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## On Organisational Factors that Elicit Managerial Unethical Decision-Making

Anna LAŠÁKOVÁ – Anna REMIŠOVÁ\*

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### Abstract

*The article provides the academic community and management practitioners with the results of an extensive empirical study conducted on a large sample of 777 managers about the perceived influence of selected organisational factors on managerial unethical decision-making. The findings indicate that factors that predominantly induce managerial unethical decision-making are the “profits-only” mindset of company owners, the unfair human resource management policies instilled in the workplace and the unethical behaviour of superiors. Results also show that the pressure to produce profits at any expense emphasised by company owners is strongly associated with managers’ interest in results without considering the way they were achieved. In addition, inconsistently with the previous theory, a revised categorisation of organisational factors eliciting unethical decisions is outlined based on empirical findings. This new classification introduces “prioritisation of economic results”, “violation of internal ethical guidelines”, and “situational tensions” categories. The study provides important implications for managers and grounds for further comparative analysis. In its scope and scale, it is the first study of its kind carried out in the Slovak business environment.*

**Keywords:** *ethics, morality, managerial decision-making, unethical decision-making, unethical leadership, human resource management, tone at the top*

**JEL Classification:** M12, M14, M54

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### Introduction

This article concentrates on a rarely empirically investigated phenomenon of managerial unethical decision-making. Its aim is to fill the gap in empirical evidence on particular organisational factors that bring about wrongful and

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irresponsible managerial decisions as well as to extend our understanding of the implicit connections between the factors in question. Furthermore, the aim is to outline practical implications to reduce unethical managerial decision-making in companies. With the support of empirical results, we identify factors that play an important role in the destruction of an ethical workplace and we specify issues that have to be considered with the highest priority in the quest for an ethical organisational culture. The originality of this study is based on three factors:

1. While the prerequisites of *ethical* decision-making have been discussed in the management literature for more than thirty years, there is still a considerable gap in understanding of why *unethical* decisions can occur in companies so recurrently and easily. Here it should be noted that the constitutive prominent models delineate the unethical decision-making, almost automatically, as an antipode to ethical decision-making. An exception from this dominant unidimensional view is represented in the models developed by Brass, Butterfield and Skaggs (1998, p. 16), Kish-Gephart, Harrison and Trevino (2010, p. 3) and Jackson, Wood and Zboja (2013, p. 246), which reflect the unethical decision-making as a distinctive phenomenon. However, the mainstream discourse frames it as a unidimensional construct with “ethical-unethical” as two opposing poles (Ferrell and Gresham, 1985, p. 89; Trevino, 1986, p. 603; Bommer et al., 1987, p. 266). Although this idea is intuitively compelling, to date there are limited, if any empirical cues as to whether or not this assumption is valid. We still lack sufficient theoretical analysis as well as empirical validation in this respect.

2. The *managerial population* has been just rarely investigated in the context of unethical decision-making (for few exceptions see Valentine, Godkin and Vitton, 2012; Wood, Noseworthy and Colwell, 2013, and for a theoretical analysis related to managerial population see Thiel et al., 2012). The majority of empirical studies on (un)ethical decision-making utilises data from students or non-managerial employees (e.g. Gino et al., 2011; Gino and Margolis, 2011; Stenmark and Mumford, 2011; Stevens, Deuling and Armenakis, 2012; Tamborski, Brown and Chowning, 2012; Hoyt, Price and Poatsy, 2013; Cianci et al., 2014; Sturm, 2015).

3. A large proportion of decision-making studies have mainly emphasised the *individual personality factors* that affect decision-making (e.g. Ogunfowora, Bourdage and Nguyen, 2013; Cohen et al., 2014), or the individual human *cognitive processing* of morality-related information (e.g. Tenbrunsel and Messick, 2004; Moore et al., 2012). Our understanding is that there is considerably less attention paid to *organisational factors* that either nurture or impede (un)ethical decisions. This is also consistent with results of three major literature reviews on the factors affecting decision-making for a large time span of more than thirty

years (Ford and Richardson, 1994; O'Fallon and Butterfield, 2005; Craft, 2013). According to these academic reviews, the majority of studies concentrate indeed on the impact of various individual factors on decision-making like age, gender, nationality, religion, personal values, education, and various personality attributes like the locus of control, Machiavellianism, cognitive moral development, need for cognition, acceptance of authority, or neuroticism. Here, again, it should be noted that the majority of the respective studies have not dealt with the unethical side of human decisions, but with the ethical decision-making. Furthermore, despite a seemingly limitless number of individual traits that hypothetically account for ethical decisions, there is still only a very limited understanding about which of these traits are predictive in respect to moral behaviour (Cohen et al., 2014). Authors also argue that organisational and situational forces may overpower individual differences in explaining decision-making (Monin and Jordan, 2009). Moreover, according to Hing et al. (2007) current research largely ignores the structural and interpersonal dynamics that affect employee unethical behaviour.

