A Scale of Business Ethics in Iran

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Abstract: The purpose of this study is to explore a scale of business ethical dimensions in Iran. It reviews the extant business ethics literature on Iran, collects data on ethical conduct from an Iranian company, and analyzes the data to examine emerging trends. Factor analysis and multi dimensional scaling are applied to an established survey instrument after reliability is confirmed. The present research brings out the importance of business ethics dimensions in the continuity of interactions with customers and their trust. Generally, our results indicate information and a contract norm is the most relevant item in business ethics scales. Such a result is particularly useful for companies since in the near future it is the conclusive factor for the success or failure of any given business. Therefore, business manages have to specially emphasize the issues relating to information and the clarity of contracts. Moreover, we suggest business managers to consider the content of price and distribution norms. Our findings stress the importance of this factor from the standpoint of customers. This research used the convenient samples of managers and employee to develop its scale. These samples are acceptable for exploratory studies. Nevertheless, the results may not be generalizable to general business environments. As a result, a random sampling method of managers and employees has to make business ethics scale more useful and generalizable.

Key words: Business ethics, Iran, norms, scale development

INTRODUCTION

Attending to ethics in business has become important more than ever, and it has developed to the extent that large organizations compile their own ethical policies and put it in their planning system. In addition, some discussions such as social responsibility, beneficiary satisfaction, and customer satisfaction have already prepared the ground for this procedure. Considering these matters in the organizations can finally lead to good reputation, trust and more profit (Tsaliikis and Seaton, 2006).

Therefore, as well as the organizational and legal criteria, the managers and employees of the organizations need a set of ethical and value directions in order to help them in their business behaviors and practices and allow for a kind of unity in practices in their path towards the desirable approach in business ethics. Today ethics is one of the most important business assessment criteria, and ethical subjects and rules are one of the important factors of their success (Vitell et al., 1991).

Lack of consideration of ethics in business management in the societies whose ethical values are rich on one hand, and are noticeably far from the developed country on the other hand, can cause significant problems for them. Further, with the increase in the social expectations from organizations, the societies have become more sensitive towards several issues such as environment, women’s rights, children, minorities, disabled people, employment equity and human force reduction. Lack of consideration of businesses to these rights and disobeying ethical rules in their treatment towards the external beneficiaries can cause some problems for them and put the legitimacy and activities of businesses under questions; as a result, their profit and success will be influenced. Poor job ethics is effective on the individuals’ attitudes towards jobs, organizations and their managers and on the individual, group and organizational performance (Chonko and Hunt, 1985).

The ethical behavior of businesses constitutes their external symbol, which is in turn the result of the collection of several ethical values that have emerged in organizations. Ethics in business is defined as a system of values and dos and don’ts based on which the good and the bad of the organization are identified and the bad act is distinguished from the good act. Generally, in personal dimension, human beings own their particular ethical characteristics that shape their thoughts, words and
behavior. When a given individual is placed at in organizational position, some factors may cause the emergence of some different thoughts, words and behavior from the personal dimension of that individual; these human characteristics may affect the efficiency level and the effectiveness of the business.

The main purpose of this study is therefore to offer a native model of business ethics in Iran with regard to the current circumstances. The study attempts to step in the direction of improving and reforming the current business conditions through its results.

**LITERATURE REVIEW**

Observing ethics and being bound by ethical values are among the most important phenomena considered by businesses. Ethical rules have become a component of business official policies and unofficial culture. Many businesses have defined ethical rules officially and give the employees the necessary instructions in order for their enforcement.

One of the major concerns of the ethics theoreticians is providing an accurate definition for ethics. Just like most concepts, ethics has also been defined variously by many theoreticians.

Beauchamp and Bowie (1983) define ethics as the inquiry into theories of what is good and evil and into what is right and wrong, and thus is inquiry into what we ought and ought not to do. Runes (1964) states that ethical behavior refers to just or right standards of behavior between parties in a situation. Barry (1979) defines ethics as the study of what constitutes good and bad human conduct, including related actions and values.

Ferrell and Fraedrich (1997) argue that the question about the nature of ethics directs us the sense that ethics means the recognition of values, criteria, good and bad acts from each other.

Ethics is also defined as the code of moral principles that sets standards of good or bad, or right or wrong behavior (Wu, 1999).

