



Explaining Unethical Business Decisions: The role of personality, environment, and states



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ABSTRACT

A trait–environment–state model of Unethical Business Decisions was developed and tested in two studies in a Pacific Islands setting (i.e., Fiji and the Marshall Islands). In Study 1 ($N = 212$), we conceptualized and operationalized the environment using two situational variables named ‘Perceived Environmental Corruption’ (PEC) and ‘Perceived Environmental Normativeness’ (PEN). Both environmental variables were (respectively positively and negatively) related to Unethical Business Decisions through the states Felt Lure, Perceived Risk, and (to a lesser extent) Negative Affect. In Study 2 ($N = 235$), we replicated these findings and additionally showed that HEXACO Honesty–Humility was negatively related to Unethical Business Decisions through Felt Lure and Negative Affect. Furthermore, an interaction between Honesty–Humility and Perceived Environmental Corruption on Felt Lure was observed, indicating that the negative relation between Honesty–Humility and Felt Lure was stronger when the environment was perceived to afford corruption than when it was not.

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1. Introduction

In order to survive and thrive, businesses make decisions on a daily basis. Whereas most decisions are likely to be ethical in nature, at least some of them violate explicit or implicit rules, norms, or laws. Research on unethical decision making or behavior has generally focused on one of three characteristics, i.e., personality (Caspi et al., 1994; Jones, Miller, & Lynam, 2011; Miller & Lynam, 2001), the environment (Clarke, 1997; Weisburd, Bernasco, & Bruinsma, 2008), or proximal cognitions and emotions that operate in the moment of decision making, i.e., ‘states’ (Loewenstein, Weber, Hsee, & Welch, 2001; Slovic, Finucane, Peters, & MacGregor, 2002). Several studies have focused on the combination of two of these three elements, such as the role of personality and states (Van Gelder & De Vries, 2012, 2014) or the role of personality and the environment (De Vries & Van Gelder, 2015; Wiltshire, Bourdage, & Lee, 2014; Zettler & Hilbig, 2010), but to our knowledge, no research so far has addressed all three elements in conjunction.¹ In the present research, we integrate personality, environment, and states in one model. Below,

we first explore what personality traits are likely to play a role in Unethical Business Decisions. Second, we conceptualize environmental forces that may restrict or afford unethical behaviors and, third, we examine different states that have been found to play a role in decision-making.

1.1. Personality and unethical behaviors

Until relatively recently, personality traits predictive of ethical versus unethical behaviors were notably absent in standard broad-bandwidth personality models, such as the Big Five (Goldberg, 1990) and the Five-Factor Model (FFM; Costa & McCrae, 1990). This changed with the advent of the HEXACO model (Ashton et al., 2004; Lee & Ashton, 2006), which distinguishes between six cross-culturally replicable independent personality traits that form its acronym, i.e., Honesty–humility, Emotionality, eXtraversion, Agreeableness, Conscientiousness, and Openness to experience. Compared to the Big Five model, the HEXACO model has three dimensions that are nearly isomorphic, i.e., Extraversion, Conscientiousness, and Openness to Experience, two dimensions that are rotational variants of Big Five Agreeableness (i.e., HEXACO Agreeableness) and Big Five Emotional Stability (i.e., HEXACO Emotionality), and one dimension lacking representation in the Big Five model, i.e., Honesty–Humility (Ashton, Lee, & De Vries, 2014).

Honesty–Humility refers to individual differences in sincerity, fairness, greed avoidance, and modesty. Of all personality traits available in broad-bandwidth models, Honesty–Humility has been found to be

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¹ Spector and Fox (2002) conceptualized a model in which personality, the environment, and emotions play a key role in the explanation of Counterproductive Work Behaviors (CWB), but to our knowledge, this model has not been tested in its entirety.

the most important personality predictor of both behavioral reports of unethical behaviors (e.g., De Vries, 2012; De Vries, De Vries, De Hoogh, & Feij, 2009; De Vries & Van Kampen, 2010; Lee, Gizzarone, & Ashton, 2003; Lee, Ashton, & De Vries, 2005; Van Gelder & De Vries, 2012, 2014) and objective indicators of cheating (Hilbig, Moshagen, & Zettler, 2015; Hilbig & Zettler, 2015; Thielmann, Hilbig, Zettler, & Moshagen, in press).

Ashton and Lee (2008) found that the HEXACO model outperformed the FFM in the prediction of Unethical Business Decisions, even when personality was measured using other-ratings. This was mainly due to the addition of Honesty-Humility, which explained most of the variance in Unethical Business Decisions. Consequently, the HEXACO model, through its inclusion of Honesty-Humility, offers important advantages in the prediction of (un-)ethical behaviors.

1.2. The environment and unethical behaviors

Apart from personality, reviews and meta-analyses have highlighted the importance of contextual factors in the prediction of counterproductive or unethical work behaviors (e.g., Berry, Carpenter, & Barratt, 2012; Lawrence & Robinson, 2007; Spector & Fox, 2002; Treviño, Weaver, & Reynolds, 2006). Most theories on unethical, illegal counterproductive, antisocial, or criminal behaviors refer to aspects of the environment that reward, approve, or afford inappropriate (or appropriate) behaviors and aspects of the context that punish, disapprove, or restrict inappropriate (or appropriate) behaviors. Social learning theories of crime, for example, posit that favorable and unfavorable attitudes towards deviant or criminal behaviors are learned through interactions with relevant others (Akers, Krohn, Lanza-Kaduce, & Radosevich, 1979; Matsueda, 1982; Sutherland, 1947). That is, relationships with others shape an individual's attitudes through 1) the imitation of others' behaviors, 2) the adoption of beliefs favorable to criminal or unethical conduct, and 3) the differential reinforcement of unethical behaviors (Akers et al., 1979). Situational explanations of crime focus on the more immediate and physical aspects of the environment in which criminal or unethical acts can occur. Routine Activities Theory (Cohen & Felson, 1979; Hollis-Peel, Reynald, Van Bavel, Elffers, & Welsh, 2011), for instance, argues that certain characteristics of a situation can prevent criminal behaviors. One example is the presence of 'guardians;' people or objects that can, either directly or indirectly, disrupt the interaction between a would-be offender and a potential target.

