

MANAGEMENT ETHICAL BEHAVIOR: THE AUTOMOBILE INDUSTRY IN JUAREZ CITY

Jorge Hernández Palomino, Universidad Nacional Autónoma de México
Rodolfo Rincones Delgado, University of Texas-El Paso

ABSTRACT

This research study investigated the relationships between ethical behavior, ethics codes, gender, age, work tenure and education of managers working in the automobile industry in Juarez, Mexico. This industry was chosen because of its importance in the economics fields. The ethical behavior was measure using the Defining Issues Test (DIT). A demographic questionnaire asked the participants their gender, age, work tenure and education level. The results indicate that there is not relationship between the existence of ethics codes and ethical behavior of the managers. Additionally, the results of the analysis provide significant statistical support to establish that there is no statistical significance between age, work tenure and education. Furthermore, the study revealed a statistical difference between ethical behavior and gender. The findings in this study suggest that there is something in this industry that shows women have a lower level of ethical behavior. The final considerations and suggestions in this study have theoretical and methodological value for the specialists who have the responsibility of teaching and research about organizational issues. The industry implications of the results are outlined, along with the limitations of the study and recommendations for future research.

INTRODUCTION

Every day, managers confront ethical dilemmas in the work place. Managers endanger their integrity facing or engaging in fraudulent acts. Their jobs are filled with ambiguity that places them at the limits of honesty. Regularly, managers find it difficult to escape to these ethical dilemmas. When the behavior of the managers is morally questionable, our immediate reaction is to try to understand such behaviors. For example, when company managers face ethical dilemmas, such as corrupt events, they prefer their personal well being as a opposed to acting with honesty; in the same way, accountants have the responsibility to uncover and report fraud or possible scandals (Forte, 2000). It is very difficult to avoid and escape to these dilemmas. If we are able to decipher, to some degree, this type of behaviors, we are in the path of ethical enrichment.

Managers are considered moral agents since their decisions set the ethical tone of the entire organization. Ethical decisions are impacted by structural and external factors. However, these factors are less relevant in light of the growing individualism in the work place, which is seen as the origin of unethical decisions. Despite the dominant individualism prevalent among business people, they still must conform by rules that will allow the business community censor unethical decisions. Codes of conduct in the work place are important ideal guides for decision making. However, according with De George (1999) corporate codes behavior are seldom followed in the decision making process. On the contrary, they are seen as “hypocritical deceit”.

The ethical behavior of managers, specifically in the automobile industry, has recently become an issue of concern. Decisions of the top management impact the organizational goals and the organizational ethical behavior. As result, increased attention has focused in the development of the moral reasoning of the managers working in these corporations; therefore, it is necessary to better understand in this context the ethical individual behavior in the decision making process. The main purpose of this study was to

determine if the existence of codes of ethics in the organization has a influence in the ethical behavior of the managers working in the automobile industry.

LITERATURE REVIEW

The “bad apple” effect is attributed to the unethical behavior in the organization of few individuals that lack moral character (Trevino, 1986). If the “bad apple” is the top management, the work place can be an uncomfortable environment for those individuals with high moral development and force them in many cases not to accept the decisions. The manager is considering the leader and controller of the company, through the organization’s system and management of the economic resources. Thus, what one immediately discovers upon entering the field of the business ethics is that the illegal activity and the unethical behavior of the managers have the potential to negatively impact the business community.

The ethical behavior, defined as a system of values by which the individuals evaluate and judge their behaviors and those of other individuals, has been highly questioned (Donaldson, 1996). Jean Piaget was the first one in presenting the idea of moral development since birth through adolescence. On the other hand, it is considered that managerial behavior follows the basic phases of the moral development, pre-conventional to the highest, the post-conventional phase, to achieve the objectives of an organization with commitment to the values and principles of the organization.