We can generally regard ethics as the study and analysis of some criteria and rules that are the practice guide for individuals and groups in doing acceptable tasks (Taylor, 1975).

Most ethical standards and rules are different from one culture to other cultures and from one time to the other. In other words, based on the ethical relativism, a good act in one society may be regarded to be a bad act in another society or culture so that the level of ambiguity and sometimes conflicts in values will increase.

**Business ethics scales:** “Ethics” in business ethics terms has been driven from the Greek word “Ethos” meaning “character” (Shaw and Barry, 1995). Observing ethical rules in a business intensely calls for skill since the managers on one hand seek for their organizations’ profit and benefits and on the other hand should establish a logical balance between social needs and demands. In this situation, the role of ethics is clearly observable. If a business implements ethics in its activities in a way that besides profit it does not impose losses to the social benefits, this business is successful. Business ethics consists of a set of criteria, traditions and rules that serve to direct the business (Brunk, 2009).

Business Ethics can be defined as the critical, structured examination of how people and institutions should behave in the world of commerce. In particular, it involves examining appropriate constraints on the pursuit of self-interest, or (for firms) profits, when the actions of individuals or firms affects others (Ten and Willmott, 2001).

Business ethics had existed in the Orient civilization, among Romans and the Greek of before Christ, even in the Medieval. In 60s, with the emergence of the matters about consumer rights, business ethics drew attentions in America and Europe (Enderle, 2001; Carroll, 1991). In 70s, business ethics was offered as a study discipline in the developed countries, and academic practitioners and scholars theorized it. 80s can be introduced as the decade of business ethics establishment since the scientific communities recognized it as an academic discipline.

Organization of Economic Cooperation and Development (OECD), through designing an ethical infrastructure which is in fact one of the effective patterns of ethics management, attempts to control corruption, preserve and enhance ethics, and reform undesirable behaviors in most of the member countries. In this pattern, the environmental and organizational factors are combined to a great extent; most of these factors are:

- Commitment of leaders, politicians, and managers to observe ethical affairs
- Accurate and necessary ethical strategies, policies, rules and regulations
- Context of society and organization
- Motivational systems and mechanisms to encourage ethical behavior
- Plans for efficient and effective trainings
- Efficient and effective systems of internal and external control and assessment
- Enough reasonable arguments and reasoning for ethics acceptance
- Job positions
- Personal needs
- Active civil society

Therefore, we can totally claim that if an ethics infrastructure benefits from a correct function, it provides an environment in which the standards and indices of desirable personal behavior are encouraged and supported.
Studying several business ethics models, various factors have been detected as the effective factors on business ethics in organizations. In most ethics models, similar factors are introduced as the effective factors on business and organization ethics; the most important of them are:

- Marketing Ethics Model (Bartels, 1967)
- Person-Job Interaction Model (Trevino, 1986)
- Behavioral Model of Ethical and Unethical Decision-Making (Bommer et al., 1987)
- Ethical Behavior Model (Stead et al., 1990)
- Ethical Behavior Stimulation in Organizations Model (McDonald and Nijhof, 1999)
- Ethics Framework

The factors affecting business ethics can be grouped into three general levels:

- **Macro level**: It relates to the factors that exist in the external environment of an organization. These factors usually are not under the control of the organizations that are imposed to them by some superior systems, such as culture, economy, political environment, technology, religion and law.
- **Intermediate level**: It refers to the organization-level factors. Organizations usually have a good maneuver power on these factors. Most of these factors are controllable through organizational policies and plans, such as competition, reward system, behavioral rules, job specifications, resources, organizational culture, management behavior, organization climate, delegation of authority, performance assessment and reference people.
- **Micro level**: This level refers to the factors of individual level. These factors are place in the organization personnel, and the organization can affect some of them through altering some intermediate level factors, such as attitude, intention, power of self, parents’ effect, value and beliefs (Hyman et al., 1994).

**Empirical studies in business ethics**: Business ethics researchers have developed several models and measurements of managers’ ethical decision-makings in order to reveal how they choose their ethical basis. One of the most important measurements used in this discipline relates to ethics multi-dimensional scale developed by Reidenbach and Robin (1988, 1990).

