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## GAPS BETWEEN COMPANY BUSINESS ETHICS AND EMPLOYEES BUSINESS ETHICS

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# GAPS BETWEEN COMPANY BUSINESS ETHICS AND EMPLOYEES BUSINESS ETHICS

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## **Abstract**

Business ethics in management literature models is mainly considered as unified, although in business practice there is a need for a broader understanding of diverse appearing forms of company BE, relations between different BEs, and company BE gaps. Paper offers a new research agenda for considering of employees' and companies' BE, relations between company's BEs, company internal BE gaps, and origins for perceived BE gaps. Results of our research reveal significant changes in employees' real BE, whereas unethical employees' behavior and taking advantage of others are becoming more unacceptable over a decade. In terms of companies' real BE the proactive approach to ethical behavior is becoming significantly more valued, while perceptions about what company's ethical business remains almost at the same level for a decade. Employees' and companies' BE are correlated, whereas the impact of unethical employees' behavior on companies' ethical and proactive ethical business is stronger, than taking advantage of peers.

**Keywords:** Business ethics, Company, Company business ethics, Company stakeholders business ethics, Gaps of business ethics, Internal gaps of business ethics.

## **1 Introduction**

### **The Selected Problem and Viewpoint**

In the modern environment success of company depends on all crucial possibilities/sources of the company (King et al., 2011; SCHROTH, 2011). For companies' survival and development their irrational factors, like values, culture, ethics and norms (i.e. VCEN) are equally crucial as the rational factors, equipment, and markets (Cragg, 2010; Lowell, 2011; Mele, 2012). Business mainly depends on company owners, managers, and employees; humans are both rational and emotional and spiritual beings.

In management literature authors expose meaning of business ethics (BE) (representing VCEN) (Hartley, 2007; Certo, Certo, 2009; Buchanan, Huczynski, 2010; Mullins, 2010; Hannah et al., 2011; Egri et al., 2012). Company BE includes honesty and reliability (Brooks, 2006; Brenkert, Beauchamp, 2010; Woiceshyn, 2011; Mayer et al., 2012) and expresses shared values and norms of company and its stakeholders during all company's interactions. Company with BE can assure it stated aims through appropriate working and behaviour of its employees, shareholders, and other stakeholders throughout its process of achievement of the required purpose and goals of company.

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Literature contains methodological, content-, and circumstances-based approaches to consideration of BE (White, 2005; Cowton, Haase, 2008; Crane, Matten, 2010; Schroth, 2011; Trevino, Nelson, 2011; Elm, Radin, 2012). The consequences of diversity in researches of BE appear as BE differences. Companies try to overcome the perceived crucial internal and external BE differences with research of the current states of company's BEs, and explanation of origins of BEs differences.

The prevailing models of BE differences mainly suppose a normative BE defining the official company's BE (King et al., 2011; Ralston et al., 2011; Elm, Radin, 2012). Though, companies also develop a real BE, which usually differs from the official BE. To more comprehensively understand the company's BE one's consideration of it must be expanded with research of all appearing forms of BE, judgments about acceptance or un-acceptance of the given states of BEs, judgments about relations between different forms of BE, and considerations about origins of BE differences.

The main goal of our contribution is to increase understanding and knowledge about the characteristics and states of the appearing forms of company's BE, relations between different BEs, selected company-internal BE gaps, and contents of origins of the perceived company's BE gaps. Based on our research agenda, we examined relations between a company's BE and this company's stakeholders BE. The quantitative analysis includes desk research about the company-internal BE gaps and its verification through analysis of the correlations between the company's BE and its employees' BE, regression analysis of relations between constructs representing the company employees' BE and company's BE in Slovenian companies in the last decade.

### **Conceptual Framework and Research Hypotheses**

Research of BE, role of BE in companies and BE's influence on working and behaviour of companies are widely considered in business literature, and especially in business management literature (Daft, 2009; Quick, Nelson, 2009; Schermerhorn, 2009; Buchanan, Huczynski, 2010; Mullins, 2010; Kolk, Mulder, 2012).