In the light of the three aforementioned qualities of the respective scientific discourse, our study contributes to the current academic discussion by specifically focusing on *managerial unethical* decision-making and concentrating on *organisational factors*, which are theorised to be able to change the ethical stance of managers and consequentially to elicit unethical actions. Deriving from the "Issue-contingent model of ethical decision making in organisations" by Jones (1991, p. 379), the focus is on the phase of "moral intent to act". More specifically, we investigate the organisational context, in which managers are compelled to engage in unethical decisions although they know that these decisions are not in line with ethical principles. Our study essentially deals with the current business reality, as it was carried out on a large sample of managers – practitioners, who have responded based on their own experience in authentic organisational conditions. Thus, we explore their perceptions of the role of selected organisational factors in managerial unethical decision-making.

## 1. Theoretical Insights

Unethical decision-making represents an extremely complex process that entails a vast variety of elements and interplaying factors, some of them being latent and thus not "objectively" observable. One of the most prominent authorities in the field of (un)ethical decision-making is Jones (1991). He delineates an ethical decision as "a decision that is both legal and morally acceptable to the larger community. Conversely, an *unethical decision* is either illegal or morally unacceptable to the larger community" (Jones, 1991, p. 367).

Jones himself admits that his definition is quite relativistic and imprecise (Jones, 1991). We argue that his concept (1) lacks a more exact differentiation between what is an ethical and unethical decision, and (2) relies on principles which a certain community in a certain period of time accepts as moral. The definition neglects the fact that in some communities, and under certain historical circumstances, the principles, which a larger community respects as being correct, can be unethical. Thus, in a sense the definition by Jones (1991) serves to relativize the validity of universal ethical principles.

Our delineation of unethical decision builds on Jones' definition. However, instead of bonding the "unethical" with "what is not in line with principles accepted by a larger community", we advocate for a more *universalistic* approach. This conceptual shift enabled us to overcome the burden of relativistic community-based moral conventions and also allowed for conceiving the "unethical" on the theoretical basis of normative schools of ethics. More specifically, we build on the theoretical foundation of deontological ethics, which highlights primary and often intuitively attained (*prima facie* duty) ethical rules; the teleological ethics, more commonly known as the utilitarian ethics, which concentrates on the consequences of actions and on the means with the help of which an end goal is reached; and the virtue ethics, which focuses on ideal personality characteristics of individuals is examined (Remišová, 2011).

Consequently, according to our understanding, an unethical decision is an act of choice that violates one or more universal ethical principles and norms which regulate human coexistence, communication, cooperation and relationship toward the natural environment. Furthermore, although an unethical decision is a product of individually and subjective processed information, it is determined also by the environment into which the individual has been socialised. As Jones (1991, p. 390) has put it, "organizational settings present special challenges to moral agents".

In line with this idea, we have tackled several organisational factors representing the organisational setting in which managers operate. More specifically, we have dealt with authority figures (superiors, shareholders/owners, business partners), with internal work environment regulations (human resource management policies, company norms of ethical behaviour, organisation of workflow), and with specific situational factors that are believed to elicit unethical decisions (the critical economic situation in the company and the time pressure in making decisions).

The possibly adverse influence of *unethical authority figures* (the "referent others") on ethical behaviour of employees was indicated in a meta-analysis of the effects of destructive leadership by Schyns and Schilling (2013). As expected, the authors provided evidence that unethical leadership was negatively

correlated with positive followers' behaviours (e.g. positive attitudes towards the leader, well-being, and individual performance), and was positively correlated with the negative outcomes, such as turnover intention, resistance towards the leader, and counterproductive work behaviour. A novel approach to the research of the dyadic nature of leader-follower relations was employed in a study by Hing et al. (2007). Dyads comprising persons either high or low in social dominance orientation and in authoritarianism were used in their research. The authors found out that leaders high in dominance, when partnered with an agreeable (confederate) follower, had a tendency to make decisions that were more unethical than the decisions made by less dominant leaders. These results indicated that unethical leadership is nurtured by authority figures that demand obedience as well as by susceptible subordinates that collude with the dominant ones in the organisation. Similarly, Arnold, Lampe and Sutton (1999) have hypothesised that executives desire not to be restrained by ethical obligations especially because of their short-term focus on goals that are incongruent with the long-term perspective, which is an inherent characteristic of business ethics. The toxic impact of unethical leadership was also confirmed by Cianci et al. (2014), who have showed in their research that the followers of neutral or less ethical leaders were more likely to produce unethical decisions.

