

MANAGERIAL PERCEPTIONS OF ETHICAL ISSUES: AN EMPIRICAL STUDY

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Ethical issues in banking are currently receiving a great deal of attention, and those who manage these organisations seem to be under constant public scrutiny. This paper presents and discusses the findings of a survey of bank managers in Malaysia, and their perceptions regarding certain ethical issues and concerns. Suggestions for enhancing the degree of ethicality in organisational practices and decision behaviours have also been attempted.

INTRODUCTION

Ethical issues in banking and financial service organisations are currently receiving a great deal of attention the world over. With the financial markets in most countries now opening up further through deregulation, and technology replacing fast face to face contact, there may come to exist new problems and issues pertaining to organisational ethics. The variety of changes and challenges brought about by the continuing trends towards liberalisation, greater autonomy to organisations, more emphasis on profit, and intensifying competition are beginning to have their impact on organisational dynamics and performance. Banks provide 'credit'. The word 'credit' has its origin in the Latin word for 'Trust' and it is 'credit' rather than loans, which is fundamental to the success of financial services organisations. Any report in the public communication media concerning questionable practices such as improperly appraised lending, kickbacks, and other financial improprieties, therefore, tends to undermine their image and credibility. Through their objectives, intentions and

actions related to lending money, investment decisions or those concerning personnel policies, practices and other transactions, bank executives affect the lives of a large part of society. As such, the degree of their moral sensitivity, their leadership role as 'value shaper', and commitment for institutionalising in their organisations operational and continuing concern for sound professionalism and ethical integrity becomes important.

During the last two decades, considerable amount of literature concerning empirical investigations of the ethical beliefs of managers, mostly from western countries, has been generated. However, not much empirical work has been reported on the ethics of Malaysian bank managers. A noteworthy attempt was made by Zabid (1989) who conducted a survey of bank managers' perceptions of unethical practices based on their responses to hypothetical business situations, and another publication by Choo (1993) examined the role of ethics in credit management in Malaysian banks.

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Table 1 : Basic Profile of 90 Bank Managers

		(%) of Respondents
A.	Designation/Position	
	Supervisor/Officer	45.2
	Branch Manager/General Manager	54.8
B.	Age (Years)	
	21-30	19.5
	31-40	55.2
	Above 40	25.3
	Average Age (Years)	36.75 Years
	Range	23-56 Years
C.	Education	
	Secondary	28.4
	Bachelor's Degree	39.8
	Post-graduate	8.0
	Professional Courses	23.9
D.	Business Experience	
	Average Number of Years	13.52 Years
	Range	1-30 years
E.	Experience in Current Firm	
	Average Number of Years	11.1 Years
	Range	1-30 Years
F.	Number of Employees	
	Below 250	46.6
	250-500	5.6
	Above 500	47.8
G.	Race	
	Malay	49.4
	Chinese	41.8
	Indian	6.3
	Others	2.5
H.	Sex	
	Male	84.9
	Female	15.1
I.	Marital Status	
	Single	43.0
	Married	57.0

THE SURVEY

The investigation is an attempt to understand the ethical perceptions of bank executives and to arrive at an empirical understanding of the nature of their attitudes regarding specific issues pertaining to life in general; to identify the factors that guide and influence ethical (or unethical) managerial decisions, and the ways in which they respond when faced with ethical dilemmas. It also examines their perceptions of ethical climate in banking organisations in general, and explores ways to enhance their sensitivity to moral aspects of business transactions. The data for the study were obtained from 90 managers through a self-administered questionnaire. The respondents belonged to 10 banking organisations in Malaysia located at two important centres: Kuala Lumpur and Penang. The questionnaire items used for gathering data, and the approach of analysis are based on those employed by Baumhart (1968), and Hunt, Chonko, and Wood (1989), in their studies of ethical beliefs of American managers. Table 1 presents the profile of survey respondents who operated at different levels of organisational hierarchy with designations of supervisor, officer, manager, and general manager. Most of them were graduates and had, on an average, 13.52 years of working experience.

FINDINGS AND DISCUSSION

What Managers Think of 'Ethical Behaviour'

In order to understand their views on what constituted 'ethical behaviour', respondents were asked to describe it, and to facilitate their thought-process, three descriptions of 'ethical behaviour' were provided by them. From Table 2 presenting their responses, it is clear that most of the executives take a broader view of ethics

and relate it to one's morality and conscience: only 16 per cent of them consider it purely in terms of legal prescriptions. About 5 per cent respondents attempted to explain it as the conduct which is right morally as well as legally, and is also congruent with the prevailing societal/organisational norms.