Different forms of the scale have been used in several empirical studies on business ethics (Cohen et al., 1993, 2001; Cruz et al., 2000; Hansen, 1992; Henthorne et al., 1992; Hudson and Miller, 2005; Kujala and Pietilainen, 2004; Rittenburg and Valentine, 2002; Tsalikis and Nwachukwu, 1988; Tsalikis and Ortiz-Buonafina, 1990). Now, some researches that have scales on ethics are investigated.

Ferrell and Skinner (1988) investigated the ethical behavior in research organizations. They used a six-item scale that reflects three broad perceptions:

- The extent to which the employees perceive their managers behave ethically
- The extent to which the employees perceive their managers consider ethical matters in their organizations
- The extent to which the employees perceive ethical or unethical behavior is encouraged or reprimanded in their organizations

Another research by Hunt et al. (1989) with the title “Ethics: Corporate Ethics Scale” was conducted. Based on their views, corporate ethics was conceptualized in a way that reflects three broad perceptions:

- The extent to which the employees perceive their managers behave ethically
- The extent to which the employees perceive their managers consider ethical matters in their organizations
- The extent to which the employees perceive ethical or unethical behavior is encouraged or reprimanded in their organizations

CEP is a five-question scale that is summed up and then divided to five to form a general index of corporate ethics. All questions are scored based on seven scales from absolutely disagree to absolutely agree. Thus, the scores on the scale can be placed at the range of 1 to 7. The scale is considered non-descending. A total number of 1264 respondents were selected as the sample to arrive at the scale in the study. The Alpha coefficient for the scale was .78 and the factor analysis indicated its non-descending structure. Moreover, it was found that CEP is a powerful precedent of organizational commitment (Hunt et al., 1989).

Reidenbach and Robin (1990) defined business ethics as the individual ethical judgment in business decision-making environments. In their research with the title “Ethics: Improving Evaluations of Business Ethics” suggested that the main ethical philosophy is formed by five dimensions of justice, relativism, utilitarianism, egoism, and conscientiousness. The scale of the study consisted of eight questions of semantic differentiation distributed in three factors as:

- Ethical equity, four questions
- Relativism, two questions
- Contractualism, two questions. Seven-fold bipolar scales were used for each question
A preliminary set with 33 questions was developed to reflect five normative philosophies. The questions were handed out to a sample including 218 business students. Some questions were removed at this stage. At the second stage, factor tests and Lickert scale as well as bipolar scale were used. No significant difference was found among them. After examining the factor loadings, their values and question correlations, the questions were reduced to 14. At the third stage, 105 small businesspersons assessed the questions. Using factor analysis, the number of questions reduced to 8. A set of interdependent studies were conducted in an attempt to assess the study’s scale more. Among four studies and 15 investigations using different contexts, the factor structure and scale reliability were similar (Reidenbach et al., 1991).

Vitell et al. (1993) investigated marketing norms ethics scale. The typical structure assessed by this multi-dimension scale is described as the norms related to the marketing of activists in marketing industry. The norms are usually defined as some pre-determined direction indicating the personal values or behavior rules. The questions reflect behavioral situations to which marketers impose in their decision-making procedures. The Ethical Rule of American Business Association (AMA) is implemented to enforce the conceptualization and collection of questions. The factor analysis was also used to arrive at factor structure.

The study’s scale consisted of 25 questions that each was operationalized by a five-item scale (1 for absolutely disagree and 5 for absolutely agree). Five dimensions are: Price and distribution norms, six questions:

- Information and contract norms, six questions
- Product and promotion norms, five questions
- Obligation and disclosure norms, four questions
- Total honesty and correctness, four questions
- The factor analyses of principal components along with varimax rotation were used to brief the questions.

A mail survey from a random sample including 2000 members of AMA was conducted resulting in a usable sample of 508 marketers participating in the survey. The reliability coefficient of the internal consistency of five factors was between 0.67 and 0.87. A set of regression analysis was also offered as the evidence for the legal validity in which normative factors act as the dependent variables.