Here, we focus on more general environmental circumstances that may influence the decision of a potential perpetrator, rather than focus on specific situational circumstances. In line with social learning theories, we will focus on whether the social environment is conducive to unethical behaviors or whether this environment is aversive to unethical behaviors. The general environment can be framed in terms of the principal actors to which a person relates in his/her life, i.e., family and friends, organizations, and society as a whole. That is, unethical behaviors in organizations may be constrained or encouraged by the extent to which family and friends maintain norms that approve or disapprove of corruption, organizations have (in)formal norms and rules that stimulate or restrict corruption, and society has norms that reward or punish corruption (cf. Lundmark & Westelius, 2012). To the extent that a person perceives environmental corruption to be present and environmental norms with respect to ethical behaviors to be absent, we believe he or she will be more likely to make unethical decisions.

1.3. States and unethical behaviors

A third important element in the explanation of unethical behaviors is constituted by factors that operate at the moment of decision making. That is, traits ultimately influence decisions through states, i.e., proximal cognitions and emotions that arise at the time a decision is made (Van Gelder, 2013; Van Gelder, De Vries, & Van der Pligt, 2009). In the explanation of criminal choice, Van Gelder and De Vries (2012, 2014)

distinguish between two such states, i.e. Perceived Risk and Negative Affect. Perceived risk is a state which refers to a cognitive calculus of costs associated with making a criminal or unethical decision. It aligns with deterrence theories of crime according to which would-be offenders consider the severity and probability of a sanction prior to taking action (e.g., Nagin & Pogarsky, 2001; Paternoster & Pogarsky, 2009). Negative affect, in contrast, pertains to feelings of insecurity and fear that arise at the moment a person is confronted with a potentially unethical—but attractive—option. Feelings related to risk and criminal behavior tend to be relatively insensitive to considerations of probability and appear to influence risky decision making behavior independently. For example, most people experience little fear driving a car, yet dread flying even though acknowledging the fact that driving is much more hazardous than flying (Loewenstein et al., 2001).

Van Gelder and De Vries (2012, 2014) showed that both Negative Affect and Perceived Risk are important predictors of criminal choice and that these states (partly) mediate the negative relations between Honesty-Humility and criminal choice. Recently, Van Gelder and De Vries (2016) introduced a third state variable, Felt Lure. Felt Lure reflects somebody's desire at the moment an attractive option emerges. In contrast to Negative Affect, which constitutes a 'push'-factor negatively related to unethical choice, Felt Lure can be considered a 'pull'-factor, and relates positively to unethical choice. Although push and pull factors are opposing forces, they can operate at the same moment. At the visceral level, somebody may feel both temptation (i.e., lure) and fear (i.e., Negative Affect) when facing the choice between pursuing an unethical—yet attractive—and an ethical—but less attractive—course of action. Consequently, we believe that all three states, Negative Affect, Perceived Risk, and Felt Lure will be related to Unethical Business Decisions in important ways; Negative Affect and Perceived Risk will be negatively related to Unethical Business Decisions whereas Felt Lure will be positively related to it.

1.4. States as mediators

Van Gelder and De Vries (2012, 2014) showed that traits act through states on criminal choice. However, little is known about the effects of the environment on states. Generally, it seems reasonable to assume that the environment plays an important role in people's affect and cognitions (Frijda, 1988; Smith & Ellsworth, 1985). For example, people are more likely to feel anger when the environment frustrates them (e.g., computer problems) and people are more likely to feel fear when the environment is dangerous (e.g., when climbing mountains) (Lerner & Keltner, 2001; Van Gelder, 2017). Similarly, with respect to unethical decisions, people who consider an unethical act can be expected to be more likely 1) to experience anxiety in an environment that socially and legally sanctions rule-violations, 2) to perceive risk in terms of getting caught when clear compliance policies exist and are enforced, and 3) to experience lure when the outcomes of behaviors are likely to be rewarded by significant others.

Thus, both personality and environment are likely to have an impact on all three state variables, which in turn influence Unethical Business Decisions. Apart from the separate effects of personality and environment, we will also investigate whether they interact in the explanation of the state variables and/or Unethical Business Decisions. Evidence for the interaction between Honesty-Humility and the environment in the prediction of unethical behaviors is equivocal. For instance, Zettler and Hilbig (2010) and Wiltshire et al. (2014) found an interaction between Honesty-Humility and perceptions of organizational politics in the prediction of Counterproductive Work Behaviors but De Vries and Van Gelder (2015) did not find an interaction between Honesty-Humility and Ethical Culture or Employee Surveillance in the prediction of workplace delinquency. More research is therefore needed to establish potential interactions between Honesty-Humility and the environment in the explanation of unethical behaviors.

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