BUSINESS ETHICS

BUSINESS AND SOCIETY 360

Series Editors: David M. Wasieleski and James Weber

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The *Business and Society (BAS) 360* book series is an annual publication targeting cutting-edge developments in the broad business and society field, such as stakeholder management, corporate social responsibility and citizenship, business ethics, sustainability, corporate governance and others. Each volume will feature a comprehensive discussion and review of the current 'state' of the research and theoretical developments in a specific business and society area. As business and society is an inherently multi-disciplinary scholarly area, the book series will draw from work in areas outside of business and management, such as psychology, sociology, philosophy, religious studies, economics and other related fields, as well as the natural sciences, education and other professional areas of study.

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The book should appeal to a wide range of readers; from emerging and senior business school educators researching and teaching in the business and society field, to doctoral and Master's level students across the business, social sciences and natural sciences seeking to learn about this multi-discipline and sustained field of management study. Business executives and managers could benefit from reading how the business and society field began, the path it has taken and the new, emerging directions that scholars envision for the field.

BUSINESS ETHICS

EDITED BY

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About the Editors

David M. Wasieleski is a Professor of Business Ethics and Management at Duquesne University and Affiliate Research Professor at the ICN Business School in Nancy, France. Dr Wasieleski has published in many major academic journals in the areas of business ethics, decision-making, and sustainability. He serves as an Associate Editor (Ethics Track) for *Business & Society*, Section Editor for Behavioral Business Ethics for the *Journal of Business Ethics*, Associate Editor for the *Humanistic Management Journal, and* the North American Editor of the *Journal of Business Ethics Education*. In 2018−2019, David is the Division Chair of the Social Issues in Management Division at the Academy of Management.

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Preface

Where Are We? How Did We Get Here? Which Way Should Be Go Now?

Sound familiar? Have you ever considered the answers to these questions related to the work you do? Existential moments are common in the maturation of any academic discipline. They are the product of a passionate, caring constituency that is careful about making meaningful contributions that can propel future research and provide illusory discoveries that are conceptually powerful, empirically sound, and practically useful.

It is in this spirit for academic progress that we proudly present, the *Business and Society 360 (BAS 360)* annual book series. It is our view that there has never been a more opportune time to introduce a comprehensive book series on the most important theories, concepts, and constructs that drive our field. Taking advantage of this moment of reflection that seems to creep into many of our academic discussions at IABS, the Academy of Management (primarily in the Social Issues in Management Division), and our scholarship, as evidenced by a recent Special Issue in *Business and Society* on "Stakeholder Theory at the Crossroads," as well as an editor reflection piece on how to define the scope of work that appears in the journal. We also see debates about the field's status through groups like, The Aspen Institute, who hosts an annual forum on topical CSR issues with the purpose of determining the most promising future research.

We envision *BAS 360* as an annual book series targeting cutting-edge developments in the broad business and society field (stakeholder management, corporate social responsibility and citizenship, business ethics, sustainability, corporate governance, and others). Each volume features a comprehensive 360-degree discussion and review of the current state of the research and theoretical developments in a specific area of business and society scholarship. The goal of this series is to shape future work in the field around our many disciplines and topics of interest, to

enlighten scholars in the area about the most productive roads forward. Essentially, at this crossroad, which way do we proceed?

The 360-degree view is intended to reflect on a theory's cross-discipline research, empirical explorations, cross-cultural studies, literature critiques, and meta-analysis projects. Given our multidisciplinary identity, each volume draws from work in areas both inside and outside of business and management.

Introduction to this Volume on Business Ethics

The *Oxford Handbook of Business Ethics* defines the field of business ethics rather broadly. It is rooted in the philosophical analysis of moral dilemmas related to business issues. But it also involves normatively dealing with the social and economic exchanges within business (Brenkert & Beauchamp, 2012), in pragmatic ways. According to Georges Enderle (2018), business ethics' philosophical orientation is understood as a three-level approach, relating to enhancing "the ethical quality of decision making and action at [...] the personal (micro), organizational (meso), and systemic (macro) levels" (p. 620). Comprehensively, business ethics entails economic ethics as well (van Liedekerke & Demuijnck, 2011). It is a constantly evolving discipline, which has seen its development accelerated in the past decades under the influence of globalization.

