

AN EXAMINATION OF ETHICAL INFLUENCES AT WORK: CO-WORKERS VERSUS SUPERVISORS

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Abstract

This research looks at the level of ethics demonstrated by supervisors and co-workers and examines the relationship of those levels with the level of ethics demonstrated by individual employees. The intent is to determine whether employees' ethical behavior at work is influenced more from their peers or their superiors. Using a sample of 54 employees from 7 different organizations, I find that there is a positive correlation between personal ethics and the ethics of co-workers and supervisors. More specifically, I find that the correlation coefficient for co-worker ethics (.392) is nearly twice as high as that of supervisor ethics (.224), indicating that co-worker ethics have a greater influence on individual ethics than does that of supervisors.

Introduction

Ethics is a vital determinant of whether a business can operate successfully. Merriam-Webster's Collegiate Dictionary (1998) defines ethics as "the principles of conduct governing an individual or a group." The reactions by society to the recent corporate scandals are a testament to the importance that society places on the ethical behavior in organizations (Trevino, Weaver, & Reynolds, 2006). As a result, an obvious need in terms of research is to determine what influences or determines the level of ethics (i.e. the propensity toward either positive or counterproductive behavior) for the employees that make up an organization. In an attempt to answer this need, many behavioral ethics scholars have developed theory and provided empirical evidence that suggests that "leaders" play a major role in influencing an employee's level of ethics (Brown & Trevino, 2006; Davis & Rothstein, 2006; Dickson, Ehrhart, Grojean, & Smith, 2001; Dickson, Grojean, Resick, & Smith, 2004).

The majority of research to this point has focused on the level of ethics of an organization's top management or other key supervisors in the organization. The primary rationale behind this is the belief that the ethical behavior of top management is critical in terms of perceived organizational ethics and thus should have the strongest influence on employee behavior (Barney, 2005). A testament to the popularity of this belief lies in recent legislation, such as Sarbanes-Oxley, which tends to focus on top management. In addition to supervisory positions, however, another possibility exists in regards to who has the greater influence on employees' level of ethics; due to their close proximity, co-workers could also play a major role in developing an employee's level of ethics at work.

This research addresses this possibility by meeting a call for future research by Bardes, Greenbaum, Kuenzi, Mayer, and Salvador (2009) to examine the impact of co-workers on ethical behavior in organizations to determine if co-workers have a stronger influence on employees' ethics than do their supervisors.

Similar to Bardes et. al (2009) the premise of this research draws heavily on the social learning theory (SLT) of Bandura (1977). SLT emphasizes the importance of observing and modeling the behaviors, attitudes, and emotional reactions of others. Bandura (1977) cites four component processes that compose social learning as being attention, retention, motor reproduction, and motivation. The following quote from Bandura (1977) expresses his perception of the social learning process:

Learning would be exceedingly laborious, not to mention hazardous, if people had to rely solely on the effects of their own actions to inform them what to do. Fortunately, most human behavior is learned observationally through modeling: from observing others one forms an idea of how new behaviors are performed, and on later occasions this coded information serves as a guide for action.

Thus, the implications of SLT in the work environment are that individuals will strive to emulate colleagues who are perceived to be role models, and they will also use punishments and rewards received by colleagues as guides on how to act. This research will use this understanding of how SLT influences individuals' actions to attempt to clarify the differences in the ethical influences at work from co-workers and supervisors.

The remainder of the paper is as follows: Section 2 consists of a review of some previous literature that has studied organizational ethics in some form and concludes with a presentation of this study's hypotheses; Section 3 explains the sample selection and the methodology; Section 4 describes the empirical findings and presents potential limitations and directions for future research; Section 5 concludes the paper.

Literature Review

A substantial amount of past literature has touched on some form of organizational ethics. As mentioned previously, Bandura's (1977) SLT plays a key role in the development of the premise of this study. Bandura (1977) theorizes that there are behavioral and cognitive aspects involved in social learning. The behavioral aspect of learning assumes that individuals' surroundings cause them to behave in certain ways. The cognitive aspect of learning presumes that psychological factors are important for influencing how one behaves. Social learning theory suggests that a combination of these environmental and psychological factors influence behavior.