TABLE 2 : What Do You Think of 'Ethical Behaviour'

Alternative	(%)
(a) What is legal is ethical and what is illegal is unethical	16.0
(b) What is morally right is ethical and what is morally wrong is unethical	44.4
(c) Ethical practices are those that make you feel good and unethical practices disturb your conscience	34.6
(d) Others	4.9

Opinions and Beliefs on Ethical Aspects of Business

Respondents were asked to give their views on the relevance of ethics in business transactions in general, and how they perceived the contemporary social ethos that may possibly have bearing on their behaviour as members of society. Table 3 summarises their responses. Results show that nearly all of them would like to affirm their strong belief in the relevance of ethical practices for long term success in their business endeavours. However, practical realities in the contemporary environment required many of them (48.3 per cent) to make compromises. 31 per cent respondents felt that ethics and economics did not go together and, as such, resorting to unethical practices may be necessary for

Table 3 : Attitudes and Opinions on Ethics and Business

Sr. No.	Question	Agree	Partly Agree	Undecided	Partly Disagree	Disagree	Mean
1.	Sound ethics is good business in a long run	82.2	15.6	1.1	—	1.1	1.22
2.	Most people who get ahead in the world lead clean moral lives	10.0	18.9	21.1	18.9	31.1	3.42
3.	The biggest difference between most criminals and other people is that criminals are stupid enough to get caught	18.9	16.7	13.3	10.0	41.1	3.38
4.	Many unethical practices are common to industry, executives say, because ethics and economics do not mix. Do you agree?	13.3	17.8	12.2	16.7	40.0	3.52

Note : Figures are percentages of sample.

success in business. About 36 per cent of them perceived extensive pervasiveness of questionable behaviours in the existing social environment where deviations from ethical norms are taken as evidence of being clever and intelligent. Only 29 per cent respondents expressed the view that most of those people, who progressed in the world, do not conform to the principles of morality and ethics in their behaviours.

Unethical Action and Personal vs. Organisational Gain

As is clear from the findings contained in Table 4, managers perceived their superiors differentiating between ethical behaviours resulting in personal gains to employees, and those leading to the improved bottom line of the organisation. 85 per cent respondents agreed with the view that if any manager derived a personal benefit by resorting to unfair means, he or she would

be promptly reprimanded, whereas in case of a similar action resulting in corporate gain, only 50.6 per cent of them thought it would lead to any punishment by their superiors. Thus, the senior level functionaries are perceived by many as indifferent to the ethical aspects of the ways and means used by lower level managers for achieving organisational objectives. Besides pressures of job demands, and influence of individual value systems, opportunity for action is also suggested to be one of the determinants of ethical or unethical behaviour (Ferrell and Gresham, 1985). Zey-Ferrell and Ferrell (1982) have expressed the view that the absence of punishment provides an opportunity to individuals for engaging in unethical actions. Findings of this study seem to reinforce this view to a considerable extent. Furthermore, such organisational realities as perceived by the executives may moti-

Table 4 : Unethical Behaviour, Personal and Organisational Gain

Sr. No.	Question	Agree	Partly Agree	Undecided	Partly Disagree	Disagree	Mean
1.	If a manager in my organisation is discovered to have engaged in unethical behaviour that results primarily in PERSONAL GAIN (rather than corporate gain) he/she will be promptly reprimanded	67.8	17.8	5.6	6.7	2.2	1.58
2.	If a manager in my organisation is discovered to have engaged in unethical behaviour that results primarily in CORPORATE GAIN (rather than personal gain) he/she will be promptly reprimanded	28.4	22.2	25.9	11.1	12.3	2.57

Note : Figures are percentages of the sample.

vate them to often rationalise their conduct on the ground that the activity is in their organisation's best interest; that they would sometime be expected to undertake the activity and the organisation would condone it, and even protect the person who engages in it (Gillerman, 1986).

Padding One's Expense Accounts

The activity of padding up of expense accounts, being in the nature of embezzlement on a small scale, has been one of the more common issues included in ethical surveys of managers. The practice of unfairly benefiting oneself in this manner is perceived to be widely prevalent in business organisations. The findings of this study revealed, however, that about 89 per cent respondents would not like to derive any undue benefit by inflating their expense accounts, even if others in their own organisations indulged in it or their superiors would not take any note of the same

(Table 5). This reflects a relatively high ethical stance of these executives, and is consistent with the findings of Zabid (1989) in this regard.

Table 5 : Responses to Padding up Expense Accounts

An executive earning M\$50,000 a year has been padding his expenses account by about M\$1,000. What do you think about his behaviour?

