ETHICAL BUSINESS DECISIONMAKING CONSIDERING STAKEHOLDER INTEREST

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Abstract:

A focus on short-term profit as an exclusive measure of business success has led to an erosion of stakeholder trust and opened the door for ethical misconduct. This study identified the values, beliefs, and experiences in the background of business leaders and led to the development of a process for decision making in which stakeholder interest is considered. This phenomenological study, grounded in the institutional theory, addressed how an ethical interpretive framework becomes institutionalized. The research question explored the attributes of decision making when there are ethical implications affecting stakeholders. Data were collected by interviewing 20 middle- to senior-level corporate leaders in the eastern half of the United States. The data were coded to identify themes, which were then analyzed.Four themes emerged: (a) honesty and integrity in interactions that are internal and external to the company; (b) doing the right thing, the right way for both stakeholders and the company; (c) weighing the benefits and risks to stakeholders and the company; and (d) transparency when acting and communicating. This research study was designed to assist business leaderswith decision making when there are ethical implications affecting stakeholders that may result from their actions.

Key Word:Corporate Social Responsibility. Decision Making. Ethics. Leadership. Stakeholder Interest. Sustainability. Values. Financial Misconduct.

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Introduction

Economics aside, all business operations and decisions have ethical implications, and each person in society is a stakeholder (Wilcke, 2004). This philosophy supports the researchers views and is reinforced by Wilcke, Chaarlas (2012), and Coleman (2011) who posited that because business leaders have unlimited power, they must assume responsibility for the resultsof their actions. Moreover, acting in one's own self-interest, or purely for profit, is contrary to socially responsible leadership.Undoubtedly, a leader's role is to manage resources and steer the companyin directionsthattake advantage ofopportunities for maximum profit. However, the manner in whichresources are directed hasimplications forstakeholders. How business leaders make decisions that affectsociety wasthe subject of this study. Consideration wasgiven to characteristics of decisionmaking when there are ethical implications that may result from those choices.

The general problem addressed in this study wasthat unethical business practices occurred in part, because of a lack of ethical standards for business decisionmakers.Specifically, the attributes of ethical conduct have not been defined and incorporated into ethics programs. The resulting data from the findings may provide members of the business community with insight into how decisions are made when ethical issues arise. A phenomenological methodology provided for an understanding of how ethicsis applied to decision making. The results of the studyprovidedfor anexploration of the role of ethics in business decisionmaking and its impact to stakeholder interest.

Background of the study

When trust is lost and ethical decisionmaking is set aside, the door is opened for unethical business practices (White, 2009). A focus on bottom-line results as the exclusive measure of shareholder value obviates the role and responsibility of business in society. Further, when the market rewards these actions, business leaders who take this approach begin to believe they are managing anorganization efficiently (Mengone& Robinson, 2003). Undoubtedly, the behaviors of some corporate executives have resulted in the failure of numerous large banking and investment institutions deemed *too big to fail*(Markham, 2011; Matthews & Matthews, 2010). Ethical misconduct including bribery, insider trading, and conflicts of interest has eroded stakeholder trust (Yandle, 2010). We posit that business leaders must recognize that stakeholders view ethical decisionmaking is an inherent value, if not an imperative, that will move organizations forward and create a new model. Placing ethics and corporate social responsibility at the core of strategic goals is the new model.

The recent global economic collapse sets the stage for examining the consequences of unethical business practices. In an analysis of what went wrong in the financial sector between 2007 and 2009, it is apparent that the method by which subprime mortgages were created, funded, and sold in the global marketplace was infused with trust issues (Tarr, 2010). Consider, between 1993 and

2003, that 10% of new mortgages were classified as subprime (Yandle, 2010). By 2007, the number of subprime mortgages purchased by Fannie Mae and Freddie Mac had increased to 40% (Yandle, 2010). The government allowed these two entities to take on added risk under the guise of providing affordable housing. Lenders who originated the loans sold them to intermediaries who bundled them or pieced them together as collateral for bonds then sold around the world. Banks had found a method for making money by shifting the risk. The jeopardy of default no longer fell to the banks. It was assumed by those who purchased the pool of mortgages. Further, since the advent of the WorldCom, Enron, and Tyco eras of shareholder value, society has seenCDOs, credit swaps, and other financial instruments imbued with risks that have increased shareholder returns. Jennings (2009) saidthat this method of doing business was never a sound business strategy.

