

## **Ethical Decision-Making in Private Enterprise: A Study of Its Antecedents in the Sales Sector**

**Didier Roche**

Ecole Supérieure de Commerce de La Rochelle

---

### **Abstract**

Several factors appear to influence ethical behavior in the sales sector. This paper provides a summary of the individual and organizational factors that may influence the decision-making of sales personnel. First, a survey of estate agents is carried out, and then logit analysis is used to ascertain which particular factors have more influence than others. The results suggest that both the educational background of the individual salesperson and the ethical climate of the workplace have important influence.

---

*JEL Codes:* M10, M12, M31

*Keywords:* Ethics; Behavior of sales personnel; Individual factors; Organizational factors; Logit analysis; Decision-making

### **I. Introduction**

Many advocates of private enterprise argue that private enterprise is more efficient when people act honestly (Ryan, 2006; Gundlach and Murphy, 1993; Roman and Ruiz, 2005; Kline, 2009; Stringham, 2011). Critics of markets, on the other hand, argue that private enterprise is inherently prone to unethical behavior and that the only solution is government oversight. Government oversight, however, is always imperfect and can never root out all unethical behavior. Business ethics are probably as old as trade itself (Marcoux, 2006). As such, many questions related to a particular industry's ethical conduct have shown that employees such as salespersons are likely to be indispensable to maximize business transactions. Customers will feel more comfortable dealing with a company whose employees are honest. But can ethical decision-making be influenced, and if so, how? When confronted with a particular situation or a particular ethical dilemma, a salesperson can behave ethically or not. The range of potential factors is huge, and we cannot claim to identify all of them here. Nonetheless, our study aims to catalog the factors that seem to influence the ethical behavior of sales personnel. Better

understanding of these questions may help management see where they should focus in order to promote ethical development within their workforce. A better understanding of the factors that influence ethical decision making in business may also help private enterprises be more moral overall.

## **II. Theoretical Framework of the Research**

### *A. Ethics and the Act of Sale: Definition, Dilemmas, and Determining Characteristics*

Selling has the potential to benefit both parties, but at any particular stage a seller may have an incentive to mislead the buyer to get more than he would if the buyer were fully informed.

As Darmon (1998) says, “although the art of selling is often necessary, it is not usually sufficient on its own to automatically ensure success in the commercial sales arena. A client can be misled, taken in, and persuaded perhaps to accept unfavorable conditions, although this type of practice does not lead to enduring success.” A genuine “win-win” situation is one in which both parties are keen to conduct themselves ethically. In this situation negotiations should be straightforward, harmonious, logical, and rigorous. In other words, it would be accepted practice for business negotiations to be conducted in an atmosphere of mutual respect; each party would expect the other to share similar ethical concerns, and as a result negotiations would proceed in an intelligent and reasonable manner (Chassagne and Roudier, 1998).

According to Micallef (1984), the idea of an exchange of added value, as in the “win-win” model in which the client or the objective is central to relations, helps to explain the concept of ethical behavior. For the individual salesperson, ethical conduct would therefore mean listening to the customer and offering a service corresponding directly to the needs of that customer without seeking to benefit either his own interests or those of the company that employs him. On a day-to-day basis, sales personnel have to deal with ethical issues and are subject to contradictory messages on the subject. On the one hand, the system expects them to treat customers as partners in business as well as to be genuine and to demonstrate honesty and integrity in their dealings in order to gain long-term trust, but on the other hand, they have to contend with the permanent stress of short-term sales objectives (Bergadaà, 1997).

As a result, according to Barth (2002), the salesperson will automatically find himself having to deal with ethical conflicts of interest, torn as he is between the desire to conduct ethical dealings and the need to close a deal and meet targets. Indeed, who would not turn down the opportunity to secure a sale even if it was not in the best interests of a customer, if targets fixed by the company had not been achieved? In other words, the important questions to be asking are as follows: Why does a salesperson behave ethically? What are the factors that make him behave this way? Although we have already demonstrated that a salesperson may conduct himself ethically using philosophical considerations he sometimes may not even be aware of, we are now going to look at other factors that contribute directly toward his ethical awareness.

