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FEATURE

How Managers Judge Whether or Not They Want To Report A Peer's Unethical Behavior

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ABSTRACT - Peer reporting is becoming an important mechanism to control unethical behavior within an organization. This study examined the effect of ethical judgment on peer reporting. The results show that an individual's ethical ideology (Idealism) significantly predicted peer reporting judgment, and peer reporting judgment tends to give birth to peer reporting intention. Moreover, locus of control was found to significantly moderate the relationship between peer reporting judgment and peer reporting intention.

Introduction

As defined by Near and Miceli (1985), whistle blowing is “the disclosure by a current or former organization member of illegal, inefficient, or unethical practices in an organization to persons or parties who have the power or resources to take action (p. 4).” The major difference between peer reporting and other whistle blowing is that peer reporting describes lateral control attempts at observation and reporting the wrongdoing of other organization members (Trevino & Victor, 1992). Little is known about why some employees report the wrongdoing of a colleague while others do not.

This Study

Ethical judgment regarding peer reporting considers whether individuals judge reporting of a peer's behavior as fair, acceptable, and moral action. Since ethical judgment is an integral component of an individual's reasoning about ethical issues, the judgment of individuals that peer reporting is ethical or not should influence the individual's peer reporting decision-making.

Effect of Ethical Ideology on Peer Reporting Judgment

There are three well-known perspectives of moral philosophy, namely: deontology, teleology, and skepticism. The deontological approach emphasizes universal moral laws or rules, with no exceptions, in making moral judgments. The teleological approach suggests that the morality of an action depends on the

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consequences. Skepticism contains several varieties of opinions concerning moral principles. All three approaches share the assumption that universal moral rules cannot be formulated (Forsyth, 1980). Schlenker and Forsyth (1977) derived two distinctions from these three perspectives of moral philosophy: an individual's willingness to accept the existence of universal moral rules (relativism), and the individual's attitude towards the consequences of an action (idealism).

Relativism describes the individual's willingness to accept or reject the notion of universal moral rules (Forsyth, 1980). Highly relativistic individuals believe that the morality of an action depends upon the particular circumstances involved, they do not believe in moral absolutes. On the other hand, low-relativistic individuals believe that the evaluation of the ethics of an action should be based on universal moral principles or laws (Forsyth, 1992). Deontologists, who base moral judgments on adherence to inviolate moral rules, would score very low on the relativism scale. Teleologists, who base their moral judgments on the consequences of the behavior, may or may not follow the universal moral rules, and therefore, they may either score high or low on the relativism scale. Skeptics, who assume that universal moral rules cannot be formulated, would score very high on the relativism scale.

Idealism relates to an individual's concern for the consequences of an action and its effect on the welfare of others (Forsyth, 1992). Deontologists would score high on the idealism scale, because they are intolerant of deviations from universal moral rules, they believe that good consequences (not harming others) are always achievable. Teleologists score comparatively low on the idealism scale, because they are only concerned about the consequence of an action, they are tolerant to harming some people in order to achieve a good consequence. Skeptics hold a variety of opinions when looking at morality, they would score either high or low on the idealism scale.

The primary rationale for studying ethical ideology is its proposed ability to explain differences in individuals' ethical judgments. Forsyth (1980) pointed out that even when individuals are confronted with identical ethical issues, they may make radically different ethical judgments. An individual's ethical ideology and judgments about the ethics of peer reporting may be affected in several ways. Firstly, individuals with different ideologies may have various degrees of sensitivity to wrongdoing (Forsyth, 1981). Secondly, differences in ethical ideology may affect the way individuals process information about ethical issues

(Forsyth, 1985). Lastly, ethical ideologies may be associated differently with regard to positive attitudes toward peer reporting as an appropriate response to unethical behavior of peers (Miceli & Near, 1992). Therefore, different ethical ideologies would be expected to directly influence individuals' judgments regarding peer reporting. Empirical findings suggest that individuals who differ in terms of their level of idealism and relativism reason differently regarding ethical issues, and they often reach different conclusions about the morality of a particular action (Barnett, Bass, & Brown, 1994).

Those who score high on idealism judge unethical behavior more harshly (Forsyth, 1985), and they have a greater ethic of caring (Forsyth, Nye, & Kelley, 1988). Research suggests that peer reporting is more likely when the potential whistle blower feels that the interests of a group may be harmed by a peer's actions (Victor et al., 1993). Idealists have a strong concern for others' welfare; they are more likely to assess the possible harm a peer's unethical actions might bring to a group. They consider an action highly unethical if it has the potential to cause harm to the group as a whole. In terms of reporting the unethical behavior of a peer, the idealist may determine that this is an acceptable way to protect the interests of the group against the actions of the wrongdoer (Trevino and Victor, 1992).