Problem and Purpose of the study

The general problem addressed in this study wasthat unethical business practices occurred in part, because of a lack of ethical standards for business decisionmakers (Boatright, 2010; Jordi, 2010; McCormick,2011; Yandle, 2010;). Specifically, the attributes of ethical conduct have not been defined and incorporated into ethics programs. A framework must be in place to assists corporate leaders make decisions that have ethical implications (Sadowski& Thomas, 2012). Thekey purpose of the study was to explore patterns that created meaning and themes from a specific phenomenon (Moustakas, 2009). Twenty managerswere interviewed to explore whether ethical decision making is the result of individualvalues, management initiatives, or an expression of an organization's cultures. Study participants were middle- to- senior level professionals from the eastern portion of the United States, employed by organizations with established codes of ethics and or ethics programs (one that has been in existence for 3 or more years), and have made decisions in the past 2 years that had ethical implications.

Conceptual Framework

The conceptual framework, is based on institutional theory, whereby the extant literature grounds and complements itself, is based on the notion that framework for organization's action, is based on the notion that organizations do not act independently (Sellers, Fogarty, & Parker, 2012). Rather, they are connected to other organizations in what is often referred to as an *organizational field* or *web* that is ultimately combined with and affects societies. Organizations are obliged to create processes and theories for their actions so that their stakeholders continue to relate to them with confidence and therefore provide the consent necessary to operate. Institutional theory was first outlined by Greenwood in 1957 (Greenwood &Suddaby, 2006) and further defined by Leicht and Fennell (2008). Leicht and Fennell posited that organizations should act ethically, with values and beliefs forming a core for professions. This theory explores economics as an instructive paradigm (Sellers et al., 2012). Additionally, an institutional theory is an appropriate conceptual framework for a study about behavioral choices.

We adopted a social constructivist worldview for this study. Lindgren and Packendorff (2010) described the social constructionist worldview as applicable to qualitative studies where the researcher seeks to understand the world in which study participants live and work. The social constructivist worldview considers the historical perspective, particularly when questions surround an individual's outlook (Ford & Lawler, 2007). Ford and Lawler pointed out that this worldview goes beyond those characteristics that are unique and considers social dynamics. This approach allowed the participants' views to be analyzed and their voices to be heard. Meanings were varied and numerous, and the approach allowed for in-depth discussion and understanding. The social constructivist worldview can also be considered an interpretative phenomenological analysis because the individual as a complete entity and the uniqueness of his or her background is considered (Pringle, Drummond, McLafferty, & Hendry, 2011). This worldview permitted exploration of individual experiences in detail and resulted in a complete picture of how values are formed and applied. Social constructivists study the past when considering the actions and behaviors of study participants. Ford and Lawler recommended this approach when studying leadership behaviors.

Discussions

A Duty Owed or Lack Thereof

Corporate citizenship includes acting in a manner that is not required of an organization's members but contributes to the general good and is essential for maintaining a competitive advantage (Caldwell, 2011). Caldwell further theorized that this posture is a prerequisite for an organization's long-term success, requires the personal responsibility of business leaders, and isvital for strategic competitiveness. Short of altruism, this philosophy endorses a utilitarian view of ethics in business and raises the question of whether a business has a social responsibility to do the most good for the most people. Caldwell contended that the adoption of socially responsible business practices has relevance today because it increases employee engagement, contributes to organizational growth, and ultimately benefits society, the company, and employees.

Garriga and Melé (2004) outlined four positions or groups that individuals may fall into regarding theorganization's ethicalphilosophy. Those in Group 1 assume that corporations exist to maximize profit only. Social responsibility is not a consideration unless it positively affects the bottom line. Those in Group 2 consider social responsibility as it relates to power, legal requirement, and influence. Those in Group 3feel that business leaders should respond to social pressures. Finally, those in Group 4 expect business leaders to operate in a socially responsible manner and take the interest of all stakeholders into consideration when making operating decisions.Viewed from the perspective of these four positions or groups, ethics and corporate social responsibility spans a continuum from a means to an end, to a duty owed. Nonetheless, and regardless the category business leaders views themselves, scholars agree there is a responsibility to groups of stakeholder (Brand, 2009). This obligation exists even if the duty only comes into play when or if there is economic benefit (Secchi, 2007).