### *B. Factors Contributing to the Ethical Behavior of a Salesperson*

#### *1. Organizational and External Factors*

External factors frequently appear to play a considerable role in the ethical behavior of the individual salesperson notwithstanding the fact that the process is mostly considered to be a personal one.

*Ethical climate:* Identified as a form of organizational climate (Schneider, 1975), the ethical climate of a company is defined as the perceptions that individual employees form of the ethical content of their company's activities (Winbush et al., 1997).

It is generally accepted that higher ethical standards tend to be expected of employees who work for a business that claims to practice ethically than from those who work for companies that do not make the same claim. It follows, therefore, that ethical policy within the company influences ethical decision-making by the individual (Lavarata, 2005).<sup>1</sup>

The incorporation of an ethical workplace policy demonstrates a real desire on the part of a company to conduct its business in an ethically correct manner and to adhere to ethical codes of conduct that in turn generate ethical decision-making on the part of the

---

<sup>1</sup>To illustrate this point, using a utilitarian definition of ethical ideology, Verbeke et al. (1996) set out their main hypothesis, which is that the ethical climate definitely affects the ethical behavior of the individual in the workplace. They noted a direct correlation between the ethical climate in a company and the ethical decision-making of their staff (Jones and Hildebeidel, 1995).

workforce.<sup>2</sup> So the questions now become how to get the message across to the workforce effectively and how to ensure it is perpetuated. Indispensable to the successful creation of an ethical climate in the workplace is the need to adopt genuine ethical codes of conduct.

*Ethical codes of conduct:* In the aim of creating a group ethical norm, management can introduce codes of conduct. They can be easy to understand, and virtues and values can be listed (Hicks, 2009). Codes may encourage the adoption of an ethical work climate at the very heart of a business (Vitell et al., 1993) or promote ethical behavior in the workforce as a whole (Ferrell and Weaver, 1978). Research by McCabe and Trevino (1996) suggests that employees who have worked for a business in which a code of honor exists displayed more ethical behavior than those who had not. Therefore, salespeople employed by organizations that have implemented ethical codes of conduct may have an increased awareness of the whole concept of ethics as a result (Valentine and Barnett, 2002) and may influence a salesperson's ethical behavior (Mulki et al., 2009). However, as they point out very specifically, these codes need to be more than a mere window-dressing exercise and must be useful in action.

If codes are adopted with the view to engender greater efficiency, they need to be applied in practice (Allen and Davis, 1993). This being the case, their very existence will have a positive impact on the workforce, as employees will see a genuine willingness on the part of management to put philosophical ethical policy into practice (Singhapakdi and Vitell, 1991).

However, a willingness to incorporate codes of conduct is not sufficient on its own to promote ethical conduct in the workforce. A failure of communication about the existence of codes or their content is often a problem. Salespeople often do not even know of the existence of codes in their workplace or do not understand what they actually mean in practice (Levy and Dubinsky, 1983).

## *2. External Factors and Material Incentives*

Other factors that may influence ethical decision-making are things like the amount of competition in an industry or the material

---

<sup>2</sup>The same conclusion is reached by Schwepker et al (1997), whose study focused on 152 salespeople throughout 26 different companies involved in the business-to-business sector. Clarification of requisite conduct had the effect of reducing ethical conflicts of interest across the board within the company.

incentives faced by decision makers. Hoffman et al. (1991) argue that the more competitive the market, the more unethical the business behavior as a result, whereas Schneider and Johnson (1992) suggest that the more competitive the market, the more ethical the transactions because the customers reject the unethical approach.

*Incentives* appear to play an important role in ethical decision-making among sales personnel. Some workers may make trade-offs between ethical decisions and how well they meet their targets (Settle and Kurland, 1998). A salary-based compensation system might encourage the salesperson to adopt a long-term perspective with his customers because he feels less pressure to get immediate sales (Robertson and Anderson, 1993; Honeycutt et al., 2001).

### 3. *Individual Factors*

In addition to institutional factors, an individual's background is likely to also influence behavior. It is possible that aspects such as age, gender, or education affect someone's moral choices.