Barnett, Bass, and Brown (1996) found a positive relationship between idealism and judgment in the reporting of a fellow student's cheating as unethical. This means that an individual who scores high on idealism would judge peer reporting as an ethical act, and an individual who scores low on idealism would judge peer reporting as an unethical act.

On the other hand, highly relativistic individuals may be less likely to judge a peer's action harshly; they believe that it is not possible to make accurate ethical judgments about the behavior of another without knowing all the specific circumstances that led to the behavior. They would be less likely to feel that peer reporting was justified.

Previous research lends support to this rationale. Forsyth and Nye (1990) found that less relativistic individuals were less likely than relativists to violate a societal norm for personal gain. Thus, highly relativistic individuals may be more inclined to excuse an unethical behavior that is self-beneficial than low relativistic individuals. In contrast, those who score low in relativism follow universal moral principles and are more likely to report a peer's wrongdoing. They tend to judge the action of peer reporting more positively.

Barnett et al. (1996) in their student sample found that relativism was negatively associated with a judgment that peer reporting was ethical. This means

that individuals who score high on relativism would judge peer reporting as an unethical behavior, and those who score low on relativism judge peer reporting as an ethical act. Thus the following hypothesis is formed.

In light of the observations found in the literature, we speculated that Idealism would be positively related to a judgment that peer reporting is ethical, and Relativism would be negatively related to a judgment that peer reporting is ethical.

H1a: Idealism relates positively to peer reporting.

H1b: Relativism relates negatively to peer reporting.

Peer Reporting Judgment on Peer Reporting Intention

The actual reporting of a peer's wrongdoing is difficult to investigate. Researchers are using the intention to report as their operational variable (Barnett et al., 1996). A behavioral intention is the subjective probability that an individual assigns to the likelihood that a given behavioral alternative will be chosen (Ajzen & Fishbein, 1980; Hunt & Vitell, 1986). From the theory of reasoned action (Ajzen & Fishbein, 1980), it is suggested that behavioral intention is a good predictor of actual behavior. Also, according to Victor et al. (1993), inclination to report is predictive to peer reporting behavior.

According to Miceli and Near (1992), both contextual and individual factors have been identified as possible influences on an individual's decision to "blow the whistle" on perceived unethical behavior. Key contextual factors thought to be influencing the whistle blowing decision include the seriousness of the wrongdoing (Near & Miceli, 1985), group norms (Trevino & Victor, 1992), and the perceived responsiveness of complaint recipients (Keenan & McLain, 1992). Key individual factors could include religious values (Barnett et al., 1996), moral standards (Miceli, Dozier, & Near, 1991), and locus of control (Miceli & Near, 1992).

Most ethical decision-making models include ethical judgment as a variable that influences the formation of behavioral intentions regarding the act in question (Dubinsky & Loken, 1989; Jones, 1991). Empirical research suggests that individuals who judge an action to be highly ethical are more likely to form behavioral intentions to act. This is consistent with the theory of reasoned action (Ajzen & Fishbein, 1980).

Barnett et al. (1996) also found that judgments on peer reporting were positively related to behavioral intentions to report a peer's unethical behavior.

Individuals who judge peer reporting as unethical behavior will be associated with the behavioral intention to not report a peer's wrongdoing.

H2. Peer reporting judgment relates positively to peer reporting intention.

The Moderate Effect of Locus of Control

The concept of locus of control (LOC) originated from Rotter's (1954) social learning theory. It refers to a generalized expectancy of an individual about whether reinforcement (reward or punishment) and its outcomes are or are not contingent upon one's own characteristics or actions. In 1966, Rotter and his colleagues devised the Internal-External Locus of Control (I-E) Scale to measure locus of control. They reported that the I-E scale was unidimensional. According to Lefcourt (1982), an internal locus of control indicates that an individual believes that he or she is responsible for reinforcements or outcomes experienced. On the other hand, an external locus of control indicates that the person views his or her outcomes as being primarily determined by external forces such as luck, fate, social context, or other persons. According to Lefcourt (1982), research studies over the past two decades tend to support Rotter's contention that the internal-external control concept is a generalized expectancy operating across a wide range of behaviors and situations

As Spector (1982) reported, researchers have generally found that internals are more likely than externals to engage in whistle blowing, as well as peer reporting. Near and Miceli (1985) considered locus of control as one of the individual characteristics that affects an individual's whistle blowing decision. They proposed that the individual who has an internal locus of control might blow the whistle when his or her external locus of control counterpart would not, they see whistle blowing as a step they have to take to control an activity they cannot sanction. On the other hand, externals believe that fate, luck, or chance determine much of what happens to them.