A Business Case for Ethical Business Practices

More recently, unethical business practices have had broad and globalrepercusions. Rand (2010) highlighted that as of June 2008, there were 27 million sub-prime housing loans outstanding with an unpaid principal amount of $4.6 trillion. Between 2008 and 2009, unethical regulatory, market, and political factors resulted in the default of over 25 million mortgages in the United States and affected more than 100 million people (Tarr, 2010). By 2010, foreclosure starts rose to 5%, 4 times higher than any other housing bubble (Rahn, 2010). By packaging sub-prime mortgages into bonds and a lack of transparency regarding the status of loans,lenderspermitted greed and short-term profit to prevail over long-term consequences. The resulting effect was a record number of foreclosure starts imposed on homeowners, record layoffs affected millions of Americans, the stock market declined, and retirement savings losses exceeded $2 trillion (Yandle, 2010).

The Value of Values—Trust

The question becomes, how do business leaders form a basis for decision making? How are values developed? Can personal values be influenced by the culture of the company?

There is ample scholarly research suggesting values and principles are influenced by family, teachers, religious background, political affiliations, personal associates, and professional colleagues (Gingerich, 2010; Yukl, George & Jones, 2009). These influences may intentionally or unintentionally affect managers in a manner that influences ethical decision making. Experiences in one's background may cause individuals to act, risk, and lead in a manner that influences their business interactions. Values and relationships are cited by the Business Roundtable for Corporate Ethics (White, 2009) as grounded in the ability to develop and sustain trust and credibility with stakeholders. Trust is based on relationships, which influences employee commitment and performance, customer acquisition and retention, and supplier loyalty and honesty. Trust contributes to the company'sreputation and standing in the community and ultimately affects bottom line results (Gingerich, 2010).

Zakaria and Lajis (2012) said that in addition to maximizing profit, management has a responsibility to be good corporate citizens and must act ethically. The author's stated when management considers profit as an exclusive measure of a firm's success; credibility and reputation can be lost, particularly when a product or service harms the firm's clients. The consequence is lost trust that results in lost profits. Equally, when company leaders act ethically, trust, loyalty and profit can be positively affected.

For example, in September, 1982 seven people in the Chicago area died when they consumed cyanide-laced Extra- Strength Tylenol capsules. Acting contrary to the advice of colleagues, Johnson & Johnson's President, James Burke, launched an immediate recall of all Tylenol capsules. The leaders of Johnson & Johnson were subsequently cleared of any wrong doing. Nonetheless, this decision cost millions of dollars in lost revenue. However, Tylenol regained 30% market share by December of 1982. By the third quarter of 1983, Tylenol had successfully regained its status as the leading pain reliever (Burton &Goldsby, 2010; Mitchell, 1989). The public's trust in Johnson & Johnson and their leaders was enhanced by their immediate ethical and socially responsible actions.On the other hand, trust can be lost. The exemplary ethical reputation enjoyed by Johnson & Johnson leaders over the last few decades is now in jeopardy. A lack of response or ineffectiveness centered on product safety, quality control, marketing issues, and pending litigation, is damaging the company's reputation (Stewart & Paine, 2012). Once reputation is tarnished and trust is lost it is difficult to regain.

Ethics as Practice—Corporate Social Responsibility and Sustainability

Values, beliefs, rules, and norms form the basis of an organization's culture (Schein, E. as cited in Yukl, George & Jones, 2009). It is a top down driven process. The senior management team substantially influences how effectively the stated culture is embraced throughout the company. Ethical standards directing the behavior of corporate leadersand staff can be an effective tool when applied to circumstances where effects of decisions are uncertain and where issues must be dealt with without the certainty of outcomes but under the guidance and direction of businessvalues (Clegg, Kornberger, & Rhodes, 2007). Ethics and corporate social responsibility are the adoption of business practices and valuesthat consider the interests of all stakeholders including investors, customers, employees, the community, and the environment, and are reflected in the company's policies and leader actions.

Nonetheless, managerial decision making is usually tied to rewards and measurement. Organization leaders regularly tout their commitment to sustainability yet act to the contrary by promotingstaff based on attaining financial goals. This dichotomy sends a clear message that what is truly important is bottom line results, not long-term sustainability. Therefore, there is a duty with regard to policy to monitor employee behavior to confirm what is happening in actuality is what is espoused by the company's philosophy and ethics statementapplicable to the ethical issue.