Another factor in our study with a potential negative influence on the ethical quality of managerial decisions was the *results- and profit-driven doctrine* that may trickle down from the upper management to lower levels of the company. As Balch and Armstrong (2010) have noted, high performance companies create favourable conditions for wrongdoing because the high performance push necessitates an aggressive employee behaviour that is in many instances is ethically questionable. Furthermore, Hoyt, Price and Poatsy (2013) provided support in their paper for the assumption that the drive for performance contributes to increased confidence in appropriateness of any means to achieve the goals. In another study, the authors assume that "in their effort to attain these important group goals, leaders feel more justified than those in non-leading roles to engage in what is conventionally considered to be unethical behaviour" (Hoyt and Price, 2015, p. 532). However, this idea is not entirely new in the scientific debate on the wrongful managerial behaviour. For instance, as Ferrell and Gresham noted in 1985, several studies have implied ethical requirements could be perceived by managers as an impediment to organisational development in case they restrict creation of profit (Ferrell and Gresham, 1985).

The *business partners' pressure* factor in our research was based on the idea that managers are often serving as the primary contact points between the company and its potential business partners. In case these stakeholders create

a self-serving pressure to gain an advantage, managers might fail to hold up to their ethical values. As Lašáková, Remišová and Kirchmayer (2016) have noted, client focus instils inequality in human relations and if managers make decisions over resource and opportunity allocation based on personal gain, family ties or camaraderie, their decisions will be perceived as immoral and as a sign of unethical leadership. An additional motivation for involvement of this particular factor in our study was the fact that Slovakia is marked by corruption (World Economic Forum, 2015, p. 322). It was ranked recently as the second most corrupted country in the group of advanced economies of OECD (Colson, 2016). As corruption distorts relations among business partners at all levels, we wanted to examine Slovak respondents' perception in respect to this ethical issue.

Another factor involved in our study, the *unfair human resource management policies*, was derived from the idea that this particular area of managerial work is marked by unethical managerial practice in Slovakia (Lašáková, Remišová and Kirchmayer, 2016). As McDonald (2000) noted, to eliminate corrupt practices, the performance appraisals should take into account the way the goals were met in the organisation. Similarly, Goksoy and Alayoglu (2013) revealed in their study that performance appraisal fairness had an impact on employees' ethical decision-making. Complementary to this outcome, Ünal, Warren and Chen (2012) showed that the ethical principle of fairness is especially important in human resource management because its violation by managers may cause a *laissez faire* organisational climate that promotes unethical conduct.

The *ambiguity in what kind of behaviour is understood in the company as ethical and unethical* was listed among the factors eliciting unethical decision-making in our study because we assumed that the clearer the ethical rules for employee behaviour in the company are, the lower the probability employees will regard unethical behaviour as normal or as a standard. There are some indications that a less formalised work environment enables employees to rationalise their unethical behaviour (Shalvi et al., 2011). On the other hand, employee adherence to a common set of comprehensibly articulated group norms is vital to model, regulate, motivate, and control human ethical conduct in any organisational setting. The importance of group norms was also discussed by Ruiz et al. (2015). Their results indicated that ethical group norms contribute to the prediction of employee ethical intent to act. Furthermore, Valentine, Godkin and Vitton (2012) argued that managers should prompt the development of ethical values in their companies because employee perception of company values correlates positively with employee ethical decision-making. Nonetheless, the literature offers somewhat mixed results in respect to the effects of formal ethical norms on ethical behaviour in the company. For example, Paolillo and Vitell (2002)

surprisingly found that a code of ethics does not influence ethical decision-making intentions. Latter, Rabl (2011) investigated whether the degree of abstractness of norms in a code of ethics affect the decision-making of corrupt actors. Despite of the hypothesised link, she has found no differences in this respect.

The factor *bad organisation of work* in our study related to the overall quality of work experience. The underlying assumption was that if employees' work is obstructed by bad management of the work process, this may result in a perceived lower quality of work experience, which in turn influences individuals' intention to act unethically (Jones and Kavanagh, 1996).

