) which can be realized by entering into the I-Thou relationship. The “concrete, particular I-Thou relationship” is “the general source of value”, (Friedman 1967, p. 189), and makes ethical decisions possible. In I-Thou relationships, the other human being is not treated as an object or as a means. Since I-It relationships – relationships of use and experience – are necessary for human life as well, this does not mean that human beings have to be constantly engaged in I-Thou relationships; “the ‘ought’ that is asked of one is the *‘quantum satis’* – what one is capable of at any moment. And only the person himself can know what this is and then only in the situation itself, not before” (Friedman 1967, pp. 189-190).

In the I-Thou relationship, the human being has to respond to the Thou in the concrete situation. It is through this conception that Buber aims to bring “the idea of responsibility [...] back from the province of specialized ethics, of an ‘ought’ that swings free in the air, into that of lived life. Genuine responsibility exists only when there is real responding” (Buber [1947] 2002, p. 18), responding in dialogue “to the events of the personal everyday life” (Buber [1947] 2002, p. 19). This response cannot be given based on general norms or rules. Rather, human beings have to live “with the insecurity of being open and responding to the unique and irreducible situation to which no general categories could ever do justice” (Friedman 2001, p. 6). In that sense, Buber proposes a “thoroughly situational ethics” (Friedman 2001, p. 8).

Buber's insistence on reconnecting the ethical with daily life, and on concrete situations rather than abstract rules resonates with McVea and Freeman's (2005) concern about the separation of ethics from the daily business activities. Indeed, Buber "radically shifts the whole ground of ethical discussion by moving from the universal to the concrete" (Friedman 1967, p. 178). In his own words, Buber "oppose[s] 'situations' to 'principles', the 'unclean' reality to the 'pure' abstraction" (1967, p. 722). By consequence, no abstract, general rules can suffice to prescribe the course of action in specific situations. Buber therefore "neither acknowledge[s] a traditional framework of laws and prescriptions nor offer[s] a system of ethics of [his] own" (Buber 1967, p. 717). Rather, he conceives his role as that of a teacher who should provide direction, "but not the manner in which one must strive for this direction" (Buber 1967, pp. 717-718).

It is for this reason that Buber's ethics is fundamentally different from full-fledged ethical systems or theories. Still, Friedman (1967, pp. 177-178) points out that Buber's concept of responsibility rooted in the I-Thou relationship is "closely similar to Kant's second formulation of the categorical imperative: Never treat one's fellow or oneself as a means only but always also as an end of value in himself." He notes, however, that Kant's imperative is based on the conception of an isolated, rational individual committed to objective, universal laws that recognizes the human dignity of the other as an equally rational individual, while Buber derives the ethical 'ought' from the direct, lived, dialogical relationship to the other human being.

3.2 Infinite responsibility to the Other

Similar to Buber, Levinas defines the ethical from the encounter of the I with the Other. It is the "face-to-face encounter that raises an imperious moral urgency" (Bevan and Corvellec 2007, p. 210). The face of the Other "is expression" (Levinas [1961] 1969, p. 66), it is a "trace of infinity" and an "invitation [...] to the exposure of one to the other" (Levinas [1974] 1998, pp. 93-94). "Nothing is more imperative" than this face (Levinas [1974] 1998, p. 93): it puts the I into question, challenges the I to justify itself and its

enjoyment. To this Other, the I has to respond; the I “is infinitely responsible” for this Other (Levinas [1962] 1996, p. 18). This responsibility arises without prior commitment, without action on the part of the I, before consciousness. In that sense, this infinite responsibility is a “passivity more passive than any inertia” (Levinas [1968] 1996, p. 93), the I cannot escape it.

For Levinas, the relationship to the face of the Other is thus a priori ethical in that it implies responsibility of the I (Levinas and Nemo 1986, p. 66). This ethical relationship has three important characteristics. First, it is asymmetrical: the absolutely Other addresses the I imperatively from a “height” (Levinas [1962] 1996), the Other is not on the same level with the I. This contrasts with Buber’s emphasis on symmetry, reciprocity and mutuality in the I-Thou relationship, and represents one of the major points of difference between these two philosophers (Friedman 2001; Gardiner 1996; Strasser 2004).

Second, the relationship from the I to the Other is inextricably bound with language. “The calling in question of the I, coextensive with the manifestation of the Other in the face, we call language” (Levinas [1961] 1969, p. 171). In the “face to face proper to discourse”, the two separated beings, the interlocutors, are in an “unrelating relation” that does not thematize or totalize them (Levinas [1961] 1969, p. 295). Even if Levinas’ use of the term ‘face’ may suggest otherwise, the relationship to the Other therefore “is not a relation of perception or vision, but is always linguistic” (Critchley 2002, p. 12). This focus on language as the distinctive medium through which the I relates to the Other is another parallel to Buber’s thinking.

Third, “the ethical relation takes place at the level of sensibility, not at the level of consciousness”, “ethics is *lived* in the sensibility of an embodied exposure to the other” (Critchley 2002, p. 21, emphasis in original). The corporeality of the human being means that he is “susceptible to pain [...], exposed to [...] wounding, to sickness and ageing” (Levinas [1974] 1998, p. 55). This is the sensibility of human beings, “a vulnerability”, “the exposedness to the other” (Levinas [1974] 1998, pp. 74-75). “The immediacy of the sensibility is the for-the-other of one’s own materiality; it is the

immediacy or the proximity of the other" (Levinas [1974] 1998, p. 74). The proximity to the other is "the immediate opening up for the other" (Levinas [1974] 1998, p. 74) of the animal complacency described earlier. Proximity and sensibility enable the human I to establish the ethical relation to the Other, transcending the interiority.

When a third person is added to the face-to-face encounter of the I and the Other, and also demands responsibility from the I, a dilemma is created: I have to compare human beings that are unique, absolute in their alterity and therefore incomparable. This is when justice comes into play. Justice, then, has to answer the question of how to compare the incomparable human beings, in a way that respects "their dignity as unique and incomparable" (Levinas 2007, p. 206). While procedures, rules and the law are necessary for justice, it is precisely the equal treatment of all implied, or indeed required, by such rules, that violates the ethical imperative of treating each person as unique, not as the same, not "as examples of the same genus" (Levinas [1974] 1998, p. 159). Therefore, "justice is impossible without the one that renders it finding himself in proximity" (Levinas [1974] 1998, p. 159) to the unique Other to whose particular situation a rule has to be applied. The judge's function "is not limited to [...] the subsuming of particular cases under a general rule. The judge is not outside the conflict, but the law is in the midst of proximity" (Levinas [1974] 1998, p. 159). In this rendering of justice in a particular relation to a unique Other to whom I am infinitely responsible, ethics can be 'brought back' into justice, so to speak. Justice must always be grounded in the infinite responsibility for the unique Other (Byers and Rhodes 2007; Rhodes 2011), and can only be justified on this basis.

In sum, in his own words, Levinas strives to "giv[e] value to the relation of infinite responsibility which goes from the I to the Other" ([1962] 1996, p. 22). Putnam (2002, p. 55) discerns two key ideas that characterize Levinas's conception of ethics: First, ethics is based on the perception of the particular other person, not on an abstraction or generalization. Second, this perception must respect the absolute alterity, or exteriority, of the Other, without attempting totalization by making the other into an object of comprehension or representation. The requirement to respect the alterity

and uniqueness of the Other implies that for Levinas, ethics is concrete rather than abstract or general (Burns 2008; Jones 2007).

As Buber, Levinas does not provide a system of general rules or formal principles such as would normally be expected from an ethics (Critchley 2002; Perpich 2008). Levinas himself notes, “my task is not to construct ethics; I only try to find its meaning [...] Without doubt, one can construct an ethics pursuant to what I have just said, but this is not my subject proper” (Levinas and Nemo 1986, pp. 69-70, author's translation). By establishing the fundamental responsibility for the Other, but without further detailing what this responsibility entails, Levinas does not provide “ethical certainties” (Perpich 2008, p. 11). Instead, he attempts to provide the fundament for an ethics that is not disconnected from the concrete situations of embodied human beings who face each other in daily life (Critchley 2002; Perpich 2008).

4 Outlining a normative core: a relational perspective on ethics

Both Buber and Levinas propose a view of ethics that is centered on human beings' social nature, their capacity for language, their social relationships to unique, concrete others, and the unconditional responsibilities arising out of their relationships to others. The term ‘relational perspective’ may be an acceptable shorthand for this view on ethics for the current purposes. Based on this relational perspective, I will now sketch a normative core for the names-and-faces version of stakeholder theory. According to Freeman (1994), for each possible version of stakeholder theory, there is a normative core that describes the moral content of this theory. This normative core consists of three sentences that are to be completed by reference to the specific normative grounds chosen (Freeman 1994, p. 414):

- A. Corporations ought to be governed ...*
- B. Managers ought to act ...*
- C. The background disciplines of ‘value creation’ are ...”*

To outline the relational normative core, I will address each of these three aspects separately, based on the relational perspective on ethics. I will formulate three principles for the governance of corporations and for managerial action each. With respect to value creation, I will sketch how different background disciplines can contribute to an understanding of value creation consistent with the relational perspective, while the elaboration of a comprehensive account of value creation consistent with a relational perspective on ethics is beyond the scope of the current study.

4.1 *Governance of organizations*

Three key principles for the governance of organizations can be derived from the relational perspective on ethics. First, at the heart of the relational perspective on ethics is the responsibility towards and concern for individual, unique other human beings. Accordingly, the first principle holds that organizations ought to be governed in the interests of the individual human beings that are affected by the decisions and actions taken by representatives of the organization in the name of the organization. This principle is consistent with McVea and Freeman's (2005, p. 64) definition of stakeholders as "individuals with a stake in the decision at hand." In the relational perspective on ethics, the organization itself is not considered as a being that is vulnerable and strives for survival. As Roberts (2001, p. 125) notes, "the corporation, conceived as an entity, is a purely imaginary phenomenon [...] Both within and beyond the imaginary surface of the corporate body, lie sensible and vulnerable bodies", and it is those sensible and vulnerable human beings that have to be the primary consideration in governing the organization. There are, accordingly, no interests of the organization as such to be considered, but only interests of human beings.

The existence of a contractual relation with or other legal obligation towards certain human beings is not a prerequisite for the consideration of the interests of these human beings. This follows from Levinas's idea that I am responsible towards another human being independent of, and prior to any active commitment on my part. Thus,

any human being who is affected by the decisions and actions taken by representatives of the organization in the name of the organization can put into question the organization's representatives, and they have the obligation to respond and justify their decisions and actions towards this human being. This is the second principle, which could be called the principle of justification: representatives of an organization have to justify their decisions and actions taken on behalf of the organization towards any human being who is affected by these decisions and actions and who puts these decisions and actions into question.

The third principle for the governance of organizations relates to balancing the responsibilities towards numerous individual human beings who are affected by the decisions and actions taken by representatives of the organization on its behalf. The question of how to respond to several others is answered by Levinas by reference to justice. Justice “requires [...] institutions, rigor, and an informed and impartial authority”, and is intricately linked to reason and law (Levinas 2007, p. 206). Therefore, organizations should be governed in accordance with the principle of justice. This requires that all representatives of organizations follow the laws of democratic states which define certain cornerstones for justice towards human beings.⁴ It also requires that competent representatives of the organizations define rules and procedures for their organizations that enable well-informed, impartial decisions on how to balance and prioritize their responsibilities towards numerous human beings. These rules and procedures are also subject to the principle of justification: the competent representatives of the organizations have to be able to justify them when called to do so. Finally, “because no social [...] system can ever be just enough” (Aasland 2007, p. 225), the representatives of the organization are required to be willing to review their rules and procedures to improve them.

In sum, organizations ought to be governed according to the principles of primacy of the interests of the individual human beings affected by the decisions and actions of the organization's representatives, justification towards these human beings, and justice in balancing the responsibilities towards numerous human beings.

4.2 Principles for managerial action

While two of the principles for the governance of organizations refer to justice and justification, the three principles for managerial action, as well as the first principle for governance, can be seen as deriving from one core theme: ethics is personal. The first principle for managerial action is that the responsibility towards the other human beings is personal: it concerns the manager as an individual human being, even if he acts on behalf of the organization. As Roberts (2001, p. 125) observes, an organization “has no sensibility and in this sense is incapable of responsibility” as conceived by Levinas and Buber (see also Bevan and Corvellec 2007).⁵ While there are valid practical and legal reasons for using language like ‘the company has decided ...’, such language should not obscure the fact that, for example, it was the five members of the management board, five individuals with names and faces, who voted on this decision. Further, managers – and all other members of organizations – face the responsibility towards other human beings as whole persons, literally as *in-dividuals*, as human beings that cannot be divided into different parts in function of their different social roles. This integrity of human beings as one whole person is a prerequisite for moral agency and responsibility (MacIntyre 1999; Rozuel 2011). The fundamental ethical standards that apply to individuals are the same regardless of whether they act in a family context or a work context, and an individual’s personal moral convictions should not be suspended in one or the other social role.

The second principle requires managers – and all other members of organizations – to view the others with whom they interact as individual human beings, as concrete persons, rather than as impersonal objects that are defined by the functional role they play within or in relation to the organization. This principle derives from Buber’s idea that the realization of an I-Thou relationship is necessary to be able to act ethically towards another human being, as described earlier in this study. The introductory quote at the beginning of this study illustrates a situation where an organization member felt that she was treated as a mere impersonal object, a resource, rather than a human being. Buber, however, recognizes that I-It relationships to other

persons are necessary as well in (business) life, and that a manager cannot constantly or exclusively be in I-Thou relationships with the other members of the organization; he demands only a *quantum satis* of I-Thou relationships. Buber ([1947] 2002, p. 44) specifically describes the situation of a “leader of a great technical undertaking” and the possibilities for him to “practice the responsibility of dialogue” as follows:

“He practices it [the responsibility of dialogue] when he makes present to himself in its concreteness so far as he can, quantum satis, the business which he leads. He practices it when he experiences it, instead of as a structure of mechanical centres of force and their organic servants (among which latter there is for him no differentiation but the functional one), as an association of persons with faces and names and biographies, bound together by a work [...]. He practices it when he is inwardly aware, with latent and disciplined fantasy, of the multitude of these persons, whom naturally he cannot separately know and remember as such; so that now, when one of them for some reason or another steps really as an individual into the circle of his vision and the realm of his decision, he is aware of him without strain not as a number with a human mask but as a person.”

Buber points to the role that “disciplined fantasy”, or imagination, plays in allowing managers to perceive the individual human beings as such. Through imagination, managers are able to leave, from time to time, *quantum satis*, the mode of objectifying I-It relationships, or totality in Levinas’s terminology, which is predominant in organizations because means-end relations, processes, and functionality are central to (business) organizations. By recognizing that business relationships are also relationships to human beings with names and faces, managers are able to recognize their responsibility towards the concrete individual human beings who are affected by their actions.

The third principle demands managers to take decisions based on a consideration of the specific situation and the particular individual(s) affected, rather than by mechanically applying formalized rules. It is in that sense that ethics is personalized, depending on the concrete individuals affected by a decision, and

particularized, depending on the situation. In that respect, the role of the manager is similar to that of the judge, who cannot just mechanically subsume a case under a rule, but has to consider and face the particular, concrete individual concerned by his decision in proximity, as described by Levinas ([1974] 1998, p. 159). Similarly, Derrida emphasizes that real ethical decisions are not possible when rules are applied like an algorithm or a program that automatically returns in the right decision as a result. For him, undecidability – a situation when the course of action to be taken cannot be determined through knowledge – is the condition for the ethical decisions and responsibility (Derrida, as cited in Jones 2003, pp. 231-232).

