



Management modelling behaviour: An important prerequisite for the implementation of business ethics

Ebben van Zyl
Departement of Industrial Psychology
University of the Free State
BLOEMFONTEIN
E-mail: vanzyl@bsk.ekwet.uovs.ac.za

Abstract

Management modelling behaviour: An important prerequisite for the implementation of business ethics

Researchers agree that ethics and ethical behaviour have become two of the most important topics of the new millennium. Reasons for this can include changing business conditions as well as the growing public demand for quality services, reasonable prices and honest treatment. Furthermore, the present wave of corruption in South African business makes it important to focus on management-related factors that seem to influence employees' decisions to behave ethically at work. These phenomena will be used as a basis to make practical suggestions on how to improve the situation.

1. Introduction

Ethics and ethical behaviour have become two of the most important topics of the new millennium. Well-publicised problems in the financial service and other industries are keeping corporate conduct in the public eye. At the same time, changing business conditions exposing companies to greater ethical risks, mergers, takeovers, diversification, divestitures, deregulations and the pressure of international competition have increased the ethical vulnerability of companies in virtually every industry (Du Plessis *et al.*, 1997:2; Van Zyl, 1999:16).

Esterhuizen (1992:69) indicates that the growing public demand for quality services, reasonable prices and honest treatment is giving rise to the focus on ethical behaviour in South Africa. Furthermore, (according to Esterhuizen, 1992:69) the so-called public image of an organisation in

its competition with other organisations can also be added to this. For companies to be successful nowadays they have to focus not only on market-related forces, but also on non-market-related forces (for instance ethics and their public image).

Insufficient structures and regulations are breeding grounds for corruption. In South Africa we have dual exchange rates, quantitative controls, permits, regulations, non-competitive furnishing of services and goods, power without discretion and little or no accountability at times (King, 1993:1). In the context of forty years of socio-economic and political inequities in our society, it should come as no surprise to us that we find unethical conduct and corruption in our business world (King, 1993:1).

In South Africa a culture of inequity has also been exacerbated over the last few years by recession, retrenchment and political uncertainty. Furthermore, threats of draconian taxation, fears of the devaluation of our currency and of survival in general have all contributed to the present wave of corruption in South Africa (King, 1993:6-7).

The important question is what can be done about all this? One way to go about is to let corporations increase the human dimension in the way they manage people. This means *inter alia* that leadership has to be practised in such a way that subordinates can identify and go along with it (Lapin, 1992).

2. Aim of study

Current behavioural research (Stead *et al.*, 1994; Van Zyl, 1998, as well as Du Plessis *et al.*, 1997:15) strongly supports a person-situation interaction explanation of human behaviour in which both individual and situational factors influence the behavioural choices made by individuals (see figure 1 where a model of ethical behaviour is discussed). Esterhuizen (1992:30) defines ethics (as part of the above-mentioned approach to ethics) as the consideration of business activities and moral standards involving personal organisational and communication norms and values. The aim of this article is to focus on behaviour-related factors in management modelling, which seem to influence employees' decisions to behave ethically or unethically at work. This will be used as a basis to make practical suggestions on how to improve the situation.

3. Theoretical model

As already indicated, recent research (Stead *et al.*, 1994:58) strongly supports a person-situation interaction explanation of ethical behaviour. Stead, Worrel and Stead's model has two important phases.

The *first phase* reflects the relationship between individual factors and the development of the person's ethical philosophy and decision-making ideology. Essentially, this linkage demonstrates that the ethical beliefs one holds and how these beliefs are applied, are strongly influenced by personality and background.

Individual factors include personality and socialisation aspects (Stead *et al.*, 1994:59). Researchers have suggested three personality measures that may influence ethical behaviour – ego strength, Machiavellianism and locus of control (Simms, 1997). Ego strength is defined as an individual's ability to engage in self-directed activity and to manage tense situations (Simms, 1992:505). Machiavellianism denotes the measure of deceitfulness and duplicity (McDonald & Zepp, 1994:70) while locus of control refers to whether or not a person believes that his or her outcomes in life are determined by his/her own actions (internal) or by luck, fate or powerful others and institutions (external) (McDonald & Zepp, 1994:70).

Socialisation also seems to influence a person's ethical system. Researchers have identified sex role difference, religious beliefs, age, work experience and nationality as factors which may influence the ethical decisions made by individuals (Simms, 1992:506).

The network of ethical norms and principles one holds, constitute a person's *ethical philosophy*. Cavanagh *et al.* (1981) identify three basic ethical philosophies. The first is utilitarianism. The central concept of utilitarianism is a belief that ethics is best applied by considering the greatest good for the greatest number of individuals. The second philosophy is individual rights. This philosophy focuses on protecting individual rights such as the right to perform, the right of free consent, the right to due process, etc. The third ethical philosophy is justice. Such an ethical system stresses social justice and the opportunity for all to pursue meaning and happiness in life. Stead *et al.* (1994:60) state that most individuals allow one of these philosophies to dominate their ethical decisions, with the utilitarian philosophy being dominant among business managers.