Reviewing the literature on BE and ethical company we find the following evident:

- Managers' consideration of company's BE results from their synergetic entity of values, culture, ethics, and norms (VCEN). Culture and ethics are more frequently investigated in literature (Certo, Certo 2009; Daft 2009; Potocan, Mulej 2009).
- Authors try to construct a rather comprehensive framework for company's BE (Brooks 2006; Potocan, Mulej 2009; Buchanan, Huczynski 2010).
- Authors use different approaches to defining ethical attitudes of company (Singer, 1999; Darwall et al., 1997; LaFollette, 2005; Hartman, DesJardins, 2010; Pendse, 2012).
- Due to their different methodological, content-, and circumstances-based approaches to consideration of BE authors define BE differently (Boatright, 2006; Brooks 2006; Kobl, 2007; Potocan, 2008; Crane, Matten 2010; Mullins 2010).
- Authors use different approaches to measure and validate BE (Boatright, 2006; Potocan et al., 2008; Brenkert, Beauchamp 2010; Trevino, Nelson, 2011). In literature there are many partial solutions for qualitative and quantitative measurement methods enabling direct or indirect evaluation of BE (Robin, Reidenbach, 1987; Stanwick, Stanwick, 2008; Schroth 2011; Trevino, Nelson, 2011).
- Comprehensive development and designing of a method to control the degree of understanding and evaluation of the company's BE is still an unsolved issue (Cowton, Haase, 2008; Mullins 2010; Burchard, 2012).
- In management literature authors also research differences between companies' BE (Daft, 2009; Brenkert, Beauchamp 2010; Mullins, 2010; Buchard, 2011; Egri et al., 2012) as follows: 1) They Differentiate perceptions and definitions of BE that express content-related differences of BEs in practice – and define them as deviations or dilemmas; and 2) They have homogeneous

perceptions of the contents of ethics, but differ in perceptions of single states of the same BE – i.e. define differences as dissonances or gaps).

The above mentioned cognitions from the relevant literature (White, 2005; Crane, Matten, 2010; Buchanan, Huczynski, 2010; Mullins, 2010; Schroth, 2011; Trevino, Nelson, 2011; Elm, Radin, 2012), and from our previous contributions (Potocan, 2008; Potocan et al., 2008; Potocan, 2009; Potocan, Mulej, 2009; Potocan, Nedelko, 2012) allow us to develop a broader and deeper research of company-internal BE gaps; we postulate the following hypotheses.

- H1 – There are differences between the trends of company's real BE and company employees' real BE, in the last decade.
- H2 – Unethical employees' behavior negatively influences the company's ethical business.
- H3 – Unethical employees' behavior negatively influences the company's proactive approach to ethical business.
- H4 – Taking advantage of co-workers negatively influences the company's ethical business.
- H5 – Taking advantage of the co-workers negatively influences the company's proactive approach to ethical business.

For our work, we developed our own field-research method using a questionnaire (about its details see Potocan, Nedelko, 2012). Survey questions included information about state of the official and the real BE: individual stakeholders' BE, groups' BE, and company's BE. The purpose of our survey was to initiate an analytical discussion about difference between states of different perceived BEs in company. From all data from our questionnaire we use here only the selected data about: 1) stakeholders' real BE – i.e. basic state of the given employees' BE; 2) company' real BE – i.e. the given state of company's BE; 3) Internal company BE gaps between the company stakeholders' real BE and the company's BE.

## **2 Management Consideration of Business Ethics**

The contemporary discussions about BE takes place mostly between two groups of authors: The managerial authors and the social science authors (Hartly, 2007; Certo, Certo, 2009; Cragg, 2010; Trevino, Nelson, 2011; Buchard, 2012). The Table 1 shown selected differences between management and social sciences considerations of BE (Source: Our).

Table 1: Differences between management and social sciences' considerations of BE.

Characteristics of consideration \ Selected viewpoint	Management viewpoint		Viewpoint of social sciences
<b>Selected Philosophy Doctrine</b>	“Positivism”	vs.	“Social Constructivism”
<b>Selected Perspective</b>	Functionalist Perspective	vs.	Symbolic or Shared Cognition Perspective
<b>Understanding the Meaning</b>	Business Ethics has	vs.	Business Ethics is
<b>Presumptions for company</b>	<ul style="list-style-type: none"> <li>• BE Management</li> <li>• Integration BE</li> <li>• Consensual BE</li> </ul>	vs.	<ul style="list-style-type: none"> <li>• BE tolerated</li> <li>• Differentiation BE</li> <li>• Fragmentation BE</li> </ul>

In the management literature authors emphasise several common findings about BE (Certo, Certo, 2009; Daft, 2009; Potocan, 2009; Potocan, Mulej, 2009; Buchanan, Huczynski, 2010; Mullins, 2010; Ralston et al., 2011; Potocan, Nedelko, 2012); similarities include:

- The starting points: Authors understand BE as an applied ethics, as a normative discipline, and relate BE with the **philosophy of business and political economy**.
- The philosophy doctrine: Management authors use positivism and understand it as philosophy of science claiming that data about BE are derived from sensory experience, and logical and mathematical treatment of such data.
- The functionalist perspective: The management authors consider relationship between the company and its relations with internal and external environments.
- The understanding that company has its own BE. The BE is an attribute of the company, which is “given” to its stakeholders when they come to the company.
- There are presumptions for company BE: 1) BE can be managed; company can create and modify BE; 2) Integration or unitary perspective: Company possesses a single unified BE; and 3) Consensus about BE: Managers and other stakeholders share company’s BE.