*Age:* On one hand, Dubinsky et al. (1992) concluded that age does have a positive effect upon sales outcomes but plays only a small part in individual ethical perception generally. On the other hand, according to Hunt and Vittel (1986), age does have a significant positive impact on ethical behavior, which is also the conclusion reached by Hunt et al. (1993) and Roman and Munuera (2005).

*Gender:* Ross and Robertson (2003) identify a greater tendency among the female workforce to act more ethically, although other researchers suggest that gender does not affect ethical behavior (Dubinsky et al, 1985), (Ergeneli and Arikan, 2002; Dubinsky et al., 1985; Heagerty and Sims, 1978).

*Education:* Education may or may not influence someone's ethical decisions. Although Roman and Munera (2005) do not consider education an important factor, Hoffman et al. (1991) suggest that sales personnel who have had an "ethical" education are better able to understand ethical issues than those who have not. Dubinsky and Ingram (1984) suggest that the type of education received rather than the level of education attained influences awareness of ethical issues the most.

## III. **Data and Analysis**

Based on Aristotelian philosophy, Chonko et al. (1996) and Nillès (2002) set out an eight-stage process for measuring ethical behavior.

To our knowledge, this is the only existing methodological study of how to gauge ethical behavior. The process is based on a series of scenarios. According to Lavarota et al. (2005), a good way to measure behavior and, in this particular instance, ethical behavior, is through the use of scenarios. Table 1 describes a scenario that deals with altruism.

**Table 1: Scenario about Altruism**

Indicator: Altruism 2	Type of situation
Aim: To empathize with the client in the human dimension rather than seeing him solely as a consumer.	A client comes to see you about a particular house for sale on your books. His budget is small, but he has four children, and life is difficult for them in their flat. His budgetary constraints mean that he is 99% guaranteed not to be able to buy the house.
<b>Possible responses</b>	
You tell him that on his budget he can't afford to buy the house. You tell him you can't help him and suggest another estate agency. You try your best to fulfill the client's expectations.	

#### *A. Collection of Data*

We began by contacting by telephone 177 branches of the participating nationwide chain of estate agents; 149 branches agreed to complete and return the questionnaire. In total, 472 questionnaires were sent out and then followed up by email to get those outstanding to complete the document online. Eventually 242 questionnaires were received, and 229 of those were able to be processed. The sample group was made up of 59.8% men and 40.2% women. The majority of the participants, 47.2%, were between 20 and 35 years of age, 35.4% were between the ages of 35 and 50, and 17.5% were more than 50 years old. The results indicated that 57.6% of the participants were educated to the tertiary level and that the majority had been with the company for less than 2 years. Estate agency was not the first choice of career for 60.3% of the participants, and most appeared to have previously worked as “sales representatives.”

### *B. Analysis*

Factor analysis revealed that three main elements influence ethical behavior. We carried out an Obliminrotation and then were able to look at the content of the main component factors, which were courage, altruism, and prudence. The outcome of this analysis is that our scale for ethical behavior included only three of the five virtues used by Nillès (2001) in the construction of his measurement scales. The variance in performance of the sample participants can be explained by two main factors accounting for 63% of individual performance, the first one being sales results (41.951%) and the second professional competence.

#### *1. Correlation Between Organizational Factors, Individual Factors, and Ethical Behavior*

The correlation outlined requires the application of logistic regression, or more particularly in this case “logit” analysis. Logistic regression is a second-generation multivariable predictor that applies the regression to a binary independent variable. The predictor variable in question undergoes a log arithmetic transformation, and it is from this term that “logit” is derived. The aim of logit analysis is to predict the probability of the occurrence of a particular event.

#### *2. Application of Logit Analysis*

**The dependent variable:** ethical behavior

**The independent variables** (explanatory or predictive): These are made up of individual factors such as gender, age, education, and experience and organizational factors seen in the literature including the presence or absence of an ethical work climate, formal adoption of ethical codes, managers, level of market competition, and incentives. The variables in the equation are explained below (Table 2). It is important to recognize the significance of the results.