While there is some debate over when the field of business ethics actually began, it has come a long way since the days of asking whether it is an oxymoron and whether it is possible to be taught in business schools. Coinciding with the formation of the first major business schools in universities across North America, at the turn of the last century, the *Wall Street Journal* editorialized that business schools were expected to engage "in the training of the consciences of their students in habits of spontaneous morality" (1903, p. 1). Still, in these early days following the advent of the Second Industrial Revolution (Micklethwait & Wooldridge, 2005), the effective delivery of business ethics education was questionable (Abend, 2013). As recently as 1970, Henk van Luijck, Europe's first full professor in business ethics, was quoted as saying, "Back in 1970 nobody had ever heard of business ethics as we know it now" (van Luijck, 2006). In his reflections on the field, van Luijck lamented that business ethics, as a research discipline, did not yet exist.

Since then, the field has advanced at a great rate. Business ethics has become a standalone discipline but has also expanded into "different domains and specializations" (van Liedekerke & Demuijnck, 2011). It is a multidisciplinary field that borrows from and informs such diverse areas as philosophy, psychology, sociology, and management (among others). Business ethics is even considered a cornerstone in the strategic management field as evidenced by the hundreds of articles published in strategy over the last 20 years and calls for more ethics-oriented research in this area (Robertson, 2008). Business ethics is flourishing in North America (Petrick, Cragg, & Sanudo, 2011) and abroad. Researchers in this area remain bonded by their commitment to understand how ethical business behavior can be improved.

Despite some doubts over how much progress the field has made over the last 25 years (Wood, 2017), the sophistication of business ethics as an area of inquiry is evidenced by the proliferation of ethics research at the Academy of Management beyond the Social Issues in Management Division. Arguably, every division and interest group at the Academy explores business ethics issues and applies ethical perspectives into their domains. Other major academic associations such as the International Association for Business and Society, the Society for Business Ethics, the European Business Ethics Network, the Sustainability, Ethics, and Entrepreneurship group, and the International Humanistic Management Association, among others, all promote business ethics work for scholars, instructors, and practitioners. Accreditation agencies like AACSB and Equis have revised their standards for business educational institutions to embrace the importance of including ethics education across business disciplines.

Recent calls for more reflection and theoretical and empirical development in business ethics research (Abend, 2013; Blay, Gooden, Mellon, & Stevens, 2018; Enderle, 2018; Painter, Hibbert, & Cooper, 2018) continue to push the field forward. Partly in response to these calls, but also in the spirit of the *BAS 360* book series' purpose, we selected "Business Ethics" as the theme for the third volume. This concept, broadly defined, encompasses work in a variety of subdisciplines of business ethics research. Leading scholars in the field provide their insights on the progress each business ethics area has made and offer chapters addressing business ethics research across the individual, organizational, and institutional/systemic levels of analysis. Topics in behavioral business ethics, ethical leadership, philosophical foundations, group morality, corruption, moral development, technology, and neuroscience are surveyed in Volume 3.

This volume is broken down into four main sections that take us on a journey from reflections on the development of the business ethics field to major areas of research at different levels of analysis to possible future research avenues. Part 1 features two chapters on the foundations of the business ethics field asking, where have we come from and where have we been. The second section focuses on influences on business ethics at the individual level of analysis. Next, Part 3 addresses organizational-level ethics. Finally, the book ends with chapters highlighting new frontiers in research for the business ethics field.

In Part 1, the opening chapter co-authored by Jennifer Kish-Gephart, Linda Trevino, Anjier Chen, and Jacqueline Tilton discusses the history and future of behavioral ethics research. The authors analyze and review the historical trends of business ethics research from the 1960s to 2000s. They argue that the need for behavioral business ethics research is ever-present and offer future research opportunities in this growing area.