Management authors use common findings about BE to develop various methodological, content-, and circumstances-based approaches for consideration of BE (Singer, 1999; White, 2005; Stanwick, Stanwick, 2008; Brenkert, Beauchamp, 2010; Crane, Matten, 2010; Mele, 2012). Implementation of different approaches causes differences in understanding of BE.

### 3 Gaps in Business Ethics

We focused our research on consideration of internal BE gaps, as example of differences between various states of BEs in a company (Potocan et al., 2008; Potocan, Mulej, 2009; Potocan, Nedelko, 2012).

Terms such as theory of gaps, gaps theory and gap theory appear in literature in different meanings. In Theology the Gap theory was developed in the 19 century (Fields, 1976; Taylor, 1984). In other sciences, gaps are discussed in connection with quantitative research in various scientific fields, such as economy, education, biology, sociology, medicine, etc. (Solow, 1974; Shumaker, Brownell, 1984; Hybertsen, Luie, 1985).

Authors in business and economics literature understand GAP analysis as a tool that helps companies compare the given and potential performances (Solow, 1974; Tirole, 1988; Certo, Certo, 2009; Mullins,

2010). In the management literature, the several models for consideration of BE gaps are developed by various authors such as Robin and Reidenbach (1987), Cherry, Lee and Chien (2003), Svensson and Wood (2003) and Adkins and Radke (2004).

Some common characteristics of the known models of BE gaps can be defined (Robin, Reidenbach, 1987; Cherry et al., 2003; Svensson, Wood, 2003; Adkins, Radke, 2004; Singhe et al., 2011; Svensson, Wood, 2011; Callaghan et al., 2012; Mayer et al., 2012):

- Focus on the same philosophical questions, but with business activity as the medium of interactions.
- The primary focus on researching of the company's viewpoint of BE related to a selected others', i.e. external, viewpoint, like marketplace, customers, and other publics.
- Presumption that only one BE exists – i.e. a unified understanding and definition of BE of stakeholders.
- Presumption that only one understanding of BE gaps exists – i.e. participants involved in consideration of BE have a unified view on BE gaps.
- Presumption that content of BEs or selected important components of BEs of participants involved in consideration of BE gaps is sufficiently comparable (especially in terms of the content-based characteristics).

The development of our new model is based on the General model for content-based consideration of BE gaps developed by Svensson and Wood (2003). The reason for choosing the Svensson and Wood's model (Svensson, Wood, 2003) was: 1) model focuses on the content-based discussion of BE gaps, 2) model enables a broader content-based discussion and 3) content-based similarity of BE gaps between Svensson-Wood's model and our new model exists.

Svensson's and Wood's understanding of BE gap is presented in Figure 1 (adapted from Svensson, Wood, 2003; 354).

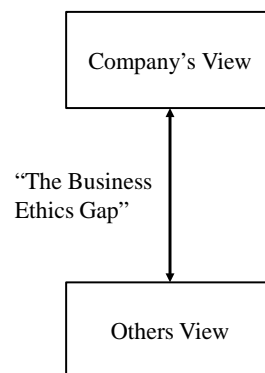


Figure 1: The business ethics gap – the gap between a company's view and others' views.

The important characteristics of the Svensson – Wood model include the following (Svensson, Wood, 2003; 354):

- The intention of the discussion about BE gaps is to study the relation between the company's view on BE and view of company's social and business environments on BE. Svensson and Wood did not specify environments; for their consideration of BE they used the general term "others' view on BE".
- The authors define the term business ethics gap as: »The dissonance between company's view on BE and others' views on BE is referred to as the business ethics gap«.

- Definition of positive and negative gaps of BE. »In pragmatic sense, BE could be seen as a dyadic perception between a company and other parties that depends on the BE gap between the company's view and others' view, where a no-gap scenario or a positive gap scenario is ethical and a negative gap scenario is un-ethical«.