Ethical Consideration in Strategic and Operational Decisions

Bauman (2011) stated the obvious when he posited that businesses leaderstoday face many challenges. We live in an era where tampered pharmaceuticals, computer hackers, terrorist attacks, financial portfolio malfeasance, and risks of litigation are a reality for business leaders. These new dynamics must be a consideration for business leaders as they direct businessstrategy in the 21st century. Leadership strategyneeded to meet these challenges include developing a strategic vision, acquiring and disseminating information from internal and external sources, as well as creating a structure where ethical considerations within an innovative environment, flourishes.Necessarily, ethical consideration in the strategic and operational decisions of business leaders must be imbued in the fabric of the organization's structure. By integrating traditional ideas about corporate social responsibility,leaders can function in a role that includes developing methods to help managers with their responsibility to have their members be good corporate citizens and to think through the implications of business decisions in a more thoughtful and analytical manner (Yukl, George & Jones, 2009).

Consideration for the role of ethics in business, developing a framework for business operation, as well as an approach to decision making that transcends shareholder wealth and profit maximization over the short-term, is in order. Consideration must also be given to the global stakeholder, their protection and interest over the long term. Given the United States has participated in several global initiatives and American businesses are functioning worldwide, there is an incentive to developethical standards of operation and to communicate expectations through corporate ethics programs (Hamilton, Knouse, & Hill, 2009).Consideration must also be given to competing values surrounding what to do in circumstances where two courses of action seem right, and a decision must be made regarding which actionmanagement should consider. In this case, the dilemma is what guidelines should be followed. Hamilton et al. (2009) stated a decision about what to do and how to go about doing it will be the result of sound core values, assumptions, and ethical principles that are cascaded from senior management throughout the company. Sengeet al. (2008) provided insight into a strategy to supportbusinessleaders make the connection between ethics, sustainability, stakeholder value, and profit. This model considered not only drivers of strategic sustainability today, but projected it to future benefits and considered internal and external forces.

Corporate social responsibility, ethical considerations, and sustainability initiatives require businessleaders assume responsibility for the products and services (outputs) they produce from creation to disposal. Organization leaders must go beyond the minimum requirements of regulators and act in the interest of all stakeholders (Senge et al., 2008). Additionally, businesses leaders have, as it appears to the public, unlimited power and must assume responsibility for the results of their decisions. Ethics is about values and principles that guide decision making.

The Link between Leadership, Organization Culture, and Ethical Behavior

Leaders are the bridge between employees, shareholders, customers, and suppliers. Their behavior influences the health and the perception of the businessboth internally and externally. Leadership is not an isolated function. Leaders manage within the context and culture of the company. Understanding how a leader's decisions affectbusinessoutcomes, the values, and moral assumptions leaders bring to their position, helps shed light on a complex process that affects many stakeholders (Treviño, Weaver, & Reynolds, 2006).Therefore, it is necessaryto place definition around the attributes of ethicaldecision making and determine how standards can be imbued in an organization's ethics program so that compliance will result. Ethics in the broad

sense explores how individuals interact and considers what is right and wrong (Sadowski& Thomas, 2012). Sadowski and Thomas, citing Kidder (1995) feltthat it is necessary to develop a set of values that business leaders, operating globally, can agree upon and adopt. In order to adopt uniform standards, it is necessary to examine how leaders make decisions.
Leaders are also assumed that have the ability to inspire others to act (Rozuel, 2012).

Bredmar (2011) said that leadership is a process that creates an organization's culture.Jawahar, Meurs, Ferris, and Hochwarter, (2008), emphasized that leaders must have the ability to understand, work with, and influence others. Jawaharet al. believed this influence is necessary for superior performance in most jobs. The authors stated that perception makes leadership challenging. People believe what they perceive. Olivares (2008) linked leadership capacity with core values and recommended these values are derived from life experience. Behavioral ethics is a relatively new approach to the study of ethics and combines social science and psychology disciplines to determine how individuals within an organizational structure function together. Wooten (2008) believed a new paradigm is emerging spurred by advances in technology, the speed with which information is disseminated, globalization, and the need for organizations to remain agile in order to compete in the market. According to Wooten, this new paradigm includes a workforce that is made up of more self-directed virtual teams who reject the idea of job security in favor of career opportunity. Necessarily, leaders will have to adapt to this new paradigm focusing on methods that involve team activities and learn to manage team interaction when team member work together in different time zones and cultures. Wooten pointed out the trend is toward continuous change as opposed to sporadic change. This shift may result in ethical dilemmas resulting from a lack of the need to verify or replicate methodology. Thesecircumstances canpresent opportunities for values conflict, and no formal means to evaluatechoices.