Stead *et al.* (1994:60) also contend that individuals differ in terms of the moral judgement they make, and that the actions they take resulting from these moral judgements also differ. They refer to these differences as ethical decision ideologies and say that these are based on two dimensions. The first is idealism, which refers to the extent that an individual believes that ethical behaviour always results in positive outcomes. The second is relativism – the extent to which an individual believes that moral rules are situational. Persons high in both idealism

and relativism are called situationists. They reject the use of appropriate moral behaviour based on this analysis. Exceptionists, those low in both dimensions, believe in moral rules as guides but are open to practical exceptions.

The second phase entails organisational factors (which are affected by external forces) which influence the person's ethical belief system. These interactions eventually lead to *ethical/unethical behaviour* in organisations. It must, however, be borne in mind that behaviour is usually reinforced, rewarded, punished, etc. – which in turn influences the person's ethical beliefs (Stead *et al.*, 1994:60).

Regarding organisational factors it seems as if the philosophies of management, as well as managerial behaviour, have a major impact on the ethical behaviour of employees (Hegarty & Simms, 1978:451). Du Plessis *et al.* (1997:3) states that management modelling behaviour in particular could have an important effect on employees' ethical behaviour. It must, however, be remembered that management behaviour is part of the organisation's climate due to the fact that managers try to act according to the organisation's culture (Hunt, 1991:15). Another critical organisational variable that influences behaviour is the firm's reinforcement system. Research in ethical behaviour strongly supports the conclusion that if ethical behaviour is desired, the performance-assessment, appraisal and reward systems must be modified to account for ethical behaviour. Several dimensions of the job itself may also influence the ethical behaviour of employees, for instance jobs involving external contacts are believed to have more potential for ethical dilemmas than jobs with purely internal contacts (Stead *et al.*, 1994:62). *External factors* can also undermine ethical behaviour through their effect on the ethical philosophies of managers, the reinforcement system, etc. Poor economic conditions, resource scarcity and pressure from shareholders, for instance, may put a firm in a position of having to choose between being an ethical role model for its industry or succumbing to the situational pressures and engaging in unethical practices. See figure 1 on p. 11.

4. The relationship between management modelling behaviour and the behaviour of subordinates

Situational (organisational) factors

The philosophies of top managers as well as immediate supervisors represent the organisational climate and is a critical organisational factor influencing the ethical behaviour of lower level management (Willmot, 1993). Simms (1992) indicates that what top managers do and the

culture they establish and reinforce, make a big difference to the way in which lower level employees act when ethical dilemmas are faced.

The ethical climate of an organisation is the shared set of understandings about what is the correct behaviour and how ethical issues will be handled. This climate sets the tone for decision-making at all levels and in all circumstances. Some of the factors that may be emphasised in different ethical climates of organisation are (Schneider & Rentsch, 1991):

- Personal self-interest
- Company profit
- Operating efficiency
- Individual friendships
- Social responsibility
- Personal morality
- Rules and standard procedures.

According to the above-mentioned, ethical behaviour must begin at the very top. In this context Hunt (1991) points out that the culture of an organisation (which includes the ethical culture), cannot be seen separately from management behaviour. Hunt is of the opinion that managers normally try to act correctly and according to the (ethical) organisational culture. The setting and maintenance of an organisational (ethical) culture is a unique function of management (Schneider & Rentsch, 1991). Copious research over a period of more than 25 years clearly supports the conclusion that the ethical behaviour of management has a clear relationship with the climate of the organisation.

Management behaviour therefore, via the culture of the organisation, has an important effect on the behaviour of the subordinates.

Individual (socialisation) factors

Socialisation factors seem to be a critical factor in influencing a persons' ethical system (Stead *et al.*, 1994; Coetzee, 1990). A critical socialisation factor for business managers is the influence of significant others. Research in social learning strongly supports the idea that we learn appropriate behaviour by modelling the behaviour of persons we perceive as important – parents, siblings, peers, teachers, public officials, etc. (Stead *et al.*, 1994). Managers no doubt represent significant others to employees, and therefore ethical behaviour of managers will certainly influence the ethical behaviour of employees (Willmot, 1993:40). Willmot (1993) claims that staff members often look no further than the behaviour of their immediate manager in determining the ethos of an organisation. Managers, in turn, are very much guided by the actions of their

supervisory management (Willmot, 1993). McDonald and Zepp (1994) indicate that of six factors which contribute to unethical behaviour, the behaviour of superiors was ranked as the most influential by both Hong Kong and US managers.

