

A Macro (Bayesian Network) Analysis of Ethical Behavior

Ahmet Ekici, Bilkent University, Ankara, Turkey

Sule Onsel-Ekici, Dogus University, Istanbul, Turkey

Extended Abstract

Macromarketing scholars have long voiced the need for (particularly mezzo and macro-level) empirical investigation of ethical behavior. One of the earlier calls on this issue is made by Murphy and Laczniaik (1981). More than ten years later, Laczniaik (1993), once again, points out the need for “developing empirical traditions” in business/marketing ethics (p.93). The comprehensive review by Nill and Schibrowsky (2007) also suggests “more research to shed further light” on the ethical frameworks and theories developed over the decades (p. 271). In addition, the authors point out that the existing research has particularly taken a “micro/positive” perspective and macro and normative perspectives of ethics have received little attention. Finally, the authors made a special call for the need for macro level ethics studies by stating “we believe that macro articles provide an integral part in the development of marketing ethics field.” (p. 272)

The micro/macro dichotomy is related to the level of aggregation (Nill and Schibrowsky 2007). Whereas micro level aggregation deals with “individual unites, normally individual organizations (firms) and consumers or households” (Hunt 1976, 20), macro involves a higher level aggregation and focuses on “big, complex, and systemic issues, the interplay of marketing and society, and ultimately, improvements to life quality for large numbers of stakeholders affected by marketing systems (Shultz 2005, 3). As elaborated by Nill and Schibrowsky (2007), the role of ethics in free enterprise, competition, property systems, the interactions between law and ethics can be considered under the “macro” category (p. 259).

Another important observation made by Nill and Schibrowsky (2007) is the preoccupation with “positive ethics” questions. In other words, the authors argue that the “positive” work has dominated the literature and “normative ethics” has been underpresented. The positive/normative dichotomy is mainly “based on whether the focus of the analysis is primarily descriptive or prescriptive” (Hunt 1976, 20). The descriptive ethics involves describing, explaining, understanding, and possibly predicting ethically relevant activities, processes and phenomenon (Nill and Schibrowsky 2007, 259). The normative ethics, on the other hand, takes a rather prescriptive perspective and attempts to prescribe what organizations/individuals ought to do or what kinds of systems a society out to have (Hunt 1976). Based on their content analysis of the fifty eight marketing, management, and business journals, Nill and Schibrowsky (2007) report that a great majority of the articles published in these journals are “positive” in nature. In addition, the authors observe that, since 1985, the positive/normative ratio has been growing and the normative articles have almost vanished (p. 263).

The objective of this paper is to respond to calls made by Murphy and Laczniaik (1981), Laczniaik (1993), and Nill and Schibrowsky (2007). More specifically, we aim to contribute to the ethics literature by providing a rather macro analysis of the political, legal, and other environmental factors surrounding managers’ ethical decision making. In addition, this paper takes both “positive” and “normative” perspectives and aims to both explain and predict ethical behavior and make recommendations as to

“what kind of a system a society out to have” (Hunt 1976, 20) to have a clean and ethical business environment.

Using the World Economic Forum (WEF) data, collected from 13,000 executives in 148 countries in the world, and through Bayesian Networks (BN) methodology, we demonstrate how various structural (e.g. economic, political, legislative, competitive) factors are in relation to ethical behavior of firms (EBOF). Moreover, the unique design of our study allows us to compare these relationships based on the country classification (stages of development) identified by WEF. This way, we are able to demonstrate how issues related to legal and political environments of business are linked to ethical behaviors of firms operating in countries with different stages of development.

Methodology

The Bayesian Network (BN) methodology was used in this study. Initially, the factors that are related to “Ethical Behavior of Firms” (EBOF) variable were determined by a panel of business ethics experts. The identified variables are: Intellectual property protection (IPP), Irregular payments and bribes (IPAB), Judicial independence (JI), Favoritism in decisions of government officials (FIDOGO), Transparency of government policymaking (TOGP), Strength of auditing and reporting standards (SOARS), Efficacy of corporate boards (EOCP), Strength of investor protection (SOIP). As a second step, a BN is developed through structural learning using the tool WinMine (Heckerman et al., 2000). In the last step, a number of scenario and sensitivity analyses are conducted in order to guide managers and policy makers in their attempts to understand and improve ethical business climate in their countries.

Findings

Overall Model

The overall results (i.e. based on the entire data set coming from 148 countries) suggest that executives around the world generally believe that Ethical Behavior of Firms (EBOF) in the world is generally low. In other words, based on the existing variables and the BN relationships, there is a 62.1% (low: 44.7%+ very low: 17.4%) probability that managers perceive the behavior of other managers all around the globe as relatively ‘low’ in ethics. Furthermore, the managers in the world believe that issues related to bribery, favoritism in government decisions, judicial independence, and intellectual property protection are all problematic (i.e. all receiving “low” probabilities”) aspects of business ethics. The overall model (Figure 1) was used to conduct a series of scenario analyses to demonstrate the changes (improvements) that are needed in the system of business ethics to improve business ethics related perceptions of executives in the world to a “high” level.