Corporate Codes of Ethics and U.S. Government Intervention

Ethics programs are often the vehicle used to define expected corporate behavior. Ethics programs are described by Stohl, Stohl, and Popova (2009) as "third generation thinking" (p. 618). The authors emphasized that ethics programs must exceed conventional notions of profit maximization and employee safety, and include stakeholders globally. Balog (2012) saidthe purpose of an ethic's program is to deter misconduct and encourage ethical business practices by leaders both in the United States and abroad. Stohl et al. positedthat the effects of corporate policies and leaderdecisions are more broadly felt by the general population. These views highlight the interconnectedness of our business environment. Therefore, the globalization of today's businessneeds standardization surrounding what is consideredethical behavior(Sadowski, & Thomas, 2012). Corporate ethics codes are traditionally the basis of compliance programs, particularly since the adoption of the Sarbanes Oxley Act of 2002.

The Foreign Corrupt Practices Act of 1977 (FCPA) was enacted to address ethical issues faced by U. S. multinational corporations. Although, in its attempt to control unethical conduct, the Foreign Corrupt Practices Act put U. S.business leaders at a disadvantage because the rules were not enforceable abroad. To overcome this dilemma,the United States lead a 29 member contingent to advocate for compliance with the code. These efforts led to the signing of the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions by 36 countries (Santangelo, Stein, & Jacobs, 2007).The Federal Sentencing Guidelines weighed in on this subject and described an effective compliance and ethics program as one that motivates leadersto encourage ethical conduct and one that spurs a commitment to compliance with the law. These guidelines were strengthened by providing for a reduction in fines by 95% for compliance and an increase in fines by 400% for non-compliance (Tyler, Dienhart, & Thomas, 2008). Consequently, business leaders rushed to implement the guidelines to reduce their liability.

Although ethics programs are now commonplace in most businesses, their effectiveness is still called into question. Ethics programs tend to be standardized and homogenized with few tools for assessing how leaders arrive at the decisions they make. Even the notion ofa business leader's social responsibility or the identification and consensus surrounding who is a stakeholder is debated. Scholars such as Dowling and Welch (2009) suggested leaders of multinationals corporations develop self-regulating practices through codes of ethics which outline behavioral guidelines. Lager (2010) went further,and proposed codes of conduct should not just promote compliance; they should supportethical leadership, integrity, and fairness, as core corporate values.

Decision Makingand Stakeholder Consideration

Clearly, business decisions are designed to produce specificresults. Successful outcomes have been measured by profit maximization and shareholder returns. With this as the goal, it is easy to see how secondary considerations, such ethical decision making and corporate social responsibility, can be neglected (Pimentel, Kuntz, &Elenkov, 2010). Beets (2011) felt corporate decisionmakers are too far removed from those affected by their decisions; such that decisions cannot be ethically questioned. He also saw the limited liability of stockholders problematic, causing issues with accountability.

It is not suggestedthat corporate leaders deliberately and with malice set out to harm stakeholders. On the contrary,business leaders have operated under the premises their primary goal was to return a profit to shareholders. Shareholders have been seen as primary stakeholders to whom organization's leadersowe a duty (Wooten, 2008).

Recently however, the definition of stakeholder has been expanded to include all those who have an interest in or are affected by the outcomes of business decisions. Bauman (2011) highlighted that the financial cost from products which caused harm to others, legal cost from litigation, and environmental impacts, have caused the scope of who is considered a stakeholder to broaden. However, business processes have not kept pace with the new paradigm of who should be considered a stakeholder.

Pimentel et al. noted our current process for making decisions or, more precisely, the lack of an identifiable and agreed upon model for making decisions, limits ethicalreview of business decisions and further neglects to identify the characteristics or attributes that contribute to decision making. What does exist in literature, as the authors noted, is incomplete. Bauman notedthat the effort has been toward managing crisis rather than anticipating crisis. Companies must focus on developing a methodology for evaluatingdecision making in light of the impact to all stakeholders before the stakeholder is affected.

As a result of the increased focus on ethical business practices and corporate social responsibility, scholars seek to understand the process of ethical decision makingand its impact on stakeholders (Haines, Street, & Haines, 2008; Stenmark, Antes, Wang, Caughron, Thiel, & Mumford, 2010). Authors including Callanan, Rotenberry, Perry, and Oehlers, (2010) and Treviño, Weaver, and Reynolds, (2006) utilized quantitative methods to study decision making. Callanan et al. found a connection between ethical relativism and ethical decisions. Further, the authors found the stronger the leader’s view that ethics is relative, the greater the propensity of leadersto make unethical choices. Conversely, the authors found the higher the degree of idealism or ethical absolutes as the belief system of the leader, the greater the propensity to act and make decisions ethically. Loviscky, Treviño, and Jacobs (2007) also found managerial moral judgment to be a predictor of job performance. A higher the propensity for moral judgment resulted in aincreasedconnection to better job performance. Reisman and Willard (2011) proposed a detailed ethics program assisting leaders with decision making is in order.