Thus, to study managerial ethical behavior it is necessary to do it interdisciplinary with the participation of administration and psychology. This would contribute to a more complete description on the issue that if it was analyzed disciplinarily. This research focused on the relation between the managerial ethical behavior and the existence of codes of ethics in the assembly plants of the automobile sector. This would indicate that if the managerial ethical behavior has an association with the existence of codes of ethics, then it would only be necessary to implement codes of ethics in the organizations to generate ethical behavior. In the case that this relation was not significant then the businesses organizations should seek a solid ethical formation of their managers.

The automobile industry is of great importance for the Mexican economy. In 2006, the automobile industry in Juarez, Mexico had more of 34 facilities with approximately 42,000 employees. Cd. Juarez also includes one of the most important Research and Development centers in Latin America: Delphi Technical Center, which employs approximately 1,970 highly trained individuals. For several years, the automobile industry has been immersed in fierce competition in the national and international markets, which has created great pressures to maintain and improve its position in the world market.

The Mexican industry has been touted as being plagued with ethical issues. Assembly companies that have moved to Mexico quickly find out that they are not subject to strict care of the environment and to security standards typical of industries in the developed world (Sargent and Matthews, 1998). Insecure working conditions, low wages and environmental problems have been reported as serious issues in developing countries (Hosmer and Masten, 2003). Corporate restructuring, destruction of the environment and fear to be discharged has forced managers to ethical behaviors (Savitt, 1999).

Studies of managerial behavior have dealt with decision making at different levels, consequences of these decisions, employee satisfaction and organizational effectiveness; however, the moral elements of the decision making process is less understood and studied (Sergiovanni, 2004). Conflict is produced when employees and management expect from each other ethical behavior, honesty, trust, justice, and on the contrary some of these elements are weak or missing.

It is difficult to determine exactly when corporate ethics codes began to exist. According to Ferrel, Hartline, and McDaniel (1998), codes of ethics have existed from the beginning of the modern corporations in form of creeds. In opposition to the idea that creeds are the precursors of the codes of ethics, Stevens (1994) suggests that the corporate codes have their roots in the 1920s when companies that produced code of ethics originated. It is considered that the corporate codes inhibit the unethical behavior inside the organizations and several studies support this proposition (Murphy, 1992; Tsalikis and Fritzche, 1989). Elm and Nichols (1993) found a positive correlation among the existence in the organization of codes of ethical behavior and high standards of ethical behavior on the part of the managers.

According to Kohlberg's theory (1976), moral development takes place through structured levels and in a hierarchical sequence that is progressive and invariant, in such a way that superior stadium of reasoning include that of the inferior stadium. The work of Kohlberg supports the formalist and universalistic version of morality that philosophy has defended since Kant. This theory of moral development has been valuable to understand ethical decision making in several ways. First, Kohlberg tried to measure moral development. Researchers and philosophers have established theoretical elements about the moral concerns; meanwhile, Kohlberg has conducted longitudinal studies about moral decision making. Second, Piaget and Kohlberg found that individuals are capable of understanding and expressing their own moral principles. Finally, the creation of moral development measures such as the Defining Issues Test (DIT) to have facilitated the empirical work in this area.

Some investigators believe that the men and women develop the moral reasoning in the same form (Rest, 1979; Kohlberg and Candee, 1984). Other have established that the men tend to make decisions based on the sense the "justice", while women base their decisions on the sense of "care" (Rest, 1986). Kohlberg establishes its theory based on an ethics of the justice; however, Gilligan (1985) criticized the psychological theory of the dominant moral development. This author questioned the suppositions and the method used by psychology of the moral development and argued that women are not faulty in their development, but rather they respond differently in expressing their morality.

Regarding the age of the managers, it has been indicated that older managers have a more positive attitude toward moral problems in the organization for their more developed moral reasoning. This explanation seems to agree with the model of moral development suggested by Kohlberg in that individuals develop their moral reasoning with the time. Kujala, (1995) reported a positive relationship between age and ethical behavior. Weber (1990), however, found that there was not a significant difference between the moral reasoning and age of the individuals.