Construct domain specification: The first step in the process of developing a new measurement is the specification of construct domain (Churchill, 1979). The typical definitions of business ethics refer to the rightness or wrongness of a business practice (Bartels, 1967; Barry, 1979; Beauchamp and Bowie, 1983). Thus, as indicated before, several scales of business ethics have used such a concept to collect items. However, not all of them agree on the fact of something being ethically right or wrong, good or bad, moral or immoral (Tsalkis and Fritzsche, 1989). There are numerous standard and operational models that people use them when they confront with ethical conditions, and each model’s approach to the issue is different. In marketing field, achieving to satisfy the interests and needs of consumers is a wright ethical perspective. In individual sales area, Roman and Munuera (2005) define ethical sales behavior as fair and honest acts that make the salesperson able to enhance the long-term relationships with the customers based on customer satisfaction and trust. In advertisement and retail, the unethical acts can be selling a product through pressure imposition techniques on the customer who does not require them, using deceptive tactics, or exaggerating the features and advantages of a product (Hyman et al., 1994; Lagace et al., 1991; Levy and Dubinsky, 1983; Roman and Munera, 2005; Roman and Ruiz, 2005).

RESEARCH METHODOLOGY

Scale development: At first, 58 items were identified after reviewing the literature. Some deep interviews with business managers and employees were conducted in order to:

- Help the process of construct dimensions definition
- Collect new items
- Perform a complete assessment of items’ wording
- Eliminate any extra, ambiguous, item or any item with poor wording

At the end, totally 46 scale items were collected through literature review and the interviews. The items were handed in to some experts in order to evaluate their content validity. They perused the items to find any ambiguity, trivialness, reasonable structure, extras as well as to make confidence that the items reflect business ethics definition. After eliminating another 13 extra items, the experts determined that the remaining items of business ethics scale are adequately the representatives of the construct. The revised scale consisted of 33 items on the domain of 1 (absolutely disagree) to 5 (absolutely agree).

Sample and data collection: The business managers who have at least five years of management were chosen to be the analysis unit of the study. Following the process offered by Milne and Culnan (2004), the preliminary data collection was performed to purify the items on the existing business population of Western Mazandaran region. Each respondent was asked to answer the questionnaire in accordance to the existing behaviors in his own business. After removing the missing data, totally 380 usable questionnaires remained. In such a sample size, which is adequate for factor analysis (Stevens, 1996), around 78% of respondents were employees and other 22% were managers. Further, men constituted 89%
of the sample size in comparison with women who hold the remaining 11%. The mean age of the sample is also 37.8 years.

The available samples were permissible as long as they meet two conditions: the nature of the study has to be exploratory and the questionnaire’s items should be relevant to the respondents (Ferber, 1977). This study meets both conditions. Kaiser-Meyer-Olkin measurement (KMO) for sampling adequacy was 0.87 indicating the interdependency of variables (Malhotra, 2004).

Findings:
Factor analysis: The results of exploratory analysis and principle components factor analysis using varimax rotation came up with five factors. In case that:
- Item loading on a factor is 0.50 or more
- Loading on two factors is not 0.50 or more
- The analysis reliability indicates and item with the overall correlation higher than 0.40, the items are preserved (Hair et al., 1998).

Totally 11 items were removed. As shown in Table 1, the exploratory analysis of the five factors indicated that they explained 84.5% of variance. The factor loadings were on the domain between 0.88 and 0.59.

The Alpha coefficient was at the acceptable level on the domain between 0.88 and 0.81 (Nunnally and Bernstein, 1994). The first measured factor was “price and distribution norms” \( \alpha = 0.84 \). This factor explained 18.3% of variance and included five items. The second factor, “information and contract norms” \( \alpha = 0.88 \), included four items that explained 17.5% of variance. The third factor was “product and promotion norms” \( \alpha = 0.81 \) that explained 16.7% of variance. There were four items in this factor. The fourth factor, “obligation and disclosure norms” \( \alpha = 0.83 \) included four items that explained 15.8% of variance. The last item was “honesty and rightness” \( \alpha = 0.85 \) that explained 16.2% of variance with its four items.

Confirmatory factor analysis:
Reliability, convergent and discriminant validity: In order to perform a more comprehensive assessment of the factor instruction and reliability of the purified 22-item scale, and in order to establish convergent, discriminant and nomological validities, the confirmatory factor analyses were conducted. The purified data set underwent Confirmatory Factor Analysis (CFA) using LISREL 8.72 software program (Joreskog and Sorbom, 1996). At first, a five0factor model was estimated using all of 22 items. The problematic items were gradually removed, and the process ended in the remove of six items. As shown in Table 2, a renewed factor model had an acceptable fit; CFI and NNFI are higher than 0.90; RMSEA and RMR were not over 0.08 and 0.06, respectively (Hair et al., 1998).