Alternative	Responses in (%) N=84
(a) Acceptable if the other executives in the company do it.	2.4
(b) Acceptable if the executives superior know about it and say nothing.	8.3
(c) Unacceptable regardless of the circumstances	16.3

Practice Regrading Gifts

The common practice of giving and receiving gifts to and from those with whom managers regularly do business may or may not be ethical. If a person does not give favoured treatment to those from whom he or she accepts gifts, and is not prejudiced against those who fail to give, no actual conflict of interest is created. However, in situations where the independence of a person's judgement is affected by the fact of a gift changing hands, it will be in the nature of a bribe. A gift of high value (or too frequently given gifts of even smaller values) are likely to have potential for encouraging unethical behaviours. Managers participating in the study were asked to give their opinion on this issue. Responses are shown in Table 6.

Table 6: Responses to Gift Giving and Taking

Some businessmen/bankers give gifts to managers or executives with whom they usually do business. What do you think?

Alternative	Responses in (%)	N=86
(a) This practice is unethical	16.3	
(b) An organisation should have a written policy on gifts	69.8	
(c) No gifts worth more than M \$ 100 should be offered or accepted	14.0	

Most respondents opined that a formal written organisation policy was needed to guide the managerial action in this regard. About 16 per cent of them thought that accepting or offering gifts of more than one hundred Ringgits should be unethical. 14 per cent managers, however, expressed the view that this practice regardless of the value of the gift is unethical.

Generally Accepted (Unethical) Practices

Respondents were asked to state whether any such practices prevailed in their organisations which they considered unethical, and if so, to describe one such practice. 25.8 per cent respondents said that they did not perceive any such unethical practices being followed in their organisations while 13.5 per cent of them agreed that there were a few such cases. 18 per cent took shelter under 'do not know' answer-category. However, significant number (42.7 per cent) acknowledged that there were many such transactions of questionable nature that took place as a matter of routine, and were considered normally accepted business behaviours (Table 7). Respondents were asked to describe one such practice that they would like to see eliminated. Many of them seem to have found this question rather sensitive or delicate to answer. Only 36 per cent usable responses were received. These related to the practice of accepting expensive gifts, which were made sometimes in the form of 'paid for vacations', cash through 'red packets' on festive occasions, expensive dinners and costly entertainments, entertainment and illegal cash incentives in exchange for collecting or providing other financial services.

Table 7: Views on Unethical practices

In every industry there are some generally accepted business practices. In your industry, are there any such practices which you regard as unethical?

	Responses in (%)	N=85
(a) No	25.8	
(b) Yes, a few	13.5	
(c) Yes, many	42.7	
(d) I don't know	18.0	

Factors Influencing Ethical Choices

To understand respondents' perceptions with regard to the factors impacting their ethical choices, they were asked to rank 5 factors representing different categories according to the degree of influence these extended on their decisions. Responses presented in Table 8 indicate that managers attributed their ethicality (or otherwise) mainly to their 'own code of behaviour' (their values, experience/conscience). 'Formal company policy', 'superior's behaviour' and ethical climate of the banking industry, were listed next in importance. The 'behaviour of one's equals' was perceived to be the least important factor impacting their decisional choices.

Table 8 : Perceptions of Ethical Choices

The following factors are suggested to influence a person's ethical or unethical decisions. Please rank them 1 to 5 in order of importance to you. Give rank 1 for the most important and 5 for the least important.

	Ranking
(a) An individual's personal code of behaviour	1 (1.627)
(b) Ethical climate of the industry/society	2 (2.729)
(c) The behaviour of a person's superiors in the company	3 (2.941)
(d) Formal company policy	4 (3.279)
(e) The behaviour of a person's equals in the company	5 (3.847)

Note : Rankings given in brackets are weighted averages of respondents' ranking of each item (1, 2, 3, 4 and 5) with most influential = 1, and least influential = 5.

Regarding the ways in which managers normally resolved or handled situations that

posed moral problems, about 48 per cent respondents expressed themselves in favour of compromising their personal principles/values, as they thought it was necessary for them to succeed in their career (Table 9).

Code of Ethics

A code of ethics is a set of specific statements indicating actions considered ethical as well as unethical. Such statements are developed by the realistic application of general ethical standards to business situations and environment. Although any significant empirical evidence of their effectiveness is lacking, introducing formal ethical codes to provide a framework for rewards and punishment has been a popular measure in banking organisations in many countries. With a view to promoting higher levels of integrity and professionalism in financial institutions, Bank Negara Malaysia formulated a code of ethics for bankers in 1989. The code provides guidelines in important areas of business behaviours to be followed by all banking organisations in Malaysia. Individual banks are also encouraged to have their detailed codes in conformity with these prescribed guidelines.