The beta coefficients provide a unit of measurement applicable to all variables in the model. As a result, it is possible to ascertain the level of influence each variable has upon the presentation of the dependent variable. They are useful as indicators of the relative importance of each of the explanatory variables only if the collinearity is minimal. The value of beta can be assessed only in relation to the other variables. Therefore, betas are a useful guide to ascertain the respective importance of each of the explanatory variables. However, they will not be seen as determining factors when it comes to

assessing the impact of variables in relation to the phenomena being studied. The beta coefficients should be added to the Wald test. These coefficients will be important if  $S_{\text{Wald}}$  is more than 1.96.

The Exp  $\beta$  reflects the probability of an event occurring when the variable is increased by one unit. If the value is more than one, the probability increases accordingly. If it is less than one, the probability decreases. If it is exactly one, then the probability remains unchanged.

**Table 2: Variables in the Equation**

	Beta	Stan- dard error	Wald test	Degree of freedom	Signifi- cance	Exponent- iation of the beta	Confidence interval for beta 95.0%	
							Less	More
Sex	.026	.344	.006	1	.941	1.026	.523	2.013
Age	-.307	.247	1.554	1	.213	.735	.454	1.192
Educa- tion	1.107	.300	13.649	1	.000	3.025	1.682	5.443
Ethical climate	-.974	.457	4.544	1	.033	.378	.154	.925
Ethical codes	.097	.365	.071	1	.789	1.102	.539	2.253
Managers	.743	.354	4.412	1	.036	2.103	1.051	4.209
Compe- tition	.042	.288	.021	1	.883	1.043	.593	1.835
Incentives	-.353	.248	2.024	1	.155	.702	.432	1.143
Constant	.588	1.233	.227	1	.633	1.801		

#### IV. Presentation of Results

Analysis of the results boils down to looking at the correlation among organizational factors, individual factors, and the ethical behavior of a salesperson.

##### *A. Results of Correlations Between Organizational Factors, Individual Factors, and Ethical Behavior of the Individual Salesperson*

The baseline model can be expressed as follows:

Log (ethical behavior) = constant +  $\beta_1$  gender +  $\beta_2$  age +  $\beta_3$  education +  $\beta_4$  workplace climate +  $\beta_5$  codes +  $\beta_6$  managers +  $\beta_7$  trade competition +  $\beta_8$  incentives.

### B. Results of Logistic Analysis

The new model can be expressed as follows:

$$\text{Log (ethical behavior)} = 0.588 + 0.26 \text{ gender} - 0.307 \text{ age} + 1.1072 \text{ education} - 0.974 \text{ workplace climate} + 0.097 \text{ codes} + 0.743 \text{ managers} + 0.042 \text{ trade competition} - 0.353 \text{ incentives.}$$

The conclusion of these results is that certain variables do affect the model to a greater or lesser degree. To test the hypothesis we put forward, we need to discuss the Wald test as set out previously in Table 2. If the Wald test results are 0.05 higher for the variables in the model, then our hypotheses can be validated. This could not only mean that some of the hypotheses of the model can be validated but also permit us to show that others are statistically of no great significance.

Several of the hypotheses of our model can be validated. Our research concludes that ethical behavior, e.g., the behavior of an individual when placed in a particular situation, is rooted in the education and background of the salesperson. A salesperson who has had an “ethical” education, namely an education that has enabled him to distinguish between good and bad, is more likely to display ethical behavior. The experience of the individual salesperson also affects ethical awareness. Contrary to the hypothesis originally proposed, it would appear that experience increases the propensity for a salesperson to behave in an ethical manner. The existence of an ethical workplace climate also helps promote ethical conduct. A salesperson evolving professionally within a business that promotes an ethical climate or “atmosphere” will usually tend to behave in a more ethical manner. Lastly, the influence of managers upon the ethical conduct of a salesperson is equally important. Managers have considerable influence upon the conduct of a salesperson, being ranked second in importance only behind educational background.

### V. Conclusion

The objective of this research has been to investigate the factors that may influence ethical decision-making among sales personnel. Logit analysis of our survey helps us see that certain factors appear to have more influence than others. In particular, the educational backgrounds of the salespeople and ethical climate of the workplace have the most influence. From a managerial point of view, these

results are strategically important because they illustrate in what areas management in this sector can concentrate on to influence the behavior of their workforce and what areas they cannot expect to influence.