On the other hand, diverse authors point out that the only variable that seems to have effect in the ethical behavior in the business environment is formal education of the individuals (Wimalasiri, Pavri, Jalil, 1996). Also, Gentle (1997) found a positive correlation between the ethical behavior and the education of 117 executives working in offices of the federal government in the United States. Treviño (1992) carried out a longitudinal study and found a positive correlation between the ethical behavior and level of education. Rest (1986) in an analysis of secondary data found a strong correlation between the education level and the scores in the DIT.

The main objective of this study was to determine the ethical behavior of managers in the automotive industry in Mexico and its relation to the existence of code of ethics in the organization and demographics variables such as sex, age, educational level and the managers' work tenure. If the managerial ethical behavior has relationship with the existence of the codes of ethics, then becomes indispensable to

establish codes of ethics in the organizations. On the contrary, if ethical behavior do not relate to the existence of codes of ethics, then the companies will look for a solid ethical formation of their managers.

The following null hypotheses were evaluated in the study.

H1: There is not a significant relationship between the ethical behavior of the managers that have an ethics code in their organizations and managers that don't have an ethics code in their companies.

H2: There is not a significant relationship between gender and manager's ethical behavior.

H3: There is not a significant relationship between age and manager's ethical behavior.

H4: There is not a significant relationship between education and manager's ethical behavior.

H5: There is not a significant relationship between work tenure and manager's ethical behavior.

METHODOLOGY

To obtain the information, a mailed survey was utilized; the Dillman's total design method (1999) was followed in this study. The managers received an envelope consistent of a notification letter, the questionnaire and a self-addressed, self-stamped envelope for returning the survey. The respondents first received an advance notice letter, which explained the purpose of the study and asked for their assistance. Approximately one week later they were sent with a cover letter. Dillman's method had a significant influence on the rate of response. Phone calls were made a week from the delivery of the questionnaire to those people that had not returned the package. Three weeks later telephone calls were made to increase the return rate. A convenience sample of 75 managers working in companies of the automobile industry in Juárez, Mexico was taken. These people were selected because they face ethical dilemmas in their daily work as managers (Reynolds, 2000); 42 managers of the automobile industry returned the questionnaire for a return rate of 56%.

The Defining Issues Test (DIT) was used to measure the managers' ethical behavior. The translated test used with permission from the Center of Ethical Development of the University of Minnesota. The validity and reliability of the DIT has been established. Several studies have reported that the reliability of the instrument, by means of the coefficient alpha of Cronbach, is in the acceptable range of .70 to .80, and the test-retest evidences with a correlation average of .82 and the dependability .80. The instrument evaluates the answers in a Likert scale. Respondents are presented with ethical dilemmas and have to select their 4 more important answers in a scale of "more important" until "more important point". This study had a coefficient alpha of .78.

RESULTS

The data analyzes in the study consisted of descriptive statistics, Pearson correlations and *t* tests, because this study seeks to be differences in the gender with regard to the means of the ethical behavior of the managers. Table 1 shows a summary of the characteristics of the sample. The average age of the surveyed managers was 44.1 years, while the years of experience were 8.5 average. Women were 14.3% of the sample and the level of prevalent education was professional degree with 71.4%. Additionally, the production managers represented 16.7% of the sample and the plant managers 7.1%.

Table 1: Characteristic of the Sample

Variable	<i>Category</i>	<i>Mean</i>	<i>Standard Deviation</i>	<i>Frequency</i>	<i>Validity %</i>
Age		44.1	7.84		
Work Tenure		8.1	6.62		
Gender	Female			6	14.3
	Male			36	85.7
Educational Level	High School			6	14.3
	Professional Degree			30	71.4
	Master Degree			6	14.3
Manager Position	Production			7	16.7
	Engineering			5	11.9
	Quality			3	7.1
	Accounting			6	14.3
	Maintenance			4	9.5
	Information Systems			4	9.5
	Materials			2	4.8
	Buyer			2	4.8
	Plant			3	7.1
	Human Resources			4	9.5
	Operations			2	4.8

The results shown here represent the obtained information of the interviewed managers. Table 2 sample the mean obtained in the index p by the interviewed managers. The managers, whose companies have an establish ethics codes had a slightly superior mean score, 29.7 than the managers that do not, 27.1. The average in the score of the index p suggests that male managers have a higher ethical behavior than female managers working in companies of the automobile industry. Age was an influencing factor in the index p, which suggests that the older a manager was that lower the score obtained. Managers that had more than 10 years of experience obtained the lowest mean in the index p. As the level of formal education was bigger a higher score in the index p was obtained by the interviewed managers.