The question remains, however, whether this influence from those around us is more heavily weighted by rank (superiors) or proximity (co-workers). Bardes et al. (2009) discuss the flow of ethical leadership through the use of a trickle down model. Drawing on SLT and social exchange theory (SET), their research supports their hypothesis that a direct negative relationship exists between both top management and supervisory ethical leadership and group-level deviance, and a positive relationship exists between top management and supervisory

ethical leadership and group-level organizational citizenship behavior (OCB). Thus, their primary finding was that ethical leadership tended to “trickle down” the organization through the various ranks of employees, so the ethical practices of the top management are vital in setting the tone for the organization as a whole.

Similar to the nature of the study by Bardes and colleagues, Carlson, Chonko, Kacmar, Neubert, and Roberts (2009) examine the impact of ethical leadership on the ethical climate of the organization. The authors’ argued that, through ethical leadership, managers can influence the perceptions of the organization’s ethical climate. The findings showed that ethical leadership not only shaped perceptions of ethical climate but also increased employee job satisfaction and organizational commitment.

Another interesting, related study is by Davis and Rothstein (2006). The authors posit that perceived behavioral integrity involves the employee’s perception of the alignment of the manager’s words and deeds. The authors’ study examined the relationship between perceived behavioral integrity of managers and the employee attitudes of job satisfaction, organizational commitment, satisfaction with the leader, and affect toward the organization. The findings showed a strong positive relationship between perceived behavioral integrity of managers and the aforementioned reactions from the employee. Though a broader term of ethical practices by the management is not used, it does not seem too far of a stretch to assume that the findings of this study would also indicate that a high perception of the management leads to more emulation from the subordinates. These findings are consistent with the premise of the SLT. From the behavioral aspect of SLT, the manager’s actions in regard to behavioral integrity would influence the employees’ behavior. From the cognitive aspect of SLT, behavioral integrity by the management could lead to more trust from the subordinates, which would lead to a higher propensity for emulation of the manager’s actions.

Touching on another factor that could influence organizational ethics, Butterfield, Trevino, and Weaver (2000) examined ethics in organizations as a result of moral awareness. They posit that individuals’ awareness of moral issues is an important precursor in the decision making process of ethical behavior. The authors hypothesized that moral awareness is influenced by 1) issue-related factors such as the magnitude of consequences of the moral issue and 2) social context related factors such as perceived social consensus that the issue is ethically wrong. Their hypothesis was supported by the results of their study.

Another study that examines a determining factor of an organization’s level of ethics is done by Schminke (2001). This study examines the impact of organizational size, structure, and strength on the ethical predispositions of the organization’s members. The study originally hypothesized that smaller, more flexible, organic organizations would display a stronger ethical predisposition than would larger organizations. The findings, however, showed that larger, more rigid, mechanistic organizations tended to have a higher ethical predisposition than did the smaller, more flexible, organic companies.

A final study that has implications toward the present research is by Jones and Ryan (1997). This study examines the disparity between what employees decide is the “right” thing to do and what they actually do. The authors argue that people rely on the opinions of their referent groups

when deciding how to behave. There are four factors that the authors identify to be considered when individuals determine their level of moral responsibility: the severity of the act's consequences, the certainty that the act is moral or immoral, the actor's degree of complicity in the act, and the extent of pressure the actor feels to behave unethically. The authors find that employees use these four factors to determine the level of moral responsibility that their referent groups will attribute to them. Based on that perceived level of moral responsibility, the employee will act in a way that allows him or her to meet the necessary level of moral approbation.

This literature all interrelates to the present study in different ways. There are obviously multiple determinants for an individual's level of ethics in the workplace. This study will examine one of those possible determinants and attempt to explain whether an individual's level of ethics is influenced more from his or her co-workers' ethics or his or her supervisor's ethics. Using SLT and previous literature as a basis for my premise, I hypothesize the following:

Hypothesis 1: There will be a positive correlation between both supervisor and employee ethics and co-worker and employee ethics.