In addition, two situational aspects were involved in our study. We were interested in whether the *unfavourable economic condition* of the company can add to unethical decision-making of managers. Umphress and Bingahm (2010) proposed that employees sometimes engage in the so-called unethical pro-organisational behaviour to benefit their organisation or its members based on a positive social exchange relationship and organisational identification. These may lead to unethical acts in order to help the company in hard times, for instance when it is in a critical financial situation. Finally, the factor of *time pressure*, under which managers are often forced to make their choices, may also contribute to unethical decisions. As Baucus et al. (2008) pointed out, stressed employees means serious ethical concerns for companies as they might have a tendency to engage in unethical decisions and actions to reduce the pressure. Also Jackson, Wood and Zboja (2013, p. 242) hypothesised in their theoretical model that "the speedier the decision, the less time there is for considering the implications and possible unintended consequences of a given course of action". This may lead managers to frame the situation as "technical" rather than "ethical", which results in neglecting the ethical aspects of the given dilemmatic situation.

The literature review shows that authors usually dealt with separate organizational factors that may induce unethical decisions. To gain a deeper understanding of relations among these factors, we have decided on a summative research, comparing various factors together.

## **2. Methodological Background**

### **2.1. Hypotheses Development**

In line with the purpose of this study, we have posited four research hypotheses. First, deriving from the in-depth theoretical review, we aimed to examine the perceived impact of factors that may play a role in eliciting unethical

managerial decision-making. The aforementioned results of literature review provided us with support to hypothesise that:

H1: *All of the nine investigated factors elicit unethical managerial decision-making according to Slovak managers' perception (scoring with a mean value of four and above on the seven-point scale).*

Second, we wanted to know which factors are the most pervasive in this respect. The most robust empirical evidence suggests the *ethical* behaviour of leaders affects the behaviour of their subordinates as well as the overall organisational context (e.g. De Hoogh and Den Hartog, 2008; Avey, Wernsing and Palanski, 2012; Den Hartog and Belschak, 2012; Babalola, Stouten and Euwema, 2016; Xu, Loi and Ngo, 2016). We aimed to find out whether this tendency is also replicated in the case of *unethical* leaders. In our theoretical review, certain positive evidence was found in this respect. Thus, we have hypothesised that:

H2: *The most crucial factor that affects unethical managerial decisions is the unethical behaviour of superiors (scoring the highest out of the nine researched factors).*

Third, to advance our understanding of the links between the researched factors, we were interested in how the respective factors are related to each other. In other words, we have inspected the statistically significant relationship between them. Consistent with the Hoyt and Price's "social role theory of unethical leadership" (Hoyt, Price and Emrick, 2010; Hoyt, Price and Poatsy, 2013; Hoyt and Price, 2015), we theorised that:

H3: *Shareholders/owners' interests in gaining profits at any expense are strongly correlated with superiors' interests only in results and not in the way they were achieved (with  $\tau \geq 0.6$ ).*

Going a step further in making an inference about relations between factors investigated in our study, we have examined whether there are any underlying variables in the set of the researched factors, which group them together into functional meta-categories. Because we have involved in our study three categories of factors, namely the authority figures (owners/shareholders, superiors, business partners), internal work environment regulations (Human resource management – HRM policies, company ethical norms, workflow organization), and situational aspects (economic situation in the company and time pressure), we have asserted that in line with this theoretical differentiation:

H4: *The researched organisational factors are band together according to three underlying unethical issues: the negative effect ascribed to the authority figures, the unethical internal work regulations, and the situational forces that are theorised to elicit unethical decisions.*

## 2.2. Sample and Method

To investigate the influence of organisational factors on managerial unethical decision-making, a large sample of Slovak managers was collected for this study. Due to the sensitivity of the studied phenomenon and because we wanted to obtain a larger picture across various sectors of Slovak business environment, we have opted for a convenience-based dataset without an exact quantification of the response rate. The call for participation with the link to e-questionnaire was disseminated through various channels (press releases, professional associations, managerial conference events, HR departments, alumni clubs, etc.) in order to obtain a varied sample, which would cover diverse organisational backgrounds.

In total 810 questionnaires were collected. After administration of the data, 11 questionnaires were excluded due to missing responses in respect to all nine organisational factors, and further 22 cases were excluded due to missing responses in some of the studied factors. In sum, data from 777 respondents were utilised for the purposes of this study.