The principle of personal and particular consideration therefore requires managers to accept that there cannot be a system of rules determining the right decision in all situations, to be willing to deal with such undecidability, and not to hide behind a formalistic application of rules from their responsibility towards the concrete and particular other human beings. In sum, managers – and all other members of organizations – should act according to the principles of personal responsibility as an individual human being, personal relationships of the I-Thou type, and personal and particular consideration in decision making.

4.3 *Background disciplines for understanding value creation*

While McVea and Freeman (2005) have focused on value creation in smaller, entrepreneurial firms, the focus here is broader in attempting to indicate “how we could understand value-creating activity differently” (Freeman 1994, p. 415) as part of the relational normative core. Elsewhere, Freeman et al. (2004, p. 365) view the idea of value creation as “intimately connected to the idea of creating value for stakeholders.” For a names-and-faces approach, then, this means that value is to be created for the specific and concrete human beings who are the stakeholders. This leads to two questions: *What* is this ‘value’ that is created for the individuals? And *how* is such value created by individuals collaborating in a (business) organization?

For Levinas ([1964] 1996; 2007), human beings' needs originally give rise to value, in the first place the material needs for what is necessary for existence. As described earlier in this study, man's enjoyment of the elements he lives from is troubled by the uncertainty of the tomorrow. To "master the uncertainty of the future" (Levinas [1961] 1969, p. 150), man works: he "draws the things from the elements in which [he is] steeped" in the present of enjoyment (Levinas [1961] 1969, p. 157), takes possession of them and stores them for tomorrow's enjoyment, and achieves thereby "economic independence" (Levinas [1961] 1969, p. 150). Thus, man's work or labor is directed "to the goal of need" (Levinas [1961] 1969, p. 160), and value is created as the product of his work enables him to satisfy his needs in future. As every human being is unique, so are his specific needs, and the value that something has for him. In Levinas' view, in the "economic order", where the satisfaction of needs takes place, money is the homogeneous measure of value that allows for the comparison of incomparable, heterogeneous values (Levinas 2007; see also Aasland 2007). Money is also a medium for exchange, and as such represents "ability to take possession" of things that are of value (Levinas 2007, p. 203). Thus understood, money itself is not a value that would be worth pursuing; money plays an instrumental role only.

While Levinas's conception of value in the economic order is rooted in the material needs of human beings for their continued existence, human beings not only look for material value in that sense in their lives. For example, employment not only is about fulfilling material needs, but also about the needs for social relationships, a respected social position, the opportunity to use one's skills, and participation in a collective (Paul and Moser 2006). Thus, value creation in and by organization should be understood to include value created by the satisfaction of both material and non-material needs of the individual human beings. Value theories developed in philosophy (axiology) and economics (e.g. welfare economics) provide a rich source for conceptions of value, and highlight the moral aspects and implications of defining, aggregating value, and comparing value across individuals. The relational normative

core may thus be complemented by value theories to develop a comprehensive account for the *what* of value creation.

The question of *how* value is created in and by business organizations has been answered, for example by Freeman et al. (2004), by reference to voluntary cooperation. Translated to the names-and-faces version of stakeholder theory, value is created when individuals assuming a variety of roles voluntarily work together. To organize their collaboration and to (efficiently) obtain the valuable results of their work, they rely on relationships of knowledge, experience, and instrumentality, both towards things and towards other human beings. The how of value creation can thus be described as the domain of what Buber describes as I-It relationships, and what Levinas refers to as representation, thematization, and totality. Analyses of the how of value creation are provided in traditional business and management theories, and social cooperation more broadly is studied in social science theories.

In sum, the background disciplines of value creation are, on the one hand, philosophical and economic value theories that explain *what* human beings value. On the other hand, they include business and management theories that explain *how* they work together to create valuable products in a wide sense, and social science theories that explain *how* individuals relate to and interact with others. Table V.1 summarizes the relational normative core developed here following the structure proposed by Freeman (1994), distinguishing principles for the governance of organizations, principles for managerial action, and the background disciplines for value creation.

5 Applying the relational normative core in organizational life

Technology, specifically information and communication technology (ICT), permeates modern organizations at least in the Western hemisphere, and changes the way human beings work together in organizations (Heaphy et al. 2015). In discussing the challenges that conditions in contemporary organizations pose for the application of the relational normative core below, I will therefore focus in particular on ICT, while also addressing

size and bureaucratic structure. I will then discuss the challenges that a relational normative core presents for the members and managers of contemporary organizations.

Table V.1

The relational normative core for stakeholder theory following the structure employed by Freeman (1994, p. 414)

Normative core	Corporations ought to be governed...	Managers ought to act...	The background disciplines of value creation are:
Relational perspective on ethics	<p>...according to the principles of:</p> <ul style="list-style-type: none"> – Primacy of the interests of the individual human beings affected by the decisions and actions of the organization's representatives – Justification towards these human beings – Justice in balancing the responsibilities towards numerous human beings. 	<p>...according to the principles of:</p> <ul style="list-style-type: none"> – Personal responsibility as an individual human being – Personal relationships – Personal and particular consideration in decision-making. 	<ul style="list-style-type: none"> – Theories explaining what human beings value, including philosophical and economic theories of value – Social science theories explaining how individuals relate to and interact with others – Business and management theories that explain how individuals work together to create products
... a)

^{a)} Freeman (1994, p. 414) provides a list of other normative cores: doctrine of fair contracts, feminist standpoint theory, and ecological principles.

5.1 Challenges of contemporary organizations for a relational normative core

The examples of value creation through individualized products or services offered by McVea and Freeman (2005) show how advances in ICT enable the collection and use of information about individual customers for developing new products and services. With the recent advent of Big Data – the collection, analysis, and use of large data sets comprising a large variety of data types, often compiled from a number of different data sources (George et al. 2014; Richards and King 2014) –, unprecedented possibilities for individualized products and services have been created. Using Big Data

techniques, organizations can learn much more about individual human beings, usually customers, and may even be able to identify them individually, without knowing, however, their names or the dates of birth. In addition to promoting commercial strategies based on individualization along the lines of the McVeal and Freeman's (2005) examples, Big Data may thus foster the consideration of concrete individuals instead of abstract groups.

‘Knowing’ an individual through a number of data points, however, does not necessarily mean considering him as an embodied, vulnerable human being to whom I am responsible. The appearance of the individual as a collection of data points, the “informationalisation” of the individual (Coeckelbergh 2013, p. 93) may facilitate I-It relationships, the mode of objectification, representation and totality. The data is *about* the individual, characterizes the individual in terms of certain properties, and does not point me *towards* the particular human being in the unmediated way of affectivity, sensibility and proximity. By consequence, the technical possibilities to break down collectives into individuals, to ‘know’ individual customers, are not necessarily conducive to the ability to follow the principles of personal relationships and personal and particular consideration, and may even be counterproductive.

Both Buber and Levinas have pointed to the challenges that technology raises for relationships between human beings. In their view, technology creates distance between the I and the other, such that the human beings no longer have the immediate, affective experience of proximity to the others (Buber [1950] 1962; Gardiner 1996). The others form a faceless collective of replaceable units, social relationships are depersonalized and de-ethicalized (Bauman 1990, pp. 25-26), and unethical actions are thus facilitated. However, as we know from our everyday experience of Skype and the like, ICT not only enables us to act and interact at distance, but also represents human beings who are physically distant as if they were (almost) physically present, through camera and video transmission technology. Coeckelbergh (2013, p. 96) refers to this as the possibility of “re-personalization”. The question remains whether this form of re-personalization re-creates the same kind of affective connection to the other as in a

face-to-face encounter, enables the same experience of unconditional ethical responsibility towards the other, and fosters ethical action to the same extent.

So far, I have focused on challenges for applying a relational normative core in organizations that arise from the use of ICT. Another challenge for applying a relational core is presented by the sheer size of many of the modern organizations. Buber ([1947] 2002, p. 186) argues that modern organizations are “too big to allow the men [...] a direct relationship with one another.” As with the distancing effect of ICT, ethical relationships are difficult without immediate face-to-face relationships because the embodied, vulnerable human being is obscured, and responsibility towards this individual becomes blurred. Bauman (1990) links ethical problems in contemporary organizations to the bureaucratic structures for the horizontal division of labor and vertical division of competences in decision making: these structures obscure the personal responsibility of each individual. Thus, the size of modern organizations presents a challenge for the principles of personal relationships and personal and particular consideration in decision making on the one hand, and for the principle of personal responsibility on the other hand.

In view of these challenges, what can the relational normative core realistically require from the representatives of organizations? The relational normative core outlined should not be taken to require an organization’s representatives to know all individual stakeholders in the sense of acquiring more data about the individuals. Rather, the relational normative core calls for the willingness to think about, and maybe personally get in touch with, the specific unique human beings affected by a specific decision or action. And this requirement is, as stated earlier, one of *quantum satis*, related to the specific situation, as Buber says, not all the time; it is not a requirement to know, up-front, all human beings who may possibly be affected by a future decision of the organization’s representatives by their names.

The question then is how experiencing personal relationships and personal consideration in the specific situations can be facilitated. Freeman and colleagues (2015) propose using literature and theatre in business ethics teaching. In their view,

compared to the predominant analytical language and approach used in business ethics teaching, literature and theatre much better reflects the nuanced and complex human experience, including both emotional and deliberative aspects. As literature and theater shows “particularity and particular others” rather than “generalized and undifferentiated others” (Freeman et al., 2015, p. 526), they suggest it helps students to perceive and consider personal relationships to particular, whole human beings. Freeman and colleagues’ emphasis on narratives and storytelling inherent in literature and theatre appears very much consistent with Buber’s emphasis on the power of the “poetic affective word” in teaching (Nelson 2014, p. 320), and his preference for “the story [as] the highest vehicle of philosophy” (Nelson 2014, p. 323).

The use of stories may be transferred from business ethics teaching at universities to trainings in business organizations. However, this alternative training approach will require a paradigm change, as many large Western and international companies employ formalized (online) trainings as part of ethics and compliance programs (NYSE Governance Services and Society of Corporate Compliance and Ethics, 2014) as a result of legal requirements and ‘best practice’ standards. One challenge will be to secure sufficient face-to-face time to deeply engage with the stories, as superficial reading of such stories will not help to achieve the intended purpose; another will be to counter perceptions of irrelevance and ridiculousness. Still, I believe there are strong arguments in favor of using these techniques to open the thinking of organization members to the personal and particular dimensions of ethics, beyond the predominant rule-based and formalized dimensions of ethics and compliance programs.

Stakeholder dialogue, as discussed in the corporate social responsibility literature in particular (e.g. Golob and Podnar 2014; O’Riordan and Fairbrass 2008), may be another possibility for experiencing personal relationships and applying personal consideration in organizational life. Roberts (2003) suggests that dialogue with those particular individuals who experience the consequences of the actions undertaken by representatives of the organizations can render the effects of these actions visible.

Referring to Levinas's notion of sensibility and responsibility, he argues that in dialogue, the voices and faces of the others can re-establish proximity that was lost due to technologically and bureaucratically mediated action across spatial distance and through long causal chains. In dialogue, a kind of "corporate sensibility" that enables responsible behavior towards the others can thus be recreated (Roberts 2003). At the same time, he warns that the kind of "stakeholder dialogues" [that] are becoming a routine part of corporate life" (Roberts 2003, p. 261) are, for the most part, driven by the corporation's narcissistic concern for how it is perceived by others. By consequence, stakeholder dialogues may be instrumentally used to squelch critics and appropriate the others' point of view to the corporation's own publicly proffered accounts of its activities. Similarly, Greenwood (2007) argues that the mere engagement with stakeholders, e.g. through dialogue, is not *per se* ethical, and does not mean that the corporation appropriately assumes its responsibility towards the stakeholders.

5.2 *Challenges of a relational normative core for contemporary organizations*

So far, I have outlined how certain conditions in contemporary organizations represent a challenge for applying principles of the relational normative core. The normative core itself, at the same time, also represents a challenge for modern organizations. The normative core requires a personal and situational approach to decision making, rather than an approach focused on the uniform application of a standard set of rules. Contemporary Western business organizations, however, rely on rules to direct their members' behavior. The focus on formal rules, policies and procedures is in part due to legal requirements and best-practice standards for compliance management, and in part due to the bureaucratic means of control that are used to ensure that members' behavior is aligned with organizational objectives (Lange 2008). From the relational perspective on ethics, such rules, policies and procedures bear the risk of objectification, totalization, and generalization of persons, without consideration of the particular individual.

At the same time, the relational normative core requires justice in balancing the responsibilities towards numerous human beings who are affected by decisions. As Levinas argues, laws, or rules, and institutions are necessary for justice. Thus, the relational perspective on ethics does not require organizations to abandon rules, policies, and procedures, nor would this seem practically feasible. Rather, it challenges managers not to fall prey to the idea that rules can define the ethically right course of action once and for all cases, and that a mechanistic application of these rules, similar to ‘running’ a technical algorithm, is possible. They have to confront the conflicts between the general and abstract rule and their ethical responsibility towards the specific individual(s) affected by the decision. They cannot take refuge in abstract, clear-cut rules and stay detached from the concrete, messy situation and the faces of the others. This is a challenging and uncomfortable position, but it is the position of responsibility towards the unique other(s).

Inevitably, decision situations involve tensions and conflicting responsibilities towards others, but, as Hendry (2001, p. 226) points out, such problems in relation to decision making in (business) organization are “essentially no different from the familiar moral conflict of ordinary social life.” Outside (business) organizations, we do not expect there to be unequivocal and detailed rules that clearly indicate the right course of action in every situation either. All the same, we generally are able and used to deciding on a course of action. As Buber ([1947] 2002, pp. 82-83) describes it, “there is no certainty” that one finds “what is right”, there can be no “protective ‘once-for-all’”, but only the “demanding ‘ever anew’ of such an obligation of responsibility.” If it is not once-and-for-all rules which ethics can offer to business, what role can business ethics play? Freeman and Gilbert (1992) view its role in questioning of prevalent assumptions and practices in business organizations by taking a critical position. Such a critical position appears to be consistent with Levinas’s ideas: “Ethics, for Levinas, is critique. It is the critical putting into question [...]” (Critchley 2002, p. 15) of the prevailing ways of thinking about business.

6 Putting the relational normative core in relation

The names-and-faces version of stakeholder theory together with the relational normative core proposed here offers an alternative narrative that “can be ‘unsettling’ or ‘decentering’ of our current business and society frameworks” (Freeman and Gilbert 1992, p. 14), and challenges the predominantly economic way many management practitioners and scholars think about business and organizations. Just as McVea and Freeman (2005, p. 57) viewed their names-and-faces approach as “a somewhat radical” alternative to the extant “in-carnations” of stakeholder theory, Buber’s and Levinas’s thinking on ethics, on which the relational normative core builds, can be considered radical in that it provides rather little practical directions in terms of simple rules and is extremely demanding for each individual (see also Bevan and Corvellec 2007; Bevan and Werhane 2011). In that sense, the relational perspective is radical and represents a challenge for business ethics as a discipline, as well as for the practical implementation of business ethics in organizations.

The relational normative core should not be thought of as an attempt to develop a ‘Levinasian’ or ‘Buberian’ business ethics. Rather, the relational normative core draws on their conception of ethics to put personal relationships to concrete, unique human beings, and the responsibility arising out of these relationships at the center. Such a relational view of (business) organizations can help overcome the perception that domain of business is separated from other domains of life, such that different ‘rules of the game’ apply. Instead, a relational perspective fosters the view that relationships between human beings are just as important in business as in other domains of life, and that the same ethical considerations for interacting with others apply. The relational perspective on (business) ethics does not imply that any economic activity or business as such would already be unethical. This point is especially made explicit by Buber who recognizes the necessity of objectifying, instrumental I-It relationships that are characteristic of the economic domain. Business becomes problematic only when the objectifying instrumental relationships become the predominant, or even the only, way of relating to others.