Measurements’ reliability was confirmed by composite reliability index being over the recommended level of 0.60 (Bagozzi and Yi, 1988). Further, the extracted variance for each dimension was higher the recommended level of 0.50 (Hair et al., 1998), which is shown in Table 3. Following the recommended processes by Fornell and Larcker (1981) and Bagozzi and Yi (1988),
business is exposed to an extensive growth in recent years, transforming the nature of business relationships. While there is an intensifying need to decision mistakes. The fourth dimension, obligation and disclosure norms, suggests that business ethics is obliged to specify all of its activities clearly to other individuals. Together with previous studies (Strutton et al., 1997), the results of our study indicate that customers want correct information so that they will make decisions regarding the continuance of their relationships with our business. Finally, the fifth dimension, honesty and rightness that includes three items, is regarded as the basis of business ethics. From the standpoint of customers, honesty and rightness lead to the continuity of their relationships with a given business.

Managerial implications: The present research brings out the importance of business ethics dimensions in the continuity of interactions with customers and their trust. Generally, our results indicate information and a contract norm is the most relevant item in business ethics scales. Such a result is particularly useful for companies since in the near future it is the conclusive factor for the success or failure of any given business. Therefore, business managers have to specially emphasize the issues relating to information and the clarity of contracts. Moreover, we suggest business managers to consider the content of price and distribution norms. Our findings stress the importance of this factor from the standpoint of customers.

Business managers have to honestly promote and specify the features of their products. Honesty and rightness, also, causes the improvement of customers’ perceptions of the business. Finally, we recommend companies to provide real information regarding the features and advantages of their products.

Limitations and future research: Many researchers call for some systematic empirical studies in the field of business ethics (Palmer, 2005). Insufficient empirical studies may partly be due to the absence of a scale to measure business ethics in Iran. Business ethics scale has to facilitate the conduction of future empirical studies on the relationship between business ethics and customers’ attitudes towards companies. This study is exposed to some limitations, and future studies have to address them. This research used the convenient samples of managers and employee to develop its scale. These samples are acceptable for exploratory studies. Nevertheless, the results may not be generalizable to general business environments. As a result, a random sampling method of managers and employees has to make business ethics scale more useful and generalizable.
More researches have to consider the consequences of business ethics on customer loyalty and their commitment to companies. Researchers can also examine the effect of some variables such as personal values (Sama and Shoaf, 2002), cognitive style (McIntyre et al., 1995), which may moderate the relationship between business ethics and customers’ attitudes towards companies and future intentions.

CONCLUSION

Business has grown noticeably in the last decade, but customers’ concerns about business ethics issues are also intensifying. This study took the first step to measure business ethics scale that can have effects on customers’ satisfaction and trust. The results of this research offer some important implications for businesses, and it seems that it can be a stimulator for future studies in the field of business ethics.

Appendix 1: Scale of business ethics in Iran

Price and distribution norms:
1- Any added features to a given product that leads to some extra costs should be said to customers.
2- The availability of a product should not be a leverage to misuse customers.
5- Pricings should not be unfair.
7- Sometimes I have to cover up the product’s poor quality in order to satisfy my customers.

Information and contract norms:
9- Information regarding the dangers of using a given product or service should be disclosed.
10- Any product parts replacement that can lead to a change in the product or affecting customer’s decision about purchasing the product should be revealed.
12- Reliability and anonymity in professional relationships regarding personal information should be preserved.

Product and promotion norms:
16- The supplied products and services should be safe and in correspondence with their purposed consumptions.
18- Fake and misleading advertisements should be avoided.
19- Sales promotion through deception or manipulations should be avoided.

Obligation and disclosure norms:
21- The total price related to any purchase should be disclosed.
22- Selling products or raising funds under the pretext of research conduction should be avoided.
23- In case one of company’s managers was proven to have unethical behaviors that lead to personal benefits, such a person is immediately reprimanded.

General honesty and integrity norms:
26- We always should be faithful to the executive rules and regulations.
28- It is always necessary to be honest in providing services to customers, customer, employees, suppliers, distributors and the public.
30- Company managers obviously show that unethical behaviors are not tolerated at all and under any circumstances.

REFERENCES