Hypothesis 2: There will be a higher correlation between co-worker and employee ethics than will be present between supervisor and employee ethics.

Sample and Methodology

Sample and procedure

To collect the data for this study, I took 11 different organizations in 3 cities in Northeast Arkansas one packet of 20 surveys and a self-addressed stamped envelope. I spoke with the manager on duty at each organization and informed him or her that I was handing out surveys as part of a research project for the MBA course, Organizational Behavior and Leadership. I informed the managers that the basic intent of the survey was to measure ethics, but I did not specify the details of the research. I informed the managers that the surveys would be completely anonymous, and if the manager agreed to allow the organization's employees participate, I left a packet of surveys with a self-addressed stamped envelope and asked the manager to designate someone to mail the envelope with the completed surveys back to me within 10 days.

Of the 11 organizations I visited, 9 agreed to participate in the survey, and 7 of those 9 organizations mailed back responses. Of the 180 surveys I distributed, 58 were completed and returned for a response rate of 32.2%. Of the 58 surveys, 4 were eliminated from the sample due to skipped questions by the respondents. Thus, my final sample consisted of 54 surveys.

Measures

The survey consisted of 3 ten-item scales that measured the level of ethics for supervisors, co-workers, and personal ethics. Respondents answered the items using a five-point response format where 1= never, 2= seldom, 3= sometimes, 4= almost always, and 5= always. The 3

scales were created based off of different scales that have been developed by past researchers. Specifically, the scale that measured the level of ethics of the supervisor was based off of the ethical leadership scale developed by Brown, Harrison, & Trevino (2005). Using “My supervisor” as the referent, employees were asked to rate the level with which they agreed with statements such as, “My supervisor defines success not just by results but also the way that they are obtained” and, “My supervisor sets an example of how to do things the right way in terms of ethics.” The scale that measured the level of ethics of co-workers was similar but focused more on behavior in relation to typical employee-level tasks rather than supervisor-level leadership tasks. The co-worker scale was created based off of different items from two different scales developed by previous researchers, the 12-item organizational deviance scale by Bennett and Robinson (2000) and the organizational citizenship behavior scale developed by Near, Organ, and Smith (1983). Examples of items in the co-worker scales are, “My co-workers would not take credit for work they did not do” and, “My co-workers are true to their word.” The scale measuring the personal level of ethics was identical to the co-worker scale except it used “I” as the referent.

Control Variables

The surveys also included some control variables to ensure that some of the other determinants of ethical behavior were accounted for. First, I controlled for the type of organization to ensure that differences in the level of ethics were not attributable to the specific type of organization. The types of organizations that participated in the survey were restaurants, retail stores, and banks. I also controlled for employee tenure because O’Leary-Kelly and Robinson (1998) demonstrated that it is related to group deviance. Next, I controlled for group size because it could influence the ethical behavior of the individuals in the group (Schminke, 2001; Kraimer, Sparrow, and Soetjpto, 2006). Lastly, I included employee status (full or part-time) and gender as descriptive variables. The descriptive statistics for the final sample are shown in Table 1 below:

Table 1:

Descriptive Statistics

	N	Mean	Median	Maximum	Minimum	Std.
Ethics Scale:						
Personal ethics	54	40.85	41	50	20	5.83
Co-worker ethics	54	38.48	38	50	20	6.08
Supervisor ethics	54	40.88	43	50	14	8.15
Organization type:						
Retail	28	52%				
Restaurant	12	22%				
Bank	14	26%				
Employee status:						
Full-time	41	76%				
Part-time	13	24%				
Tenure:						
< 1 year	12	22%				
< 5 years	17	31%				
> 5 years	25	46%				
Group size:						
< 5 co-workers	7	13%				
< 10 co-workers	9	17%				
> 10 co-workers	38	70%				
Gender:						
Male	30	56%				
Female	24	44%				