The results of the Pearson correlation analysis are shown in Table 3. The existence of ethics codes in organizations was not significant in the ethical behavior (Pearson $r = -.186$ and a value $p = .736$), the same as the age factor ($r = -.08$ and a value $p = .313$). The results show that the work tenure does not have a significant difference with the ethical behavior ($r = -.06$ and a value $p = .212$), in the same way the education level did not have a statistical significance ($r = .199$ and a value $p = .09$).

Table 2: Summarize of the Ethical Behavior, the Index “p”, of Each Variable (Description, Means of the Index p, Frequency, Standard Deviation and Range)

Variable	Mean	Frequency	Standard Deviation	Range	
				Minimum	Maximum
Ethics Codes					
Yes	29.7	20	11.1	13.3	48.3
Not	27.1	22	11.5	13.3	50.0
Gender					
Female	18.7	6	6.6	13.3	26.7
Male	29.8	36	11.1	13.3	50.0
Age					
28-39	29.3	12	10.31	15	48.3
40-49	27.4	23	9.87	10	50.0
50-59	25.9	4	6.03	18.3	40.0
60-64	22.9	3	4.16	16.6	25.0
Work Tenure					
1-5 years	28.5	16	8.35	13.3	50.0
6-10 years	29.8	15	9.38	10	50.0
More of 10 years	23	11	5.08	16.6	40.0
Education					
High	24.8	8	8.69	16.6	41.6
Professional degree	27.3	28	9.36	10	50.0
Master degree	30.5	6	9.41	13.3	43.3
Total	27.7	42	9.34	10	50.0

Table 3: Results of the Correlation of Pearson Analysis for Hypotheses 1, 3, 4 and 5

Variable	Mean p Index	Standard Deviation	r	p value
Ethics code				
Yes	27.8	8.8	-0.186	0.736
Not	27.3	10.3		
Age				
	27.2	9.3	-0.08	0.313
Work tenure				
	27.6	9.4	-0.06	0.212
Education				
	27.3	9.4	0.199	0.09

The analysis of the effect of the gender in the ethical behavior is shown in Table 4. The obtained result of the t-test, which is used to identify the possible differences due to the gender of the managers, is presented in the table 4. The results indicate that the gender has a significant difference in the ethical behavior ($t = .01$ $p = .04$).

Table 4: Results of the Test t, for Possible Differences in Gender

Variable	Mean p Index	Standard Deviation	t	p value
Gender				
Female	18.7	6.6	0.01	0.03
Male	29.8	11.1		

Table 5 shows the mean in the index p for managerial positions. In this research, a population mean was obtained among managers of $\mu = 28.45$; additionally, there was a high level of ethical behavior in plant and accounting managers ($\mu = 40.83, 34.44$ respectively). However, the level for human resources managers was the lowest ($\mu = 19.58$).

Table 5: Summarizes of the scores of the Index p for Managerial Positions

Manager's Position	Mean	Manager's Position	Mean
Production	27.08	Materials	23.33
Engineering	26.67	Buyer	13.33
Quality	25.00	Plant	40.83
Accountant	34.44	Human Resources	19.58
Maintenance	31.67	Operations	25.56
Information System	31.67		

The results of the analysis offer a strong statistical support for the hypotheses presented in the study and the following section underlines the managerial implications of the results, followed by the limitations of the study and the recommendations for future researches.