## References

- Allen, Jeff, and Duane Davis. 1993. "Assessing Some Determinant Effects of Ethical Consulting Behavior: The Case of Personal and Professional Values." *Journal of Business Ethics*, 12(6): 449–58.
- Aristotle. 2011. *Éthique à Nicomaque*. Paris: Hatier.
- Barth, Isabelle. 2002. "Le Mythe d'Hermès ou les Contradictions Éthiques de la Vente." In *L'impossible Éthique des Entreprises*, ed. André Boyer, 136. Paris: Editions d'organisation.
- Bergadaà, Michelle. 1997. *Révolution Vente*. Paris: Village Mondial.
- Chassagne, Philippe, and Françoise Roudier. 1998. *La Démarche Négociation+Communication*. Paris: Gualino Editeur.
- Chonko, Lawrence B., John F. Tanner, and William A. Weeks. 1996. "Ethics in Salesperson Decision Making: A Synthesis of Research Approaches and an Extension of the Scenario Method." *Journal of Personal Selling and Sales Management*, 16(1): 35–52.
- Darmon, René-Yves. 1998. *La Vente: de la Persuasion à la Négociation Commerciale*. Paris: Editions EMS.
- Dubinsky, Alan, and Michael Levy. 1985. "Ethics in Retailing: Perceptions of Retail salespeople." *Journal of the Academy of Marketing Science*, 13(1): 1–16.
- Ergeneli, Azize, and Semra Arıkan. 2002. "Gender Differences in Ethical Perceptions of Salespeople: An Empirical Examination in Turkey." *Journal of Business Ethics*, 40(3): 247–60.
- Ferrell, O.C., K. Mark Weaver, James W. Taylor, and Robert M. Jones. 1978. "Ethical Beliefs of Marketing Managers." *The Journal of Marketing*, 42(3): 69–73.
- Gundlach, Gregory T., and Patrick E. Murphy. 1993. "Ethical and Legal Foundations of Relational Marketing Exchanges." *The Journal of Marketing*, 57(4): 35–46.
- Hegarty, W. Harvey, and Henry P. Sims. 1978. "Some Determinants of Unethical Decision Behavior: An Experiment." *Journal of Applied Psychology*, 63(4): 451–57.

- Hicks, Stephen R.C. 2009. "What Business Ethics Can Learn From Entrepreneurship." *Journal of Private Enterprise*, 24(2): 49–57.
- Hoffman, K. Douglas, Vince Howe, and Donald W. Hardigree. 1991. "Ethical Dilemmas Faced in the Selling of Complex Services: Significant Others and Competitive Pressures." *Journal of Personal Selling and Sales Management*, 11(1): 3–26.
- Honeycutt, Earl D., Myron Glassman, Michael T. Zugelder, and Kiran Karande. 2001. "Determinants of Ethical Behavior: A Study of Auto Salespeople." *Journal of Business Ethics*, 32(1): 69–79.
- Hunt, Shelby D., and Arturo Z. Vasquez-Parraga. 1993. "Organizational Consequences, Marketing Ethics, and Salesforce Supervision." *Journal of Marketing Research*, 30(1): 78–90.
- Hunt, Shelby D., and Scott Vitell. 1986. "A General Theory of Marketing Ethics." *Journal of Macromarketing*, 6(1): 5–16.
- Jones, Scott K., and Kenneth M. Hildebeitel. 1995. "Organizational Influence in a Model of the Moral Decision Process of Accountants." *Journal of Business Ethics*, 14(6): 417–31.
- Kline, William. 2009. "Business as an Ethical Standard." *Journal of Private Enterprise*, 24(2): 35–48.
- Lavorata, Laure, Jean-Jacques Nilles, and Suz Pontier. 2005. "La Méthode des Scénarios : Une Méthode Qualitative Innovante pour le Marketing. Application au Comportement Éthique du Vendeur en B to B." *Décisions Marketing*, 37: 67–75.
- Levy, M., and A.J. Dubinsky. 1983. "Identifying and Addressing Retail Salespeople's Ethical Problems: A Method and Application." *Journal of Retailing*, 59: 46–66.
- Marcoux, Alexei. 2006. "The Concept of Business in Business Ethics." *Journal of Private Enterprise*, 21(2): 50–67.
- McCabe, Donald L., Linda Klebe Trevino, and Kenneth D. Butterfield. 1996. "The Influence of Collegiate and Corporate Codes of Conduct on Ethics-Related Behavior in the Workplace." *Business Ethics Quarterly*, 6(4): 461–76.
- Mulki, Jay, Jorge Jaramillo, and William Locander. 2009. "Critical Role of Leadership on Ethical Climate and Salesperson Behaviors." *Journal of Business Ethics*, 86(2): 125–41.
- Nilès, Jean Jacques. 2002. "Comment "Mesurer" L'éthique des Acheteurs? La Méthode des Scénarios." *Entreprise Éthique*, 17: 129–30.

