

## CHAPTER TWO

# LITERATURE REVIEW

In reviewing past literature on business ethics, it is important to take note of some studies on certain fraudulent behaviours. Wilkes (1978) looked into consumer attitudes towards certain fraudulent behaviours in retail outlets. The research showed that certain fraudulent behaviours were more tolerated than others. Forsyth focused on moral standards in general and certain dishonest behaviour (Forsyth, 1980). During the 1980s, many researchers contributed to an understanding of fraudulent consumer behaviours (Cole, 1989; Cox et al., 1990; Kallis et al., 1986; Moschis and Powell, 1986).

Stevens, B. and Fleckenstein, A. (1999), studied 5 true-to-life hotel employees situations with potentially ambiguous ethical overtones. The scenarios involved stealing, sharing company secrets, racism, sexual harassment, violating hotel policies, and lying. Hotel managers and college students rated how ethical they considered the employees' actions to be in each scenario. Stealing money was roundly condemned, for instance, but the other assessments were not unanimous. In general, students were less likely than managers to view a situation as very unethical, although all the situations were viewed as unethical in some measure by both groups.

Inman, C. and Enz, C. (1995) studied the behaviour of part time workers in hotels. Their study showed that critical work attitudes and behaviour were strongly exhibited by part-time workers as by full-time workers, including such measures as competence, work ethic, attendance and acceptance of organizational standards and values. They concluded that food-service industry should therefore try to retain part-time employees by offering enhanced compensation packages, provide adequate training, establishing clear communication channels,

allowing access to different jobs and responsibilities and offering employment benefits.

Austin, K. (1993), concluded that when something such as money or a favor is offered or given to someone to influence views or conduct, coercion is implied. If it is a bribe, it is collected right away, but if it is merely an incentive, it is fairly worked for.

Stevens, B. and Brownwell, J. (2000) studied on communicating standards and influencing behavior in the hotel industry. Their study showed that ethics is a good thing for an organization. Employees, managers and top executives need to behave ethically so that the public can be confident that a company is not engaging in illegal practices, that managers are not harassing and threatening employees, and that line workers are not stealing from the company or from guests. They concluded by saying that a business can never have high enough ethical standards.

Siu, V., Tsang, N. and Wong, S. (1997) studied on what motivates Hong Kong's hotel employees. Respondents were asked to rank 10 job-related factors that might motivate them in their jobs. A sample of hotel employees in Hong Kong listed the following 3 factors as uppermost: 1. Opportunities for advancement and development, 2. Loyalty to employees (company treats with respect and trust), and 3. Good wages. While the specific rankings of the top motivating factors changed slightly from department to department, the top factors were remarkably consistent.

Barnett and Karson discovered that each moral judgment was situation-specific (Barnett and Karson, 1987). Some studies also reported that the types and years of education, and the types and years of employment, were related to an individual's ethical beliefs (Beltramini, 1984; Hawkins and Cocanougher, 1972).

Vitell, S.J., Lumpkin, J.R. and Rawwas, M.Y.(1991) conducted a study testing the relationship between Machiavellianism (showing or having no scruples in gaining what is wanted) and the ethical beliefs of elderly USA consumers, and found that there were three major rules governing peoples' judgments. They were:

- 1.Locus of the fault.
- 2.Legality of the behaviour.
- 3.Degree of harm caused.

Muncy and Vitell (1992) further defined ethics as a system of moral principles and standards that guide an individual's behaviour. Their research tended to focus on the values and decision-making process of the consumer, i.e. how did he/she decide what was an acceptable behaviour in a given situation? What factors influenced the consumer creating the temptation to behave in a less-than-totally-ethical manner?

Rallapalli,K., Vitell, S.J., Wiebeand, F.A. and Barnes, J.H. (1994) reported that students' beliefs were affected by the similar general rules as suggested by Vitell et al.(1991). The results supported Vitell and Muncy's (1992) conclusion about the three major factors governing people's judgments. However, they phrased it in a more descriptive manner: "Whether or not the buyer or the seller is at fault, whether or not the activity is perceived as illegal, and whether or not there is a direct harm to the seller".

In 1992, Vitell and Muncy developed a questionnaire to check consumers' ethical beliefs in a general manner. They studied the influence of personal attitudes on ethical decision-making. Correlation analysis was used to check the relationship between people's general attitudes and their ethical judgments. The result generated four-dimensional factors:

1. Actively benefiting.
2. Passively benefiting.
3. Deceptive "legal" practices.
4. No harm.

Mars (1984) concluded his findings on understanding people's behaviours in his book: *Cheats at Work*. He summarized and classified people into four groups: hawks, donkeys, wolves and vultures. Each group bears a different set of attitudes and how they view the world. After that, more and more researchers participated in investigating work ethics issues such as Brodeur (1995) on work ethics in health care organizations and Punch (1996) on exploring corporate misconduct.

Koss-Feder, L. (1995) in their study 'True hospitality requires some humanity' concluded that hotel employees need to be trained in handling unexpected problems. According to them, guests are people, not just confirmation numbers.

Damitio, J., Schmidgall, R. (1993) surveyed club managers, hotel general managers and accounting managers to obtain their opinions on business situations with ethical implications. Seven scenarios described a hypothetical manager's reactions to a situation involving ethics. The scenarios involved salary, hired spies, yard work, new roof, cash overage, fringe benefits and free wine. The 3 groups were asked to indicate the extent to which they agreed or disagreed with the manager's response. Overall there was reasonably good agreement among the 3 groups regarding the ethical underpinnings of the 7 scenarios. The study suggests that there is a reasonable amount of agreement across 3 professional management groups as to what constitutes ethical behavior.

Using the same four-dimensional factors model used by Vitell and Muncy (1992), Simon Chak (1998) investigated the job-related ethical beliefs of hotel employees

in Hong Kong. The results show that the four-dimensional factors model as suggested by Vitell and Muncy (1992) can explain hotel employees' job-related ethics. Correlation analysis revealed that there was a significant relationship among the four factors and the general attitudinal statements. Significant differences were observed when analyzing the demographic variables (i.e. age and education level) with the four factors including: no harm; unethical behaviours; actively benefiting; and passively benefiting. The results suggest the need for a clearer ethical policy for employees, and the identification of the behaviours that are viewed as "no harm" in the work environment. He concluded that Hotel management would benefit by being able to identify those areas where employees need guidance and training.