Methodology

With a qualitative methodology, a researcher can explore patterns thatlead to the development of meaning and themes regarding a specific phenomenon (Moustakas, 1994; Ryan & Bernard, 2003).As qualitative researchers desire to explore study participants’ understanding of a subject, a qualitative methodology was selected for this study, which was designed to understand the decision making process.Loidolt (2009),referencing Husserl’s concepts, emphasized that qualitative and quantitative research methods represent opposite ends of a continuum. Qualitative methodologies frame a question with words, whereas quantitative methodologies involve numbers. Stated differently, qualitative research uses open-ended questions whereas quantitative researchuses closed-ended questions. Qualitative research questions are general rather than structured around specific hypotheses. Since the objective of this study was to explore study participants’ life experiences that had formed their values and influenced theirdecision making style (qualitative), rather than to capture a moment in time (quantitative), a qualitative methodology was used.

A phenomenological research design was employed in this research study. Husserl described phenomenological research design as exploring themes, the meaning of findings, and common experiences in the backgrounds of study participants. He suggested that these are primary qualitative design features (as cited in Loidolt, 2009). The rationale for selecting this research design wasthat it would allow for an in-depth understanding of the nature and causes of a leader's propensity to behave ethically and make ethical business decisions. Moustakas (1994) described phenomenological research as the study of an individual's lived experience from which meaning can be derived. This study explored commonalities in study participants' experiences and their views about ethics and decision making in business.

Individual interviews were conducted with 20 middle- to senior-level corporate executives. This group comprised the population included in the study. These leaders represented corporations with established ethics programs. This structure allowed for data analysis thatconsidered how corporate ethics programs were developed, communicated, and evaluated when decisions involved consideration of stakeholders. The structure also allowed for exploration of how ethics affect decision making. Consequently, the population considered for this study was both a convenience sample, because of accessibility, and a purposeful sample, because participants represented individuals whose insight about the subject was likely to be representative of the general population similarly situated.

Upon completion of the interviews, it was necessary to organize the data into codes (Moustakas, 1994). Phrases and words used by the study participant to explain or describe experiences with ethical decision makingwere identifiedas a code. Initially, there were 27 codes. Some codes were found to be so similar that they were combined. Data from the transcribed interview was applied to the codesand themes emerged. Frequency wasthen calculated. Particular attention was paid to recurringphrases and words. This allowed for analysis, verification, and areference. This process required continuous examination in order to develop meaningful units or themes.

Analysis and Results

Upon analysis of the codes, six themes emerged which were analyzed for frequency. The six themes were:values formation, leadership qualities, training and communication, decisionmaking, ethics code development, and rewards. A social constructivist worldview was adopted, whereby a historical perspective was considered particularly when questions surrounded an individual's background that formed the basis of his or her decision making style (Ford & Lawler, 2007). This approach allowed the participants' views to be analyzed.Below are the results shown for values formation,leadership qualities, communicating the ethics codes, decision making,