According to Dozier and Miceli (1985), it is suggested that whistle blowers may be strongly motivated by the degree to which conditions suggest they will be efficacious. They maintained that if the organization members view a situation as potentially under their control, they would be more motivated to blow the whistle. Thus, locus of control may be related to whistle blowing.

However, a controlled field setting study by Miceli et al. (1991) did not support the hypothesis that internals would be more likely than externals to blow the whistle under conditions where retaliation is threatened. This may suggest that locus of control does not directly influence whistle blowing. Trevino (1986)

suggested an interactionist model for ethical decisionmaking. In her model, locus of control is one of the individual moderators in the relationship between moral judgment and ethical behavior. She suggested that externals are less likely to take personal responsibility for the consequences of ethical/unethical behavior, and that they are more likely to rely on external forces. However, an internal is more likely to take responsibility for consequences and will rely on his or her internal determination of right and wrong to guide behavior. She proposed that managers whose locus of control is internal would exhibit more consistency between moral judgment and moral action than managers whose locus of control is external.

As proposed by Trevino (1986), the possible moderating effect of locus of control on the relationship between ethical judgment and ethical behavior intention can be applied to the peer reporting process. We speculated that individuals under external locus of control may judge peer reporting as an ethical action but may not have the intention to report a peer's wrongdoing, since they are not likely to take personal responsibility for the behavior. On the other hand, internals tend to consider intentions when judging peer reporting as ethical or unethical. Internals are more willing to take personal responsibility for their actions. Thus, the relationship between ethical judgment and peer reporting intention holds more strongly for the internal locus of control individual.

H3: Locus of control moderates the relationship between peer reporting judgment and peer reporting intention.

Method

Six hundred questionnaires were distributed equally to part-time MBA students, who were also practicing managers, at three universities in the United States; one university on the east coast, one on the west coast, and one in the mid-west. Stamped, addressed envelopes were provided. The response rate was 58%.

The survey consisted of four sets of instruments previously used to measure ethical ideology as it relates to relativism and idealism, ethical judgment, behavioral intention, and locus of control. The Ethical Position Questionnaire (EPQ) (Forsyth, 1980) was designed to measure the ethical ideologies or philosophies of individuals. Reidenbach and Robin's (1990) Multi-dimensional Ethics Scale was used to assess ethical judgments of individuals in peer reporting. Ethical judgment on peer reporting behavior was tested under an ethical vignette representing a familiar context of unethical behaviors in which peer reporting could

occur. A four-item semantic differential scale used by Barnett et al. (1996) was adopted to measure an individual's peer reporting intentions. Finally, Rotter's (1966) Internal-External Locus of Control Scale was used to measure an individual's locus of control orientation. All of these instruments have acceptable alpha coefficients ranging from 0.96 to 0.70.

Results

A total of 454 questionnaires were collected from the three respective location coordinators. Out of these 348 were found to be usable, a response rate of 58%. Among the 348 managerial samples, 45% and 39% were in the age range of 31-35 and 36-40, respectively, 47% had 10 to 15 years of work experience while 29% had more than 16 years, almost 95% have a bachelor degree or above, and 56% have some form of religion.

Table 1 presents the means, standard deviations, alpha reliability coefficients and inter-correlations among the study variables. In Hypothesis 1a and 1b, we speculated that idealism and relativism were related to peer reporting judgment, respectively. The hierarchical regression analysis that examined the relationship between ethical ideology and ethical judgment produced a somewhat similar result.

The predictors and control variables explained 17.1% of the variance in peer reporting judgment with an F value of 23.552 at the $p < 0.01$ (not shown). Only idealism made a significant contribution to the explained variance in peer reporting judgment ($Beta = 0.241$, $p < 0.001$). Since the relationship between relativism and peer reporting judgment was not in the predicted direction, Hypothesis 1a was proven true while Hypothesis 1b was not. Hypothesis 2 set out to test whether peer reporting judgment related to peer reporting intention. As shown in Table 2, the judgment on peer reporting made a significant contribution to the explained variance in peer reporting intention in the second equation ($R^2 = 0.249$, $F \Delta = 69.055$, $p < 0.001$). Those who scored higher on peer reporting judgment tended to support the idea of reporting a peer's wrongdoings. This indicated that the second hypothesis was significantly supported. The last hypothesis investigated how locus of control would moderate the effect of peer reporting judgment on peer reporting intention. In the final equation, the interaction term of judgment on peer reporting and locus of control ($Beta = -1.425$, $p < 0.001$) significantly contributed to the explained variance in peer reporting intention ($R^2 = 0.339$, $F \Delta = 26.291$, $p < 0.001$). This indicated that locus of control significantly moderates the effect of peer reporting judgment on peer reporting intention. The result implies that internal locus of control managers who were high on peer reporting judgment would be more likely to report a peer's wrongdoings than their external counterparts. Thus, the last hypothesis was supported as well.

