Study on Salespeople’s Ethical Decision-making

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Abstract: The ethical behavior of salespeople is increasingly important in today’s sales environment. This paper first brings the ethical decision-making process, then analyzes the individual and organizational factors influencing salespeople’s ethical decision making, we find that, ethical values, (CMD) are the most important individual factors affect moral judgment and ethical behavior, organizational factors of supervisory style, ethical climate, social network all affect salespeople ethical decision making. At last, we suggest sales organization should take measures to enhance salespersons’ ethical decision-making by creating an ethical environment, hiring “fit” employees, training salespeople, aligning their compensation structures so that ethical selling approaches are rewarded.

Keywords: salespersons’ ethical decision-making, cognitive moral development, moral judgment, ethical climate

1 Introduction

Increasing the ethical behavior of salespeople is especially important in today’s sales environment (Jones et al. 2005). Salespeople’s unethical behavior such as lying on a sales call, selling products the customer does not need, losing focus on customer needs, lying about product availability and the competition, providing false answers, applying an inordinate amount of sales pressure, and portraying products as better than they actually are, making false promises and withholding information and so on, these unethical behaviors by salespeople cause problems within sales organizations and with other business functions, damage customer relationships, decrease customer retention, and reduce sales (Jones et al. 2005). Research evidence also suggests the importance of sales ethics in maintaining and expanding relationships with customers, especially when customers have negative attitudes toward a firm’s industry (Roman and Ruiz 2005). Thus, an emphasis on sales ethics can help sales organizations generate new customers, maintain and expand relationships with existing customers, even in industries tainted by ethical problems.

Ethical decision is related to ethical behavior. Although many scholars have conducted researches on salespeople ethical decision-making, of which the key influencing factors haven’t been systematically studied. This paper briefs how ethical decision is made and analyzes the factors influencing salespersons’ ethical decision making (figure 1), proposes management strategies to enhance salespersons’ ethical behavior.

2 The Ethical Decision-making Process

Salespeople interact heavily with customers and who face numerous ethical decisions on a regular basis. Rest (1986) suggests that the ethical decision-making process is comprised of: (1) recognition of an ethical issue or problem, (2) a judgment about the morality of the issue or problem, (3) the formation of behavioral intentions with regard to the issue or problem, (4) subsequent ethical/unethical behavior. The recognition and awareness of an ethical dilemma inherent in a decision situation is a key aspect of the process, because ethical reasoning will not be triggered if a potential ethical problem is not perceived (Ferrell and Gresham 1985; Hunt and Vitell 1986; Jones 1991; Rest 1986). The multiple pathway anchoring and adjustment(MPAA) model (Cohen and Reed 2006) indicates that once attitudes are recalled for evaluative purposes, representational sufficiency occurs, which embodies “an automatic reflection of whether what has been retrieved represents one’s own reasonably well-informed and
coherent judgment,” and that this is followed by functional sufficiency, “a perceived readiness to engage in a behavior or to make a decision based on a retrieved attitude” (Cohen and Reed 2006). The accessibility–diagnostic framework also suggests that an individual’s ability to recognize an ethical problem or issue should be partly derived from the recollection of past decision-making experiences (Lynch 2006).

Ethical judgments are followed by ethical recognition. Ethical judgments involving an “individual’s personal ethical evaluation of an action, issue, or situation” occur (Robin et al. 1996). It is likely that a person’s attitudes about specific actions are referenced extensively when evaluating the ethicality of questionable workplace behavior (e.g., Ajzen 1991; Ajzen and Fishbein 1980; Leach, Hennessy, and Fishbein 2001), as well as whether to exercise the behavior in the future. Ethical judgments should also be influenced by the recall of similar ethical evaluations of previously encountered ethical problems (Lynch 2006) further drives a decision that is consistent with past experiences. The ethical judgment component of ethical reasoning would also seem to signal the functional sufficiency described in the MPAA model (Cohen and Reed 2006), which should be required to prompt actual behavior. Ethical judgments prompt an individual to establish intentions to behave according to the generalized ethical evaluations of conduct in a given situation (Barnett 2001; Hunt and Vitell 1986; Rest 1986). These ethical evaluations (or attitudes) likely strengthen an individual’s intentions to behave because the recollection of past decisions and experiences, the attitudes about behavior, and the willingness to act based on realized attitudes drive commitment to a particular course of action. Finally, an individual behaves consistently with established behavioral intentions by performing work in an ethical or unethical manner (Ajzen 1991; Barnett and Valentine 2004). Valentine and Tim (2007) indicated that ethical issue recognition was positively associated with ethical judgments and expressed behavioral intentions, and ethical judgments were positively related to ethical behavioral intentions.