The second chapter in this first section provides an additional foundational review of the business and society domain by examining the ethical implications of the current technological revolution. John Hooker and Tae Wan Kim provide a compelling discussion of how ethics can inform and advise business in this modern age of ubiquitous and exponential technological development. They critically examine our current ethics approaches in this new context and invite us to consider new business models and ways of thinking in the wake of this social transformation.

Part 2 begins with a chapter by Javier Pinto-Garay on virtue ethics in business. Dr Pinto-Garay provides a 360-degree view of recent research in the virtue ethics area by first identifying some of its main sources and outlining the main epistemological approaches. He presents different spiritual approaches to virtue as well as the major work in modern virtue ethics. His chapter ends with an invitation for new work in this area that could address current business issues.

Also in this section on individual-level business ethics, Chapter 4 looks at the effects of unethical leadership in organizations. Preethi Misha and Marius van Dijke survey the existing research on unethical leadership, but then take an interesting focus on middle and junior managers. Specifically, they examine how these types of managers make meaning of top-level unethical leadership. Their empirical study shows how the unethical actions of top leaders can trickle down to lower levels of the organization. This has great implications for managerial practice.

In Chapter 5, Matthew Caufield engages us with a relatively new concept in the field, expressive business ethics. He stresses the importance of how individuals' actions affect others' attitudes. Each action we take expresses a certain meaning to others, which has huge implications for organizational responses. This expressive perspective offers a promising approach to business ethics research.

Finally, Part 2 concludes with a chapter by Dawn Elm on cognitive moral development and ethical decision-making. Dr Elm reviews the major work on CMD and moral reasoning and reflects on how moral reasoning affects individuals' handling of ethical dilemmas. She incorporates different perspectives on cognitive moral reasoning by examining the role of emotions and intuitions in decision-making. This chapter concludes with an analysis of the methods used to empirically test moral reasoning and offers her insights into the next steps for this area of research.

This volume then moves to the organizational level, starting with a chapter discussing the importance of morality in group settings. Lily Morse, Jonathan Kenney, and Christopher Adkins walk us through more than 30 years of research in this area, drawing on work in multiple disciplines. Their chapter critically reviews this rich body of work and synthesizes it into a proposal for future research on morality at different levels of analysis. They specifically call for more work on the relationship between moral emotions and the social environment to better understand this aspect of business ethics.

Chapter 8, written by Richard Nielsen, considers unethical behavior across levels with a commentary on how observers deal with unethical behavior in organizations. He discusses in detail five types of observer ethics engagement methods to help facilitate effective and safe ways for observers of unethical behavior to navigate these instances. Specific cases and contexts are explained to devise strategies for surviving this organizational phenomenon.

Flowing from the previous chapter's discussion of unethical behavior in organizations, Chapter 9 addresses the dark side of behavioral ethics research. Scott Reynolds and Eunhee Bae review concepts that typically are presented as desirable through a negative lens. This very interesting perspective on behavioral ethics looks at ethics concepts through philosophical and institutional perspectives to demonstrate how these concepts could have a dark side. This chapter will have readers rethinking concepts in our field by having them consider the possible implications of the dark side of research and management.

Part 4 of this volume presents chapters that explore newer lines of inquiry within business ethics research. These "new frontiers" begin with an examination of neuroscience research in the context of ethical leadership. Christian Voegtlin, Ina Walthert, and Diana Robertson highlight recent brain research in social cognitive neuroscience to elucidate the field's understanding of how ethical leaders operate, as well as how individuals relate to one another. This fast-developing area of research provides fruitful avenues of research in ethical leadership and responsibility.

Our next chapter presents a new way of perceiving our research by offering an ontology for ethical and responsible management centered on humanistic management principles. Michael Pirson and Erica Steckler argue for a revised paradigm for ethical management of organizations, one that emphasizes dignity, well-being, and the reduction of human suffering. The application of this human-centered ontology provides a plethora of research opportunities in responsible management.

Finally, Chapter 12 ends our book with an introduction into new "precision" tools for ethics research. Regina Taylor, Marshall Schminke, Guillaume Soenen, and Maureen Ambrose, wrap up this volume with a forward-looking vision of the business ethics field. They argue for more refinement in the conceptualization and measurement of behavioral ethics variables. Using an example that sheds light on what needs to be accomplished, the authors introduce a new concept, perceived organizational support for ethics (POS-E). They test its predictive power and then posit several theoretical and practical implications that show why it is so critical to strive for construct specificity in our field.