This relational perspective provides one possible normative grounding for stakeholder theory. Other normative foundations are possible, as Freeman (1994; 1999) emphasizes. While I believe that the relational perspective on ethics fits particularly well with the names-and-faces version of stakeholder theory, this is not to claim that it is superior to others. To situate the proposed relational perspective in normative business ethics research, I will examine similarities and differences between the relational perspective and two important critical perspectives advocated in normative business ethics research. Finally, turning to the pragmatic question of “how [our metaphors and narratives] enable us to live” raised by Freeman (1994, p. 418), I will show that descriptive research on ethical behavior addresses topics central to the relational perspective, and provides a first indication for the practical relevance and usefulness of the relational perspective.

6.1 Other perspectives in normative business ethics research

I will discuss two rather influential normative perspectives that have traits in common with the relational normative core proposed here, and the work of Buber and Levinas. The first perspective, feminist ethics, shares the focus on relationships with the relational normative core. The second perspective, discourse ethics, shares the emphasis on language present in the philosophical thought of Buber and Levinas. This selection of other normative perspectives is, of course, not exhaustive; I focus on normative perspectives that are well recognized in business ethics literature.

The feminist perspective has been proposed for a reinterpretation of stakeholder theory (Wicks et al. 1994), or as its moral foundation (Burton and Dunn 1996). From the feminist perspective, specifically feminist ethics based on the notion of care, human beings are understood as primarily relational. Responsibilities towards the other beings arise because of their moral worth, which derives from the realization that relationships are crucial for human existence: “there is no ‘I’ unless there is a ‘you’” (Burton and Dunn 1996, p. 135). This emphasis on human beings as relational beings, and on responsibilities arising from the relationships to others is also evident in the relational

perspective as described here. Three further parallels between these two perspectives can be noted: the emphasis on the particular human beings; the recognition of the role of affect and emotions for ethical action; and the role accorded to dialogue and communication.

In feminist ethics, responsibility is intimately linked to the notion of care, as developed most prominently by Gilligan (1982), while justice plays a marginal role. This point is highlighted as one of the major differences between the feminist perspective and ‘traditional’ ethics theories in which justice and rights are central notions (Burton and Dunn 1996; Wicks et al. 1994). While the notion of care is not explicitly included in the relational normative core for stakeholder theory developed here, the vulnerable, hungry other for whom I have to care, whom I have to feed, is central in Levinas’s thinking (Hendley 1996; Hendley 2000). In sum, the relational normative core developed shares feminist ethics’ concern with relationships to particular, vulnerable human beings, while putting more emphasis on justice, and less (explicit) emphasis on care than the feminist perspective.

Discourse ethics, in turn, shares the focus on language with the work of Buber and Levinas. Discourse ethics (Habermas 1983) holds that universally valid norms can be established by consensus of all affected persons, which in turn can only be achieved in a discourse. For the consensus to be valid, a number of procedural conditions for the discourse have to be fulfilled. Reed (1999) has proposed a discourse-ethical formulation of stakeholder theory in which management’s responsibilities towards stakeholders are derived from the three normative realms distinguished in discourse ethics. Discourse-ethical approaches have also been suggested for business ethics more broadly (e.g. Beschorner 2006; Scherer and Palazzo 2007; Scherer 2015).

Habermas’s discourse ethics is linked in different ways to the work of both Levinas and Buber. Habermas has commented on, and engaged with the Buber’s thinking on dialogue and its moral significance (Matan 2013). The moral significance of language is also the common denominator between Habermas and Levinas, but these two authors do not refer to each other (Campisi 2005). Habermas takes the

procedural dimension of language as the basis for establishing the “moral point of view” in language, while Levinas grounds it in the substantive value of the face of the other that is revealed when the other addresses me in speech (Hendley 2004). Hendley (1996; 2000; 2004) therefore suggests to view Habermas’s and Levinas’s accounts of ethics as complementary, with the former accounting for the procedural dimension of language and universalization, and the latter accounting for the substantive dimension and particularity. The relational normative core suggested here does not explicitly focus on language and discourse as Buber and Levinas do. At the same time, the governance principle of justification presupposes a discourse between stakeholders, as justification towards the others is only possible through language.

6.2 *Topics in descriptive research on ethical behavior*

Descriptive research on ethical and unethical behavior has uncovered the importance of perceiving specific, concrete, embodied individuals, and of affective and non-deliberative processes for ethical action. Such findings align well with the view on ethics and ethical behavior proposed by a relational perspective on ethics. Experimental research has shown that observers assess a perpetrator’s behavior as more unethical, punish the perpetrator more harshly, and provide more help to victims, when, all other things being equal, the victim is identified as a concrete individual human being, compared to when the victim is not identified (Gino et al. 2010; Kogut and Ritov 2005a; Kogut and Ritov 2005b). Kogut and Ritov (2005a; 2005b) find that this effect is due to stronger emotional reactions of the observers when a concrete individual human being is identified as the victim. While these experiments examined the effect of perceiving an *individually identifiable* victim on an observer’s reaction to a completed action, Bandura et al. (1996) investigated how perceiving the prospective victim as a human being *as such* impacts the perpetrator prior to engaging in the behavior. They describe “dehumanization” as a mechanism of moral disengagement that “divests people of human qualities” such that “they are [...] viewed [...] as subhuman objects” (1996, p. 366). Dehumanization enables perpetrators to engage in the harmful behavior towards

the victim because moral concerns are suppressed. Similarly, the “denial of the victim’s individuality through depersonalization (the victim is an interchangeable member of a social category) or of the victim’s very humanity through dehumanization” is described by Ashforth and Anand (2003, p. 20) as a rationalization that enables the perpetuation of unethical behavior in organizations.

Taken together, this research indicates that the principles of personal relationships and personal and particular consideration in decision making suggested here are likely to foster ethical behavior when applied, because they run counter to de-individualization and dehumanization. In addition, the principle of personal responsibility may also foster ethical behavior, since it works against the diffusion of responsibility, another mechanism for moral disengagement (Bandura et al. 1996).

The research by Kogut and Ritov (2005a; 2005b) cited above has pointed to emotions as a reason for the effect of victim identifiability on observer’s reactions. The role of affect, emotions, and intuitions, or non-deliberative processes more broadly, in ethical decision making has increasingly been recognized in moral psychology (e.g. Greene 2011; Haidt 2001; Haidt 2007; Tangney et al. 2007) and behavioral business ethics (e.g. Moore and Gino 2015; Smith-Crowe and Warren 2014; Sonenshein 2007; Weaver et al. 2014). As a result, integrative frameworks or dual-system models of ethical decision making in which both reason and emotion, deliberative and non-deliberative processes play a role gain popularity. Such models of ethical decision making and behavior appear to be consistent with the thinking of Buber and Levinas, in which affect and emotion – and in the case of Levinas also embodiment – are central for the realization of ethical relationships and ethical behavior. Buber for example emphasized that “human reason is to be understood only in connexion *[sic!]* with human non-reason”, and that both together are characteristic of man (Buber [1947] 2002, p. 190).

In sum, this descriptive research suggests that giving priority to concrete, personal social relationships and to the immediate, affective, non-deliberative dimension of social experience – ideas at the heart of the relational normative core and

Buber's and Levinas's work – can make a difference in the actual ethical behavior of individuals in business organizations. It seems, therefore, that the proposed relational normative core may meet the pragmatic criterion of usefulness when applied by managers and other members of organizations.

7 Conclusion

This study has developed a relational normative core, grounded in the work of Buber and Levinas, for the names-and-faces version of stakeholder theory. The relational normative core defines three principles for governance based on justice and justification, three principles for managerial action rooted in the idea of priority of personal relationships to concrete unique human beings, and identifies three background disciplines for a comprehensive understanding of value creation in business organizations. Findings in descriptive research on ethical behavior indicate that these principles may be relevant, useful, and effective in changing behavior in business organizations. For change to occur, each of us faces the daily challenge of not forgetting the human face in the day-to-day hubbub of organizational life.

Notes

- 1 As Wheelwright (1967) and Friedman (1967) note, Buber's philosophical anthropology and philosophical theology or philosophy of religion are intimately related, in particular with respect to the determination of what authentic human existence means. His theological philosophy is, however, beyond the scope of the current paper.
- 2 Buber clarifies that I-It retains the same meaning “when He or She takes the place of It” (Buber [1958] 1996, p. 53).
- 3 Following Wheelwright (1967), I will use the term “relationship” to translate the German “Beziehung”, and “relation” to translate “Verhältnis” to keep Buber's distinction. Accordingly, I have modified the English translations I cite as necessary.

- 4 In Derrida's view, law is "a necessary condition of possibility of justice" and "can protect certain relations to Others", but is not sufficient for justice (Jones 2003, p. 239).
- 5 A detailed discussion of collective moral autonomy and responsibility based on a relational perspective on ethics is beyond the scope of the current paper. In addition to a discussion of the theoretical and logical possibility of collective moral autonomy and responsibility (see e.g. Copp 2007; Mäkelä 2007; Zoller 2014), the practical usefulness of the legal construct of corporate responsibility and liability for fostering ethical behavior would require separate discussion.

Chapter VI

CONCLUDING CHAPTER

This chapter concludes the journey that presented four different vantage points on how social relationships to others matter for a person's ethical or unethical behavior in an organization. It summarizes the insights gained in the four main chapters, and connects the responses to the specific research questions addressed in these chapters to the overarching research question. I will suggest directions for future research and, finally, explore some implications for organizational practice.

1 Looking back

Chapter II adopted a dynamic perspective and examined the processes through which unethical behavior spreads in organizations. I have developed a dynamic social network analysis framework in which unethical behavior spreads when the perpetrator, victim, and/ or observer commit subsequent acts of unethical behavior in reaction to their involvement in an initial act. In this framework, these actors' behavioral reactions are conceptualized as the result of social cognition and affective reactions. In the dynamic processes of this framework, social relationships play a threefold role: First, they are conduits for information about acts of unethical behavior, as actors become aware of acts of unethical behavior by others through their social relationships. Second, social relationships can influence an actor's reaction to an act of unethical behavior, because the actor's cognitive appraisal of the act depends, in part, on his relationship to the

persons involved in the act. Third, social relationships can change as a result of the actor's appraisal of the act, when actors terminate previous positive relationships, or the valence of the relationship changes from positive to negative. Negative social relationships can lead to various negative outcomes for the organization, including reduced attendance, lower performance, and less organizational citizenship behavior, as well as more unethical behavior.

This analysis has several implications for how the spread of unethical behavior may be stopped. One implication, which may well be worth highlighting again here, relates to the measures that organizations take when unethical behavior has been detected. Typically, sanctions are meted out. The analysis in Chapter II, however, shows that this focus on retributive justice needs to be complemented by a focus on restorative justice. Restorative justice focuses on repairing the social relationships damaged by unethical behavior through acknowledgement of the wrongdoing, amends and forgiveness. Such restorative approaches are important, as they help to avoid the various negative consequences that negative social relationships created by unethical behavior may have.

Chapter III made explicit that a considerable part of the empirical research on unethical behavior in organizations in fact relies on one of the three roles that social relationships play in the framework proposed in Chapter II: the role as conduits for information about acts of unethical behavior. Assuming that organization members generally know about the behavior of the others with whom they work, researchers ask their respondents to report on the unethical behavior by their peers (observer-reports) to establish the scope of unethical behavior, instead of asking them to report on their own behavior (self-reports). Observer-reports have been advocated over self-reports because reporting on one's own unethical behavior can trigger social concerns about the kind of person one appears to be to others (including the researchers), which in turn can motivate the respondent to distort his responses.

Survey-research on unethical behavior in organizations has used both methods, but observer-reports have not yet been systematically compared to self-reports.

Chapter III presents such a comparison for 37 different forms of unethical behavior in organizations using data from a sample of employees living in Switzerland. Observer-reports resulted in higher reported levels of unethical behavior compared to self-reports for all 37 items, and these differences were significant for 32 items in terms of scores and for 31 in terms of participation rates. The standard deviation of observer-reports also exceeded the standard deviation of self-reports, which can be advantageous for statistical analysis. These results suggest that researchers using observer-reports are likely to obtain a higher estimate of the scope of unethical behavior than researchers using self-reports. Therefore, researchers should not assume that they can approximate the level of committed unethical behavior by measuring the level of unethical behavior observed by peers. Even a quantitative similarity of the means obtained with the two different methods does not provide any information about whether observer- and self-reports can be expected to have the same relationships to criterion variables researchers are interested in.

From the perspective employed in Chapter IV, unethical behavior by socially related others not only represents information that an individual can report on, but this information also has an impact on that individual's behavior because it constitutes a certain type of social information. Individuals use this type of social information, the so-called descriptive norms, in a given social context to determine how they themselves should behave. In addition to this type of social information, they also rely on the (formal) rules in that social context which define how the organization members ought to behave, the so-called injunctive norms. Chapter IV examined how descriptive and injunctive norms interact in organizational context to influence individuals' unethical behavior by testing two competing models derived from alternative mechanisms of social influence. The results supported a social information processing model in which the descriptive norms fully mediate the effects of the existence and enforcement of clear injunctive norms. Thus, individuals strongly relied on the information conveyed by the behavior of socially related others in deciding how to behave themselves, and

appeared to interpret the injunctive norms and their enforcement only in the light of the actual behavior of others.

Based on this result, I suggested that individuals may have a chronic normative focus on descriptive norms in an organizational context, in addition to a situation-specific normative focus as posited by current focus theory of norms. I also pointed out that further developments of the focus theory of norms will need to explicitly consider that the injunctive and descriptive norms are related in real-life organizational contexts. Overall, the results of Chapter IV underscore that social relationships play a crucial role for understanding our (un)ethical behavior in organizations role: First, a (positive) social relationship to another person indicates that this person is a relevant reference point for us in deciding how to behave in the current social context. Second, in deciding how to behave ourselves we not only use the information about the behavior of others as such ('my colleagues engage in behavior X, therefore I do so as well'), but also interpret this information as information about the formal conditions governing (un)ethical behavior in the current social environment ('if my colleagues engage in behavior X, this must mean that the policy prohibiting behavior X does not have to be applied so strictly').

While Chapters II and IV were related to the idea that social relationships to others are important for understanding (un)ethical behavior at work because they constitute a key feature of the context for the behavior, Chapter V focused on the idea that "ethics involves a consideration of 'the other.'" (Brass et al. 1998, p. 15). This idea is central in the thinking of Martin Buber and Emmanuel Levinas who focus on the relationship of the 'I' to the 'thou', or of the 'self' to 'the other', respectively, in their investigation of ethics. Building on their work, Chapter V developed a relational normative core for a version of stakeholder theory that puts the specific concrete individual at the center, rather than the generic abstract stakeholder group. This relational normative core is derived from the primordial importance and unique nature of human social relationships to others, and the notion of responsibility towards the other – ideas that are at the core of Buber's and Levinas's thinking on ethics. The

relational normative core consists of three principles for governance based the notions of justice and justification and three principles for managerial action rooted in the idea of priority of personal relationships to concrete unique human beings. It also identifies three background disciplines for a comprehensive understanding of value creation in business organizations.