The sample consisted of managers who served at different managerial levels. The basic criterion was to be subordinated to at least one hierarchical level in the company. Thus company owners, representing the very top of organisations, were not included in the sample. Almost 26% of managers were top managers, 37% were employed at middle management positions and 35% served at lower level management positions (2% of respondents did not provide an answer onto this question). Up to 61% of managers had less than 10 direct subordinates. As for the managerial seniority (years spent on managerial position), almost 22% served less than 3 years in a managerial positions and 39% for more than 10 years. The majority of respondents were in the age range from 27 to 49 years (73%), 16% were in the range of 50 – 62 years, 8% in 18 – 25 years, and 2% of the sample was formed by managers older than 62 years, whilst 40% were women (1% did not indicate their gender). Almost 71% of the sample worked in the Bratislava region.

As for the company backgrounds, 13% of respondents were working in heavy industry, 11% in finance, 6% in energetics, 5% in constructing, 4% in education and 3% in health care. In this context it should be noted, that 50.3% of our respondents did not provide an answer on this question. As for the company ownership, 88% were private organisations (with 2% of missing answers). Circa 60% of the whole sample was populated by respondents from foreign-owned companies (1.3% missing data). Circa 10% were micro companies with less than 10 employees, 20% small companies with 10 to 49 employees, 23% with 50 to 249 employees, and 46% with more than 250 employees (1% of answers were missing).

Respondents were asked to assess the influence of nine organizational factors on a 7-point scale ranging from “this factor does not elicit unethical decisions at all” to “this factor considerably elicits unethical decisions”. The nine factors reflected various organisational issues. They were based on a theoretical analysis of numerous works on unethical decision-making and behaviour in the organisation (as discussed in the “Theoretical insights” section of this paper). Responses of managers were based on an assessment of their actual experiences with the respective factors that represent the organisational context, in which managers make their decisions on a day-to-day basis. In cases where respondents were not familiar with some of the factors (they did not come into direct contact with the researched variables), they could skip the questionnaire item and proceed to the next item.

Managers’ responses did not necessarily have to be linked with their current employer; the focus was on their overall familiarity with the respective unethical issues. The obtained data was transcribed onto an Excel sheet and subsequently transformed to and labelled in the IBM SPSS statistics 24 program for the purposes of further statistical analysis.

### 3. Research Results

Results are organised according to the four hypotheses postulated in the “Methodological background” section of this paper. First, the results of descriptive analysis together with correlation analysis are presented. The second section of the research results deals with the outcomes of exploratory factor analysis.

#### 3.1. Strength and Ties between Factors that Elicit Managerial Unethical Decision-Making

Results (Table 1) indicate that managers did perceive all the nine investigated factors as stimulants of unethical managerial decision-making (with  $M > 4$ ). Hence, the *hypothesis 1 was supported*.

However, despite the theoretically grounded hypothesis it was found that the supervisory unethical behaviour is the most crucial factor in unethical decisions, thus *hypothesis 2 was not supported*. The shareholders/owners’ interest in profit ranked with  $M = 5.66$  as the most influential organisational factor (whereas the unethical supervisory behaviour ranked as third with  $M = 5.58$ ). The standard deviations (from 1.48 to 1.87) indicated that the variation of responses was quite high, especially for the last three factors (Table 1). Looking at the other indicators it is clear that data were skewed to the lower values on the 7-point scale.

Furthermore, positive kurtosis indicators in the first four factors indicate that responses were oscillating to a certain extent around the middle of the scale, whereas data regarding the factors in the fifth to ninth place were more evenly distributed on the scale. Thus, there was a higher consistency among managers on the level of influence of their superiors, company owners and HRM policies, and a lower agreement on factors that relate to business partners, behavioural norms' vagueness, critical economic situation, time pressure in decisions and bad workflow organization.

Interestingly, the unfair HRM policies ranked as the second most influential factor in the inducement of managerial unethical decisions ( $M = 5.59$ ). Its high rank interferes with the dominance of superiors-related factors in the ranking. Results might indicate that HRM is conceived as the backbone of organisational culture because it sets up the overall quality of human relations at workplace. In cases where HRM is based on unethical principles like injustice, prejudice, inequality, or nepotism, it inevitably shapes the overall culture in the company. Eventually, a malformed culture arises from the deformations in human capital.

The correlation analysis (Table 1) was based on Kendall's tau-b test, in which relationships between variables are evaluated after the original data have been transformed into ranks. In general, values of tau-b range from  $-1$  (100% negative association) to  $+1$  (100% positive association), while the value of 0 indicates the absence of association between the measured variables. We have used a cut-off value of .05 to determine whether the results are statistically significant. The results showed all relations were statistically significant ( $p < 0.001$ ), with  $\tau$  ranging from 0.064 at the lowest to 0.649 at the highest. Relatively strong correlations with  $\tau \geq 0.4$  were identified only in two pairs of the researched factors. Thus, results show that the *hypothesis 3 was confirmed*, because shareholders/owners' interests in gaining profits at any expense was strongly correlated with superiors' interests only in results and not in the way they were achieved (with  $\tau = 0.649$ ). It seems that the pressure to produce profits emphasised by company owners trickles down to lower managerial levels and creates a "profit-only" mindset in the managerial suite.