This volume's survey of business ethics research past, present, and future is not exhaustive of all work being conducted in this field. We do not pretend to provide coverage of every stream of research in this vast domain. However, our expert scholars contributing to this book do present major areas of study that can inform future work within this aspect of business and society research. We are confident that this fine collection of chapters will inspire further thought toward advancing our field.

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PART 1
FOUNDATIONS

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Chapter 1

Behavioral Business Ethics: The Journey from Foundations to Future

Jennifer J. Kish-Gephart, Linda Klebe Treviño,
Anjier Chen and Jacqueline Tilton

Abstract

The field of behavioral business ethics has come a long way since its inception nearly five decades ago. Pioneered in part in response to a number of high-profile corporate scandals, the early field of business ethics was thought by many to be a fad that would recede along with the salience of the scandals of the day. Yet, this could not have been further from the truth. The need for behavioral business ethics research remains ever-present, as evidenced by the sustained number of scandals and unethical behavior within and by organizations. Moreover, research in this area has burgeoned. In the 1980s, only 54 articles had been published on this topic (Tenbrunsel & Smith-Crowe, 2008); today, a similar search yields over 3,000 "hits." In light of the area's growth, we suggest the need to take a look back at the seminal work that sparked social scientific work in the field. In particular, this chapter has two main objectives. First, we provide a review of select foundational work. In so doing, we identify some of the key trends that characterized early knowledge development in the field. Second, we draw on this historical context to consider how past trends relate to current work and speak to future research opportunities.

Keywords: Business ethics; behavioral business ethics;
moral psychology; ethical decision making; organization science;
historic foundations

The study of ethical decision-making and behavior in organizations has come a long way since the sporadic work that characterized the business ethics field nearly five decades ago. In the 1970s, only 10 articles had been published on the topic of business ethics in organizational behavior (Tenbrunsel & Smith-Crowe, 2008) while today (in 2018), a similar search yielded over 3,000 "hits." Additionally, in 2005, O'Fallon and Butterfield noted that more empirical research articles had been published in the preceding seven years than in the previous four decades and the upward trend has continued, as seen in recent reviews (e.g., Kish-Gephart, Harrison, & Treviño, 2010; Moore & Gino, 2015; Treviño, Den Nieuwenboer, & Kish-Gephart, 2014; Treviño, Weaver, & Reynolds, 2006; Weaver, Reynolds, & Brown, 2014).

In light of this area's growth, we take a look back at some of the seminal work that started the field. For those who are new to the field, its current success may give the false impression that it has always been accepted as a legitimate area of study. Yet, for many years, business ethics researchers struggled with the perception that the study of ethical decision-making and behavior in organizations was "just a fad" and would recede along with the salience of the most recent high-profile scandal. This latter belief is particularly surprising given that scandals are not new to American history and have been cited as the motivation behind business ethics-related writings and research since at least the 1950s. Consequently, rather than providing a comprehensive review of business ethics work (as there are many excellent reviews available to interested readers; e.g., Moore & Gino, 2015; Tenbrunsel & Smith-Crowe, 2008; Treviño et al., 2014; Treviño et al., 2006; Weaver et al., 2014), our goal in this chapter is to provide a summary of the historical trends that characterize the early years of business ethics research. In so doing, we aim to elucidate the "historical knowledge" that "gives solidity to the understanding of the present and may suggest guidelines for the future" (Elton, 1967, p. 67 as cited by Warren & Tweedale, 2002, p. 211).

In the following sections, we begin by defining (un)ethical behavior and distinguishing normative (the study of the "ought") from descriptive (the study of "what is") ethics research. Next, we review some of the key works that typified the business ethics research landscape across three different time periods: (1) the years before business ethics became a discernable field (between the 1960s and early 1980s), (2) the "birth" of behavioral business ethics as a field (mid- to late 1980s), and (3) the subsequent two decades that helped substantiate the field's durability

(from the 1990s to early 2000s). We conclude the chapter with a discussion of future research opportunities.

