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Potentially Ethically Troublesome Practices in the Retail Food Industry:

Relationship Between Intentions and Perceived Frequency of Occurrence Among Future Retail Personnel

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Over the past few decades, retailing has become increasingly competitive (Berner 1996b). Within this highly competitive climate, consumers are faced with greater choice – they often have a wide number of retailers from which to make their selection of shopping destination. With this increased choice, consumers often have the ability to enforce higher expectations on retailers since, if a particular retailer does not adequately meet their expectations, there are several other retailers who may. This environment has directly affected retail operations, with the significance of the decisions and actions of retail employees taking on new meaning. A decision or action on the part of a single employee, for instance, has the potential to alienate customers who, as a result, may choose to patronize alternate retailers.

As can be expected, the decisions and actions of store employees who are in direct contact with customers have the greatest potential to endear customers or to alienate customers from that retailer (McIntyre, Thomas and Gilbert 1999). Consequently, over the past few decades, there has been growing attention placed on the ethical perceptions of retail salespersons and those with whom they interact (e.g., Babin, Boles and Griffin 1999; Dubinsky and Levy 1985; DuPont and Craig 1996). Such attention appears deserved since decisions and actions which may be ethically questionable may result in less-than-desired service to customers.

The same level of attention has not been focused on retail employees who work primarily "behind-the-scenes" with little direct contact with customers (Robicheaux and Robin 1996). The decisions and actions of these individuals, such as retail buyers, however, can also directly affect the degree to which a retailer's customers are satisfied. In addition to increasing costs, ethical problems in retail buying can also lead to higher priced merchandise available to consumers as well as the possibility of less attractive merchandise assortments. The issue of ethical perceptions of individuals in the buying function, however, has received only minimal research attention (e.g., Arbuthnot 1997; Burns and Arbuthnot 1998). (This unbalanced coverage of ethics is similar in other areas of business. For instance, ethics in industrial selling situations has received a significant amount of research attention (e.g., Dawson 1997; Wotruba 1990), whereas the ethics in industrial purchasing situations has received some (e.g., Flanagan 1994; Haynes and Helms 1991), but relatively little attention).

Most of the research on ethics in retail buying has focused on the ethical perceptions held by retail buyers (e.g., Arbuthnot 1997) or by individuals who would shortly become retail buyers (e.g., Burns and Arbuthnot 1998). The reason for this focus on ethical perceptions is in part a result of the difficulty inherent in predicting ethical behavior (Weber and Gillespie 1998). Ethical perceptions are usually implicitly viewed as an indicator of future activity. The focus of this study, however, will be on intentions. Specifically, this study examines the intentions of future retail buyers to engage in potentially ethically troublesome buying practices in the retail food industry, and relates these intentions to their ethical assessments and to the perceived frequency by which these practices occur in the industry. First, ethics in retail buying will be explored. Second, the Theory of Planned Behavior will be reviewed to provide a theoretical basis for examining intentions. Finally, intentions to engage in potentially ethically troublesome retail buying practices are related to ethical evaluations of these practices and the perceived frequency that these practices occur.

Ethics in the Retail Buying Environment

As mentioned earlier, relatively few studies have examined ethics in the domain of retail buying. This is both surprising and troubling, especially given the recent well-publicized ethical problems uncovered in the buying departments of several large retailers, including Kmart (Berner 1996a) and JCPenney (Gerlin 1995). Indeed, it appears that ethical problems occur rather frequently in the buying areas of many retailers.

Until recently, many retailers thought such chicanery as a thing of the past, from a time when vendors curried favor by dazzling buyers with cash and lavish gifts. But industry officials say bribery is back with a vengeance, triggered by overseas buying trips, more competition among vendors and just plain greed. "It's pervasive, it's all over the place," says Herbert Robinson, a New York lawyer specializing in white-collar crime. "it's in the largest chains and the smallest chains. Even the most pious ones" (Gilman 1985, p. 6).

Although the above quote is nearly two decades old, there is little evidence suggesting that the condition has improved to any great extent over the years (Atkinson 2003). Indeed, it may be getting worse. Flanagan, for instance, reports a growing level of contention between buyer and seller. Management is leaning heavily on purchasing to negotiate, or if that fails some say "extort," more favorable terms and conditions, as well as lower prices, with suppliers. Suppliers are crying foul and fighting back by citing antitrust laws that have little applicability. The upshot is adversarial relationships, both internally and externally. This is particularly seen in retailing (1994, p. 29).