Svensson and Wood (2003) also developed "The dynamic business ethics scenarios – a typology of a company's view versus others' views". They define: »Based on company's view and others' views of what is perceived as acceptable or unacceptable in these views, respectively, one can create three different scenarios of BE, i.e. 1) a congruence scenario, 2) a positive dissonance scenario, and 3) a dissonance scenario« (Svensson, Wood, 2003; 354). They used their model in various longitudinal and cross-cultural studies (e.g. Svensson et al., 2004; Singhe et al., 2011; Svensso, Wood, 2011; Callaghan et al., 2012).

Possible BE scenarios – a typology of a company's view versus others' views are presented in Figure 2 (adapted from Svensson, Wood, 2003; 354).

		Company's View	
		Acceptable	Unacceptable
Others' View	Acceptable	Congruence	Positive Dissonance
	Unacceptable	Negative Dissonance	Congruence

Figure 2: The Dynamic BE Scenarios.

We would like to upgrade the presented Svensson – Wood model (Svensson, Wood, 2003) to originally cover the internal BE gaps. Let us clarify our understanding of the internal gaps of BE and our approach to the latter consideration.

#### 4 Internal gaps of Business Ethics

The process of company's BE creation and definition includes the following phases (Potocan, 2008; Potocan, Mulej, 2009; Potocan, Nedelko, 2012). The company starts the process of creation of company's BE with a definition of its wanted BE. In the next phase, the company defines its wanted BE through its selected normative framework and its use of normative tools; its outcome is the officially stated BE on the selected normative level. But the process faces dilemmas about the reality of implementation of a uniform company BE.

There are two important reasons for that, at least.

- First, different inherited approaches suppose equality of the company official- i.e. its officially stated BE, and official- i.e. officially stated company stakeholders' BE. In business practice equality between the two BEs is only theoretically possible. Circumstances and/or professional- and interests-based reasons cause changes in the company's BE and create gaps between the "Company official BE" and the given "Real company's BE".
- Second, different approaches suppose that company's stakeholders on different organizational levels implement a unified company BE: the "Company stakeholders' official BE". In the business practice stakeholders have different professional and interest-based reasons to create different

given BEs, which in most cases differ from the company's official BE. The term "Company stakeholders' real BE" covers the given BEs of stakeholders.

Our suggested model for consideration of the internal company's BE gaps is presented in Figure 3 (Source: Our).

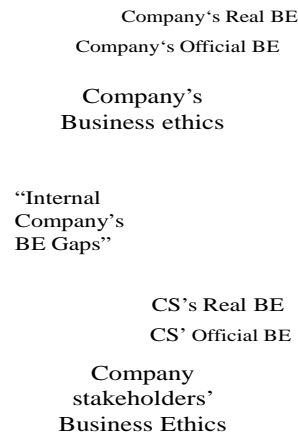


Figure 3: Our model for consideration of the internal company's BE gaps.

The development of our model of BE-related scenarios for internal company BE gaps can take place, based on presumptions about relations between the defined dimensions of the model and their states. For our research purpose we used the following presumptions:

- The company's BE is the primary point for the discussion of the company's BE gaps.
- We suppose that company BE is a step ahead before the company stakeholders' BE.
- The appearing differences between the officially stated BE and the real BE must be considered for both the company and stakeholders. Theoretically, the officially stated BE and the real BE can be equal, but in the business practice their full unification is impossible.
- The BE gaps under consideration – between company's BE and company's stakeholder's BE can be found acceptable or unacceptable from the viewpoint of the involved participants.
- Participants can use various objective and subjective criteria to assess acceptability of BE gaps. Therefore one cannot form a unified and wider valid judgment of BE gaps.

Based on the above mentioned presumptions, we can form our 'Generic Model of internal company BE typology' as a new basis for further consideration of BE gaps-related scenarios, shown in the picture 4 (Source: Our).

Company stakeholders' Business ethics \ Company's Business Ethics		Official Business Ethics		Real Business Ethics	
		Acceptable	Unacceptable	Acceptable	Unacceptable
Official Business Ethics	Acceptable	Congruence	Dissonance	Congruence	Dissonance
	Unacceptable	Dissonance	Congruence	Dissonance	Congruence
Real Business Ethics	Acceptable	Congruence	Dissonance	Congruence	Dissonance
	Unacceptable	Dissonance	Congruence	Dissonance	Congruence

Figure 4: Generic Model of internal company BE typology as a new basis for BE gaps Scenarios.