From the normative vantage point employed in Chapter V, social relationships represent thus the ultimate source of ethical obligations, and the impact on 'the other' is the ultimate criterion for judging our behavior. From these normative claims, both Buber and Levinas also derived descriptive arguments, in particular arguments that critically assessed the possibility of truly ethical social relationships under the conditions of modern (Western) societies and organizations. For instance, both Buber and Levinas pointed out that technology creates distance between the I and the other, such that the human beings lack the immediate, affective experience of a proximate social relationship to others. The lack of such experience facilitates unethical actions, as the other human beings become faceless objects. The relational normative core therefore demands of organization members the willingness to vividly imagine, and maybe personally get in touch with, the specific unique human beings affected by a particular decision or action. Beyond that, the normative core requires a personal and situational approach to decision making, rather than an approach focused on the uniform application of a standard set of rules. It challenges us to accept the inconvenient idea that ethics will always imply making a judgement in a particular situation involving unique individuals with names and faces, rather than of mechanically applying something like an 'ethical decision algorithm.'

While the principles and implications of the proposed relational normative core may be accused of being too idealistic, findings from descriptive research on (un)ethical behavior suggest that giving priority to concrete, personal social relationships and to the immediate, affective, non-deliberative dimension of social experience can make a difference in the actual ethical behavior of individuals in business organizations. It

seems, therefore, that the proposed principles of the relational normative core may be pragmatic enough to be useful in organizational practice, even though it aims high.

These four main chapters contributed insights into the different ways in which social relationships matter for a person's (un)ethical behavior in an organization, each from different perspective. Rather than leading to a grand unified theory, the chapters contribute some pieces to the puzzle that business ethics researchers are working on. In the next section, I will suggest some spots of this puzzle where I believe future research may add significant pieces.

2 Looking ahead

I will concentrate on three areas that present considerable potential for future research in my personal view. These suggestions for future research are related to some of the limitations of the research presented in the main chapters of this doctoral dissertation; the limitations of each individual chapter have been discussed in detail in each of the chapters.

The first promising area for future research is the combination of social network analysis models and techniques with insights from (behavioral) business ethics research. The actor-oriented dynamic social network framework developed in Chapter II, which integrates actors, their social relationships, and their involvement in acts of unethical behavior as perpetrators, victims or observer, is a first step into this direction. I believe pursuing this line of research is worthwhile for three reasons. First, social network analysis, in particular dynamic models, allow researchers to connect the micro-level of individual decision making, actions, and characteristics to (emerging) macro-level properties and structures of the network. Such research therefore has the potential of integrating insights from business ethics research at different levels of analysis, and of benefitting from organizational behavior research on the effects of social networks on various organizational outcomes.

Second, the techniques of social network analysis and their implementation in (freely available) software enable researchers to examine their hypotheses through simulations. Simulations appear particularly attractive option for future research, given the challenges of collecting longitudinal data about unethical behavior, and of collecting such data in non-anonymous form in combination with data about social relationships. Empirical data required for calibrating simulation models may well be available from extant empirical research. The next step towards such simulations would be to develop the framework developed in Chapter II into a fully specified mathematical model.

The third reason is somewhat more speculative, but closely connected to the idea of simulations. Researchers in moral psychology become increasingly interested in virtual reality, or so-called Serious Moral Games, for researching (un)ethical behavior (Christen et al. 2014; Christen and Alfano 2014). The sequences of decisions and reactions defined in the formal structure of dynamic actor-oriented social network models may provide a suitable structure for defining the possible actions and their consequences in a Serious Moral Game. While research in virtual worlds is a rather young field that faces quite a number of challenges, it certainly seems worth exploring further.

The second area where I see potential for future research relates to the analysis of the interplay of injunctive and descriptive social norms. Chapter IV provided a quantitative analysis of how these two types of norms combine to influence a focal person's unethical behavior in an organization using cross-sectional data. The results of this analysis indicated, consistent with recent experimental evidence (Eriksson et al. 2015), that the perception of injunctive norms is not independent of the perception of descriptive norms. Future research could further investigate this association between injunctive and descriptive norms, which is inextricably linked with the organizational context in which both types of norms are defined.

Significant insights into the interplay of these two types of norms, as well as their combined impact on (un)ethical behavior, may be gained by qualitative observational, and potentially archival, studies carried out in organizations over a certain period of

time. For example, researchers could analyze the sensemaking processes triggered by the introduction of new or changed injunctive norms to understand how potential contradictions between pre-existing descriptive norms and the new or changed injunctive norms are resolved. The insights from such qualitative studies are likely to be useful for organizational practice because policies are part and parcel of their ethics and compliance programs in the vast majority of organizations. Often, when an organization's managers, for internal reasons or in response to external pressure, have to change certain behaviors in the organization, the first step is to change a policy. Such studies could indicate how managers can achieve effective change in behavior after the introduction of a policy by adequately addressing descriptive social norms.

The third area where I see potential for substantial progress concerns the integration of normative thinking and discussion into the daily life of organization members: bringing normative ideas “back from the province of specialized ethics [...] into that of lived life” as Buber ([1947] 2002, p. 18) cogently put it. The challenge of integration applies particularly to normative ideas from 20th century continental philosophy. Because of its explicit engagement with the social conditions and historical events of the 20th century and human experience in modernity, it has the potential to contribute significant – and sometimes radically different – viewpoints and arguments to today's normative discussions. However, due to a very distinctive style of writing and heavy engagement with particular figures and texts in the relevant traditions, these texts and the ideas expressed therein remain rather inaccessible for the uninitiated reader (Painter-Morland 2008). By ‘translating’ key ideas from continental philosophy into language that is accessible for managers, indeed for all organization members, and by relating these ideas to the concrete issues they face, business ethics research can help to stimulate normative discussions, and point out options to address issues. Of course I do not want to suggest that such translation work is not being done at all, but merely that doing more of it is worthwhile. For instance, business ethics researchers have brought the writings of Jürgen Habermas, specifically his discourse ethics (Habermas 1983), to bear on the scholarly discussions about the justification of norms and

corporate social responsibility (e.g. Beschorner 2006; Scherer and Palazzo 2007; Scherer 2015); the next step would be to incorporate these arguments into the discussions in the public and in organizations.

The purpose of such translation work must be to provide organization members with practically relevant viewpoints and arguments which they can use to decide on the right ethical course of action. On the part of business ethics researchers, this requires the willingness to engage with the detailed, nuanced questions in daily business activities to which there often is no black-or-white answer. These questions may sometimes appear mundane compared to the 'big' ethical questions analyzed in ethical theories, but represent, for most persons, exactly the form in which they encounter ethical issues in their daily work life. If business ethics researchers can help them to answer those questions in an ethically sound way, then I believe we can make real progress in changing the behavior of the participants in business activities. With a view to contributing to such change, the final section of this concluding chapter looks beyond the boundaries of scholarly research to organizational practice.

3 Looking beyond

This outlook into the world of organizational practice complements the practical implications I have presented in the individual chapters. Here, I will focus on one organizational role that has become a focal point for matters concerning ethics in organizations over the past two to three decades: the Ethics and Compliance Officer (ECO). The ECO has been described as "the single individual who, in many organizations, plays the most critical role in the management of the organization's ethical context" (Treviño et al. 2014b, p. 186). Even though ethics and compliance are two distinct domains, many companies integrate them into one function, a practice supported by the argument that ethics programs and compliance programs are mutually reinforcing (Gnazzo 2011; Treviño et al. 2014b; Weber and Fortun 2005). The duties of ECOs include the definition of rules, ranging from codes of conduct to detailed

policies; collaborating in the establishment of corporate values; providing and/ or overseeing communication and training about these values and rules; monitoring adherence to the rules; maintaining lines for reporting potential breaches of rules (whistleblowing lines); investigating potential breaches of rules; advising employees, managers and senior management on ethics- or compliance-related aspects of decisions; and working with top management and other functions to promote and protect the organization's values (Treviño et al. 2014b; Weber and Fortun 2005). For some of these duties, the results and arguments presented in this doctoral dissertation have implications.

The first implication relates to the breadth of issues to which the ECO has to attend. The dynamics triggered by being the victim of or observing an act of unethical behavior described in Chapter II imply that the ECO cannot focus his efforts only on select types of unethical behavior, and ignore others, if he wants to maintain an effective ethics and compliance program. The credibility of the ethics and compliance program is likely to suffer if employees are told that certain behaviors which they (intuitively) appraise as 'not right' or 'unfair' are not relevant to ethics and compliance. For instance, if an ECO dismisses issues of unfair promotion decisions or (sexual) harassment out of hand as 'only' leadership or human resources issues, this may undermine employees' motivation to take ethics and compliance policies seriously in future, and compromise their confidence that ethics and compliance is really taken seriously by the company's leadership. This is not to say that addressing such behavior must pertain to the ECOs formal responsibilities. Nor do I want to suggest that an ECO should not take a risk-based approach and prioritize efforts directed at those types of unethical behavior that are likely to have the most serious consequences of unethical behavior. The point is, rather, that an ECO will need to react in a responsive way towards employees who address concerns to him – no matter what type of potentially unethical behavior is concerned –, conveying that these concerns are taken seriously, and that they are relevant for the (ethical) culture of the company. In addition, numerous 'petty' issues arising in a certain team or department may well be a signal that

the likelihood other serious ethics and compliance issues is elevated as well, due to the behavioral and interpersonal dynamics described in Chapter II.

The second implication concerns communication and training about ethics and compliance in the organization. The perception of codes of conduct and compliance policies as an additional burden and at times unreasonably constraining corset imposed on employees (Imwinkelried 2016) often overshadows the purpose of these policies, and the good reasons which there – hopefully – are for introducing them. To foster the acceptance of policies, it is therefore a key challenge for the ECO to communicate about codes and policies in such a way that employees are able to recognize a valuable purpose. Following the ideas outlined in Chapter V, the ECO may build his communication and training around the interests of the concrete human beings which the policy ultimately intends to protect. Even if the need for an additional policy was triggered by new legal requirements, these legal requirements in turn are also motivated by the need to protect somebody's (legitimate) interests, at least in democratic states, which can be highlighted.

The mode of training is additional factor the ECO has to consider. While online trainings certainly are efficient means to reach large audiences and accommodate the individual work schedules of employees, they lack opportunities for dialogue. The absence of dialogue renders it more difficult to convey the 'human' purpose of the policy as described above, and a discussion about the policy's interpretation in relation to the concrete situations which the employees face is not possible. In discussions, employees might also raise questions about any contradictions between existing practices (descriptive norms) and the policy. With online trainings, the ECO may therefore miss the opportunity to address such contradictions. Alternatively, the ECO may make sure that he is well-informed about existing practices within the remit of the new or changed policy prior to designing the training, such that he can explicitly address any such contradictions and thus increase the chances of the policy being effectively followed.

The third implication regards the aftermath of acts of unethical behavior. When a potential violation of an organizational policy and/ or a legal requirement has been reported to the ECO, or otherwise detected, he carries out an investigation to establish the facts. If the investigation confirms that an employee has indeed violated a policy and/ or legal requirements, the next step is to determine, usually together with human resources and the employee's supervisor, whether and what sanctions should be applied. Finally, the ECO has to determine, together with the concerned function or department, whether any changes to policies or processes is required to prevent further similar violations. This is where the process usually stops. However, as the analysis in Chapter II has shown, these steps leave one crucial issue unaddressed, in particular if the perpetrator remains within the organizations: the social relationships that may have been harmed by the act of unethical behavior. This may be a negative relationship between the victim and the perpetrator, or relationships between observers and the perpetrator in which the trust has been broken. In addition, the investigation itself may also have created feelings of uncertainty or even fear among uninvolved employees. Therefore, the ECO, in collaboration with human resources, should take an additional step in the aftermath of unethical behavior: attending to the social relationships that have been affected by the unethical behavior. The literatures on restorative justice, trust repair and relationship repair describe various measures that may be employed (e.g. Dirks et al. 2009; Fehr and Gelfand 2012; Goodstein and Butterfield 2010; Tomlinson and Mayer 2009). These include for example, 'clearing the air' by allowing the perpetrator to acknowledge his unethical behavior and apologize for it, making amends to victims, and extending forgiveness to the perpetrator. Even when the perpetrator has to leave the organization, restoring trust within and towards the affected team or unit is crucial. By supporting such activities, the ECO can contribute to positive social relationships which favor the well-being of the individual organization members as well as the prosperity of the organization as a whole.

On this note, I conclude. I hope that this doctoral dissertation not only offers some new ideas for those studying and managing ethical behavior in organizations, but

also stimulates readers to reflect, from time to time, about how they affect others inside and outside their work organization, both through the beneficial or harmful consequences their actions have for others, and as a trusted peer or role model. It is essential to ask how our actions affect the concrete other human beings with names and faces, their personal histories and values, whether we act in business, research, or in other domains of life. In the end, ethics is about how we want to live together with the others.

Chapter VII

APPENDIX TO CHAPTER IV

1 Detailed descriptive statistics for items of the unethical behavior scales

For the items of unethical behavior reported as observed and committed, Table VII.1 below provides, per sub-scale of Kaptein's (2008a) scale, information on missing values, the range of response categories used, the percentage of responses in the category "never/ n.a.", and on means, medians, standard deviations, skewnesses, and kurtoses.

Table VII.1
Detailed descriptive statistics for items of the unethical behavior scales

Scale (No. of items)	Range of no. of non-missing values	Range of no. of response categories used [No. available]	Range of % in lowest category “never/ n.a.” ^{a)}	Range of mean [median]	Range of standard deviation	Range of skewness ^{b)}	Average skewness ^{b)}	Range of kurtosis ^{b)}	Average kurtosis ^{b)}
<i>Peers' unethical behavior (37)</i>									
towards employees (5)	424 - 426	5 - 5 [5]	62.4 - 84.3%	1.25 - 1.53 [1.00 - 1.00]	0.66 - 0.88	1.61 - 2.89	2.34	2.32 - 8.22	5.74
towards shareholders (10)	424 - 427	3 - 5 [5]	45.5 - 99.3%	1.01 - 1.84 [1.00 - 2.00]	0.12 - 0.94	0.98 - 13.97	4.23	0.33 - 210.21	32.92
towards customers (8)	424 - 427	3 - 5 [5]	86.2 - 97.4%	1.03 - 1.20 [1.00 - 1.00]	0.18 - 0.56	3.20 - 6.91	5.16	11.18 - 52.62	31.15
towards suppliers (7)	425 - 427	2 - 4 [5]	87.4 - 97.7%	1.02 - 1.16 [1.00 - 1.00]	0.15 - 0.45	3.09 - 8.28	5.16	9.91 - 79.03	31.80
towards general public (7)	424 - 427	3 - 5 [5]	73.8 - 98.8%	1.01 - 1.36 [1.00 - 1.00]	0.14 - 0.70	2.46 - 10.82	5.84	7.25 - 129.36	45.72
<i>Individual's unethical behavior (37)</i>									
towards employees (5)	424 - 426	2 - 5 [5]	79.3 - 97.7%	1.02 - 1.25 [1.00 - 1.00]	0.15 - 0.56	2.87 - 6.32	4.32	10.50 - 38.08	20.12
towards shareholders (10)	423 - 427	2 - 4 [5]	63.8 - 99.8%	1.00 - 1.41 [1.00 - 1.00]	0.05 - 0.63	1.08 - 20.59	6.59	0.17 - 424.00	75.80
towards customers (8)	424 - 427	2 - 3 [5]	94.8 - 99.3%	1.01 - 1.05 [1.00 - 1.00]	0.08 - 0.24	4.49 - 11.83	8.10	20.78 - 138	71.50
towards suppliers (7)	424 - 427	2 - 3 [5]	94.8 - 98.8%	1.01 - 1.05 [1.00 - 1.00]	0.11 - 0.22	4.06 - 9.81	7.43	14.51 - 106.80	60.40
towards general public (7)	424 - 427	2 - 5 [5]	83.1 - 99.8%	1.00 - 1.20 [1.00 - 1.00]	0.05 - 0.50	3.52 - 20.62	10.86	17.59 - 425.00	151.88

^{a)} Calculated as % of non-missing values.

