

# Business Employee Ethical Misconduct and Managerial Disciplinary Actions: A Business Student Perspective

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## ABSTRACT

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*Business students represent the future employees and managers who will be responsible for making ethical business decisions. Knowledge of students' ethical perceptions provides insight into their potential behavior in the business world. This study examined college students' perceptions regarding the likelihood of their encountering ethical decision-making situations in business and the types of ethical misconduct behaviors that warrant the most severe managerial disciplinary actions. Results of the study indicate that college students expect to encounter business situations where ethics may be called into question. However, college students' appeared to underestimate the seriousness and potential consequences of specific ethical misconduct behaviors. When the breaches of ethical behavior involved conflict of interest, students did not seem to recognize the potentially serious consequences of the behaviors. The findings indicate the need for ethical decision-making opportunities within college business classes to prepare students for the realities of the workplace.*

## Introduction

As business organizations decentralize, decision making is pushed to lower levels of the organization structure. While a goal of decentralization may be to improve decision making by empowering employees, the practice is not without consequences. As Miller and Thomas (2005) noted, one result of decentralizing is that decisions with potential ethical implications for the organization are being made by employees with limited tenure and/or work experience. Flynn (1995) stressed that quality decisions cannot be expected unless workers understand the importance and the implications of the decisions they are being asked to make. Experienced decision makers are more likely to realize that each decision must be examined from multiple perspectives

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including if any stakeholders will be negatively affected, if the decision is legal and can be defended, and if the decision falls within the organization's code of ethics (Northern Illinois, 2006).

Business students represent the future employees and managers who will be responsible for making business decisions. Discovering students' ethical perceptions provides insight into their potential behavior in the business world. The purpose of this study is to examine business students' perceptions regarding the frequency with which business situations requiring ethical decision making are encountered and the seriousness of common business-related unethical behaviors.

## **Related Literature**

An organization publishes a code of ethics to communicate its commitment to ethical business practices and to provide direction to employees regarding expected behaviors (Boudreaux & Steiner, 2005). However even with a published code of ethics in place, ethical misconduct occurs in the workplace. Over 70% of U.S. workers report encountering ethical lapses and 37% indicate lapses happen on a weekly basis (MacIntyre, 2008).

Workplace-related misconduct actually begins before a worker is hired. Estimates are that up to two thirds of job application materials include at least one exaggeration (Majority of candidates exaggerate, 2002). Once hired, the misconduct continues. A 2007 study reported that over half of the U.S. workers surveyed had observed incidents of misconduct within the past year. The most common type of misconduct observed in the workplace was related to personal conflict of interest incidents. Although the incidents were personal worker lapses and not corporate-level violations, the incidents still posed significant risk to an organization's reputation and growth (Ethics Resource Center, 2007). Frequently observed unethical workplace behaviors include falsifying records such as expense reports, ignoring quality problems, lying about work issues, taking credit for another's work, violating safety protocol, and accepting improper gifts (Harding, Carpenter, Finelli, & Passow, 2004).

Whereas business ethics relate to individuals' decisions and behaviors within a business context, personal ethics focus on the decisions and behaviors of an individual (Shaw, 2008). Organizations can provide employees with policies and guidelines relating to ethical behavior, but an organization cannot dictate how an individual will perceive or react to an ethical issue (Giacalone & Jurkiewicz, 2003). The decisions an employee makes are influenced by a number of factors including self-interest, pressure from colleagues, awareness of the ethical implications, perceived consequences or rewards, and personal moral values (Maheshwari & Ganesh, 2006).

Culpeper and Whiteman (1998) encouraged organizations to find ways to integrate responsibility and ethical behavior into the corporate culture. Ingraining ethical conduct as a part of corporate expectations is a way to influence employee behaviors. Somers (2001) reported that accountants, within U.S. organizations with formal codes of ethics and a commitment to exhibiting ethical behavior, perceived fewer wrong-doings within their organizations than did accountants within organizations that had a stated code but a limited commitment to ethics.

An organization can show a commitment to ethical behavior by providing training on ethical issues, hiring ethically-aware employees, and taking swift, corrective measures when an ethical issue is presented (Argandoria, 2003). Showing that unethical behavior will not be tolerated may be the best prevention. Workers in one study indicated the main reason they chose not to commit an unethical act was fear of reprisals including getting fired, losing respect of others, or getting into trouble (Harding, Carpenter, Finelli, & Passow, 2004).

Glenn (2004) warned that it is a mistake to think that people of good character automatically make ethical decisions. They may not even recognize an issue as a potential ethical dilemma or they may lack the courage to take action. Education can help by promoting awareness and sensitivity to ethical issues and by providing guidelines to help individuals make an informed decision. Education also can help students define their own values and develop morale courage (AACSB International, 2004).

To be prepared for the complexities of the workplace, students need to understand the importance of ethical behavior and be ready to make and defend their decisions. Employees, at all organizational levels, are involved in situations relating to ethical decision making (AACSB International, 2004). To make a quality decision, a worker must first understand the importance and implications of the decision to the organization and to stakeholders (Flynn, 1995). Woo (2003) agreed and stressed that students need to learn to recognize potential ethical situations, such as a conflict of interest, before they can consider the implications of a related decision.