A more detailed definition of characteristics of single relations in our model in Figure 4 and consecutively a definition of positive or negative BE gaps depend on the states of single types in the model and relation between the components of the model. This means:

- Different relations between types of BE gaps in the model are possible. Most authors found out that the level of company BE is a step ahead before the company stakeholders' BE. But theoretically there are other relations between them, too: e.g. a company BE is equal to company stakeholders' BE; or company BE is a step behind the company stakeholders' BE.
- At the same time company BE and company's stakeholders BE can appear in two forms, namely as official BE or real BE. About their relations most authors detected, that the level of official BE is a step ahead before the level of the real BE, both in the good and the bad directions. But theoretically there are other relations between them, too: e.g. the official BE is equal to the real BE; or the official BE is a step behind the Real BE.

With the use of our 'Generic Model of internal company BE typology' one can form different specific scenarios – considering different combinations between the company's BE and the company stakeholders' BE, and between the official state of BE and the real BE. As an example, we present a scenario, which presupposes the primary importance of the company's BE, the company's BE being a step ahead of company stakeholders' BE and official state BE being a step ahead of the real BE. On the base of the mentioned presumptions one can form specific BE scenarios presented with Figure 5 (Source: Our). The discussion of all possible BE scenarios reaches beyond the frame of our work here.

Company stakeholders' Business ethics \ Company's Business Ethics		Official Business Ethics		Real Business Ethics	
		Acceptable	Unacceptable	Acceptable	Unacceptable
Official Business Ethics	Acceptable	Congruence	Positive Dissonance	Congruence	Positive Dissonance
	Unacceptable	Negative Dissonance	Congruence	Negative Dissonance	Congruence
Real Business Ethics	Acceptable	Congruence	Positive Dissonance	Congruence	Positive Dissonance
	Unacceptable	Negative Dissonance	Congruence	Negative Dissonance	Congruence

Figure 5: Our 'Model of internal company BE gaps scenario' – a specific case.

## **5 Internal Business Ethics Gaps in Slovenian Companies**

### **5.1 Methods**

#### **Sample and procedure**

Data are used from an on-going survey conducted annually among employees in Slovenian six observations between years 2002 and 2012. Each time, approximately 250 employees responded. All participants participated voluntarily in research. For this study we used data from last six observations; we analyzed 1124 responses.

Our sample's demographic characteristics reveal the following. 37.4 percent are males and 62.6 percent females. Respondents' average age is 38.32 years. They have on average 15.8 years of working experiences. 5.4 percent of them did not finished primary school, 5.3 percent finished primary school, and 39.8 percent high school. 47 percent have bachelor's degree, 2.3 percent master's degree, and 0.3 percent doctorate's degree. Regarding their position in company, 66.2 percent are non-supervisory staff, 17.5 percent are first-level managers, 12.5 percent are middle-level managers, and 3.7 percent upper-level managers. Regarding the company size, 58.5 percent work in companies employing fewer than 100 employees, 31.9 percent in companies employing 100 to 1000 employees, and 9.5 percent in companies employing more than 1000 employees. Respondents' companies operate: 2.4 percent in agriculture, forestry and fishing, 6 percent in construction, 19.9 percent in manufacturing, 8.2 percent in transportation, communication, and utilities, 15.4 percent in wholesale and retail trade, 13.6 percent in finance, insurance, and real estate, 10.8 percent in services, 9.5 percent in public administration, 4.2 percent in health care, and 10 percent in other service activities.

#### **Measures**

##### *Employees' business ethics*

Both measures for employees' business ethics, unethical employees' behavior and taking advantage of co-workers, are measured in survey using a 8-point Likert-type scale, ranging from "extremely acceptable" (1) to "extremely unacceptable" (8). Unethical employees' behavior is measured with the following items: Use of detrimental information to blackmail a person who might help them attain promotion in the company; Putting a listening device, such as a tape recorder, in the office of a promotion-competitor, to get hidden information about this person; Threatening to give valuable company information to someone outside the company if the given employee's demands are not met; Trying to develop contacts which might be able to provide detrimental information about a promotion-competitor ; and Stealing secret corporate documents to give them to another company, in return for a better job at the other company. Cronbach alpha for the construct is .861.

Taking advantage of co-workers is measured with these items: spread rumors about someone or something that stands in one's way of advancement; use network of friends to discredit a person competing for a possible promotion; withhold information to make someone else look bad; take credit for a good job that was done by one's subordinates; and blame another for one's own mistakes. Cronbach alpha for the construct is .833.

##### *Company's business ethics*

Company business ethics, company ethical business and company proactive ethical business, are measured with a 9-point Likert-type scale, ranging from “strongly agree” (1) to “strongly disagree” (9). Company’s ethical business is measured with these items: prevent environmental degradation caused by the pollution and depletion of natural resources; adopt formal programs to minimize the harmful impact of company activities on the environment; plan for their long term success; play a role in our society that goes beyond the mere generation of profits; and train company’s employees to act within the standards defined by the law. Cronbach alpha for the construct is .724.