^{b)} Values in brackets represent negative values.

2 Detailed description and results of the robustness analysis

2.1 Robustness with respect to changes in the sample

First, I included the five outliers excluded in the main analysis, and in a second analysis excluded respondents with tenure of less than one year. These changes in the sample may also provide an additional indication to what extent the results may be affected by multicollinearity, as coefficient estimates and their standard errors are very sensitive to changes in the data in the presence of multicollinearity (Gujarati 2003).

Model A in Table VII.2 provides the results for the final model testing the moderation hypotheses when including the five outliers; due to space considerations I do not report the models that include the control variables and the control variables and main effects respectively throughout the robustness analysis. The coefficient for the interaction of injunctive norms with peers' unethical behavior is not significantly different from zero, and the coefficient for the interaction with enforcement was significant and positive ($B= 0.070, p < 0.001$).

Model A in Table VII.3 provides the results for the final model (i.e. including predictors and mediators) testing the mediation hypotheses, the estimates and confidence intervals for the indirect effects in the final model, as well as the coefficients for injunctive norms and enforcement from the regression of the mediator on the predictors. Due to space considerations, I do not report the full regression of the mediator on the predictors, nor the regression of the dependent variable on the predictors without the mediator throughout the robustness analysis. Peers' unethical behavior, i.e. the mediator, was significantly predicted by injunctive norms ($B= -0.076, p < 0.01$) and by enforcement ($B= -0.082, p < 0.001$), and the bias-corrected 95% bootstrap confidence interval for the indirect effect of injunctive norms (-0.016 to -0.004) and enforcement (-0.021 to -0.003) did not include zero. Thus, an indirect effect of injunctive norms and enforcement on the focal individual's unethical behavior through peers' unethical behavior was identified, while there was no evidence for a direct effect of neither injunctive norms nor enforcement on the focal subject's

unethical behavior independent of the effect on peers' unethical behavior (both B n.s. in the final model).

I further examined whether the results changed when employees with tenure of less than one year were excluded from the analysis. The items assessing peers' unethical behavior and the individual's unethical behavior used a retrospective timeframe of one year, such that employees with tenure of less than one year may have provided information about unethical behavior in more than one organization to the extent that they worked for another organization in that year; at the same time, they reported on the existence and enforcement of injunctive norms at their current work place. Therefore, for respondents with tenure of less than one year in their current organization, the relationships between these constructs may be affected by the non-congruence with respect to organizations the constructs refer to.

Model B in Table VII.2 provides the results for the moderation hypotheses using the sub-sample excluding respondents with tenure less than one year, and excluding outliers (N listwise = 395). The interaction of injunctive norms and peers' unethical behavior was not significant ($B = 0.014$, n.s.), while the interaction of enforcement with peers' unethical behavior was significant and contrary to the hypothesized direction ($B = 0.087$, $p < 0.001$).

Model B in Table VII.3 reports the results for the mediation hypotheses in this sub-sample. Injunctive norms and enforcement had a significant negative effect on peers' unethical behavior ($B = -0.039$, $p < 0.05$, $B = -0.101$, $p < 0.001$ respectively), and the bias-corrected 95% bootstrap confidence interval for the indirect effect of injunctive norms (-0.010 to -0.001) and enforcement (-0.020, -0.009) on the focal individual's unethical behavior through peers' unethical behavior were entirely below zero, supporting the hypothesized negative mediated effects of injunctive norms and enforcement on the focal individual's unethical behavior through peers' unethical behavior. There was no evidence for a direct effect of injunctive norms and enforcement on the focal subject's unethical behavior independent of the effect on peers' unethical behavior (both B n.s. in the final model).

In sum, neither including outliers, nor excluding respondents with tenure less than one year did affect the results with respect to the moderation and the mediation hypotheses. I observed further that the size of the regression coefficients in both the moderation and mediation models changed only slightly when respondents with tenure less than one year were excluded, while the size (but not the significance) changed noticeably when the outliers were included in the analysis, suggesting that the five outliers excluded in the main analysis indeed affected the results to some extent.

2.2 *Robustness with respect to estimation specification and methods*

Robustness of the results with respect to estimation specification and methods was assessed in three ways. First, instead of only transforming the highly skewed and kurtotic dependent variable as I did in the main analysis, I also transformed the rather skewed and kurtotic predictor variable unethical behavior by peers. To determine the transformation for peers' unethical behavior, I applied the same diagnostic regression method as I applied for the focal individual's unethical behavior (Cohen et al. 2003, p. 238). The diagnostic regression was based on the regression of peers' unethical behavior on injunctive norms and enforcement as well as the control variables, corresponding to a model used in establishing mediation. Based on the diagnostic regression I applied a Box-Cox transformation with $\lambda = -2$.

Table VII.2
Results of robustness analysis relating to Hypotheses 1 and 2

Variables	Model A: Including outliers ^{a)}				Model B: Excluding tenure <1 year ^{a)}				Model C: UB peers transformed ^{a)}			
	B	SE(B) ^{a)}	P ^{a)}	95% CI (B) ^{a)}	B	SE(B) ^{a)}	P ^{a)}	95% CI (B) ^{a)}	B	SE(B) ^{a)}	P ^{a)}	95% CI (B) ^{a)}
<i>Control variables</i>												
Intercept	0.091***	0.013	0.000	(0.066, 0.117)	0.079***	0.013	0.000	(0.054, 0.104)	0.079***	0.012	0.000	(0.055, 0.103)
Gender (0=male)	-0.012**	0.005	0.008	(-0.021, -0.003)	-0.013**	0.005	0.008	(-0.022, -0.003)	-0.010*	0.005	0.031	(-0.019, -0.001)
Age	0.000*	0.000	0.021	(-0.001, 0.000)	0.000	0.000	0.091	(-0.001, 0.000)	0.000	0.000	0.086	(-0.001, 0.000)
Employment type (0=part-time)	0.002	0.005	0.659	(-0.007, 0.011)	0.000	0.005	0.937	(-0.009, 0.009)	0.001	0.004	0.784	(-0.008, 0.010)
Tenure	0.000	0.000	0.746	(0.000, 0.000)	0.000	0.000	0.496	(0.000, 0.001)	0.000	0.000	0.797	(0.000, 0.000)
Hierarchical position	-0.003	0.002	0.110	(-0.008, 0.001)	-0.002	0.002	0.255	(-0.007, 0.002)	-0.003	0.002	0.121	(-0.008, 0.001)
Interaction with external parties	0.000	0.002	0.943	(-0.004, 0.004)	0.001	0.002	0.430	(-0.002, 0.005)	0.001	0.002	0.627	(-0.002, 0.004)
Size work environment	0.000	0.000	0.100	(0.000, 0.000)	0.000	0.000	0.097	(0.000, 0.000)	0.000	0.000	0.235	(0.000, 0.000)
Size organization	-0.003	0.002	0.084	(-0.006, 0.000)	-0.003	0.002	0.057	(-0.006, 0.000)	-0.003*	0.001	0.040	(-0.006, 0.000)
<i>Main effects</i>												
Injunctive norms	-0.003	0.003	0.278	(-0.010, 0.003)	-0.002	0.003	0.573	(-0.008, 0.004)	-0.001	0.003	0.773	(-0.006, 0.005)
Enforcement	0.002	0.003	0.478	(-0.004, 0.009)	0.003	0.003	0.335	(-0.003, 0.010)	0.003	0.003	0.299	(-0.003, 0.010)
Peers' UB	0.181***	0.021	0.000	(0.139, 0.223)	0.200***	0.019	0.000	(0.163, 0.238)	0.373***	0.027	0.000	(0.319, 0.426)
<i>Interactions</i>												
Inj. norms * Peers' UB	0.018	0.011	0.108	(-0.004, 0.049)	0.014	0.018	0.429	(-0.021, 0.050)	-0.005	0.032	0.883	(-0.067, 0.057)
Enforcement * Peers' UB	0.070***	0.016	0.000	(0.040, 0.101)	0.087***	0.015	0.000	(0.057, 0.116)	0.114***	0.030	0.000	(0.055, 0.172)
<i>Model Summary</i>												
N (listwise)	424				394				419			
F ^{b)}	16.826				17.438				26.808			
R ^{2b)}	0.428***				0.447***				0.475***			
95% CI R ^{2c)}	(0.357, 0.498)				(0.376, 0.519)				(0.407, 0.533)			
ΔR ² to step without interactions ^{b)}	0.080***				0.096***				0.031***			
F _{incremental} to step without interactions ^{b)}	21.715				26.667				10.172			

Table VII.2 – continued

Variables	Model D: 10 item UB scales ^a				Model E: GZLM inverse Gaussian distribution, squared-inverse link function ^a				Model F: GZLM Gamma distribution, inverse link function ^a				
	B	SE(B) ^a	P ^a	95% CI (B) ^a	B	SE(B) ^a	P ^a	95% CI (B)	B	SE(B) ^a	P ^a	95% CI (B)	
<i>Control variables</i>													
Intercept	0.193***	0.028	0.000	(0.139, 0.248)	0.802***	0.031	0.000	(0.737, 0.867)	0.896***	0.016	0.000	(0.861, 0.932)	
Gender (0=male)	-0.024*	0.011	0.026	(-0.045, -0.003)	0.033**	0.011	0.004	(0.010, 0.056)	0.017**	0.006	0.006	(0.005, 0.030)	
Age	-0.001**	0.000	0.006	(-0.002, 0.000)	0.001	0.001	0.101	(0.000, 0.002)	0.000	0.000	0.120	(0.000, 0.001)	
Employment type (0=part-time)	0.003	0.011	0.778	(-0.018, 0.024)	-0.002	0.011	0.848	(-0.027, 0.022)	-0.001	0.006	0.838	(-0.015, 0.012)	
Tenure	0.000	0.000	0.752	(-0.001, 0.001)	0.000	0.001	0.636	(-0.001, 0.001)	0.000	0.000	0.676	(-0.001, 0.000)	
Hierarchical position	-0.010*	0.005	0.028	(-0.019, -0.001)	0.008	0.005	0.153	(-0.003, 0.018)	0.004	0.003	0.150	(-0.001, 0.01)	
Interaction with external parties	0.004	0.004	0.339	(-0.004, 0.011)	-0.002	0.005	0.623	(-0.011, 0.007)	-0.001	0.002	0.629	(-0.006, 0.004)	
Size work environment	0.000	0.000	0.086	(0.000, 0.000)	0.000	0.000	0.312	(0.000, 0.000)	0.000	0.000	0.341	(0.000, 0.000)	
Size organization	-0.002	0.003	0.489	(-0.008, 0.004)	0.008*	0.004	0.025	(0.001, 0.016)	0.004*	0.002	0.029	(0.000, 0.008)	
<i>Main effects</i>													
Injunctive norms	-0.009	0.007	0.201	(-0.024, 0.005)	0.007	0.007	0.353	(-0.008, 0.023)	0.004	0.004	0.405	(-0.005, 0.012)	
Enforcement	0.006	0.007	0.415	(-0.009, 0.021)	-0.006	0.008	0.513	(-0.023, 0.011)	-0.004	0.004	0.425	(-0.013, 0.005)	
Peers' UB	0.169***	0.016	0.000	(0.137, 0.200)	-0.462***	0.049	0.000	(-0.521, -0.402)	-0.253***	0.028	0.000	(-0.287, -0.22)	
<i>Interactions</i>													
Inj. norms * Peers' UB	0.021	0.014	0.130	(-0.006, 0.049)	-0.024	0.048	0.432	(-0.082, 0.035)	-0.011	0.027	0.495	(-0.044, 0.021)	
Enforcement * Peers' UB	0.066***	0.015	0.000	(0.036, 0.096)	-0.192***	0.039	0.000	(-0.261, -0.124)	-0.104***	0.022	0.000	(-0.142, -0.066)	
<i>Model Summary</i>													
N (fistwise)	424	N (fistwise)				419	N (fistwise)				419		
F ^b	22.653	Omnibus Test (Chi-square)				320.948***	Omnibus Test (Chi-square)				310.824***		
R ^{2b}	0.419***	<i>df</i> Chi-square omnibus test				13	<i>df</i> Chi-square omnibus test				13		
95% CI R ^{2c}	(0.349, 0.49)	Pearson Chi-square				1.048	Pearson Chi-square				1.165		
ΔR ² to step without interactions ^b	0.092***	<i>df</i> Pearson Chi-square				405	<i>df</i> Pearson Chi-square				405		
F _{incremental} to step without interactions ^b	31.236	Scaled Deviance				385.388	Scaled Deviance				390.307		
AIC						868.553	AIC				913.446		

Table VII.2 – continued (Notes)

DV= dependent variable, UB = unethical behavior, B= unstandardized regression coefficient, SE = standard error, CI = confidence interval

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

- a) SE(B) and significance tests for B are based on heteroskedasticity-consistent Huber-White (sandwich) estimators (HC0) for the variance of the regression coefficients.
- b) F-Tests for the significance of the squared multiple correlation (R^2), as well as increases in R^2 , are based on the heteroskedasticity-consistent Huber-White estimator (HC0) of the variance-covariance matrix of B as implemented in the SPSS Macro HCREG (Hayes & Cai, 2007).
- c) The 95% CI for R^2 is based on the formula and approximate critical t -value (t_c) as provided by Cohen et al. (2003, p. 88).
- d) Dependent variable: Focal individual's UB, transformed using a Box-Cox transformation with $\lambda = -3$ as in the main analysis.
- e) Peers' UB was transformed using a Box-Cox transformation with $\lambda = -2$, then this transformed variable was centered, and interaction terms were created.
- f) Dependent variable: Focal individual's UB based on 10 items with highest means, transformed using a Box-Cox transformation with $\lambda = -2$. Peers' UB (independent variable) also based on the 10 items with highest means.
- g) Generalized linear model based on the inverse Gaussian distribution, and its canonical link function, the inverse-square link. Signs of all coefficients are therefore reversed compared to the OLS models. Scale parameter estimated based on Pearson residuals. Results obtained using the GENLIN procedure in SPSS v23.
- h) Significance tests for B are Likelihood Ratio Chi-Square tests based on heteroskedasticity-consistent Huber-White estimators of standard errors as provided in the GENLIN procedure in SPSS v23.
- i) Generalized linear model based on the Gamma distribution, and its canonical link function, the inverse link. Signs of all coefficients are therefore reversed compared to the OLS models. Scale parameter estimated based on Pearson residuals. Results obtained using the GENLIN procedure in SPSS v23.

The analysis pertaining to the moderation hypotheses (Table VII.2, Model C) revealed a non-significant interaction between injunctive norms and peers' unethical behavior, but a positive and significant interaction between enforcement and peers' unethical behavior ($B = 0.114, p < 0.001$), again contrary to the predicted direction. The analysis pertaining to the mediation hypothesis (Table VII.3, Model C) showed that peers' unethical behavior was significantly predicted by injunctive norms and enforcement ($B = -0.024, p < 0.01$, and $B = -0.046, p < 0.001$). There was a negative indirect effect of injunctive norms and enforcement for which the bias-corrected 95% bootstrap confidence intervals did not include zero (-0.013 to -0.003 and -0.021 to -0.010 respectively), and no evidence for a direct effect of injunctive norms and enforcement on the focal individual's unethical behavior. The conclusions with respect to the hypotheses thus remained unchanged when peers' unethical behavior was also transformed.