## **Purpose of the Study**

The purpose of the study was to gather college students' perceptions regarding the likelihood of employees encountering ethical decision making in the workplace and to determine the level of disciplinary action the students felt were appropriate for common workplace misbehaviors. The findings provide a better understanding of college students' current perceptions of what is appropriate behavior in the workplace. The information provides educators with guidance on the types of ethical issues to incorporate into classroom discussions.

## Research Questions

The following research questions were addressed in the study.

1. How often do college students believe that business employees encounter work-related issues requiring ethical decision making?
2. When employees exhibit common misbehaviors, which such behaviors are perceived by college students to deserve more severe managerial disciplinary actions?

## Methodology Sample

The sample included students enrolled in an undergraduate business management course at a large Midwestern university. The survey was administered during three consecutive semesters and included multiple course sections. Institutional Review Board approval was secured prior to administering the survey and participation in the survey was voluntary with no incentives offered to students relating to their participation. A total of 619 usable surveys were obtained.

### Survey

A survey approach was taken to obtain college of business students' perceptions regarding the frequency of ethical decision making in business settings and the degree of managerial disciplinary action appropriate for select ethics-related business behaviors. To address research question one, students were asked to respond to the question, "Situations where ethics may be called into question are frequently encountered in business." Responses were measured on a five-point Likert scale ranging from strongly agree to strongly disagree where 1=strongly agree, 2=agree, 3=uncertain, 4=disagree, and 5=strongly disagree.

To address research question two, a questionnaire containing short statements explaining an employee's misconduct behavior was used to elicit judgments on whether the behavior deserved (1) no disciplinary action, (2) a verbal warning, (3) a verbal warning with a written reprimand, (4) a verbal warning, written reprimand and a change of duties, or (5) dismissal. Nine statements of misconduct behavior were investigated. The statements addressed employee behaviors related to personal ethics and conflict of interest. The statements were created by the researchers after reviewing the literature related to common workplace misbehaviors. Management faculty members reviewed and approved the behavior statements. The questionnaire was field tested using business students who would not be participating in the study. Minor wording changes were made to the questionnaire based on comments from participants reviewing or field testing the instrument.

## Results and Discussion

### Demographics

Of the business students surveyed, more than 90 percent were evenly distributed among four majors - accountancy, finance and general business, management, and marketing. The remaining students were either computer information systems majors or graduate students. Students from all class ranks (freshman, sophomore, junior, senior, and graduate) were included in the sample. Approximately 60 percent of the students were in the junior class; 26 percent were seniors. Respondents ranged in age from younger than 21 to older than 40 with the highest concentration in the 21-25 age bracket. More than 90 percent of the respondents were 25 years of age or younger. In terms of gender, the sample was approximately evenly distributed between female and male students. Less than one-fourth of the students included in the sample had managerial experience.

### Perceived Frequency of Ethical Decision Making in Business

To answer research question one, students provided input on the perceived frequency of ethical decision making in the business environment. With a mean of 1.8, students agreed that situations where ethics may be called into question are often encountered within business environments. (See Table 1.) Approximately 83 percent of the students surveyed either agreed or strongly agree that such situations are frequently encountered. The results indicate that students are aware that ethical judgments are required in many business situations.

Table 1. Student perceptions concerning the frequency with which business situations requiring ethical decision-making are encountered

Ethics Question	Mean <sup>1</sup> (n=619)	Percent (%) of Students Choosing Each Response (n=619)				
		Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Situations where ethics may be called into question are frequently encountered in business.	1.8	44.3	38.5	9.8	4.8	2.6

<sup>1</sup>1=strongly agree, 2=agree, 3=uncertain, 4=disagree, and 5=strongly disagree

## Managerial Disciplinary Actions

To answer research question two, students shared their perceptions relating to the degree of managerial disciplinary action appropriate for nine business-related behaviors. The workplace behaviors were grouped into two categories – personal ethics and conflict of interest. The four personal ethics and five conflict of interest questions with the percent of students choosing each managerial disciplinary action are listed in Table 2.

In the area of personal ethics, students felt that a majority of the behaviors warranted either a verbal warning or a verbal warning with a written reprimand. More specifically, nearly half of the students felt that when an employee lies for a co-worker experiencing personal problems a verbal warning is sufficient. When an employee takes credit for work done by a co-worker, the managerial disciplinary actions most often and approximately equally chosen by the students were (1) verbal warning and (2) verbal warning with a written reprimand. Similarly when an employee makes a costly error and lets a co-worker be blamed for the mistake, the response chosen by nearly half of the students was verbal warning with a written reprimand. However the students felt that the behavior of an employee exaggerating his/her qualifications when applying for the job currently held should be dealt with more harshly. More than 30 percent of the respondents felt that the employee should be dismissed; more than 25 percent felt that the employee should receive a verbal warning, written reprimand and a change of duties. For the four personal ethics behaviors, there appears to be a clear difference in the perception of the seriousness of the employee misconduct. Not taking responsibility for a costly error and exaggerating qualifications when applying for a job were considered more serious than the behaviors of lying for a coworker and taking credit for another's actions.