Company’ proactive ethical business is measured with the following items: give priority to ethical principles over economic benefits; contribute actively to the welfare of our community; devote resources to environmental protection even when economic profits are threatened; voluntarily exceed government environmental regulations; and assume total financial responsibility for environmental pollution caused by business activities. Cronbach alpha for the construct is .724.

**Demographic variables**

Respondents were asked about their gender, age, their highest achieved education, their position in company, and company size.

**Research design**

In line with the main idea of this paper, we examined relations between employees’ and company’s’ real BE. First, we present trends regarding employees’ and companies’ BE in the last decade. We test whether statistically significant differences exist in the ten year perspective, using analysis of variance. Second, based on aggregate data for 10 years, we assessed the effects of employees’ real BE on companies’ real BE, applying correlation coefficients, and analysis of variance.

Research model is outlined in Figure 6.

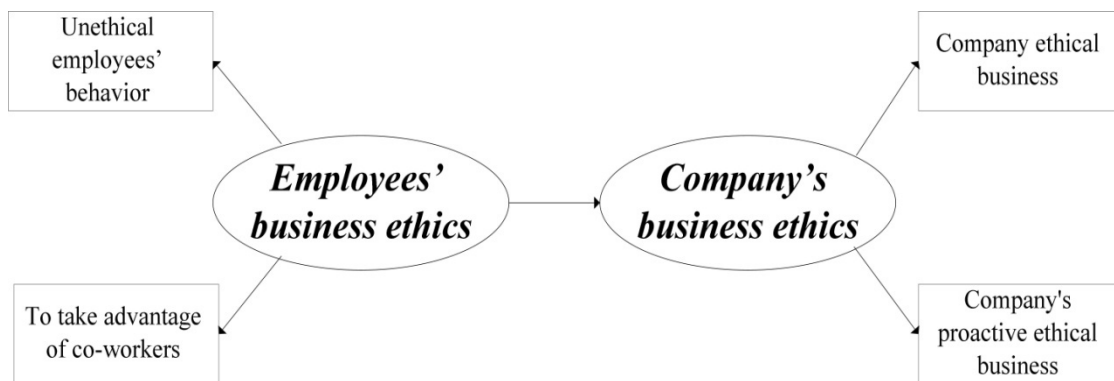


Figure 6: Research model.

**5.2 Results**

## Employees and company real BE: Ten year perspective

Hypothesis 1 states that “There are differences between the trends of company’s real BE and company employees’ real BE, in the last decade”.

In Table 2 are outlined mean values for employees’ unethical behavior and taking advantage of co-workers as well as employees’ perceptions about companies’ ethical business and company pro-active ethical business. Analysis of variance is based on binned data for all four studied variables.

Table 2: Company employees’ real BE and company’s real business ethics, in the last decade.

Year	Employees’ business ethics		Company’s business ethics	
	Unethical employees behavior	Taking advantage of co-workers	Company ethical business	Company pro-active ethical business
2002	6,7608	5,8231	2,2773	3,8111
2004	6,2131	5,5227	2,2844	3,7578
2006	6,493	5,803	2,2919	3,849
2008	6,8442	5,8353	2,2761	3,6114
2010	6,7985	6,1015	2,3672	3,4948
2012	6,8396	6,1256	2,3591	3,2327
Average	6,6494	5,8603	2,3072	3,6272

Turning to employees’ BE ethics, at a glance it is evident that both, unethical employees’ behavior and taking advantage of co-workers, has become more unacceptable over the last decade in employees’ perception. Results from analysis of variances in different years indicate that un-acceptance of unethical practices by employees significantly differs during ten years period,  $F(5, 1118) = 3.060$ ,  $p < .05$ . The mean values for different years indicate that on average unethical employees behavior is more unacceptable after year 2004 (2002:  $M = 2.82$ ; 2004:  $M = 2.66$ ; 2006:  $M = 2.72$ ; 2008:  $M = 2.83$ ; 2010:  $M = 2.78$ ; 2012:  $M = 2.78$ ).

Results from analysis of variances in different years indicate that un-acceptance of taking advantages of co-workers significantly differs during ten years period;  $F(5, 1118) = 2.352$ ,  $p < .05$ . The mean values for different years indicate that on average taking advantage of co-workers is significantly more unacceptable in last couple of years (2002:  $M = 2.52$ ; 2004:  $M = 2.42$ ; 2006:  $M = 2.51$ ; 2008:  $M = 2.54$ ; 2010:  $M = 2.63$ ; 2012:  $M = 2.59$ ).