Another notable correlation was identified between the stress of managers in making decisions and the critical economic situation in the company ( $\tau = 0.466$ ). The findings indicate that when the company finds itself in times of trouble, this exerts an immense pressure on executives who bear the biggest proportion of responsibility for the company's financial health. Under these circumstances, managers often tend to go for a decision that might settle the situation at the expense of morality.

Table 1  
**Descriptive Statistics and Correlations between Factors Eliciting Managerial Unethical Decision-Making**

	Mean	St. dev.	Skew.	Kurt.	1	2	3	4	5	6	7	8
1. Shareholders/owners interested only in profits	5.66	1.519	-1.341	1.359								
2. Unfair human resource management policies	5.59	1.483	-1.287	1.355	.284**							
3. Unethical behaviour of superiors	5.58	1.549	-1.158	0.754	.311**	.263**						
4. Superiors interested only in results, not the way how they were achieved	5.53	1.533	-1.212	0.939	.649**	.268**	.309**					
5. Pressures from business partners aimed to gain advantage	5.19	1.646	-0.826	-0.060	.253**	.359**	.271**	.233**				
6. It is unclear in company which behaviours are ethical/unethical	5.16	1.673	-0.822	-0.154	.230**	.342**	.322**	.173**	.271**			
7. Critical economic situation in the company	5.04	1.682	-0.709	-0.277	.149**	.262**	.095**	.135**	.353**	.170**		
8. Stress (time pressure) in making managerial decisions	4.43	1.745	-0.411	-0.818	.096**	.190**	.064**	.087**	.305**	.174**	.466**	
9. Bad (ineffective) organization of workflow	4.35	1.873	-0.235	-1.078	.105**	.317**	.173**	.106**	.237**	.315**	.197**	.290**

Note: N = 777.

Mean value measured on a 7-point scale ranging from "this factor does not elicit unethical decisions at all" to "this factor considerably elicits unethical decisions".

\*\* Correlation is significant at the .001 level (2-tailed).

Source: Research results.

### 3.2. Hidden Variables in Managerial Unethical Decision-Making

The hypothesis 4 aimed to unveil underlying variables, which band together the organizational factors that elicit unethical managerial decision-making. For these purposes exploratory factor analysis was carried out. Table 2 resumes the respective results.

Table 2  
Rotated Component Matrix

Factor	1	2	3
Shareholders/owners interested only in profits	0.154	<b>0.885</b>	0.077
Unfair human resource management policies	<b>0.617</b>	0.298	0.264
Unethical behaviour of superiors	<b>0.561</b>	0.453	-0.023
Superiors interested only in results and not in the way how they were achieved	0.099	<b>0.895</b>	0.132
Pressures from business partners aimed to gain advantage	0.403	0.284	<b>0.542</b>
It is unclear in company which behaviours are ethical/unethical	<b>0.784</b>	0.123	0.085
Critical economic situation in the company	0.091	0.104	<b>0.856</b>
Stress (time pressure) in making managerial decisions	0.175	-0.002	<b>0.833</b>
Bad (ineffective) organization of workflow	<b>0.710</b>	-0.071	0.285
Mean values	5.17	5.60	4.89

Note: Extraction method: Principal component analysis; rotation method: Varimax with Kaiser normalisation. Total variance explained: 1<sup>st</sup> factor 38.6% (cumulative 38.6%), 2<sup>nd</sup> factor 16.3% (cumulative 54.9%), 3<sup>rd</sup> factor 11.1% (cumulative 66%). Mean value measured on a 7-point scale ranging from “this factor does not elicit unethical decisions at all” to “this factor considerably elicits unethical decisions”.

Source: Research results.

Although the factor analysis has detected three latent variables among the researched organisational factors, *hypothesis 4* was not supported. Our theoretical concept presumed that the three categories would entail the negative effects of authority figures, the unethical internal work regulations and the situational forces that are theorised to elicit unethical decisions. Instead of such a categorisation, the factor analysis reorganised the items according to a quite different and surprising logic. With respect to the content of the three groups, we have titled them as: 1. *Violation of internal ethical guidelines*, 2. *Prioritisation of economic results* and 3. *Situational tensions*. These three categories represent the key organisational issues, which induce unethical decisions of managers.