Stead *et al.* (1994:18) put it as follow: The institutionalisation of high ethical standards in corporations stems from the character of persons who occupy the relevant positions. Managers cannot expect ethical behaviour from employees if they themselves do not behave ethically. Managers are the most significant role models in the organisational setting; they therefore have a major socialising influence on lower level employees.

5. Strategies

Moral behaviour in organisations is an intricate and complex problem with important individual and situational dimensions. The organisational climate (situational dimension) and the influence of significant others (individual dimension) have important influences on the behaviour of employees as indicated. Situational and individual strategies on how to assure ethical conduct among employees, will be discussed next.

Situational (organisational) intervention

- Create a supporting organisational climate where support is given particularly in the form of open and regular communication between managers and subordinates. In the process, problems can be identified timeously and measures to deal with the situation can be implemented pro-actively. Value systems of different cultural groups should be acknowledged and accommodated. Managers in South Africa have the responsibility to manage interaction among themselves and their subordinates of different cultural groups (Rossouw, 1994:50).

The following can *inter alia* be done (Rossouw, 1994:49-50):

- Obtain knowledge about the cultures of different employees. Language courses, programmes focusing on breaking cultural barriers or stereotypes and the valuing of cultural differences, should be considered
- Develop special events or schemes to expose employees (and managers) of different colours and cultures to one another.

- **Establish codes of ethics**

Codes of ethics have been used for quite some time and have been abused by many organisations, but a thoughtfully, well-designed and carefully articulated code still has merit and is favoured by managers. According to Carroll (1998) the test is to make codes “living documents” that encourage ethical behaviour and are not just top management statements that find themselves at the bottom of a file drawer after dissemination. One way to achieve that is to make sure that the code of ethics embodies the thinking and policy beliefs of management and employees alike. Furthermore, the code of ethics should represent sincere communication efforts between managers and employees and should guide them in their acts and behaviour in questionable situations. Watkins (1993:2) pointed out in this regard that it is important to provide opportunities for the unions and personnel at all levels in South African organisations to provide their inputs regarding the compilation and implementation of ethical codes. This is to make employees feel more involved in the role and because there are divergent perspectives in the values held by white and black managers (Watkins, 1993:2).

- **Set realistic objectives**

Organisational action flows from objectives that have been set at the top. Assuring that proper and realistic goals have been established for all personnel is an important step management can take in developing an ethical organisation (Carroll, 1998). Managers do not usually think about the effect that unrealistically high goals might have on the ethics of subordinates. But if goals are unrealistically high, employees are inclined to do whatever is necessary (including unethical acts) to achieve them. The temptation is strong for managers to set goals high, especially when research suggests that higher goals lead to higher performance. Consideration should, however, be given to the problem that conditions may unintentionally be created that are conducive to unethical acts we have seen in recent years.

Individual intervention

- **Leadership/example from management**

Carroll (1998) argues that it is the primary responsibility of top management to instruct, motivate and inspire their employees to conduct themselves with honesty, probity and fairness. Furthermore, top management has to make company policy absolutely clear to all employees. People have to be told and retold in un-

mistakable terms that the company is firmly committed to integrity in all its activities.

Managers cannot expect ethical behaviour from employees if they do not behave ethically themselves. However, Coetzee (1990) states that the modern manager in South Africa functions in an achievement-orientated world where the prescriptions of the occupational and job environment – and not the individual's discretion – have become the norm. The manager is therefore forced to live a prescriptive existence that can lead to self-neglect, marital disintegration, personal shallowness and progressive deterioration with regard to faith and religion. If family disintegration, personal and religious shallowness are observed in managers, this may negatively influence subordinates' motivation to show stability, firmness, moderation, truth and integrity (Coetzee, 1990:168). It is therefore important for South African managers in particular to acknowledge symptoms of defective self-control and to do something about the situation. Coetzee (1990:168) also suggests that the following can be done by the South African manager in order to prevent defective self-control:

- Realise personal values in all aspects of life. If there is compatibility between personal ideology and work realisation, deeper satisfaction and greater personal growth can be attained more easily.
- Apply the principle of communality to professional life. This factor necessitates the integration of the spouse in all decisions regarding work and profession. In particular it means that the spouse should be given a say in order to create a synergy in the management of the career.

Holmquist (1993) argues that the employer will need to set an example which can be followed. Such an example could inter alia include:

- promptness with the self and with completion of work
- patience with co-workers
- interests in the well-being of the company
- complete honesty in business situations
- ethical conduct regarding the use of office supplies and equipment
- ethical conduct regarding others in business, employers, employees and customers.