Methodology

To determine the correlation between employees' level of ethics and the level of ethics of co-workers and supervisors, I ran linear regression on the data. The dependent variable for the regression was the level of personal ethics as given by the personal ethics scale. The main independent variables for the regression were the level of ethics of co-workers and the level of ethics of supervisors. The base model represented retail organizations, full-time employees, tenure of more than 5 years, group size of more than 10 co-workers, and male employees because those made up the majority of their respective category. I also added dummy variables for restaurants, banks, part-time employees, tenure of less than 5 years, tenure of less than 1 year, group size of less than 10 co-workers, group size of less than 5 co-workers, and female respondents. Thus, the final model was the following:

$$\text{Personal ethics} = \beta_0 + \beta_1(\text{Co-worker ethics}) + \beta_2(\text{Supervisor ethics}) + \beta_3(\text{Restaurant}) + \beta_4(\text{Bank}) + \beta_5(\text{Part-time}) + \beta_6(<5 \text{ years}) + \beta_7(<1 \text{ year}) + \beta_8(<10 \text{ co-workers}) + \beta_9(<5 \text{ co-workers}) + \beta_{10}(\text{Female}) + \varepsilon$$

Empirical Findings

Hypothesis 1 predicted that a positive relationship would exist between the level of personal ethics and the level of co-worker ethics and between the level of personal ethics and the level of supervisor ethics. Regression analysis supported this hypothesis as the beta coefficient for the correlation between co-workers' level of ethics and personal level of ethics was 0.3925 ($p < .01$), and the beta coefficient for the correlation between supervisor's level of ethics and personal level of ethics was 0.2244 ($p < .05$).

Hypothesis 2 predicted that there would be a higher correlation between co-worker and employee ethics than will be present between supervisor and employee ethics. Regression analysis also supported this hypothesis. As previously mentioned, the beta coefficients for the level of ethics for co-workers and supervisors are 0.3925 and 0.2244, respectively, and both variables have significant p-values. The difference in the correlation coefficients for the two independent variables has some interesting implications. The coefficient for co-workers is nearly twice that of supervisors, indicating that the ethical behavior of co-workers carries more weight with individuals as to what ethical behaviors they will adopt. This could possibly be explained because of the close proximity that co-workers have with the individual employee. Employees spend much more time interacting with their co-workers than they do their supervisors. As a result, employees may feel a greater sense of belonging to that group, and strive to conform to the behaviors of the group in accordance with those feelings.

Another significant finding from the analysis was in the area of employee tenure. The analysis showed that tenure played a large role in the influence on personal ethics, especially when the employee had worked at the organization less than one year. Specifically, both groups, employees with less than one year of tenure and employees with less than five years of tenure, showed a lower level of personal ethics than did those employees who had been with their respective organization for more than five years. The beta coefficient for employees with less than one year of tenure showed a correlation with the level of personal ethics of -2.5885, and the beta coefficient for employees with less than five years of tenure showed a correlation with the level of personal ethics of -0.6935. This could possibly be explained by the cognitive aspect of the SLT with the reasoning that employees may feel a greater sense of trust in co-workers and supervisors after being with the group for an extended time period. Initially, employees may not necessarily be comfortable enough with their colleagues to emulate their actions. As they become more comfortable with their peers, however, employees may begin to show a greater propensity to act in accordance with the norm of the organization.

Other findings of the analysis include implications toward the level of ethics as a result of group size. Specifically, the beta coefficients for smaller groups (those with less than 5 co-workers and those with less than 10 co-workers) showed a positive relationship with the level of personal ethics. This finding contradicted that of Schminke (2001), who determined that larger, more rigid, mechanistic organizations tended to have a higher ethical predisposition than did the smaller, more flexible, organic companies.