Discussion

Firstly, idealism was significantly and positively related to peer reporting judgment and it emerged as a significant predictor of peer reporting judgment. This finding is consistent with the literature (Barnett et al., 1996). It is likely that idealistic individuals believe that the unethical behavior of a coworker adversely affects the welfare of others. As a result, the idealist might judge that reporting a wrongdoing is an ethical means by which to achieve a positive result for all (Victor et al., 1993). The idealist might even reason that, in the long run, the wrongdoer benefits from being turned in, because they learn from the serious consequences that accompany violations of accepted ethical standards.

Secondly, the expected relationship between peer reporting judgment and stated intention to report a peer was significantly supported by the results of the study, this is consistent with the work of Barnett and his associates (1996). The strongly observed relationship supports theories of ethical decision making that suggest individuals form behavioral intentions regarding ethical dilemmas based on reasoned ethical judgments (Hunt & Vitell, 1986). Subjects in the present study, faced with a hypothetical ethical dilemma concerning an unethical behavior, were required to make their ethical judgments regarding peer reporting. The individuals' peer reporting judgment would then guide their reasoning in forming behavioral intentions consistent with their judgment as to the rightness or wrongness of reporting unethical behaviors.

The results of the moderated regression analysis revealed that locus of control did moderate the relationship between peer reporting judgment and peer reporting intention. The interaction of peer reporting judgment and locus of control on peer reporting intention was found to be significant. This result is consistent with the interactionist model suggested by Trevino (1986). In the present study, those respondents who have a higher level of external locus of control are not likely to take the responsibility of reporting a peer's wrongdoing, even though they judged peer reporting as an ethical behavior. On the other hand, those with a higher level of internal locus of control are more likely to report a peer's wrongdoing, if they have judged peer reporting as an ethical act.

Practical Implications

Overall, the findings of the study suggest that the individuals' ethical ideologies and locus of control influence peer reporting. The study contributes to our understanding of the peer reporting process by providing evidence concerning

the possible impact of individual-level variables on the decision to report a peer's wrongdoing. Therefore, organizations should be aware of these individual-level factors when designing a channel and policy for promoting whistle blowing. The findings of this study may also be useful to other researchers interested in whistle blowing and peer reporting.

Limitations and Recommendations

This study had several limitations. First, the information obtained may have some bias as the questionnaire was designed as a self-report format. Second, this is a cross-sectional study, and thus restricts any inference of causality among the relationships examined. In terms of recommendations for future studies, firstly, many situational variables under the control of organizations, such as open-door policies, telephone "hotlines," and formal "whistle blowing procedures" are likely to have a strong influence on an individuals' decision whether or not to report a perceived wrongdoing. Further research is needed to determine the relative influence of the individual versus situational factors on peer reporting. Secondly, the relationship between the determinants and outcome of peer reporting judgments may be quite different depending upon the sample population. A comparative study of the whole model using different population groups is recommended. Thirdly, a longitudinal study could be done to confirm causal relationships between determinants and outcomes of peer reporting judgments. Lastly, where practical, researchers could attempt to collect data concerning an individuals' action behavior rather than being limited to intentions to report a peers' wrongdoing.

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Table 1. Alpha, Means, Standard Deviation, and Zero Order Correlation of Study Variables ($N = 348$)

Variables	α	ξ	SD	1	2	3	4
Idealism	.8253	3.47	.58				
Relativism	.8156	3.29	.57	.217**			
Locus Control	.7269	11.52	4.31	.044	.187**		
Peer Reporting Judgment	.8738	3.51	.74	.303**	-.096	-.082	
Peer Reporting Intention	.9229	3.13	.93	.084	-.010	-.193**	.429**
	***<0.001	**<.001	*<0.05				

Table 2. Results of Moderated Regression for Peer Reporting Intention ($N = 348$)

Step	Variables	Equation 1	Equation 2	Equation 3	Equation 4
1	Age	.018	-.042	-.003	.010
	Education	.041	-.065	-.090	-.096
	Religion	.093	.077	.068	.054
2	Peer Reporting Judgment		.414***	.439***	1.068***
3	Locus of Control			-.203***	1.003***
4	Judgment and Control				-1.425***
	R^2	.097	.249	.288	.339
	$\blacktriangle R^2$.097	.152	.040	.051
	F \blacktriangle	9.191***	69.055***	19.035***	26.291***
	***<0.001	**<.001	*<0.05		