Table VII.3
Results of robustness analysis relating to Hypotheses 3 and 4

Variable	Model A: Including outliers ^{c)}			Model B: Excluding tenure <1 year ^{c)}			Model C: UB peers transformed ^{c,d)}		
	B	SE(B) ^{a)}	P ^{a)}	B	SE(B) ^{a)}	P ^{a)}	B	SE(B) ^{a)}	P ^{a)}
<i>Control variables</i>									
Intercept	-0.057	0.039	0.140	(-0.133, 0.019)	-0.100**	0.034	0.003	(-0.166, -0.034)	0.020
Gender (0=male)	-0.013*	0.005	0.013	(-0.024, -0.003)	-0.013*	0.005	0.020	(-0.023, -0.002)	-0.010*
Age	0.000	0.000	0.074	(-0.001, 0.000)	0.000	0.000	0.253	(-0.001, 0.000)	0.045
Employment type (0=part-time)	0.004	0.005	0.480	(-0.007, 0.014)	0.001	0.005	0.841	(-0.009, 0.012)	(-0.001, 0.011)
Tenure	0.000	0.000	0.814	(0.000, 0.001)	0.000	0.000	0.636	(0.000, 0.001)	0.000
Hierarchical position	-0.003	0.003	0.274	(-0.008, 0.002)	-0.001	0.003	0.591	(-0.006, 0.004)	-0.003
Interaction with external parties	0.000	0.002	0.895	(-0.004, 0.005)	0.001	0.002	0.664	(-0.003, 0.005)	0.002
Size work environment	0.000	0.000	0.091	(0.000, 0.000)	0.000	0.000	0.085	(0.000, 0.000)	0.000
Size organization	-0.002	0.002	0.241	(-0.006, 0.001)	-0.003	0.002	0.137	(-0.006, 0.001)	-0.003
<i>Predictors</i>									
Injunctive norms	-0.003	0.004	0.493	(-0.001, 0.005)	-0.001	0.004	0.732	(-0.009, 0.006)	0.000
Enforcement	0.001	0.005	0.831	(-0.008, 0.010)	0.003	0.004	0.520	(-0.006, 0.011)	0.004
<i>Mediator</i>									
Peers' UB	0.122***	0.023	0.000	(0.077, 0.167)	0.139***	0.020	0.000	(0.099, 0.179)	0.340***
<i>Model Summary</i>									
N (fistwise)				424			394		419
F ^{b)}				8.580			7.988		17.594
R ^{2b)}				0.348***			0.351***		0.444***
95% CI R ^{2c)}				(0.275, 0.420)			(0.276, 0.426)		(0.371, 0.516)
<i>Indirect and direct effects ^{d)}</i>									
Injunctive norms									
Indirect effect	-0.009			(-0.016, -0.004)	-0.005			(-0.010, -0.001)	-0.008
Direct effect	-0.003			(-0.010, 0.005)	-0.001			(-0.009, 0.006)	0.000
Enforcement									(-0.007, 0.007)
Indirect effect	-0.010			(-0.016, -0.005)	-0.014			(-0.020, -0.009)	-0.016
Direct effect	0.001			(-0.008, 0.010)	0.003			(-0.006, 0.011)	0.004
<i>Regression coefficients in Step 1:</i>									
Peers' UB on controls and									
Injunctive norms	-0.076**	0.024	0.002	(-0.122, -0.029)	-0.039*	0.017	0.022	(-0.072, -0.006)	-0.024**
Enforcement	-0.082***	0.021	0.000	(-0.122, -0.042)	-0.101***	0.019	0.000	(-0.138, -0.064)	-0.046***

Table VII.3 – continued

Variable	Model D: 10-item UB scales ^{g)}				Model E: GZLM inverse Gaussian ^{h)}				Model F: GZLM Gamma distribution, inverse link function ⁱ⁾			
	B	SE(B) ^{j)}	P ^{j)}	95% CI (B) ^{j)}	B	SE(B) ^{j)}	P ^{j)}	95% CI (B) ^{j)}	B	SE(B) ^{j)}	P ^{j)}	95% CI (B) ^{j)}
<i>Control variables</i>												
Intercept	0.005	0.055	0.932	(-0.103, 0.112)	1.233***	0.083	0.000	(1.106, 1.359)	1.134***	0.046	0.000	(1.064, 1.203)
Gender (0= male)	-0.024*	0.012	0.336	(-0.050, 0.002)	0.034**	0.012	0.009	(0.008, 0.057)	0.017*	0.006	0.011	(0.004, 0.030)
Age	-0.001*	0.001	0.029	(-0.002, 0.000)	0.001	0.001	0.342	(-0.001, 0.002)	0.000	0.000	0.355	(0.000, 0.001)
Employment type (0=part-time)	0.006	0.012	0.637	(-0.019, 0.030)	-0.006	0.012	0.651	(-0.032, 0.02)	-0.003	0.007	0.660	(-0.017, 0.011)
Tenure	0.000	0.001	0.836	(-0.001, 0.001)	0.000	0.001	0.945	(-0.001, 0.001)	0.000	0.000	0.936	(-0.001, 0.001)
Hierarchical position	-0.008	0.006	0.126	(-0.019, 0.002)	0.005	0.006	0.374	(-0.006, 0.016)	0.003	0.003	0.351	(-0.003, 0.009)
Interaction with external parties	0.002	0.004	0.592	(-0.006, 0.011)	-0.001	0.005	0.812	(-0.011, 0.008)	-0.001	0.003	0.816	(-0.006, 0.005)
Size work environment	0.000	0.000	0.653	(0.000, 0.001)	0.000	0.000	0.272	(0.000, 0.009)	0.000	0.000	0.292	(0.000, 0.000)
Size organization	-0.002	0.004	0.669	(-0.009, 0.006)	0.008	0.005	0.058	(0.000, 0.015)	0.004	0.002	0.061	(0.000, 0.008)
<i>Predictors</i>												
Injunctive norms	-0.005	0.008	0.521	(-0.021, 0.011)	0.006	0.009	0.455	(-0.010, 0.021)	0.003	0.005	0.489	(-0.005, 0.011)
Enforcement	0.005	0.009	0.607	(-0.013, 0.023)	-0.010	0.010	0.288	(-0.028, 0.008)	-0.005	0.005	0.294	(-0.015, 0.005)
<i>Mediator</i>												
Peers' UB	0.123***	0.019	0.000	(0.086, 0.159)	-0.331***	0.048	0.000	(-0.385, -0.278)	-0.183***	0.027	0.000	(-0.213, -0.153)
<i>Model Summary</i>												
N (listwise)				424	N (listwise)			419	N (listwise)			
F ^{b)}				9.849	Omnibus Test (Chi-square)			230.669***	Omnibus Test (Chi-square)			
R ^{2b)}				0.327***	df Chi-square omnibus test			11	df Chi-square omnibus test			227.090***
95% CI R ^{2c)}				(0.255, 0.400)	Pearson Chi-square			1.204	Pearson Chi-square			11
					BIC			913.156	BIC			1.325
<i>Indirect and direct effects^{d)}</i>												
Injunctive norms				9.5% CI Effect								
Indirect effect	-0.016				(-0.026, -0.008)							
Direct effect	-0.005				(-0.021, 0.011)							
Enforcement												
Indirect effect	-0.023				(-0.034, -0.014)							
Direct effect	0.005				(-0.013, 0.023)							
<i>Regression coefficients in Step 1:</i>												
<i>Peer's UB on controls and</i>												
Injunctive norms	-0.131***	0.038	0.001	(-0.205, -0.057)	0.042**	0.016	0.003	(0.014, 0.069)	0.026*	0.010	0.003	(0.009, 0.043)
Enforcement	-0.188***	0.040	0.000	(-0.268, -0.109)	0.119***	0.018	0.000	(0.088, 0.150)	0.071***	0.011	0.000	(0.052, 0.090)
<i>GZLM only – Regression coefficients in</i>												
<i>Step 2: Final individuals' UB on</i>												
Injunctive norms												
Enforcement												

Table VII.3 – continued (Notes)

DV = dependent variable, UB = unethical behavior, B= unstandardized regression coefficient, SE = standard error,

CI = confidence interval

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

- a) SE(B) and significance tests for B are based on heteroskedasticity-consistent HC3 estimators for the variance of the regression coefficients as provided by the SPSS Macro PROCESS (Hayes, 2013).
- b) F-Tests for the significance of the squared multiple correlation (R^2) are based on the heteroskedasticity-consistent HC3 estimator of the variance-covariance matrix of B as implemented in the SPSS Macro PROCESS (Hayes 2013).
- c) The 95% CI for R^2 is based on the formula and approximate critical t -value ($t_{\alpha/2}$) as provided by Cohen et al. (2003, p. 88).
- d) The standard errors and 95% CI for the indirect effects are based on 5,000 bootstrap samples, the 95% CI is biased-corrected. Bootstrapping as implemented in the SPSS Macro PROCESS (Hayes, 2013) was used.
- e) Dependent variable: Focal individual's UB, transformed using a Box-Cox transformation with $\lambda = -3$ as in the main analysis.
- f) Peer's UB was transformed using a Box-Cox transformation with $\lambda = -2$.
- g) Dependent variable: Focal individual's UB based on 10 items with highest means, transformed using a Box-Cox transformation with $\lambda = -2$. Peers' UB (independent variable) also based on the 10 items with highest means.
- h) Generalized linear model based on the inverse Gaussian distribution, and its canonical link function, the inverse-square link. Signs of all coefficients are therefore reversed compared to the OLS models. Scale parameter estimated based on Pearson residuals. Results obtained using the GENLIN procedure in SPSS v23.
- i) Significance tests for B are Likelihood Ratio Chi-Square tests based on heteroskedasticity-consistent Huber-White estimators of standard errors as provided in the GENLIN procedure in SPSS v23.
- j) Generalized linear model based on the Gamma distribution, and its canonical link function, the inverse link. Signs of all coefficients are therefore reversed compared to the OLS models. Scale parameter estimated based on Pearson residuals. Results obtained using the GENLIN procedure in SPSS v23.

Second, I attempted to create less extremely distributed measures for the focal individual's and peers' unethical behavior. To achieve this, I selected the ten items with the highest means both on focal individual's unethical behavior, and peers' unethical behavior among the 37 items of the scale; those also tended to have the highest variance. Among these ten items, nine related to intraorganizational forms of unethical behavior, of which five involved behavior towards the organization, and four behavior towards employees; and the tenth item was *violating environmental standards or regulations*. It is important to note that these ten items were selected purely based on statistical considerations, and I did not intend to develop a new scale that would represent a substantive construct based on theoretical considerations. I then constructed an average score across these ten items for both peers' and the focal subject's unethical behavior. The newly created variable for peers' (the individual's) unethical behavior showed a mean of 1.41 (1.17), a standard deviation of 0.44 (0.21), skewness of 1.77 (1.90), and kurtosis of 3.84 (5.30).

I applied the same diagnostic tests as before to identify an appropriate transformation of the focal subject's unethical behavior to obtain approximately normally distributed error terms in the regressions. Both the analysis on the final moderation model and the final mediation model suggested a Box-Cox transformation with $\lambda = -2$ which was applied. I included all cases in the analysis, and did not identify a new set of (potential) outliers. The results of the moderation analyses (Table VII.2, Model D) showed a non-significant interaction between injunctive norms and peers' unethical behavior, while the interaction with enforcement was significant and contrary to the predicted direction ($B = 0.066, p < 0.001$). The mediation analysis (Table VII.3, Model D) revealed negative indirect effects of injunctive norms and enforcement on the focal subject's unethical behavior through peers' unethical behavior, for which the bias-corrected 95% bootstrap confidence intervals for these effects did not include zero (-0.026 to -0.008), and -0.034 to -0.014 respectively). Using alternative ad-hoc measures of peers' and the individual's unethical behavior that were less extremely distributed did therefore not change the conclusions with respect to the hypotheses.

Finally, I explored an alternative family of models that may be appropriate for strongly positively skewed dependent variables. Generalized linear models contain a variety of models that allow for analysis of data such as binary data, count data, or survival times that cannot be handled by ordinary least squares regression. They involve a transformation to link the dependent variable linearly to the independent variables, and an element that determines the distribution of the random component (Fox 2008; McCullagh and Nelder 1989). I applied two generalized linear models that are useful for modelling positively skewed continuous data with non-negative values that, in addition, show non-constant variance (Fox 2008; McCullagh and Nelder 1989): a model using the Inverse Gaussian Distribution, and a model using the Gamma distribution, both in conjunction with their canonical link functions (inverse and squared inverse respectively). Note that the signs of the coefficients of the generalized linear models will be reversed compared to the ordinary least squares regression models because the canonical link functions employed involve an inverse transformation of

the expectation of the independent variable ($1/[E(y)]^2$ for the inverse Gaussian distribution and $1/E(y)$ for the Gamma distribution).

Model E in Table VII.2 provides the results of the analysis based on the inverse Gaussian distribution pertaining to the moderation hypotheses. There is a significant interaction effect between peers' unethical behavior and enforcement ($B = -0.192$, $p < 0.001$), but no significant interaction with injunctive norms. For the mediation hypotheses, I report the results obtained in the steps as suggested by Baron and Kenney (1986), using the generalized linear model at each step instead of ordinary linear regression (Model E in Table VII.3). Injunctive norms and enforcement significantly predicted peers' unethical behavior ($B = 0.042$, $p < 0.01$, $B = 0.119$, $p < 0.001$ respectively). The model including only injunctive norms and enforcement, along with the control variables, as predictors of the focal individual's unethical behavior (extract reported in Table VII.3) showed that both injunctive norms ($B = 0.019$, $p < 0.05$) and enforcement ($B = 0.027$, $p < 0.05$) had a marginally significant impact on the focal individual's unethical behavior. When peers' unethical behavior was added as predictor (Model E in Table VII.3), they were no longer significant predictors of the focal individual's unethical behavior, while peers' unethical behavior significantly predicted the focal individual's unethical behavior ($B = -0.331$, $p < 0.001$). In sum, the moderation hypotheses H1 and H2 were rejected (with an interaction contrary to the predicted direction), while the results of the analysis using the steps described by Baron and Kenney (1986) were consistent with the mediation hypotheses H3 and H4.

Finally, Models F in Table VII.2 and Table VII.3 report the results of the moderation and the mediation analysis respectively, when applying a Gamma distribution and its canonical link function. These are also consistent with the results obtained so far: support for the mediation hypotheses based on Baron and Kenney's (1986) steps, and a significant moderation effect for enforcement that was contrary to the predicted direction.

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Summary

New scandals around unethical behavior in business organizations, such as most recently at Volkswagen, continue to emerge, despite tightening regulation in many sectors. The number and scale of such instances of unethical behavior in business organizations has generated considerable distrust in the general public, not only of the affected corporations, but also of large corporations in general and of the Western economic system. In order to avoid a further loss of trust, identifying effective means for preventing unethical behavior in organizations has become quite a pressing task. Researchers in the field of business ethics have taken it on. An important aim of this field of research is to establish an understanding of the processes that lead to individuals' unethical behavior in organizations, as this is a prerequisite for identifying effective levers for prevention.

While individuals can behave ethically or unethically in all domains of their life, (un)ethical behavior *in a (work) organization* takes place in a particular context: the network of formally prescribed and informally emerging social relationships with others that is distinctive of organizations. These social relationships constitute the special context for individuals' behavior in an organization. Motivated by this observation, this doctoral dissertation examines how the social relationships to the others matter for a person's ethical or unethical behavior in an organization. I address this overarching research question from four different perspectives in four main chapters. Each has been written as a separate and self-contained study, and has a specific thematic focus. Jointly, the chapters cover both descriptive and normative approaches, theoretical and empirical analyses and static and dynamic perspectives.