- Exercise human relations skills

Ethical conduct should always be shown when working with others, developing an understanding of the needs and problems of each individual. Employees should be treated equally and yet allowances need to be made for their differences (Holmquist, 1993). Recognise each person as an individual with feelings, rights, responsibilities, frustrations, dreams and constant need for understanding. All people need to be liked and need to know they are liked, all people need to know they are doing something worthwhile and need to feel important. The more employees succeed in gaining their own recognition, the better and harder they will work for you and the better will be their “ethics” or “standard of conduct” (Holmquist, 1993).

Furthermore, good communication skills are obviously very important human relation skills for managers. According to Holmquist (1993) employees need frequent feedback. If it is not positive, the employee should know why, or have an opportunity to improve. When communication lines are open, there is a feeling of greater security in the job, increased desire to improve, greater loyalty and more job satisfaction (Holmquist, 1993).

6. Conclusion

The managerial hierarchy is an important source of ethical influence and therefore provides an impetus for finding ways of managing business ethics. If business ethics can be managed properly on a large scale, the weight of managerial action in South African organisations will ameliorate the frequency of unethical behaviour. By ameliorating unethical conduct, South African companies will be contributing to the establishment of a fair and just society.

As Nash (in Van Zyl, 1999:) puts it: Managers owe their employees and the society as a whole a new reference point of what caring, purposeful, committed and ethical behaviour can be in the institutional setting.

Bibliography

- CARROLL, A.B. 1998. Linking business ethics to behaviour in organisations. *Society for Advanced Management Journal*, 11:34-39.
- CAVANAGH, G., MOMBERG, D. & VELASQUES. 1981. The ethics of organisational politics. *Academy of Management Review*, 3:363-374.
- COETZEE, J. 1990. Selfbestuur. (In van der Walt, G., red. Venster op die sake-wêreld. Goodwood : Nasionale Boekdrukkery. p. 167-178.)

- DU PLESSIS, A.P., MOSOLA, B.M. & STRUWIG, F.W. 1997. An empirical analysis of employees' perception of ethical behaviour in business. *Acta Criminologica*, 9 (1):14-21.
- ESTERHUIZEN, W. 1992. Sake-etiek. Goodwood : Nasionale Boekdrukkery.
- HOLMQUIST, D. 1993. Ethics – how important is it in today's office? *Public Personnel Management*, 22(4):537-544.
- HEGARTY, W. & SIMMS, H. 1978. Some determinants of unethical decision behaviour. *Journal of Applied Psychology*, 63(4):451-457.
- HUNT, J.G. 1991. Toward a leadership paradigm shift. *Sage*, 1:12-15.
- KING, M. 1993. Ethics and corruption. Paper presented at conference on "Ethics and corruption", held on 14 October 1993, Johannesburg.
- LAPIN, D. 1992. It is not too late to reverse the ethical decline. *Concepts*, 1(4):1.
- MCDONALD, G. & ZEPP, R. 1994. Business ethics: practical proposals. (In Drummond, J. & Bain, B., eds. *Managing business ethics*. Oxford : Butterworth. p. 58-73.)
- ROSSOUW, D. 1994. Business ethics – A Southern African perspective. Johannesburg : Southern Book Publishers.
- SCHNEIDER, J.B. & RENTSCH, J. 1991. Managing climates and cultures. (In Hage, J., ed. *Future of organisations*. Lexington : Lexington. p. 40-49.)
- SIMMS, R.R. 1992. The challenge of ethical behaviour in organisations. *Journal of Business Ethics*, 11:505-513.
- STEAD, W.E., WORREL, D.L. & STEAD, G.S. 1994. An integrative model for understanding and managing ethical behaviour in business. (In Drummond, J. & Bain, B., eds. *Managing business ethics*. Oxford : Butterworth. p. 100-130.)
- VAN ZYL, E.S. 1998. The relationship between ethical behaviour accompanied by psychological climate factors and work stress amongst first-level managers in the financial sector. *Acta Criminologica*, 11(2):40-48.
- VAN ZYL E.S. 1999. Ethical behaviour in the South African organisational context: essential and workable. *Journal of Business Ethics*, 21:15-22.
- WATKINS, M.L. 1993. The performance values of white and black managers in South Africa. Paper presented at workshop: "Werketiek binne die Suid-Afrikaanse organisasie konteks" held on 21 June, 1993, Pretoria.
- WILLMOT, P.L. 1993. The prevention and detection of white-collar crime. *Accountancy South Africa*, 4(4):4-98.

Key concepts:

business ethics
management behaviour
modelling

Kernbegrippe:

besigheidsetiek
bestuursgedrag
modelering
sake-etiek

Figure 1: Model of ethical behaviour (Stead *et al.*, 1994:64)