The relatively little research attention placed on ethics in retail buying may be due to the hidden nature of this area (Robicheaux and Robin 1996). The relationship between retail buyers and vendors, for instance, exists in relative obscurity. The general public is typically not overtly aware of this relationship, nor of any problems which may exist. (This is in stark contrast to the consumer-retail salesperson relationship – a highly visible relationship which consumers have overt personal

involvement). Furthermore, the parties who comprise the direct victims of ethical problems which may arise in retail buyer-vendor relationships are not members of the general public. Instead they are businesses and/or business people – people and organizations assumed by the general public to be discerning and financially secure. The fact that consumers are affected by ethical problems in the retail buyer-vendor relationship, albeit indirectly, however, should be noted. "While vendors and buyers profit from kickback arrangements (as well as other ethical problems), retailers and consumers pay for it" (Gilman, 1985, p. 6).

Arbuthnot (1997) is the most comprehensive study examining the retail buyer-vendor relationship published to date. Arbuthnot (1997) identified an inventory of issues viewed to be ethically troubling to retail owners and buyers. She observed that the issues viewed as ethically troubling were not viewed to be isolated incidences, but that many of the situations are frequently encountered by retail buyers. Burns and Arbuthnot (1998) observed that future retail personnel perceived most of these issues to be ethically troublesome.

In a study of buying ethics in the retail food industry, Robicheaux and Robin (1996) compared the ethical evaluations of food industry executives (grocers and brokers) and students (MBA, EMBA, and senior-level undergraduate) on four practices which were identified as posing ethical dilemmas for industry personnel – slotting allowances, volume discounts, diversion, and an attempt to interfere with a competitor's relationship with a desired customer (expanding distribution). They observed that industry executives viewed the four practices as being fairly common occurrences. They also observed that the behavioral intentions of respondents to engage in each activity differed across the groups of individuals.

The evidence suggests, therefore, that ethical problems exist in the buying function of retailers and that these problems may be widespread. The research also suggests that these issues are often recognized as involving ethical components by both, retail practitioners and business students. Furthermore, Robicheaux and Robin (1996) observed that ethical assessments and intentions to engage in potentially ethically questionable retail buying activities vary between business practitioners and business students. Students tended to view the practices examined as occurring less frequently than did practitioners, but they tended to believe that they would be more likely to engage in such practices. (It is important to note that research has demonstrated that exposure to the professional work place likely exhibits no significant effect on the ethical assessments of collegiate retailing students, suggesting that the differences observed between the ethical perceptions and intentions expressed by students and those by experienced practitioners will likely not change as the students enter the workforce (Borkowski and Ugras 1992; DuPont and Craig 1996)).

Theory of Planned Behavior

Behavior, both ethical and unethical, is controlled by intentions, and, as such, intentions appear to be an area worthy of study. There is general agreement among social scientists that most behavior is goal-directed (e.g., Heider 1958). Before most actions are undertaken by individuals, there is a plan, or an intention to choose that course of action (Ajzen 1985). According to the Theory of Reasoned Action (Ajzen and Fishbein 1980; Fishbein and Ajzen 1975), intentions to behave in a certain way represent the immediate determinant of that action or choice. Furthermore, the stronger the intention to undertake a certain course of action, the more likely that an individual will engage in that activity (Weber and Gillespie 1998). Ajzen reports on research which empirically tests the Theory of Reasoned Action and concludes "the theory permits highly accurate prediction of a wide variety of behavioral domains. Generally speaking, people were found to act in accordance with their intentions" (1985, p. 15).

According to the Theory of Reasoned Action, therefore, individuals' intentions to act in a certain way in the presence of a potentially ethically troublesome situations should provide a much superior prediction of the actions which an individual will take when faced with such a situation than merely their ethical perceptions. Research which has focused on individuals' ethical perceptions of potentially ethically troublesome situations and practices are in fact examining only a single aspect of an individuals' attitudes toward the behavior. Such perceptions or beliefs relate to what an individual believes should be done. This is in contrast to what individual believes they will actually do (Weber and Gillespie 1998). As a result, Abeliefs are the least powerful predictor of an individual's behavior. ... Intentions are the stronger predictor of behavior" (Weber and Gillespie 1998, p. 449).

Intentions, however, are believed to be comprised of two components: a personal factor and a social factor (subjective norm, which pertains to the nature and degree of expected social pressure to perform or not perform the behavior) (Ajzen and Fishbein 1980). These factors have been incorporated into the Ajzen's Theory of Planned Behavior (1985). Therein, intentions were redefined as an intention to try or attempt a certain behavior. Intentions, therefore, "can only be expected to predict a person's attempt to perform a behavior, not necessarily its actual performance" (Ajzen 1985, p. 29). Intentions are viewed as an internal phenomenon independent of external obstacles or personal deficiencies which may interfere with the performance of the behavior. The Theory of Planned Behavior has withstood extensive empirical testing, having been applied in varying situations, disciplines, applications, and cultures (Weber and Gillespie 1998).