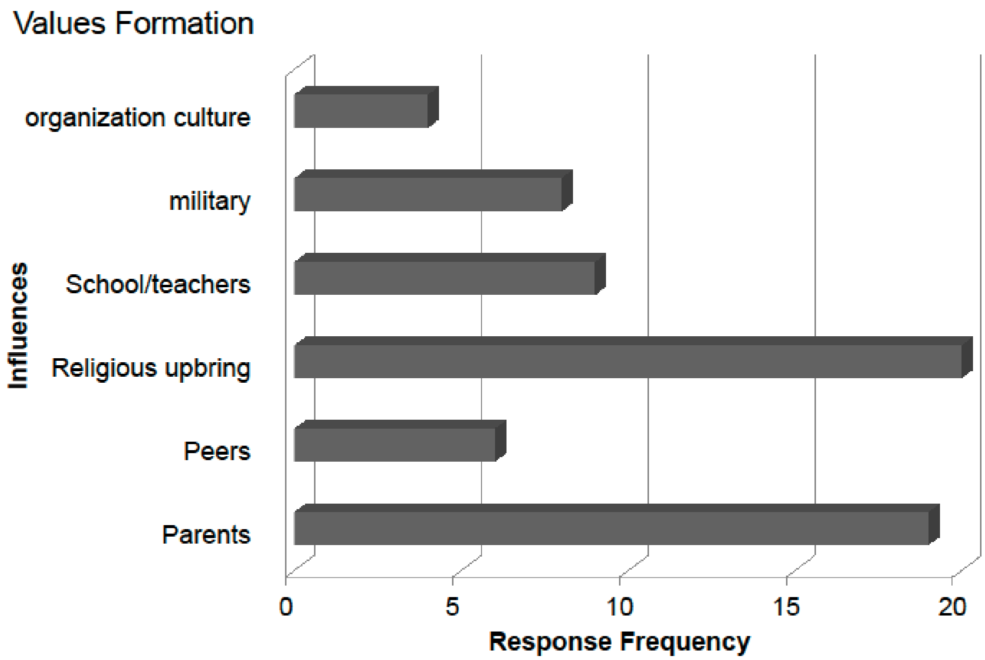

Figure 1. Response frequency to influences affecting values formation

As noted by Robertson and Athanassiou (2009), ethics is a science that includes values and morality. This study confirmed that notion. Study participants indicated parental influences (18 participants), religious upbringing (20 participants), teachers (9 participants), and peers (6 participants) as primary influences forming the basis of their value systems. Based on results of the study, it was determined that values formed in the home were rooted in religion; supported by teachers, peers, and the culture of the military (if the military was part of the individual's background, as it was for eight participants); and reinforced by organizations with which the individual was associated, particularly early in his or her career (four participants).

Figure 2. Response frequency for attributes of leaders that evidence ethical behavior

Study participants viewed honesty as the most important attribute leaders' exhibit that represents ethical behavior. Honesty was mentioned 35 times during the interviews. Doing the right thing and treating employees fairly suggested integrity (mentioned 32 times). Transparency (mentioned 18 times), respect for others (mentioned 17 times) and good communication skills (mentioned 16 times) were also important attributes.Mentzer, Stank, and Myers (2007) felt management values are an important factor in developing the culture of an organization. Therefore, it was important to consider how ethics codes were developed and communicated.

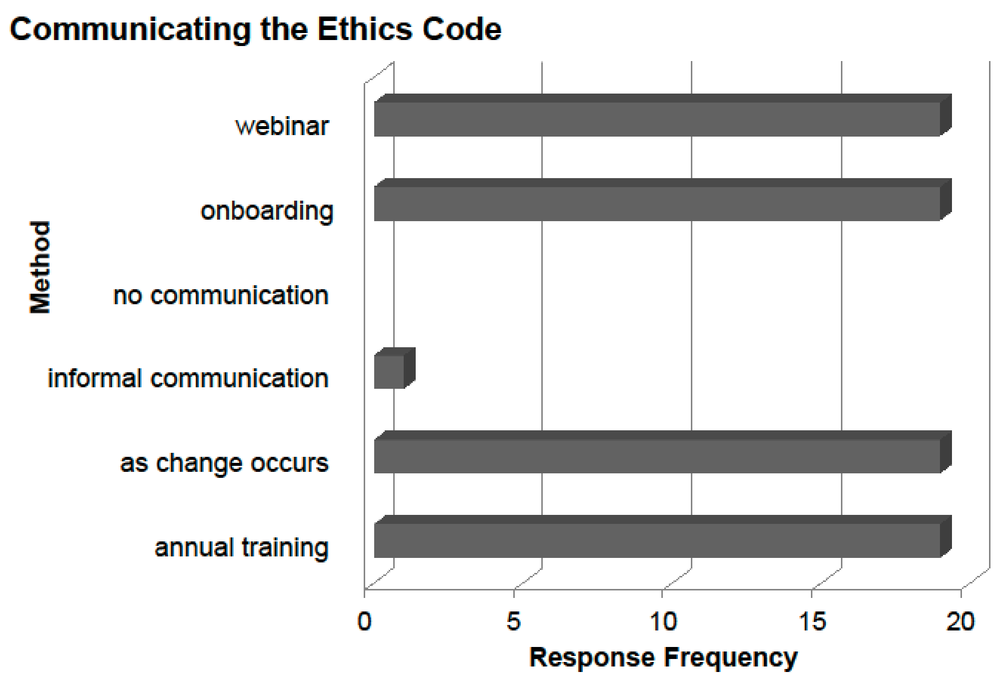

Figure 3. Methods used for communicating the code of ethic

Nineteen participants reported codes of ethics were part of the onboarding process for all employees and were reaffirmed annually and or as changes to regulations or corporate policy occur. Most of the participant's organization's (14 organizations of 17 included in the study – three participants work for the same organization) deliver training via webinar requiring employees to pass a test at the end confirming their knowledge and understanding of the ethics code. Three participants stated the code of ethics was communicated informally.