When asked whether their bank, industry, and professional association had any formal written code of ethics, most of the respondents replied in the affirmative (Table 10). However, the fact that between 12 to 25 per cent of them said 'no' or 'don't know', underlines the need for greater efforts on the part of bank managements to bring about the required awareness and proper enforcement of the existing ethical codes.

Table 9 : Ways of Handling Situations with Moral Problems

Question	Agree	Partly Agree	Under-cided	Partly disagree	Disagree
In order to succeed in business organisations it is often necessary to compromise ones' ethics	21.3	27.0	5.6	9.0	37.1

Note : Figures are percentages of the sample.

Table 10 : Responses About Code of Ethics

Is there a formal written code of ethics in your organisation

	Yes(%)	No(%)	Don't Know (%)
Bank (N = 87)	89.7	5.7	4.6
Industry (N = 75)	80.0	9.3	10.7
Professional Association (N = 62)	74.2	4.8	21.0

In the opinion of a large majority of respondents, such codes can bring about improvements in the organisations' conduct if they are strictly enforced by appropriate sanctions (Table 11).

Can Training Help

Respondents were asked their views about the role of training as an instrument for

enhancing ethical behaviour. The results contained in Table.12 show that almost all of them agreed (or partly agreed) that ethics training could be of help in this regard.

CONCLUSION AND IMPLICATIONS

This study attempted to understand the Malaysian bankers' personal beliefs, orientations, and intentions regarding the ethical dimension of decision making as also the organisational and societal factors that influenced their actions in this regard. The findings, in the main, revealed that practical realities of the competitive business scenario required the respondents to make the compromises though they would like to affirm their faith in the relevance of ethics for long-term business success.

As the findings of this study revealed, respondent managers perceived their personal codes of behaviour as the most important influence on their decisions. According to Kohlberg (1981), in the course

Table 11 : Codes, Sanctions and Conduct

Question	Agree	Partly Agree	Unde-cided	Partly Disagree	Disagree
Enforcing the ethical code by organisations would raise the ethical level of business behaviour	54.4	34.4	5.6	3.3	2.3

Note : Figures are percentages of the sample.

Table 12 : Role of Ethical Training

Question	Agree	Partly Agree	Undecided	Partly Disagree	Disagree
Training in ethical principles can be helpful in promoting ethical behaviour	64.1	31.3	3.1	—	1.6

Note : Figures are percentages of the sample.

of their growing up from early childhood to adulthood, people generally internalise different patterns of moral reasoning, and acquire certain values and beliefs about desirable end states underlying attitudinal and behavioural processes. Some people almost always make moral decisions based on how the outcomes will affect some particular person or persons while others may consider family or their organisations. Still others look beyond their immediate reference points to consider the interest of society at large or even humanity as a whole. Ethics in organisation, therefore, cannot be left solely to each person's 'individual conscience or code of conduct' as it exists; it must be taken also as an organisational responsibility.

Apparently, issues relating to ethics and integrity in banks in Malaysia are seen as sufficiently important, and have a place in the educational curricula of the Malaysian Institute of Bankers for its members. However, achieving clarity about organisational values can perhaps be easy at the level of principles and harder the closer one gets to operate by them. Introducing ethics training, therefore, can be useful in helping managers define their philosophy and providing them with knowledge and competence needed to make ethically sound decisions on day-to-day basis. The respondents in this study have also ex-

pressed themselves in favour of such training.

"Integrity is an interactive event" (Srivastava and Associates, 1988). "People need a forum for private discussion of integrity dilemma in their work place. The absence of such a forum can be a cause of moral stress felt by people in organisation" (Hawley, 1993). Such training initiatives would therefore provide opportunities for openly discussing ethical concerns, which managers, generally, may not find comfortable to raise or discuss in the formal work-settings. Managers may be encouraged to recount actual incidents and dilemmas faced by them in the workplace, and case studies can be used as tools for providing illustrative material. Biographies and autobiographies of great persons, plays and short stories written by great writers can also be used to enrich the discussion at ethics training seminars. It has been widely experienced that literature can offer rather specific moral reasoning for resolving ethical dilemmas in commercial organisations. The use of 'classic' short stories as discussion material can particularly offer a personally compelling method for managers to enhance their ethical sensitivity (McAdams and Koppensteiner, 1992; Smith, 1992).

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