Lastly, the results show that females' level of personal ethics tends to be less than that of males, *ceteris paribus*. The beta coefficient showed that the correlation between females and the level

of personal ethics was a -1.6164. The small sample size of only 24 females could have contributed to this result. I would want to see this same result from a larger study before I would want to make any assumptions about the validity of this result.

Table 2:

Regression Results				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	17.8233***	4.7310	3.7673	0.0005
Co-worker ethics	0.3925**	0.1326	2.9593	0.0050
Supervisor ethics	0.2244*	0.0955	2.3496	0.0235
Restaurant	-0.9929	1.6404	-0.6053	0.5482
Bank	-1.1883	1.4603	-0.8138	0.4203
Part-time	1.3506	1.8558	0.7278	0.4707
< 1 year	-2.5885	1.6045	-1.6132	0.1140
< 5 years	-0.6935	1.5155	-0.4576	0.6495
< 5 co-workers	1.3563	1.8964	0.7152	0.4784
< 10 co-workers	1.7314	2.3080	0.7502	0.4572
Gender (F = 1)	-1.6164	1.1914	-1.3567	0.1819
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N	54		p < .05 *	
			p < .01 **	
R Square	0.5936		p < .001 ***	

Limitations

Because of the nature of this study, there were some limitations to this research. First, time constraints made collecting data difficult. I was unable to spend the time I would have liked passing out surveys and collecting more data to ensure more validity with the results. Because the sample size was so small (54), it is not guaranteed that the sample was representative of the population. Another limitation was the sample area. The sample was made up entirely of respondents from a very small geographical area in Northeast Arkansas. The responses from this geographical location may not be representative of the responses that would be received in a more geographically disbursed sample. Another major limitation from this study was the fact that its intent was to determine causality using a cross-sectional sample. Time limitations made a longitudinal survey impossible. Also, a limitation of this study was that all the data was contributed by self-report. Individuals might have a tendency to report a higher level of personal ethics on themselves than others would deem as an accurate level, and their ethical ratings of co-workers and supervisors could have been biased because of this as well.

Future Research

Future research should enhance and expand upon this study in a few different areas. First, future research should attempt to collect a larger, more geographically disbursed sample than was collected here to determine if these results are representative on a larger scale. A larger, more geographically disbursed sample would give more credibility to these results. Another area

of improvement for future research would be to do a longitudinal study to more accurately assess causality. The regression results in this study showed the correlations between the variables, but a longitudinal study would be able to provide a more definite relationship in terms of causality. Future research could also look to different surveying techniques to eliminate the self-report bias that is present in this study.

Aside from addressing ways to improve upon this same study, future research may also examine in more detail other contributing factors that explain the variation in the level of ethics for employees. The variables included in this survey explained 59% of the variation in employee ethics, but many other factors could contribute as well. Another direction for future research would be to examine the impact of hierarchical structure on ethical influences to determine whether organizations with more flat hierarchical structures have different ethical climates. The findings of this research may not be applicable in an organization with a flatter hierarchy because the employees' supervisors might be seen more as equals than they would in an organization with a less flat hierarchical structure.

Conclusion

This study provides some practical implications in regard to the influences on employees' level of ethics. Analysis of the results shows that an employee's co-workers' level of ethics have a greater influence on the employee's level of ethics than do the supervisor's level of ethics. This was proven by a beta coefficient for the correlation that was nearly twice as high between employees and co-workers as it was for employees and supervisors. Implications from this result are that organizations should invest in programs for ethical decision making for not only the management but also for its employees. The ethics of supervisors do influence employee ethics, but the ethics of co-workers has a greater influence on employee ethics. More effective investments in ethical training programs could lead to a vast improvement in the organizational citizenship behavior displayed by employees. Also, legislation should consider the impact on employee ethics that organizational insiders other than the top management have on the ethical climate of the company. Current legislation emphasizes top management in regard to ethical expectations. A higher emphasis on top management is understandable because the executives are the ones who determine the overall strategic direction of the company, but an appropriate level of attention needs to also be given to the ethical expectations of employees as well because of the impact that co-workers' ethics have on employees' ethical decisions.

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