- Nillès, Jean Jacques. 2001. "Pour une Approche Pragmatique de L'éthique dans la Vente" *Décisions Marketing*, 22: 65–72.
- Robertson, Diana C., and Erin Anderson. 1989. "Does Opportunity Make the Thief? An Exploratory Study of How Control Systems Influence an Industrial Salesperson's Ethical Behavior." Wharton School, University of Pennsylvania Working Paper. 50 pp.
- Román, Sergio, and José Luis Munuera. 2005. "Determinants and Consequences of Ethical Behaviour: An Empirical Study of Salespeople." *European Journal of Marketing*, 39(5–6): 473–95.
- Román, Sergio, and Salvador Ruiz. 2005. "Relationship Outcomes of Perceived Ethical Sales Behavior: The Customer's Perspective." *Journal of Business Research*, 58(4): 439–45.
- Ross, William T., and Diana C. Robertson. 2003. "A Typology of Situational Factors: Impact on Salesperson Decision-Making about Ethical Issues." *Journal of Business Ethics*, 46(3): 213–34.
- Ryan, Lori Versteegen. 2006. "Foundation and Form of the Field of Business Ethics." *Journal of Private Enterprise*, 22(2): 34–49.
- Schneider, Benjamin. 1975. "Organizational Climates: An Essay." *Personnel Psychology*, 28(4): 447–79.
- Schneider, Kenneth C., and James C. Johnson. 1992. "Professionalism and Ethical Standards among Salespeople in a Deregulated Environment: A Case Study of the Trucking Industry." *Journal of Personal Selling and Sales Management*, 12(1): 33–43.
- Settel, Jim, and Nancy B. Kurland. 1998. "Can We Create a Conflict-Free Commission Payment System?" *Business and Society Review*, 100(1): 33–44.
- Singhapakdi, Anusorn, and Scott J. Vitell. 1991. "Analyzing the Ethical Decision Making of Sales Professionals." *Journal of Personal Selling and Sales Management*, 11(4): 1–12.
- Stringham, Edward Peter. 2011. "Embracing Morals in Economics: The Role of Internal Moral Constraints in a Market Economy." *Journal of Economic Behavior and Organization*, 78(1–2): 98–109.
- Valentine, Sean, and Tim Barnett. 2003. "Ethics Code Awareness, Perceived Ethical Values, and Organizational Commitment." *Journal of Personal Selling and Sales Management*, 23(4): 359–67.
- Verbeke, Willem, Cok Ouwerkerk, and Ed Peelen. 1996. "Exploring the Contextual and Individual Factors on Ethical Decision Making of Salespeople." *Journal of Business Ethics*, 15(11): 1175–87.

- Vitell, Scott, Kumar Rallapalli, and Anusorn Singhapakdi. 1993. "Marketing Norms: The Influence of Personal Moral Philosophies and Organizational Ethical Culture." *Journal of the Academy of Marketing Science*, 21(4): 331–37.
- Wimbush, James C., Jon M. Shepard, and Steven E. Markham. 1997. "An Empirical Examination of the Relationship Between Ethical Climate and Ethical Behavior from Multiple Levels of Analysis." *Journal of Business Ethics*, 16: 1705–16.