DISCUSSION

The ethics of the companies begins at managerial level, the past events bring to light that the manager's personal integrity establishes the ethical environment of the whole company. The results indicate that the ethics codes in place do not influence the ethical behavior of the managers working in companies of the automobile industry in Juarez, Mexico. The current perception is that by reading the ethics codes will affect the ethical behavior. The problem is not enforcing, applying the codes and sanction the unethical behavior; the problem is in the practical application where the pressures arise. During decades the ethics codes have proliferated. These codes have been useful in providing information to the employees on the legal requirements of the company, approaching specific situations, such as corruption; at the same time

that they serve like guide to practices accepted inside the organization; however, the unethical behavior is still present.

This study showed that the gender of the managers impacts the ethical behavior. Female managers obtained lower levels of ethical behavior than male managers. Gilligan (1985) believes that men typically adopt an orientation of justice toward the conflicts; they emphasize the importance of the rights, justice and obligations in the resolution of dilemmas. According to Gilligan, women have an orientation to care, emphasizing the importance of the human relationships and the well-being of all the involved parts. She firmly states that men as well as women are able to consider both perspectives.

Additionally the research found the same level of ethical behavior, in relation to the formal education of the managers; other investigators have found that a higher level of formal education has been associated with higher levels of ethical behavior. Investigators like Rest (1986) and Treviño (1992), establish that something exists in the educational process that is in the development in high more ways of ethical thought. The implication is that the education through the training can force the ability of the individuals to act in higher levels of ethical behavior.

Managerial ethical behavior in the highest concept is the ambition of competitive success. In a world in which competition is presented in an unceasing way, this ambition supposes that it is capable of harming. However, disloyalty or doubtful blows are prohibited. It is necessary for managers to arm themselves from violence, intimidation, privileges, corruption, among others, to carry out powerful actions that are ethical and legal. These actions include investments, innovation, quality, service, training, motivation, team work, logistics, which supposes a margin of profitable earnings. For many companies is certain that the ambition of a high level of professional ethics goes along with the ambition of a high level of effectiveness and of investment in the progress.

A manager's ethical ideal is becoming a guide that will show his personnel the route to honesty and will allow the professional growth of everyone in the organization, which would not happen in an unethical environment. In this way, the ambition of this research is to activate the compass in the spirit and conscience of a number bigger than managers. When the actions of the managers are clear, they do not need to explain the reasoning behind their decisions. Responsible managers will be able to clearly show that he/she has act ethically and provide confirmation of his/her actions.

While the results of the study allowed checking the objective of the investigation, the study is subject to certain limitations. The transverse nature of the study does not allow the causal inference. Also, it should be considered that the study was carried out in a time of a strong economic recession and that the peculiar situation of the moment could affect the decisions of the interviewed fellows. Additionally, it should be careful in not to generalize the results to other industries or other professions, since the study only analyzes the managers of the automobile industry. Finally, the answer rate creates some concern, although it was not to be a problem this possible slanting.

Future investigations will be able to continue looking in the managerial level and analyze the ethical behaviors with the objective of create the conditions to promote the biggest level of ethical behavior. New investigations need to evaluate the scenarios in stronger situations or specific problems, either of bribes, sexual pursuit and financial handlings. Studies of this type will be driven to investigate the managerial ethical behavior from a global perspective. Investigation including managers of different nations can provide valuable information to the existent relationship of the nationality and the ethical behavior. Future studies could investigate the relationship among different industry types, age, gender and managerial ethical behavior. The managers that move from one company to another carry a load

with the principles and prejudices of their previous positions, that which can influence their ethical behavior.