In the companies’ business ethics, several intensive changes occurred in the last decade. Companies strive for ethical business in last couple of years slightly less, in terms of trade-off between pursuing economic, environmental, and societal goals. Despite that company consideration of proactive ethical

business has been heightening considerably, in last six years. Results from analysis of variance show that there are no significant changes in perceptions what company ethical business is, over this decade;  $F(5, 1118) = .369, p > .05$ . (2002:  $M = 1.13$ ; 2004:  $M = 1.11$ ; 2006:  $M = 1.13$ ; 2008:  $M = 1.12$ ; 2010:  $M = 1.16$ ; 2012:  $M = 1.14$ ).

Results from analysis of variances in different years indicate that company's striving toward proactive ethical business has in last six years significantly increased;  $F(5, 1118) = 3.074, p < .05$ . The mean values for different years indicate that on average the proactive ethical behavior is significantly more valued in the last couple of years (2002:  $M = 1.52$ ; 2004:  $M = 1.54$ ; 2006:  $M = 1.57$ ; 2008:  $M = 1.51$ ; 2010:  $M = 1.42$ ; 2012:  $M = 1.39$ ).

Based on these findings we support hypothesis 1 about the company employees' real BE, and partially about the companies' real BE.

### The relationship between employees' BE and companies' BE

Pearson correlation coefficients for relations between employees' business ethics, considered as unethical employees' behavior and taking advantage of co-workers, and companies' business ethics, considered as companies' ethical behavior and companies' pro-active ethical behavior, are outlined in Table 3.

Table 3: Correlations for variables in study.

	1	2	3	4	5	6	7	8
1 Gender	1							
2. Age	-,147**	1						
3. Education	,029	-,052	1					
4. Position	-,114**	,107**	,234**	1				
5. Company size	-,012	,082**	-,048	-,034	1			
6. Unethical employees behavior	,040	,016	-,072*	-,013	-,003	1		
7. To take advantage of co-workers	-,009	,035	-,024	-,031	-,022	,721**	1	

8. Company ethical business	- ,051	,022	- ,007	,030	- ,038	- ,283**	- ,221**	1
9. Company proactive ethical business	,033	- ,083**	,003	- ,033	- ,058	- ,157**	- ,161**	,523**

\*\* . Correlation is significant at the 0.01 level.

\* . Correlation is significant at the 0.05 level.

Hypothesis 2 states that “Unethical employees’ behavior negatively influences on the company’s ethical business”. Results in Table 3 show that correlation between unethical employees’ behavior and company’s ethical business is negative and statistically significant ( $r = -.283, p < .001$ ). This means that as unethical employees are becoming more unacceptable, the employees more strongly believe that company must pursue economic, societal, and environmental goals. These findings support Hypothesis 2.

Hypothesis 3 states that “Unethical employees’ behavior negatively influences on the company’s proactive approach to ethical business”. The correlation between unethical employees’ behavior and company proactive approach to ethical business is negative and statistically significant, but weaker than for company ethical business ( $r = -.157, p < .001$ ). This means that as unethical businesses are becoming more unacceptable, the employees strive toward more proactive approach to ethical business. These findings support Hypothesis 3.

Hypothesis 4 states that “Taking advantage of co-workers negatively influences on the company’s ethical business”. Table 3 reveals that correlation between taking advantage of co-workers and company’s ethical business is negative and statistically significant ( $r = -.221, p < 0.001$ ). This means that as taking advantage of co-workers is becoming more un-acceptable, the employees more strongly believe that company must pursue economic, societal, and environmental goals. These findings support Hypothesis 4.

Hypothesis 5 states that “Taking advantage of the co-workers negatively influences on the company’s proactive approach to ethical business”. The correlation between taking advantage of co-workers and company’s proactive ethical business is also negative and statistically significant, but weaker than for company ethical business ( $r = -.161, p < .001$ ). This means that as taking advantage of co-workers is becoming more unacceptable, the employees’ strive toward more proactive approach to ethical business. These findings support Hypothesis 5.

Table 3 also reveals some weak correlations between demographic variables and employees’ and companies’ ethics. This indicates that the relationship between employees’ business ethics and companies’ business ethics could be moderated by set of demographic variables.