3 The Influencing Factors of Salespeople’s Ethical Decision Making

We should know the influencing factors of salesperson’s ethical decision-making so as to reduce their unethical behavior. Over the years, investigations surrounding the elements of salespersons’ ethical decision making have focused on both individual and organizational factors.

3.1 Individual Factors
Individual factors include gender, age, education, job tenure, individual ethical values, as well as cognitive moral development. Gender. At the individual decision level, research suggests that gender does not influence either perceptions about the severity of the ethical event or their ethical decision (Hegarty and Sims 1978).
Research on the effects of gender on managerial response to salesperson ethical decisions suggests that when differences do exist, they are related to the specific situation and individual characteristics rather than gender (Belizzi and Hasty 2001).

Age. Research supports a small but consistent negative relationship between age (time in career) and ethical decision-making; younger salespeople tend to find certain behaviors as more ethical than do older salespeople (Dubinsky et al. 1992).

Education. A salesperson’s level of education does not impact his or her level of ethical conduct or his or her willingness to self-report unethical conduct (Dubinsky and Ingram 1984).

Ethical Values. Individual ethical values do affect ethical decisions as research suggests differences between a salesperson’s ethical value system and the people he or she interacts with (Dubinsky and Gwin, 1981). The existence of a relationship between the personal moral perspectives of salesman provides an explanation of their personal ethical judgments (Singhapakdi and Vitell 1993).

Job Tenure and Background. Tenure in the job has not been shown to affect either the level of ethical conflict (Dubinsky and Ingram 1984) or perception of what constitutes an ethical problem (Dubinsky et al. 1992). Professional standards and values influence the ethical evaluations of marketers, suggesting an important role for professional codes of ethics (Brinkman 2002; Singhapakdi and Vitell 1993a).

Cognitive moral development (CMD). CMD provides an approach to explaining moral reasoning and, subsequently, moral judgment. Rest (1986) and Treviño (1986) propose that CMD is the critical element in the judgment phase of ethical decision-making. CMD focuses on the reasons one uses to justify a moral choice, rather than the decision itself (Treviño 1986). Kohlberg’s (1969) model of CMD claims that because two or more individuals can be at different stages in their moral development, they may respond differently to similar ethical dilemmas. With studies finding salespeople using higher levels of CMD less likely to participate in unethical behavior (Schwepker et al., 1999.).

3.2 Organizational Factors
Sales ethics researchers have investigated a wide range of organizational factors on ethical decision making. Some factors, such as organizational climate, supervisory style, and the use of rewards and punishment, have been investigated much more heavily than others.

Supervisory Style. Supervision has been shown to impact sales force ethics in several ways. For example, management tends to punish men more severely than women (Belizzi and Hite 1989). Management also modifies their evaluation of salesperson ethical decisions based on performance, with lower performing salespeople being punished more harshly than high performers (DeConinck 1992). Belizzi and Hasty (2003) reported a strong relationship between performance and leniency on ethical violations, reinforcing the tendency of managers to treat higher performers differently from low performers on unethical behavior.

Ethical climate. Ethical climate has been defined as “the prevailing perceptions of typical organizational practices and procedures that have ethical content” (Victor and Cullen 1988). As such, it may be viewed as a composite of organizational perceptions of the ethical values and behaviors such as the organization’s current practices, procedures, norms, and values with an ethical content that provides cues about acceptable behaviors supported and practiced by organizational members. The more individuals within the firm inherently care about doing what is right for those both inside and outside the organization and thus act accordingly, the more ethical the climate is expected to be perceived.