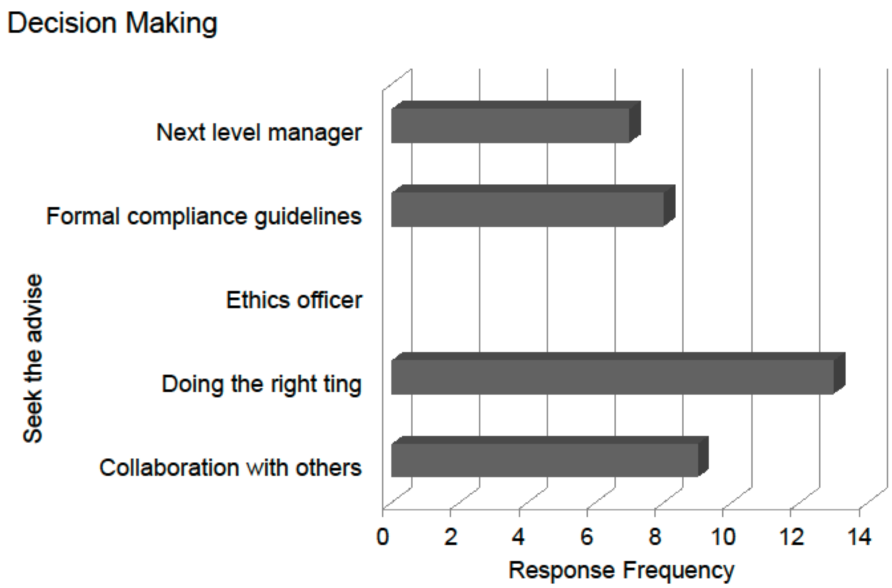

Figure 4. Who do leaders refer to when ethical issues arise?

Thirteen participants stated the primary consideration was *doing the right thin*g when making decisions which have ethical implications. Additionally, participants often seek guidance from their peers or next level manager. Even when an ethics officer was present in the organization, no study participant stated they utilize that resource to assist with decision making. Nineteen study participants stated they feel comfortable discussing ethical concerns and misconduct with their next level manger. One organization has a formal process for assessing decisions. This process is called the Conscious Choice decision making process. Definitions of ethical behavior are embedded in ethics training of sixteen organizations represented by study participants. Only one study participant indicated there was no ethics training in place at their organization. Webinars often contain scenarios or situations where the code is applied. Two organizations have ethical behavior measured in performance reviews. One organization has a quarterly recognition program that reward the individual in the organization that best represents that organization's core values. All study participants stated that ethical misconduct could lead to disciplinary action up to and including termination. Notably, all participants stated ethical behavior is an expectation and is to be exhibited by every member of the organization.

Conclusion and Recommendation

Values formed in the home are rooted in religion; supported by teachers, peers, the culture of the military (if part of their background), and from organizations which study participants were associated, particularly early in their career. Honesty was the most important attribute leaders' exhibit representing ethicalbehavior. Doing the right thing and treating employees fairly suggested integrity. Transparency, respect for others and good communication skills were also importantattributes of ethical leadership. Ethical behavior was noted by all study participants as an expectation and is to be exhibited by every member of the organization. Based on the results of this research study it is determined the attributes of ethical decision making are, a) honesty and integrity in interactions that are internal and external to the organization, b) doing the right thing, the right way for both stakeholders and the organization; c) weighing the benefits and risk to stakeholders and the organization and, d) transparency when acting and communicating.Notable also, seven of the most senior study participants indicated that they would not remain with an organization they perceived as unethical. Therefore, it is concluded doing business ethically is a retention tool.

Leaders are the bridge between employees, shareholders, customers, and suppliers. Their behavior influences the health and the perception of the organization internally and externally. Leadership is not an isolated function. Leaders manage within the context and culture of the organization they represent. Understanding how a leader's decisions influencebusinessoutcomes, the values, and moral assumptions leaders bring to their position, helps shed light on a complex process that affects many stakeholders (Treviño, Weaver, & Reynolds, 2006).Leaders can purposefully imbue an ethical culture and cascade it throughout the organization. This study is presented to encourage leaders to think and act ethically and in the interest of all stakeholders.

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