As it relates to potentially ethically troublesome situations, intentions can be expected to have their basis in part in the ethical philosophy to which the individual ascribes (Reidenbach and Robin 1988). Since many individuals do not follow a single ethical philosophy in all of the choices which they face, but instead rely on different ethical philosophies in different ethically charged situations, their intentions in a specific situation can be expected to arise in part from the ethical philosophy which is used in that particular situation.

The social component of intentions can logically be expected to be affected by a number of factors. Within the retail buying environment, these factors can be expected to include organizational policies and what is believed to be common practice in the industry. There has been research into the effect of organizational policies guidelines on ethical intentions and behavior by employees (e.g., Badenhorst 1994; Turner, Taylor and Hartley 1994), and the effect of the degree to which the policies and guidelines are enforced (e.g., "Enforces Written Ethics Standards" 1996). The express purpose of policies is to limit the domain in which a decision can be made, and to limit the alternatives which can be considered (Bedeian 1986). The research has shown that while policies and guidelines regarding ethical behavior in and of themselves have relatively little effect on employee intentions and their behavior, the degree to which they are enforced does. Little research, however, has examined

the effect of the perceived commonality of the practice in the industry has on the intentions and behaviors of employees.

The Study

The objective of the study is to examine the intentions of future retail personnel to engage in buying practices determined to be potentially ethically troublesome by industry personnel in the retail food industry. Specifically, the study examines the relationships between respondents' intentions to pursue these practices and (1) their ethical evaluations of the practices and (2) the frequency with which these practices are perceived to occur. It is hypothesized (H1) that respondents' intentions will be related to their ethical philosophies, but that the relationships will not be uniform across practices, reflecting that respondents use differing philosophies when faced with different circumstances. It is further hypothesized (H2) that respondents will be more likely to intend to pursue potentially ethically troublesome practices which they perceive as frequently occurring in the industry. Finally, it is hypothesized (H3) that perceived incidence of the practices is related to ethical philosophies in the same manner as are intentions.

Methodology

Sample

The sample was drawn from undergraduate students enrolled in sections of a course in retail buying offered within a college of business at a university located in the Midwest. These students were chosen because of their knowledge of the retail buying function and because they would be most likely to pursue this area of employment upon graduation (the course is required only of students pursuing a major in retailing). Students were solicited during their classes. To minimize bias, each of the sections of the course had the same instructor. Furthermore, no explicit discussion of the ethics of buying practices occurred until after responses were solicited from students. Students were requested to anonymously complete a survey questionnaire during class time without discussion. No nonresponse was noted. The resulting sample consisted of 82 usable responses, with 37 male respondents and 45 female respondents.

Questionnaire

The questionnaire employed contained the instruments utilized by Robicheaux and Robin (1996). Specifically, the questionnaire included descriptions of four practices which likely pose ethical dilemmas to retail buying personnel in the retail food industry and are perceived by executives in that industry as being fairly common occurrences. The four practices involved slotting allowances, volume discounts, diversion, and expanding distribution (Table 1). Comments on the descriptions of these four practices by food industry executives who responded in Robicheaux and Robin's (1996) study indicated that the scenarios were very realistic, providing evidence of their validity.

Following the description of each practice, students were asked to respond to a scale containing items drawn from the Reidenbach and Robin (1988, 1990, 1991 with Dawson) Multidimensional Ethics Scale (MES). As outlined in Reidenbach and Robin (1990), validity was an overriding concern in the development of the MES, which was developed following the procedures identified by Nunnally (1969), Churchill (1979), and Campbell and Fiske (1959). The resulting scale was comprised of eight items and three factors, recognizing the multidimensionality of the ethics construct. The items are listed in Table 2. Reidenbach and Robin (1990) describe the first factor as fairness, justice, goodness and rightness (or moral equity). The second factor addresses a culturally relativistic perspective (or relativism). The final dimension addresses a deontological perspective based on implied obligations, contracts, or duties (or contractualism). Subsequent testing indicates that the scale is a valid, robust instrument (Reidenbach and Robin 1990; Reidenbach, Robin and Dawson 1991).

The MES was followed in the questionnaire by questions concerning the likelihood that the respondent would engage in the practice described (behavioral intentions) and the perceived commonality of the practice in the food industry.