Ethical climate may vary within firms due to differences in individuals, work groups, employment histories, and individuals’ positions (Victor and Cullen 1988). Creating an ethical climate is not only the right thing to do but also has significant benefits for both the salesperson and the organization. Ethical climate may help the salesperson avoid engaging in unethical behaviors, such as using deceptive or coercive selling practices that will ultimately harm him or her via increased levels of stress (McFarland 2003; O’Dwyer and Madden, 2006). Ethical climate is significantly related to customer orientation, which has been shown to enhance the salesperson’s ability to develop long-term relationships with customers (Schwepker and Good, 2005). A written code of ethics—a formal, management-initiated
control that sets standards or expectations regarding both preferred and problematic behaviors (Brothers 1991; Weaver 1993)—is perhaps one of the most important influences on the firm’s ethical climate. Management’s use of punishment for unethical behavior provides another important influence on the firm’s ethical climate (Posner and Schmidt, 1987). By punishing unethical behavior, the firm’s ethical climate is affected by establishing expectations regarding acceptable behavior, thereby reducing the perceived opportunity to engage in unethical actions (Hegarty and Sims 1978; Schwepker and Hartline 2005; Treviño 1986; Treviño and Ball 1992).

The social network. The social network perspective provides a useful approach for examining the characteristics of relationships among salespeople that are themselves part of a larger structure of organizational relationships. Fraedrich and Ferrell state: “Members of organizations usually make ethical decisions jointly with the significant others they associate with in informal groups as well as in formal relationships within the work environment” (2005). Although individual factors influence the decision, the social interaction changes the dynamics and alternatives that a salesperson has in an organization. Webs of interaction with customers, managers, competitors, staff members, and colleagues create an interplay that influences decisions.

4 Conclusion and Suggestion

From the above analyzing, we can conclude that, salespeople ethical decision-making is followed by the recognition, judgment, and intention of ethical issue, resulted in behavior. Ethical issue recognition was positively associated with ethical judgments and expressed behavioral intentions, and ethical judgments were positively related to ethical behavioral intentions (Valentine and Tim 2007). Salesperson’s ethical decision-making is influenced by both individual and organizational factors. Ethical Values, CMD are the most important individual factors affect moral judgment and ethical behavior, organizational factors of supervisory style, ethical climate, social network all affect salespeople ethical decision making. According to the conclusion of the research conducted in this thesis, sales organization can take measures to enhance salespersons’ ethical decision making.

Firstly, organizations should create an environment to encourage employees engaged in selling functions to perform their work in an ethical manner. In order to enhance sales professionals’ ethical reasoning, organizations should focus on developing an ethical context that is relevant to the issues confronted by sales professionals in their work and that is as specific as possible with regard to these ethical dilemmas.

Secondly, hire “fit” employees. A sales organization’s ethical climate can be managed by trying to hire employees whose values match established norms and values. Firms should measure potential employees’ values during the hiring process and strive to choose individuals who “fit” within the ethical climate rather than those whose beliefs and values differ significantly.

Thirdly, firms should train salespeople. Dubinsky et al. (1992) noted that salespeople desire more assistance in terms of being able to address the ethical dilemmas they face in the field. It is highly need to position ethical behavior in training as a mechanism through which salesperson performance can be improved, much as variables such as prospecting, communicating, and adaptive selling are. Ethics should not be treated as a stand-alone topic, as something that is unique and different from these other skills. Firms would also be well advised to incorporate the voice of the customer into their training sessions, bringing in selected buyers to discuss the importance of ethical sale people behavior from their perspective.

Fourthly, sales managers need to understand that, through their actions, they set the tone for what is and what is not acceptable with respect to salesperson ethics. In their daily interactions with the salespeople, managers must emphasize not only the fact that unethical behaviors undermine the relationship development process but also the fact that those salespeople who behave in an ethical manner are more likely to be successful.

At the same time, sales organizations must align their compensation structures so that ethical selling
approaches are rewarded. And firm should improve the ethical climate of sales organizations and the CMD of salespeople as following: utilizing a transformational leadership style, implementing an ethics-inclusive socialization process to facilitate internalization of the norms and values of the organization, strengthening interpersonal trust between salespeople and others they work with in the organization, and utilizing a multilevel leadership model to ensure accountability for sales ethics at all levels in the sales organization.

References