For three of the five behaviors within the conflict of interest category, high percentages of students chose the response of no action indicating that the behaviors were considered to be acceptable by a large number of the students. For example, almost half of the students felt that the behavior of an employee frequently being treated to lunch by a supplier required no action; an additional one-third of the students indicated that at most the behavior required a verbal warning. Obviously, the students failed to recognize the potentially negative business consequence of the employee ordering from a supplier who provides lunch but may not provide the best price. Similarly, the employee behaviors of arranging shipping with a trucking firm owned by a family member or accepting expensive sporting event tickets from a supplier elicited responses of either no action or verbal warning. Once again, students did not appear to realize the seriousness of these conflict of

interest behaviors nor the potential deleterious economic consequences to the business.

For the remaining two conflict of interest behaviors – supervision of a relative in violation of company policy and selling a copy of company software for personal gain – students considered the behaviors as more serious breaches of ethical conduct. Over 40 percent of the students felt that violating company policy relating to the supervision of a relative should be met with a verbal warning, written reprimand and a change of duties; over 30 percent felt that the behavior warranted a verbal warning with a written reprimand. Sixty-five percent of the students felt that an employee who sells a copy of company software for personal gain should be dismissed. When examining the student responses to the four personal ethics and five conflict of interest questions, it appeared that students had a more difficult time recognizing potential ethical consequences associated with conflicts of interest when a company policy did not specifically ban the action.

Table 2. Student perception of the appropriate managerial disciplinary action for employee misconduct behaviors

Employee Misconduct Behaviors	Percent (%) of Students Choosing Each Managerial Disciplinary Action (n=619)				
	No action	Verbal warning	Verbal warning with a written reprimand	Verbal warning, written reprimand and a change of duties	Dismissal
Personal Ethics					
An employee lies to cover for a co-worker having personal problems.	15.5	48.5	28.2	4.7	3.1
An employee takes credit for work done by a co-worker.	3.9	34.5	38.3	18.0	5.3
An employee makes a costly error and does not come forward when a co-worker is blamed for the mistake.	1.0	11.5	48.0	22.6	16.9
An employee exaggerated his qualifications when applying for the job he now holds.	11.5	13.4	17.1	26.1	31.9
Conflict of Interest					
The employee in charge of office supply procurement is frequently treated to lunch by the manager of the store from which the employee orders most the office supplies.	48.1	34.3	11.3	6.0	0.3
The employee who arranges ground shipping of the company's products frequently selects a trucking firm owned by a family member.	37.9	45.2	10.1	6.7	0.1
The employee in charge of equipment procurement accepts expensive sporting event tickets from an equipment supplier.	39.6	32.4	19.4	7.2	1.4
Knowing that company policy prohibits supervising a relative, an employee does not disclose that a subordinate is a family member.	2.1	15.5	31.7	41.7	9.0
An information technology employee, who helped develop the company's proprietary software, sells a copy of the software to another company for personal gain.	1.5	3.2	11.7	18.6	65.0

## Conclusions and Recommendations

This study examined college students' perceptions regarding the likelihood of encountering ethical decision making in business settings and the type of ethical misconduct behaviors that warrant the most severe managerial disciplinary actions. Results of the study indicate that college students expect to encounter business situations where ethics may be called into question and are aware that they will need to make ethical judgments in the business environment. Students felt harsh penalties were warranted by actions such as exaggerating one's qualifications when applying for a job and failing to take responsibility for mistakes. However, college students' appeared to underestimate the seriousness and potential consequences of specific ethical misconduct behaviors. When the breaches of ethical behavior involved conflict of interest, students did not judge such behaviors to warrant harsh penalties.

The findings reaffirm the need for university-level ethics education for business students. Glenn (2004) noted that when students are confronted with new issues, they have no framework to guide their actions. Classroom instruction can provide that framework. The programs should strive to improve not only the ethics awareness levels but also help students define their own value system. Findings from this study indicate that students are not aware of the seriousness associated with conflict of interest situations. Providing cases or opening discussions relating to scenarios such as those presented in this study will help students see the potential problems.

As future business executives and employees, the ethical views held by college students will impact corporations. Unethical activities not only create a negative view of business but also affect corporate profitability, co-worker relationships, job performance, and job satisfaction. It is important for our future business professionals to be trained in and to understand the importance of ethical behavior in the corporate environment. Ethics instruction provides students the opportunity to identify ethical issues, investigate differing viewpoints, and consider the implications of possible decisions (Glenn, 2004). Classroom discussions should include common workplace misbehaviors within a wide range of business situations so that students can explore the ethical implications from various viewpoints. Providing students an opportunity to discuss how such behaviors will be perceived in the business setting is the first step in providing them a framework to guide their personal decision-making.

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