Defining Behavioral Business Ethics

Before turning to the review, two points are worth noting. First, Treviño and colleagues (2006) identified three outcomes that are commonly studied within behavioral business ethics − including extraordinary ethical behavior that goes beyond society's moral minimums (e.g., charitable giving, whistleblowing), more routine ethical behavior that meets minimum moral standards of society (e.g., honesty, treating people with respect), and *un*ethical behavior (behavior that is contrary to accepted moral norms in society; e.g., lying, cheating, stealing among others). Due to length restrictions, our chapter will focus on the latter two. However, we point interested readers to extant reviews on whistleblowing (Mesmer-Magnus & Viswesvaran, 2005; Miceli, Near, & Dworkin, 2013 and voice Morrison, 2011, 2014). We also follow prior convention by using the term "ethical" behavior broadly to refer to *both* ethical and unethical behavior in an organizational context (Treviño et al., 2014).

A second consideration is the distinction between normative and descriptive ethics. The *normative or philosophical approach* to business ethics offers multiple normative frameworks to guide ethical decision-making and behavior (frameworks that help people decide what they "should" do in ethical dilemma situations and then are applied to business ethics decisions and issues). By contrast, the *social scientific approach* has focused on explaining and predicting actual ethical and unethical decision-making and behavior − what people think and do when facing a morally charged issue and what influences their thinking and action. In this chapter, we prioritize the social scientific study of business ethics although we recognize the important contributions of normative work. And, because the mid- to late 1980s and early 1990s raised a discussion among business ethics scholars about how the two approaches might (or should) be separate or even integrated (e.g., Donaldson & Dunfee, 1994; Kahn, 1990; Treviño & Weaver, 1994; Weaver & Treviño, 1994), we also discuss and cite normative work where appropriate.

Setting the Stage − Pre-1980s Work in Business Ethics

Concern about the values, morals, or ethics of business is nothing new. Historians point to questions posed by concerned citizens and

journalists about the ethics of American business as far back as the early days of our country's history (e.g., Zinn, 2003). Yet, as we describe below, the study of business ethics has relatively recently become a distinct social scientific field. In this section, we provide a brief account of some of the key works and historical events that preceded and, in many ways, helped to inspire the "birth" of the field.

Pre-1960s

According to a review by DeGeorge (1987), "the principal activity during this long and indefinite period was primarily theological and religious," including work that raised questions about the rights of workers and the morality of capitalism. He referred to this period as "ethics *in* business" (DeGeorge, 1987, p. 202, italics original) because business was just one of many areas of life in which ethics was applied (e.g., government, family and personal life). Although business ethics did not yet exist as a "distinctive field" (DeGeorge, 1987, p. 202), some foundational research touched on related topics. Barnard (1938), for example, dedicated the last chapter in his book, "Functions of the Executive" to executive responsibility, arguing for the moral leadership of executives:

> the quality of leadership, the persistence of its influence, the durability of its related organizations, the power of the coordination it incites, all express the height of moral aspirations, the breadth of moral foundations. (p. 286)

In criminology, Cressey (1953) provided an early study of financial trust violation crimes (occurring mostly within organizations) that would later become highly influential for contemporary understandings of rationalizations and moral disengagement techniques.

The 1960s

Tensions between business and society were marked in the 1960s. As DeGeorge described, "the 1960s are known as a period of revolt against authority, of student unrest, and of the emergence of a counter-culture, partly as a result of the Viet Nam War [sic]"; it was also marked by:

> the decay of the inner cities, and with the development of modern industries, the growth of ecological problems, of pollution, and of toxic and nuclear waste […] [and] the rise of consumerism. (1987, p. 202)

Although businesses were highly profitable during this time, Petit (1967) noted that executives were experiencing a "moral crisis." He described the apprehension among business people who increasingly felt that the long-standing "profit ethic" – which had been slowly eroding in societal acceptance since the Great Depression and New Deal in the 1930s – was being challenged and replaced by a less understood "social responsibility ethic." Interestingly, it was during this period that business schools began to offer social issues courses (DeGeorge, 1987), and "business ethics" was becoming part of the vernacular (Purcell, 1977).