Analysis

Correlation analysis was used to determine the existence of relationships between behavioral intentions and the ethical philosophies, behavioral intentions and perceived incidence of the practice in the retail food industry, and ethical philosophy and perceived incidence.

Findings

The results of correlation analysis to test the first hypothesis (that respondents' intentions will be related to their ethical philosophies, but that the relationships will not be uniform across practices, reflecting that respondents use of differing philosophies when faced with different circumstances) are displayed in Table 3. Some support was observed for the hypothesis. The ethical philosophies of relativism and moral equity were found to be significantly (at the .05 level) related with intentions to pursue each of the four practices examined. For each practice, the more strongly that respondents held to the ethical philosophies of relativism and moral equity, the less they intended to pursue the action. The ethical philosophy of contractionalism was found to be significantly related with only two of the practices – volume discounts and expanding distribution. The more strongly that individuals' held to the ethical philosophy of contractionalism, the less likely they intended to pursue volume discounts and expanding distribution practices, but no relationship was observed with the practices of slotting allowances and diversion. The results, therefore, support the existence of a relationship between ethics and intention to pursue the potentially ethically troublesome practices as hypothesized. The results also suggest that the relationships between ethical philosophy and intentions are not consistent, also as hypothesized.

The results of correlation analysis to test the second hypothesis (that respondents will be more likely to intend to pursue potentially ethically troublesome practices which they perceive as frequently occurring in the industry) are displayed in Table 4. Mixed results were observed. Significant (at the .05) level relationships supporting the hypothesis were observed for only two of the practices – diversion and volume discounts. Only partial support for the second hypothesis was observed.

Finally, results of correlation analysis to test the third hypothesis (that perceived incidence of the practices is related to ethical philosophies in the same manner as are intentions) are displayed in Table 5. Although the relationships observed tended to be weaker, with the exception of the practice of expanding distribution, the relationship between perceived incidence and the ethical philosophies of relativism and moral equity appear to be similar to those observed between intentions and ethical

philosophy (H1). An exception, however, exists for expanding distribution, the last practice examined. In this instance, no significant relationships were observed between perceived incidence and ethical philosophy. Furthermore, unlike the findings observed for the first hypothesis, no relationships were observed with contractualism and the perceived incidences of the practices. Support for the third hypothesis, therefore, was mixed.

Discussion

The findings suggest that the intentions of the business students involved in the study to engage in several potentially ethically troubling buying activities in the retail food industry are related to their ethical philosophies. The relationship was strongest for the moral equity ethical philosophy and it was weakest for contractualism. The findings suggest that students' ethical assessments may affect their intentions to engage in potentially ethically troublesome buying practices. The findings also suggest that knowledge of an individual's ethical assessments, especially moral equity, may provide retailers with insight into the intentions of potential employees to engage in potentially ethically troublesome retail buying practices and, therefore, may be used as a proxy measure in the hiring process.

The relationship between intentions and the perceived incidence of the potentially ethically troublesome retail buying practices was observed only for two of the practices. Is there a fundamental difference between the practices for which the relationship exists and those which a relationship does not? This would appear to be an area for further research. The findings indicate that perceived incidence of the practice is related to the intentions to pursue the practice for only some of the practices. This suggests that the social component of intentions examined (perceived commonality of the practices) may affect intentions as suggested by the Theory of Planned Behavior, but that the effect is not universal.

Finally, it appears that ethical philosophy is related to the perceived incidence of potentially ethically troublesome retail buying practices, but only for relativism and moral equality – not contractualism. Furthermore, the relationships were weaker than those observed when the first hypothesis was tested. This finding suggests that perceived incidence of such practices is not necessary objective, but may be determined in part by one's ethical assessments. Moreover, no relationships, however, were observed for the final practice – expanding distribution. It appears, therefore, that the students may view this practice differently from the others. Robicheaux and Robin (1996) had observed that students and practitioners uniformly viewed this practice as the least liked, or most ethically questionable practice. In addition, although the other practices are not without legal questions, expanding distribution appears to be the practice which is most questionable from a legal perspective.

Limitations

This study possesses a number of limitations which may restrict the generalizability of the results findings to a broader population. The sample, for instance, although it was chosen to limit the effect of extraneous influences, was limited to students taking a single course at a single university. The generalizability of the results to other student populations has not been determined. Furthermore, the study was based on respondent's ethical evaluations of only four practices occurring in the retail food industry. The practices included obviously represent only a small sampling of the practices which occur in buying in the retail food industry which include an ethical component. Finally, correlation analysis only establishes temporal coexistence – it is unable to establish direction of causality.

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