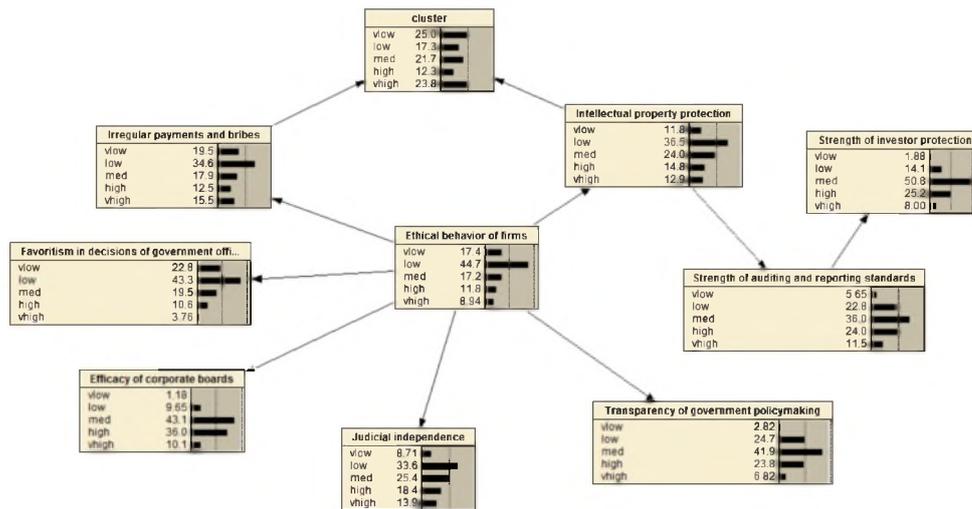


Figure 1. The BN for the Entire Data Set

Sensitivity Analysis on the Overall Model

The results of the sensitivity analysis (i.e. the identification of the most influential factors) suggest that “Irregular Payments and Bribes (IPAB)” is the leading indicator of that explains the level of EBOF (i.e. the ethical climate) in the world, followed by “Judicial Independence (JI)” and “Intellectual Property Protection (IPP).” More specifically, changes in EBOF are explained by IPAB by about 54%, by JI by about 49 %, and by IPP by about 48%.

Country Group (Cluster) Analysis

The results also suggest that EBOF is explained by the development stage of the particular country (i.e. the “Cluster” variable) by about 23%. Since one of the objectives of this study is to analyze the “business ethics” system based on country/economic groups, we conducted additional analyses for each of three main cluster groups identified by WEF: Stage 1 (Factor Driven), Stage 2 (Efficiency-Driven), and Stage 3 (Innovation-Driven) economies. The results indicate that probability of EBOF perceived by executives as being medium or higher increases as we move from relatively worse economies to better economies. More specifically, while the probability of having a medium or higher (medium, high, and very high) EBOF value is 7% in Stage 1 (less advanced) economies, the same probability becomes 23% (22.2%+0.83%+0%) in Stage 2 economies and 89% in Stage 3 (economically advanced) countries.

Next, we conducted sensitivity analysis for each country group. The results suggest that the main factor that explains the level of EBOF is different in each of the three country groups. Whereas IPP is the leading factor in Stage 1 countries, JI and IPAB are the most influential indicators of EBOF in Stage 2 and Stage 3 countries, respectively.

Conclusion

We believe that our results may offer important insights for macromarketers, policy makers as well as for managers across the world. The overall model suggests that the ethical conduct in the world is currently perceived by executives to be low. Implications of this perception can range from not conducting business at all or in certain parts of the world (and therefore reducing the amount and type

of assortment for consumers) to an increase in the cost of business by engaging in illegal business conduct which may create a vicious circle further lowering the level of perceptions of business ethics in the long run. On the brighter side, our analyses point out what needs to be done in the perceptions of managers regarding various political, legal, and other market-related factors to improve their perceptions of business ethics in the world in general and in particular type of economies in which they may be doing business.

The country/cluster analysis suggests that even though perceptions of the “business ethics” system appears to be different in each country group, it is evident that countries that are less tolerant to bribery activities, foster a judicial environment that is free from political and/or private influence, and pay particular attention to the protection of intellectual property are more likely to be perceived to have “cleaner” ethical environment. These findings, along with various “what-if” scenarios may offer managers and policy makers valuable insights.

References

- Heckerman, D., Chickering, D. M., Meek, C., Rounthwaite, R., Kadie, C. (2000), “Dependency Networks for Inference, Collaborative Filtering, and Data Visualization,” *Journal of Machine Learning Research*, 1, 49–75
- Hunt, Shelby D. (1976), “The Nature and Scope of Marketing,” *Journal of Marketing*, 40 (July): 17–28.
- Laczniak, Gene R. (1993), “Marketing ethics: Onward toward greater expectations,” *Journal of Public Policy and Marketing*, 12 (1), 91–96.
- Nill, Alexander and John A. Schibrowsky (2007), “Research on Marketing Ethics: A Systematic Review of Literature,” *Journal of Macromarketing*, 27 (3): 256–73.
- Murphy, Patrick, and Gene Laczniak (1981), “Marketing Ethics: A Review with Implications for Managers, Educators, and Researchers,” in *Review of Marketing*, ed. Ben M. Enis and Kenneth J. Roering, 251–266. Chicago, IL: American Marketing Association.
- Shultz, Clifford (2005), “Some Macromarketing Thoughts on Recent Natural and Human-Induced Disasters,” *Journal of Macromarketing*, 25 (1): 3–4.
- World Economic Forum (WEF) (2012), *The Global Competitiveness Report 2012–2013*, Switzerland.