## Discussion

Our consideration of the state of the Employees’ real BE and Company’s real BE on a selected sample for the period of the recent ten years presented trends of their development. Trends of development of the Employees real BE indicate the growing awareness of employees about importance of their ethical attitude. Thus trendsshow a growing awareness of employees that the unethical employees’ behavior and

taking advantage of co-workers are un-acceptable. Trends also let us see that employees value the acceptability of various non-ethical activities; they feel taking advantage of coworkers is more acceptable than unethical employees' behavior in general.

This finding matches findings of several management authors (Shafer et al., 2007; Crane, Matten, 2010; Mullins, 2010; Ralston et al., 2011). E.g. Ralston et al. (2011) state that a dynamic evolution of BE influences employees' awareness that their ethical behavior matters as a necessary precondition of their employment. Scroth(2011) exposes the importance of employees' ethic behavior: it provides for their competitive advantage in promotion in their company and/or in the labor market.

Development trends of the Company real BE indicate a relatively unchanged perception of companies about ethical business, in terms of trade-off between pursuing economic, environmental, and societal goals. A smaller Company real BE in last few years reflects the economic situation, making those company goals prevail that are related to economic survival (Singhe et al., 2011; Egri et al., 2012).

Our further finding matches findings of several management authors about BE that one must assure a suitable level of ethical business, as an unavoidable precondition for involvement of stakeholders in attainment of company goals (King et al., 2011; Burchard, 2012; Elm, Radin, 2012). Thus Woiceshyn(2011) concludes that unethical company has a strategic competitive advantage in the current business environment. Svensson and Wood (2011) stress the role and importance of the ethical business in attainment of the desired business results of companies.

The detected trends show also that proactive approaches to the ethical business are increasingly crucial for companies. Hannah et al. (2011) exposes the importance of relations between stakeholders for suitability of company's business. Pendse(2012) addresses the impact of the improved relations between company stakeholders on the organizational climate. It is interesting, that companies, even in crisis times recognize the importance of efforts for improving their BE: this is a crucial precondition of their survival and evolution (Schroth, 2011; Mele, 2012; Potocan, Nedelko, 2012).

Consideration of correlations between constructs about employees' real BE and company's real BE proves, that employees do realize the meaning of BE and the need for continuous care for BE development. The considered correlations between the selected constructs are negative and statistically significant. In our case this means, that employees find unethical employees' behavior and taking advantage of co-workers unacceptable. Still more: if these two practices reflected in the two constructs are becoming more unacceptable, then employees' more strongly believe that company must pursue all economic, societal, and environmental goals and care for more a proactive approach to ethical business.

In literature similar findings have been presented by several authors (Cragg, 2010; Singhe et al., 2011; Woiceshyn, 2011; Burhard, 2012. Callagha et al. (2012) found in their research that employees expect a really ethical environment for their activities. Ralston et al. (2011) state that the entire society's development importantly impacts the employees' perception's development how high is the expected BE in their organizations. Several authors with their researches confirm the trend of a growing employees' expectation that the BE level in their organization will grow and the unethical behavior of employees will be refused. (Singhe et al., 2011; Kolk, Mulder, 2011; Burchard, 2012; Egri et al., 2012).

## **6 Conclusions**

Given the diversity of methodological, content-, and circumstances-based approaches to consideration of BE, companies are facing the dilemma how to understand the perceived BE differences. Management authors mainly start from one unified company BE, and consider BE differences between company's BE and BEs of selected external environments of company.

Less investigated are differences between the appearing forms of company BE. Hence, we created a data-base from our survey about company stakeholders' BE, groups' BE, and company BE. Our qualitative analysis is focused on content-based consideration of company-internal BE differences. This leads to a new entity of design of research agenda, development of model for consideration of company-internal BE gaps, and development of possible scenarios for use of the new model in business practice.

Our suggested model supposes simultaneous existence of two forms of BE in a company – i.e. the company's BE and the company stakeholders' BE, which can appear as officially stated and as the real ones; participants can evaluate them as acceptable or un-acceptable. Differences between various forms of BE and differences between various states of each BE form provide for the basic areas for consideration of internal BE gaps. In our contribution we present trends for employees' and company's real BEs in the last decade and correlations between the constructs about employees' real BE and company's real BE. Trends for employees' real BE prove, that employees perceive a need for the ethical behavior to strengthen. The trend for companies' real BE in same period of time also showed, that companies perception about their need of ethical business was relatively unchanged. Still more, companies' perception about their need for proactive approach to ethical behavior was increasing in the same period of time.

Results of our research enable us new cognitions about companies BEs and internal company BE gaps. They provide for a basis for future research on the topic. At the same time, the given research certifies to purposefulness and usefulness of our model of the internal company BE gaps. It can be applied for consideration of BE as a selected important real feature in the business practice.

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