The first study, “*Spread of unethical behavior in organizations: a dynamic social network perspective*”, asks through what processes unethical behavior spreads in organizations, and under which conditions unethical behavior is particularly likely to spread. While the spread of unethical behavior in organizations has mainly been studied in terms of processes occurring in a general social context, this study examines actors’ reactions in the context of their specific social relationships. It introduces a dynamic social network analysis framework in which this spread is conceptualized as a result of the reactions of perpetrators, victims, and observers to an initial act of unethical behavior. In the dynamic processes of this framework, social relationships play a threefold role: First, they are conduits for information about acts of unethical behavior, as actors become aware of acts of unethical behavior by others through their social relationships. Second, social relationships can influence an actor’s reaction to an act of unethical behavior, because the actor’s cognitive appraisal of the act in part depends on his relationships to the persons involved in the act. Third, social relationships can change as a result of the actor’s appraisal of the act. The proposed framework reveals that indirect negative consequences can arise for organizations through such changes to social relationships.

This study is limited in that it provides a social network analysis framework, but does not mathematically specify a complete stochastic actor-oriented model for the multiplex dynamics of two-mode and one-mode networks. Other limitations include its focus on acts of unethical behavior by single individuals rather than on coordinated or collective acts; the consideration of individual actors, their social relationships and reactions rather than dynamics at the group or organizational level; and the omission of individual-level characteristics as factors influencing individuals’ reactions to an act of unethical behavior.

For organizations, the framework developed in this first study suggests that the spread of unethical behavior may be halted if reactions to an act of unethical behavior can be steered away from further unethical behavior by the organization’s justice system. Both credible retributive and restorative mechanisms as well as a strong procedural justice climate generally can help to reduce tendencies of repetition,

imitation, and direct or indirect retaliation after an act of unethical behavior. Further, this framework implies that organizations should consider the likelihood that a particular type of unethical behavior spreads when conducting risk assessments, rather than only the impact of an initial act of unethical behavior. Finally, the different mechanisms of spread identified in this framework suggest that organizations should not assume that they can successfully curtail one type of unethical behavior, for example unethical behavior against the organization, while tacitly condoning other types, such as unethical behavior to the (at least short-term) benefit of the organization against external stakeholders (pro-organizational unethical behavior).

The following study, *“Painting with the same brush? Surveying unethical behavior in the workplace using self-reports and observer-reports”* turns to a fundamental challenge facing empirical research on unethical behavior: how to measure unethical behavior. Reporting on one’s own unethical behavior can trigger social concerns about the kind of person one appears to be to others, which in turn can motivate the respondent to distort his responses. To avoid such problems, researchers often ask respondents to report on the unethical behavior by their peers (observer-reports) to establish the scope of unethical behavior, instead of asking respondents to report on their own behavior (self-reports). But what information do these frequencies of observed unethical behavior provide about the frequencies of committed unethical behavior? This study compares observer-reports and self-reports for 37 different forms of unethical behavior in organizations using data from a sample of employees living in Switzerland (N=428). Observer-reports resulted in higher reported levels of unethical behavior compared to self-reports for all 37 items, and these differences were significant for 32 items in terms of scale scores and for 31 in terms of participation rates. These results suggest that researchers using observer-reports are likely to obtain a higher estimate of the scope of unethical behavior than researchers using self-reports. Therefore, researchers should not assume that they can approximate the level of committed unethical behavior by measuring the level of unethical behavior observed by peers. Further, even a quantitative similarity of the means obtained by the two different

methods does not provide any information about whether observer- and self-reports can be expected to have the same relationships to criterion variables researchers are interested in.

Limitations of this second study included the adaptation of an observer-report scale of unethical behavior to elicit self-reports without analysis of the adapted scale's factor structure; the absence of empirical examination of factors that are theoretically expected to affect the differences between self- and observer-reports, such as ratings of perceived unethicity of the behaviors, the covertness of the behaviors, or measures of self-deception and impression management; and the use of a sample of employees from one country only.

For organizations, this study suggests employees generally observe unethical behavior more frequently than they commit it. Such exposure to unethical behavior by others may induce them to commit unethical behavior themselves. At the same time, each employee observing unethical behavior may also react by reporting it, such that the organization can react appropriately. Therefore, providing accessible means for reporting unethical behavior without fear of retaliation is important for organizations to limit damages caused by unethical behavior.

The third study, *“Adding the yardstick to the monkeys: examining the interplay between descriptive and injunctive norms in organizations”* examines information about the unethical behavior by others from the perspective of social norms. Information about the unethical behavior by socially related others constitutes the descriptive norm, or the norm of ‘is’. The norm of ‘ought’, or injunctive norm, is the second type of social norm; it defines how the organization members ought to behave. In experiments, both types of norms have been shown to influence individuals’ behavior in general, and counternormative behavior in particular. The third study adds to this research by examining how descriptive and injunctive norms interact in organizational context to influence individuals’ unethical behavior, using non-experimental data from the same sample as in the second study. I test two competing models derived from alternative mechanisms of social influence. The results support a social information processing

model in which descriptive norms fully mediate the effects of the existence and enforcement of injunctive norms. This result suggests that individuals rely on the information conveyed by the behavior of socially related others in deciding how to behave themselves, and interpret the injunctive norms, and enforcement of these, only in the light of the actual behavior of others. It underlines the direct and strong impact of peers' behavior on an individual's behavior identified in earlier studies, and indicates that a chronic focus on descriptive norms may be predominant in organizations. In the competing moderation model based on a social learning perspective, by contrast, the enforcement of injunctive norms unexpectedly strengthens, rather than weakens, the relationship between the unethical behavior of peers and an employee's unethical behavior. This result may possibly be due to potential counterproductive effects of enforcement actions identified in research on sanctions.

Limitations of this third study include the use of cross-sectional data from a single source; the exclusive reliance on single individuals' perceptions of social norms as opposed to shared perceptions; the treatment of punishments for unethical and rewards for ethical behavior under one construct; and the possibility that results may be affected by social desirability bias.

For organizations, injunctive norms typically constitute a central element of ethics and compliance programs in organizations. The results of the current study emphasize that ethics and compliance managers should also carefully consider the impact of the kinds of behavior that employees actually observe on a day-to-day basis. Further, they should devote special attention to situations where injunctive and descriptive norms are likely to be conflicting, and attempt to increase the focus on the injunctive norms as opposed to the descriptive norms through targeted interventions.

While the first three studies provide descriptive analyses, the fourth study, *"Relationships to persons with names and faces: venturing a relational normative core for stakeholder theory"*, provides a normative analysis. It develops a normative core for a version of stakeholder theory that views stakeholders as concrete, particular individuals, rather than as abstract generic groups. This normative core is grounded in a relational

perspective on ethics inspired by the philosophical work of Martin Buber and Emmanuel Levinas. Human beings' social nature, their social relationships to unique, concrete others, and the responsibilities arising out of their relationships to others are at the center of this perspective. This relational normative core, then, consists of three principles for governance based on the concepts of justice and justification, and of three principles for managerial action rooted in the idea of the priority of personal relationships to concrete unique human beings. It also identifies three background disciplines for a comprehensive understanding of value creation in business organizations.

The relational normative core developed in this fourth study should not be thought of as an attempt to develop a 'Levinasian' or 'Buberian' business ethics, nor does it claim to provide a better or even the only possible normative grounding for stakeholder theory. However, I believe it fits particularly with the individual-focused version of stakeholder theory.

This relational normative core demands of organization members the willingness to vividly imagine, and maybe personally get in touch with, the specific unique human beings affected by a specific decision or action. It also requires a personal and situational approach to decision making, rather than an approach focused on the uniform application of a standard set of rules. Extant descriptive research that has demonstrated that considering concrete human beings matters for ethical decision making. This indicates that this normative core's principles may be effective in changing behavior in business organizations. However, information and communication technologies and the sheer size of many of the modern organizations represent a challenge for applying the principles of the relational normative core: they tend to create distance between human beings, and may render to other invisible or faceless. Therefore, facilitating the experience of personal relationships and stimulating personal consideration, for example through the use of (literary) stories or stakeholder dialogues, may be key for fostering ethical behavior in organizations.

These four studies contribute nuanced insights into the different ways in which social relationships matter for a person's (un)ethical behavior in an organization. Rather than leading to a grand unified theory, the studies contribute some pieces to the puzzle that business ethics researchers are working on. The four studies jointly suggest three main areas for future research. First, the combination of social network analysis models and techniques with insights from (behavioral) business ethics research allows researchers to connect the micro-level of individual decision making, actions, and characteristics to (emerging) macro-level properties and structures of the network. Such research therefore has the potential of integrating insights from business ethics research at different levels of analysis, and of benefitting from organizational behavior research on the effects of social networks on various organizational outcomes. The second area for future research relates to the analysis of the interplay of injunctive and descriptive social norms. Qualitative observational, and potentially archival, studies carried out in organizations over a certain period of time, for example after the introduction of a new policy, are likely to provide significant insights into the interplay of these two types of norms, and into their combined impact on (un)ethical behavior. Such studies may also be particularly relevant for organizational practice, as formal rules form a key element of ethics and compliance programs in most organizations. The third area for future research concerns the integration of normative thinking and discussion into the daily life of organization members. To achieve this integration, normative ideas and arguments have to be 'translated' into language that is compatible with everyday organizational life. They have to be linked to the daily issues faced by organization members such that they become practically relevant and useful for decision making.

Samenvatting

Ondanks een strengere regelgeving in veel sectoren komen er steeds weer nieuwe schandalen rond onethisch gedrag in bedrijven aan het licht, zoals onlangs bij Volkswagen. Het aantal en de omvang van dergelijke gevallen van onethisch gedrag heeft bij het grote publiek veel wantrouwen opgeroepen, niet alleen in de betrokken bedrijven, maar ook in grote bedrijven in het algemeen en het westerse economische stelsel. Om verder verlies aan vertrouwen te voorkomen, is het vinden van effectieve middelen om onethisch gedrag binnen bedrijfsorganisaties te voorkomen een urgente uitdaging geworden. Onderzoekers op het gebied van bedrijfsethiek hebben deze uitdaging op zich genomen. Een belangrijk doel van dit onderzoeksgebied is het verkrijgen van inzichten in de processen die leiden tot het onethisch gedrag van individuen binnen een organisatie; dit is namelijk een voorwaarde voor het vinden van effectieve preventieve middelen.

Hoewel individuen zich op alle vlakken in hun leven ethisch of onethisch kunnen gedragen, vindt (on)ethisch gedrag *in een (bedrijfs) organisatie* plaats binnen een bepaalde context: het netwerk van formeel voorgeschreven en informeel ontstane sociale relaties met anderen dat kenmerkend voor organisaties is. Deze sociale relaties vormen de specifieke context voor het gedrag van individuen binnen een organisatie. Op basis van deze benadering onderzoekt dit proefschrift hoe de sociale relaties tegenover anderen van belang zijn voor het ethische of onethische gedrag van een persoon binnen een organisatie. Ik benader deze overkoepelende onderzoeksraag vanuit vier verschillende perspectieven in vier hoofdstukken. Elk daarvan is geschreven als een afzonderlijke en op zichzelf staande studie, en richt zich op een specifiek

onderwerp. Samen behandelen de hoofdstukken zowel descriptieve als normatieve benaderingen, theoretische en empirische analyses en statische en dynamische perspectieven.

De eerste studie, *“Spreiding van onethisch gedrag binnen organisaties: een dynamisch sociaal netwerkperspectief”*, onderzoekt welke processen onethisch gedrag binnen organisaties stimuleren, en onder welke omstandigheden onethisch gedrag waarschijnlijk vooral toeneemt. Terwijl de spreiding van onethisch gedrag binnen organisaties vooral is onderzocht ten aanzien van processen die in een algemene sociale context voorkomen, onderzoekt deze studie de reacties van de actoren binnen de context van hun specifieke sociale relaties. De studie introduceert een dynamisch sociaal netwerk analyse raamwerk waarin deze spreiding wordt geconceptualiseerd als gevolg van de reacties van daders, slachtoffers en waarnemers op een eerste daad van onethisch gedrag. Binnen de dynamische processen van dit raamwerk spelen sociale relaties een drievoudige rol. Ten eerste zijn zij de kanalen voor informatie over onethisch gedrag, terwijl de actoren zich via hun sociale relaties bewust worden van onethisch gedrag door anderen. Ten tweede kunnen sociale relaties de reactie op onethisch gedrag van een actor beïnvloeden, omdat de cognitieve beoordeling van het gedrag door de actor gedeeltelijk afhangt van zijn relaties met de bij het gedrag betrokken personen. Ten derde kunnen sociale relaties veranderen als gevolg van de beoordeling van het gedrag door de actor. Het voorgestelde raamwerk laat zien dat er door dergelijke veranderingen in sociale relaties indirecte negatieve gevolgen kunnen optreden voor organisaties.

Deze eerste studie ontwikkelt een sociaal netwerk analyse raamwerk op basis van dynamische actoren-georiënteerde stochastische modellen voor sociale netwerken, maar specificeert een dergelijk model niet mathematisch. Andere beperkingen zijn onder meer de focus op onethisch gedrag door afzonderlijke individuen in plaats van gecoördineerd of collectief gedrag; de afweging van individuele actoren, hun sociale relaties en reacties in plaats van de dynamiek op groeps- of organisatieniveau; en het

ontbreken van kenmerken op individueel niveau als factoren die de reactie van individuen op onethisch gedrag beïnvloeden.

Voor organisaties suggereert dit in de eerste studie ontwikkelde raamwerk dat de toename van onethisch gedrag kan worden gestopt indien reacties op onethisch gedrag door het interne rechtssysteem van de organisatie van verder onethisch gedrag kunnen worden weggeleid. Zowel geloofwaardige retributieve en herstellende mechanismen als een sterk klimaat van procedurele gerechtigheid kunnen meestal de neiging tot herhaling, imitatie en directe of indirecte vergelding na onethisch gedrag helpen verkleinen. Daarnaast impliceert dit raamwerk dat organisaties bij het uitvoeren van risicobeoordelingen de waarschijnlijkheid moeten overwegen dat een bepaald type onethisch gedrag zich verspreidt, in plaats van alleen de impact van een eerste onethische handeling te overwegen. Als laatste suggereren de verschillende mechanismen van spreiding vastgesteld binnen dit raamwerk, dat organisaties niet mogen veronderstellen dat zij een bepaald soort onethisch gedrag met succes kunnen indammen, zoals bijvoorbeeld onethisch gedrag tegenover de organisatie, terwijl ze stilzwijgend andere varianten vergelijken, zoals onethisch gedrag ten voordele van de organisatie (tenminste op korte termijn) tegenover externe belanghebbenden (pro-organisatorisch onethisch gedrag).