Despite the aforementioned unrest and several high-profile scandals (e.g., price fixing of electrical equipment in 1961; the fixing of television quiz programs in 1959), business ethics research during this decade continued to be rare and indistinct. One exception was Baumhart's survey of executives' opinions and beliefs published in the *Harvard Business Review* (HBR) in 1961, followed by a book in 1968. Whereas a growing number of people were questioning executives' motives (suggesting they were solely profit-driven), Baumhart noted a lack of empirical examination of executives' actual "ideas, problems, and attitudes" (p. 7). To attempt to remedy the situation, he mailed questionnaires to 5,000 *Harvard Business Review* readers and received 1,531 responses. Although this was not a random sample by any means, respondents reported that they experienced many pressures to compromise their personal code of ethics and that it was difficult to maintain the same code at work as at home. They also believed, however, that good ethics is good business in the long run and that top management must lead the way in reducing unethical practices. Baumhart concluded his report with optimism, encouraged by respondents' statements of "courageous decisions made for ethical [and not self-interested or profit motive] reasons" (p. 176).

The 1970s

Many serious and highly publicized political and corporate scandals emerged during the 1970s. The Watergate scandal implicated Richard Nixon for unlawful use of power, such as using the IRS to punish dissenters, interfering with the CIA, and misusing the FBI and Secret Service; this scandal also involved revelations of illegal lobbying by major corporations (Lewis, 1979). In 1975, on the heels of Watergate, a US Securities and Exchange Commission investigation led to over 400 companies admitting to questionable or illegal payments to foreign governments (which ultimately motivated the passage of the Foreign

Corrupt Practices Act in 1977). There was also "growing public anxiety about economic instability, inflation, unemployment, questions about the adequacy of energy and other resources, and of the ability of future economic growth to satisfy national needs and aspirations" (Silk & Vogel, 1976, p. 22). According to a Business Week article (1973), "not since the electrical equipment price fixing cases of the early 1960s have so many people—friends as well as enemies—questioned so sharply the ways business conducts its affairs" (p. 178). Cressey and Moore (1983) noted that public confidence in business had fallen so low that one top executive publicly "expressed concern that corporate officials were beginning to be perceived as 'little more than manicured hoodlums'" (p. 53). Perhaps not surprisingly, these events coincided with a "surge in writing dealing with business ethics" (Carroll, 1975, p. 75).

Academic writing on business ethics from the 1970s and into the early 1980s tended to involve case studies and survey reports. Purcell and Weber (1979), for example, provided an in-depth case study of the Norton Company in Worchester, Massachusetts − "one of the few major corporations to have [an] institutionalized ethical policy" (p. 5). Strother (1976) considered the Watergate Scandal using Barnard's (1938) theory of executive responsibility. Research during this period, however, was primarily dominated by atheoretical survey studies that reported on managers' or employees' beliefs and opinions (e.g., Allen, 1980; Bowman, 1976; Carroll, 1975; Carroll & Beiler, 1975; Lincoln, Pressley, & Little, 1982; Purcell, 1977; Walton, 1977). In a follow-up to Baumhart's (1961) survey, for instance, Brenner and Molander (1977) reported the results from 1,227 *Harvard Business Review* readers. Similar to Baumhart's study, the results suggested that business people continued to see themselves as more moral than their peers; but, fewer respondents in the 1977 study believed they had experienced an ethical dilemma at work, suggesting to the authors the uncomfortable possibility that ethical standards had actually declined or unethical behavior had become more normalized since the 1961 study (Brenner & Molander, 1977). In another study of 1,500 employees, Allen (1980) reported that "less than 10 percent [of the respondents] felt that the organizations in our society tend to encourage their members to behave ethically, honestly, and humanely" (p. 30). The author relayed the story of the Ik, a small tribe of nomadic hunters who had experienced severe food shortages and changed from a communal to a ruthless individualistic tribe that unapologetically exploited the weak. Allen likened this change to what he observed in business: "instead of coming together in