REFERENCES

- De George, R. (1999), "Competing With Integrity in International Business", *Ed. Oxford University Press*, New York, pp. 45-48.
- Donaldson, T. (1996), "When is different just different, and when is different wrong", *Harvard Business Review*, Sep.- Oct., Cambridge, pp.48-62.
- Elm, D & Nichols, M. (1993), "An Investigation of the Moral Reasoning of managers", *Journal of Business Ethics*, 12, Netherlands, pp. 817-834.
- Ferrel, O., Hartline, M., McDaniel, S. (1998), "Codes of Ethics Among Corporate Research Department, Marketing Research Firms and Data Subcontractors: An Examination of a three communities metaphor", *Journal of Business Ethics*, 17, Netherlands, pp. 503-516.
- Gentle, L. (1997), "Ethical Decision Making by Federal Managers", *UMI, Digital Dissertations*, Nova Southeastern University.
- Gilligan, C. (1985), "In a Different Voice: Women's Conception of Self Morality", *Harvard University Press*. Cambridge.
- Hosmer, L. & Masten, S. (2003), "Ethics vs. Economics: The Issue of Free Trade with México", *Journal of Business Ethics*, 14, Netherlands, pp. 287-298.
- Hunt, S., (1990), "Commentary of a Empirical Investigation of a General Theory of Marketing Ethics", *Journal of the Academy of marketing Science* 18, pp. 5-16.
- Kohlberg, L. (1976), "Moral Stages and Moralization: The Cognitive Developmental. In Moral Development and Behavior: Theory, Research and Social Issues", *Ed. Holt, Rinehart and Winston*, New York, pp. 67-68.
- Kohlberg, L. y Candee, D. (1984), "Essays on Moral Development: The nature and Validity of Moral Stages", Vol. 2, *Ed. Harper & Row*, San Francisco, Cal., p. 1166-1168.
- Krygier, A. (2005), "Ética y Valores en un Mundo Globalizado", *Conciencia activa*, 9, July, Venezuela.
- Kujala, J. (1995), "Moral Issues in Business: Top Manager's Perception of Moral Issues in Stakeholders Relations", *University of Tampere*, Finland.
- Murphy, P. (1992), "Executive Attitude, Organizational Size and Ethical Issues: Perspectives on a Service Industry", *Journal of business ethics*, 11, Netherlands, pp. 11-19.
- Rest, J. (1979), "Development In Judging Moral Issues", *University of Minnesota Press*, Minneapolis, Minnesota.
- Rest, J. (1986), "Moral Development: Advances in Research and Theory", *Editorial Praeger*, New York, pp.169-175.

Reynolds, M. (2000), "Professionalism, Ethical Codes and Internal Auditor: A Moral Argument", *Journal of business ethics*, Netherlands, pp. 115-124.

Sargent, J. y Matthews, L. (1998), "Expatriate Reduction and "Mariachi" Circles: Trends in MCN Human Resource Practices in México", "International Studies of Management & Organizations, 28", New York, pp. 74-75.

Savitt, K. (1999), "Corporate Responsibility Issues Impact Reputation", *Wichita Business Journal*, 13, United States, pp. 5-8.

Sergiovanni, T. (2004) "Strengthening the Heartbeat: Leading and Learning Together in Schools", *Jossey-Bass Education Series*, United States, p. 224.

Stevens, B. (1994), "An Analysis of Corporate Ethical Code studies: Where do We Go from Here?", *Journal of Business Ethics*, pp. 63-69.

Treviño, L. (1986), "Ethical Decision Making in Organizations: A Person Situation Interactionist Model", *Academy of Management review*, 11 (3), United States, p. 601.

Treviño, L. (1992), "Moral Reasoning and Business Ethics: Implications for Research Education and Management", *Journal of Business Ethics*, 11, Netherlands, pp. 610-611.

Tsalikis, J y Fritzsche, D. (1989), "Business ethics: A Literature Review with a Focus on Marketing Ethics", *Journal of business review*, pp. 695-743.

Weber, J. (1990), "Managers' Moral Reasoning: Assessing Their Responses to Three moral dilemmas", *Human Relations*, 43, Netherlands, pp. 687-702.

Wimalasiri, J., Pavri, E., Y Jalil, K., (1996), "An Empirical Study of Moral Reasoning Among Managers in Singapore", *Journal of Business Ethics*, Vol. 15, 1990, pp. 1331-41.