To assess their impact on unethical decision-making, mean scores were calculated for each group. The most influential was the prioritisation of economic results, in other words the “profits-only” mentality of managers and company owners (with M of 5.60). In their quest for profits at any expense, managers are often unaware of the potential destructive effects that are conveyed by their unidimensional mindset throughout the company. To balance the economic rationality with an ethical approach to business might represent one of the greatest challenges for top executives nowadays.

Somewhat lower influence was attributed to the issue of violation of internal ethical guidelines. This issue comprises both formal and informal norms according to which companies are run, such as the HR policies, superiors' role modelling behaviour, employees' behavioural patterns and internal principles for workflow organization. With the mean value of  $M = 5.17$  for this latent variable, results indicate that clear, transparent and mutually coherent instructions for ethical behaviour are a necessity. These guidelines should apply for both non-managerial and managerial levels and should voice the supremacy of ethics in business.

Last but not least, the results suggest that unethical managerial decisions might be also induced by situational stress and related tensions rooted in bad economic conditions of the company, by unethical requests from business partners, and by lack of time for decision-making. Although the situational tension exerts less influence than the aforementioned two latent variables ( $M = 4.89$ ), it supports the assumption that managers make unethical decisions not only because of the culture in which they work and because of their superiors, with whom they work, but also because of various situational "ad hoc" variables, which can't always be fully controlled.

#### **4. Discussion**

Our study offers several interesting and important insights into managerial unethical decision-making. First, our results suggest that the key underlying ethical issues in companies regard the one-sided prioritisation of economic success that is formed by attitudes of company owners and shareholders toward the way economic aims should be met. As Stevens (2008, p. 606) has put it, "the message of valuing ethics should come from the top as a key part of corporate strategy". However, the ultimate unidimensional results-driven orientation at the top of companies influences predominantly the change in managerial intent to act ethically and thus it fosters managers' unethical decision-making. The "results-only" mindset that permeates the top level company authorities epitomises managers' standpoint to the legitimate ways in which wealth is created. Put differently, in case the economic rationality dominates over the ethical rationality in business, managers, who would otherwise behave ethically, will opt for an unethical decision if put under pressure by a sheer economic calculi of company owners. The relationship between economic and ethical rationalities is widely discussed in the literature and is regarded as one of the chief issues in business ethics (Ulrich, 1997; Márton, 2005; Remišová, 1997; Remišová, 2011). Our results confirm that a wide space for unethical decision-making of managers will

be created if owners are not interested in how profit is being achieved. In this context for instance, Kouzes and Posner (2003) have noted that great leaders, just like great companies, do first of all create a meaning, and not just focused on money. Similarly, Collins and Porras (2004) stated that successful companies have strong ethical standards that do not collide with the economic values. We argue that if the main source of social prestige is only in economic profits, the top management suite will set a clear tone at the top of the company that only profit is what matters. In that case, profit is the only thing that is both desired and desirable. Our results imply that such a signal from the top creates a wide space for unethical and illegal behaviour at lower management levels in the company. Prioritisation of the economic rationality at the expense of the ethical rationality in business, accompanied by the individual managers' greed, may eventually lead to destruction of the entire company and serious damage to company stakeholders.

Second, our findings show that superiors bear a great amount of responsibility for lower-level leaders' unethical conduct. If superiors behave unethically, this may have an adverse impact on ethical behaviour of managers at lower levels of the company ladder. Our finding on the negative influence of superiors' unethical behaviour is complementary to the conclusions of other authors, too. For instance, Ünal, Warren and Chen (2012) asserted that unethical leaders might motivate subordinates to behave unethically. Similarly, Burton and Hoobler (2011) also explored the relationship between "wrong" leadership and the aggressive reactions of employees. Brown and Mitchell (2010) indicated that unethical leadership might drain employees' self-resources like attention or self-esteem, thus ending in ego depletion. Furthermore, Rafferty and Restubog (2011) revealed in their research that abusive supervision was negatively associated with followers' perception of interactional justice and their beliefs that they are engaged in meaningful work and organisational-based self-esteem. Our results add to this collection of negative outcomes and show that another result of unethical company leaders is the unethical decision-making of subordinated managers.