De volgende studie, *“Alles over één kam? Meten van onethisch gedrag op de werkplek door middel van zelfverslagen en waarnemerverslagen”* behandelt een fundamentele uitdaging tegenover empirisch onderzoek van onethisch gedrag: hoe kan onethisch gedrag worden gemeten. Het rapporteren van het eigen onethische gedrag kan sociale zorgen oproepen over hoe de ene persoon op anderen overkomt, hetgeen de respondent er weer toe kan bewegen vertekende antwoorden te geven. Om dergelijke problemen te voorkomen vragen onderzoekers respondenten vaak het onethische gedrag te melden aan hun gelijken (waarnemerverslagen) om de omvang van onethisch gedrag te meten, in plaats van hun eigen gedrag te melden (zelfverslagen). Maar welke informatie geeft de frequentie van waargenomen onethisch gedrag over de frequentie van werkelijk voorkomend onethisch gedrag? Dit onderzoek vergelijkt waarnemerverslagen en

zelfverslagen voor 37 verschillende vormen van onethisch gedrag in organisaties met behulp van data van een groep werknemers uit Zwitserland ($N=428$). In vergelijking met zelfverslagen leverden waarnemerverslagen voor alle 37 categorieën meer meldingen van onethisch gedrag op, en deze verschillen waren significant voor 32 categorieën waar het schaalscores betreft en voor 31 waar het deelnamegraden betreft. Deze resultaten suggereren dat onderzoekers die waarnemerverslagen gebruiken waarschijnlijk een hogere schatting van de omvang van onethisch gedrag verkrijgen dan onderzoekers die zelfverslagen gebruiken. Onderzoekers mogen daarom niet aannemen dat zij de mate waarin onethisch gedrag voorkomt kunnen meten aan de hand van de mate waarin het onethische gedrag wordt waargenomen. Voorts blijkt dat zelfs een kwantitatieve overeenkomst van de gemiddelden, die door de twee verschillende methoden zijn verkregen, geen informatie oplevert over of er van waarnemerverslagen en zelfverslagen verwacht kan worden dat zij dezelfde relaties tegenover criteriumvariabelen hebben waarin onderzoekers geïnteresseerd zijn.

Beperkingen van deze tweede studie zijn onder meer de aanpassing van de schaal van onethisch gedrag voor waarnemerverslagen om zelfverslagen uit te lokken zonder analyse van de factorstructuur van de aangepaste schaal; het ontbreken van empirisch onderzoek van factoren waarvan in theorie wordt verwacht dat ze de verschillen tussen zelfbeoordelingen en waarnemerverslagen zullen beïnvloeden, zoals beoordelingen van waargenomen onethische aard van het gedrag; de heimelijkheid van het gedrag, of metingen voor zelfbedrog en indrukmanagement; en het gebruik van een steekproef van medewerkers uit slechts één land.

Voor organisaties suggereert dit onderzoek dat medewerkers onethische handelingen vaker waarnemen dan dat ze die plegen. Dergelijke blootstelling aan onethisch gedrag van anderen kan hen overhalen zelf ook tot onethisch gedrag over te gaan. Tegelijkertijd kan iedere medewerker die onethisch gedrag waarneemt er ook op reageren door het te melden, zodat de organisatie passend kan reageren. Daarom is het bieden van toegankelijke wegen om onethisch gedrag te melden zonder angst voor

represailles, belangrijk voor organisaties om de door onethisch gedrag aangerichte schade te beperken.

De derde studie, “*Onderzoeken van de interactie tussen descriptieve en injunctieve normen binnen organisaties*” onderzoekt informatie over het onethische gedrag door anderen vanuit het perspectief van sociale normen. Informatie over het onethische gedrag door sociaal verbonden anderen vertegenwoordigt de descriptieve norm, of de norm ‘zoals het is’. De norm ‘zoals het moet’, of injunctieve norm, is het tweede type sociale norm; deze definieert hoe de leden van organisaties zich zouden moeten gedragen. Eerder verrichte experimenten tonen aan dat beide typen normen het gedrag van individuen in het algemeen en het niet-normatieve gedrag in het bijzonder beïnvloeden. De derde studie draagt aan dit onderzoek bij door het beoordelen hoe descriptieve en injunctieve normen binnen een organisatorische context op elkaar inwerken bij het beïnvloeden van individueel onethisch gedrag, aan de hand van niet-experimentele data uit dezelfde steekproef als in de tweede studie. Ik test twee concurrerende modellen die zijn afgeleid van alternatieve mechanismen van sociale beïnvloeding. De resultaten ondersteunen een sociaal informatieverwerkend model waarin descriptieve normen de effecten van het bestaan en afdwingen van injunctieve normen volledig mediëren. Dit resultaat suggereert dat individuen sterk leunen op informatie die ze ontlenen aan het gedrag van sociaal verbonden anderen bij de beslissing hoe ze zichzelf moeten gedragen, en de injunctieve normen alleen maar interpreteren en afdwingen in het licht van het daadwerkelijke gedrag van anderen. Dit onderstreept de directe en sterke invloed van het gedrag van gelijken op het gedrag van een individu, die in eerdere studies werd waargenomen, en geeft aan dat een chronische focus op descriptieve normen binnen organisaties overheersend kan zijn. In het concurrerende moderatiemodel op basis van een sociaal leerperspectief blijkt daarentegen dat het afdwingen van injunctieve normen de relatie tussen het onethische gedrag van gelijken en het onethische gedrag van een werknemer onverwacht eerder versterkt dan verzwakt. Dit resultaat is mogelijk te wijten aan de mogelijke contraproductieve effecten van handhavingsacties zoals gevonden in het onderzoek naar sancties.

Beperkingen van deze studie omvatten het gebruik van transversale gegevens uit een enkele bron; het uitsluitend vertrouwen op de waarnemingen van sociale normen door afzonderlijke individuen in tegenstelling tot gedeelde waarnemingen; het omgaan met straffen van onethisch en belonen van ethisch gedrag onder één constructie; en de mogelijkheid dat de resultaten beïnvloed kunnen zijn door sociaal wenselijke vertekening.

Voor organisaties vormen injunctieve normen meestal een centraal element van ethiek en compliance programma's binnen organisaties. De uitkomsten van deze studie benadrukken dat ethiek en compliance functionarissen ook de invloed van de soorten gedrag, die medewerkers op dagelijkse basis daadwerkelijk waarnemen, zorgvuldig moeten overwegen. Daarnaast moeten ze speciale aandacht besteden aan situaties waarin injunctieve en descriptieve normen waarschijnlijk tegenstrijdig zijn, en door gerichte interventies proberen de injunctieve normen meer in het vizier te brengen dan de descriptieve normen.

Terwijl de eerste drie studies descriptieve analyses bieden, biedt de vierde studie, *“Relaties met personen met namen en gezichten: ontdekken van een relationeel normatieve kern voor belanghebbendentheorie”*, een normatieve analyse. Deze vierde studie ontwikkelt een normatieve kern voor een versie van de belanghebbendentheorie, die belanghebbenden beschouwt als concrete, afzonderlijke personen, en niet als abstracte generieke groepen. Deze normatieve kern is geworteld in een relationeel perspectief op ethiek, geïnspireerd door het filosofische werk van Buber en Levinas. Centraal in dit perspectief staan de sociale aard van mensen, hun sociale relaties met unieke, concrete anderen, en de verantwoordelijkheden die uit hun relaties met anderen voortvloeien. Deze relationele normatieve kern bestaat weer uit drie bestuursprincipes op basis van de concepten van rechtvaardigheid en rechtvaardiging, en uit drie principes voor bestuursactiviteiten, geworteld in het idee van de prioriteit van persoonlijke relaties met werkelijke unieke menselijke wezens. Het identificeert ook drie achtergronddisciplines voor een omvattend begrip van de waardencreatie binnen bedrijfsorganisaties.

De in deze vierde studie ontwikkelde relationele normatieve kern moet niet worden gezien als een poging tot het ontwikkelen van een ‘Levinasiaanse’ of ‘Buberiaanse’ bedrijfsethiek, noch als het willen bieden van een betere of enige mogelijke basis voor de belanghebbendentheorie. Toch ben ik ervan overtuigd dat zij vooral past bij de op het individu gerichte versie van de belanghebbendentheorie. Deze vraagt van organisatieleden de bereidheid tot het levendig verbieden en wellicht persoonlijk in contact komen met de specifieke unieke mensen die door een specifieke beslissing of actie worden beïnvloed. Zij vereist ook een persoonlijke en situationele benadering van besluitvorming en geen op de uniforme toepassing van standaardregels gebaseerde benadering. Bestaand descriptief onderzoek heeft aangetoond dat het rekening houden met echt bestaande mensen belangrijk is bij ethische besluitvorming. Dit geeft aan dat de principes van deze normatieve kern effectief kunnen bijdragen aan het veranderen van gedrag in zakelijke organisaties. Informatie- en communicatietechnologieën en alleen al de grootte van veel moderne organisaties vormen echter een uitdaging bij het toepassen van de principes van de relationele normatieve kern: ze neigen naar het scheppen van afstand tussen mensen, en kunnen de anderen onzichtbaar of gezichtsloos maken. Daarom kunnen het faciliteren van de ervaring van persoonlijke relaties en het stimuleren van persoonlijke betrokkenheid, bijvoorbeeld door het gebruik van (literaire) verhalen of dialogen met belanghebbenden, de sleutel zijn tot het stimuleren van ethisch gedrag binnen organisaties.

Deze vier studies dragen bij aan genuanceerde inzichten in de verschillende manieren waarop sociale relaties van belang zijn voor het (on)ethische gedrag van een persoon in een organisatie. In plaats van naar een overkoepelende, uniforme theorie te leiden, draagt de studie bepaalde stukjes bij aan de puzzel waar onderzoekers op het gebied van bedrijfsethiek aan werken. Als geheel stellen de vier studies drie belangrijke gebieden voor toekomstig onderzoek voor. Ten eerste de combinatie van analysemodellen en -technieken voor sociale netwerken met inzichten uit (gedragswetenschappelijk) onderzoek naar bedrijfsethiek, waarmee onderzoekers

kunnen aansluiten op het microniveau van individuele besluitvorming, op handelingen, en kenmerken van (opkomende) eigenschappen en structuren van het netwerk op macroniveau. Daarom heeft dergelijk onderzoek de potentie tot het integreren van inzichten uit onderzoek naar bedrijfsethiek op verschillende analysesniveaus, en tot het profiteren van organisatorisch gedragsonderzoek op de effecten van sociale netwerken op verschillende organisatorische uitkomsten. Het tweede gebied voor toekomstig onderzoek heeft betrekking op de analyse van de interactie tussen injunctieve en descriptieve sociale normen. Kwalitatieve observatiestudies, en mogelijk archiefstudies die gedurende een bepaalde periode binnen organisaties worden uitgevoerd, bijvoorbeeld na de introductie van een nieuw beleid, zullen waarschijnlijk belangrijke inzichten opleveren in de interactie tussen deze twee soorten normen, en hun gezamenlijke invloed op (on)ethisch gedrag. Dergelijke studies kunnen vooral relevant zijn voor de organisatorische praktijk, omdat formele regels in de meeste organisaties een sleutel element vormen van ethiek- en complianceprogramma's. Het derde gebied voor toekomstig onderzoek betreft de integratie van een normatieve denkwijze en discussie in het dagelijks leven van organisatieleden. Om deze integratie te realiseren moeten normatieve ideeën en argumenten worden “vertaald” naar een taal die compatibel is met het dagelijkse bedrijfsleven. Ze moeten worden gekoppeld aan de dagelijkse problemen waarmee organisatieleden worden geconfronteerd, zodat ze praktisch relevant en bruikbaar worden bij het nemen van beslissingen.

About the author

Franziska Zuber was born on 1 August 1983 in St.Gallen, Switzerland. In 2002, she started her studies in economics at the University of St.Gallen, Switzerland, during which she spent exchange terms at the University of Lausanne, Switzerland and at the University of Toronto, Canada. In 2007, she graduated from University of St.Gallen with a Master of Arts in Economics with honors, and an award-winning Master's thesis on economic crime. Keeping with the topic of her Master's thesis, she joined the Forensic department of KPMG AG in Zurich, Switzerland, in the same year. At KPMG AG, she conducted investigations into cases of fraud and non-compliance for clients, and advised them on fraud prevention and compliance management for more than eight years. Over time, she was gradually promoted to the position of Senior Manager. In 2016, she left the consulting industry to join Swissgrid AG as Compliance Officer, where she is responsible for the company's compliance management system.



In 2010, while working at KPMG AG, she started her doctoral studies at Rotterdam School of Management as an external candidate. She has published in the *Journal of Business Ethics*. Her other activities in relation to her PhD studies are summarized in the portfolio below.

Portfolio

Publications

Journal articles

Zuber, F. (2015). Spread of unethical behavior in organizations: A dynamic social network perspective. *Journal of Business Ethics*, 131(1), 151-172.

Zuber, F. & Kaptein, M. (2014). Painting with the same brush? Surveying unethical behavior in the workplace using self-reports and observer-reports. *Journal of Business Ethics*, 125(3), 401-432.

Conference proceedings

Zuber, F. (2012). A Ripple Effect: Exploring the Spread of Organizational Misconduct. In E. Simões and J. Neves (eds.), *Research on Ethics and Social Responsibility* (pp. 13-31). BRU-IUL, Lisbon.

Conference Presentations

Symposium on Ethics and Social Responsibility Research, ISCTE Lisbon: paper presentation	April 2011
Manuscript Development Workshop, Social Issues in Management Division, Academy of Management Annual Meeting, San Antonio	August 2011
Doctoral Seminar, European Business Ethics Network Annual Conference, Antwerpen: paper presentation	September 2011
Applications of Social Network Analysis Conference, Zürich: paper presentation	September 2012
Doctoral Academy, European Business Ethics Network Annual Conference, Barcelona: paper presentation	September 2012

Courses

<i>Essex Summer School in Social Science Data Analysis and Collection</i>	11 July – 6 August 2011
Measurement Instruments in Survey Research (35 hours)	
Qualitative Research Methods (35 hours)	
Social Network Analysis Theory and Application (35 hours)	
<i>Social Issues in Management Division Doctoral Consortium, Academy of Management</i>	August 2012
<i>GESIS Summer School in Survey Methodology</i>	8 – 16 August 2013
Statistical Data Analysis Using R (12 hours)	
Introduction to the Structural Equation Modeling Framework (30 hours)	

Teaching

Design and delivery of various courses on ethics and compliance management for clients (practitioners) during her employment at KPMG AG	2012 – 2015
Guest lecture for Master course “Wirtschaftskriminalität / Corporate Resilience”, University of St.Gallen, Switzerland (1 lesson)	April 2016

The ERIM PhD Series

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Dissertations in the last five years

Abbink, E.J., *Crew Management in Passenger Rail Transport*, Promotors: Prof. L.G. Kroon & Prof. A.P.M. Wagelmans, EPS-2014-325-LIS, <http://repub.eur.nl/pub/76927>

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This dissertation asks how social relationships matter for a person's ethical or unethical behavior in an organization. Two observations motivate this question. First, in organizations, the network of formally prescribed and informally emerging social relationships with others constitutes the distinctive context for the behavior of the individuals. Second, (un)ethical behavior is inherently social in that the consideration of other persons is at the heart of ethics. Four independent studies each answer a specific question derived from this overarching question. The first study explores the role of social relationships in the process of spread of unethical behavior by developing a dynamic actor-oriented social network analysis framework. The second study focuses on the role of social relationships as conduits for information about unethical behavior, and empirically compares observer-reports on unethical behavior to self-reports. The third study empirically analyzes how unethical behavior by peers, which defines the descriptive norms, interacts with the formal rules, which constitute the injunctive norms, to influence individuals' unethical behavior. The fourth study examines philosophical views which conceive social relationships as the source of ethical obligations to formulate a normative core for an individual-oriented version of stakeholder theory. Taken together, the results of this research show that social relationships can foster as well as impede unethical behavior depending on their specific constellation and on perceptions of their nature; that they are affected by unethical behavior; and that attempts to prevent unethical behavior in organizations are unlikely to be successful unless social relationships are taken into consideration.

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