Third, this study provides an important argument to raise the accountability of HRM processes (like employee selection, career growth, performance appraisal, or compensation). Results show that the unfair HRM policies seem to be very influential in eliciting unethical managerial decisions (ranked as the second most significant precursor in this respect). The fairness principle belongs to the basic ethical requirements. Employees consider violation of fairness in HRM with the utmost sensitivity because it tackles the basic existential needs of people as well as their need for self-actualisation and recognition. As Lašáková (2011)

noted, all HRM processes should uphold four basic ethical principles, namely transparency, justice, objectivity, and care for the wellbeing of employees. Transparency means easy access to accurate information on HRM processes as they are set in the company. Justice entails fairness and equity toward employees. Objectivity represents the impartiality of facts and records on employees and finally, care for wellbeing points to the managerial obligation to pay attention to employees' needs and interests. Our research confirms that ethics in HRM should be regarded as the highest priority in all companies, due to its large impact on managerial decision-making.

Fourth, interestingly our findings indicate that our respondents ascribed a somewhat lower influence to factors they could potentially have under control with the help of their own managerial competencies. These are the factors of poor workflow organisation and time-related stress in decision-making. The likely interpretations are manifold. For instance, managers in our sample might feel that other organisational factors do play a more significant role in their unethical decision-making. Alternatively, this result could be based on external locus of control (e.g. Forte, 2005) in our sample, which leads to a weaker self-attribution of the reasons for one's own unethical choices. Particularly surprising is the quite low level of impact of the poor workflow organisation, since Leymann (2006) had presumed that bad workflow management especially amplifies unethical phenomena like mobbing at the workplace.

Our study has some limitations. First, the sampling strategy allowed us to gather only a convenience-based dataset. Second, the sample involved only Slovak managers and thus the results might be affected by the specifics of Slovak business culture. Third, the research focus was on managerial perceptions of the influence of organisational factors and not on their influence per se. Finally, only nine organisational factors were included in the study and thus the role of other mechanisms in reducing managerial unethical decision-making might have not been fully examined. However, despite these limitations, the sample size, the methods used and the depth of our analysis allow us to formulate several important practical implications.

For companies, our paper implies that it is vital to declare clearly what kind of employee behaviour will be regarded as unethical and as such will be not accepted in the workplace. Furthermore, any managerial deviations from the ethical requirements have to be disciplined in order to minimise unethical conduct in the company. Clear and transparent delineation of ethics in the workplace reduces ethics-related uncertainty and ambiguities that elicit unethical managerial decisions. Senior managers' behaviour is the key in this context because it sets the overall tone at the top in companies. In cases where this tone conveys a message

for other lower-level employees that profit matters the most, this economic results-driven mindset may produce harm to employees, to the company or to its external stakeholders. Therefore, top executives should not over emphasise the importance of economic rationality; instead, they should verbalise to their subordinates that ethics matters in business. Managers should be recognised and rewarded for upholding a balance between economic rationality and ethical rationality in their decisions. Furthermore, a conscious ethics management at the workplace should be maintained, leaving a space for fair HRM practices and balanced management of the workflow. Finally, although some situational tensions can hardly be controlled, results imply that managers should not be pushed toward quick decisions, especially if they face complex situations, because the pressure of time may produce harmful and unsolicited results.

## **Conclusion**

An increased attention to ethical failures of top managers was aroused in both the business and in public environments a few years ago as a result of the ethical scandals of once successful global corporations and the economic crisis at the end of the first decade of new millennium. These regrettable events definitely refuted any negativistic attitudes of the ethical sceptics toward the role of ethics in business. Practitioners and academics started to discuss, how to manage and minimise the risk of unethical managerial decision-making. Our study contributes to this discussion by concentrating on several organisational factors that induce unethical decision-making in a novel summative and comparative manner.

The paper points out that the most influential factors in this respect are the “profits-only” mindset of company owners, the unfair human resource management policies instilled in the workplace and the unethical behaviour of superiors. While the ethical tone at the top of companies has been extensively explored, the originality of our paper lies in that it raises the attention of scholars to the unethical side of decision-making as well as the role of other organisational factors that foster unethical managerial decisions *in conjunction* with the aforementioned unethical tone at the top. Furthermore, our results revise to a certain extent the theoretical differentiation of the respective organisational factors. The modified categorisation outlines three key ethical issues in companies, namely the violation of internal ethical guidelines, prioritisation of economic results and situational tensions that intrude on managerial decision-making.

To conclude, current scientific debate suffers from certain weaknesses. For instance, to date we lack a serious theoretical reflection and clarification of the differences between the “ethical” and “unethical” in decision-making. A qualitative

research approach would be needed to develop the theory of organisational factors that play a significant role in explaining decisional differences. Further research should shed light on the relationship between company ethical infrastructure (code of ethics, ethics hotlines, ethics offices, etc.), and managerial unethical decision-making and whether these are predictive consistently over time in respect to employees' ethical conduct.

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