

AMERICAN UNIVERSITY OF BEIRUT

THIS UNETHICAL BEHAVIOR IN KAN COMPANY

by  
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## AN ABSTRACT OF THE PROJECT OF

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Title: The Unethical Behavior in KAN Company.

The case study described the culture at KAN Company specifically how and why an employee in the organization initiated and decided to develop an unethical behavior and how his best friend and colleague knew what he did and confronted him. This was done through describing and elaborating on the wrongdoer background and on the organizational practices. What made this case unique was the fact that throughout the case you could realize the values of the culture in the organization and link them to the behavior of the employees. This case illustrated indirectly the elements of ethical organizational culture, how to evaluate an ethical culture, how to create and raise the standards of this culture and what was the impact of nepotism on it. All of the mentioned points were tied to analyzing human behavior: predisposing factors of unethical behavior, what caused in-attentional blindness, human response to wrongdoing and whistleblowing. It concluded by shedding light on the importance of ethics on business performance and the implication of introducing high technology to the organization and its impact on employees' ethical behavior.

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To  
*My Beloved Family*

## CHAPTER I

### INTRODUCTION

It is sorrowful that in almost every organization, there is an employee who is involved in unethical behavior. Examples of such behavior include making long-distance calls on business lines, duplicating software for use at home, falsifying the number of worked hours or other illegitimate practices. There is a difference between unethical and illegal behavior. What is difficult is that unethical behavior that is not illegal falls in a grey area between right and wrong and makes it hard to decide what to do when faced. What is more difficult is when an employee discovers that another employee is doing something he knows is wrong according to his values and the business conduct of the company and he is presented with many choices but does not know what to do about it! Should he stay silent, speak to the employee directly or proceed on the spot to the manager? How can organizations and more specifically human resource managers control or handle unethical activities?

## CHAPTER II

### DUPLICATING SOFTWARE FOR USE AT HOME

It was late afternoon; Fouad was very busy working on financial services for a small company as a part time job in parallel with his full time job as accountant in KAN Company and received a phone call from Salim, his colleague at work. He informed him that he was very upset from him and he needed to discuss with him a critical issue immediately.

#### **KAN Macro Environment**

This case took place in Lebanon where people suffer from high unemployment rates due to civil war and the Israeli war that both slowed the economic growth of the country. Add to this, the increased number of outlaws, corruption of politicians driven by their personal interest, presence of weapons among people, instability in the country because it was tied to the most difficult problem in the world which was the Arabic-Israeli conflict, the Lebanese laws that cannot be enforced to protect the Lebanese citizens and people who were afraid from each other. In other words, the Lebanese society was facing an ethical disaster because living in such a context made it difficult for people to show a good ethical behavior. This would be reflected in people's daily life and mainly in their work place.

#### **KAN Company and Crystal House Ware Industry**

First established in 1960, the business which was passed from the fathers to their sons was created as a small marketplace for various types of crystal house ware.

The goodwill moved on for two generations through dedication to the business, consistent hard work and commitment to consumer satisfaction. The small family business continued to grow until it became a wholesale retail company with three branches worldwide. Their products were crystal vases, chandlers, perfume bottles, rosaries, and other kinds of glass. The company provided products with unique craft and price advantage.

### **KAN's Culture: Typical Family Business**

KAN was a small size company, employing around 30 employees. The company was regarded as a competitive and talent focused culture. The core values of the company were integrity, respect, innovation, equality, growth, learning, transparency, and straight talk. Although the senior management tried to create a culture of high ethical standards, many examples showed that their leadership behavior and actions shaped a culture that did not match these standards. For example, the prevalence of connections or *wasta* and favoritism is dominant and it was the main reason for selection and recruitment of employees. They justified this strategy of selecting and developing people by arguing that they wanted to attain a circle of trust to increase team unity in an aggressive environment where confidence was missing and uncertainty was present. Another business conduct that demonstrated the culture in the organization was the establishment of grading system for all employees. However, this system did not reflect the core values of fairness and equity and led to routinely fire those who failed to please or satisfy the needs of the business owners' or help in meeting the company's objectives. They justified this behavior by the paternalistic pattern in the firm where the owners believed that the company would generate employment and welfare for the family and the family was the only source of finance,

knowledge and labor for the company. Despite being aware of the dangers of these behaviors, nobody dared to come and speak out loud about it.

### **Leadership Style**

Since KAN Company was a family property owned by Najib and his brother Khalil, both were involved in the strategic decisions and in the day-to-day decision making. They were motivated by owning this empire, believing that it would generate wealth and employment for the family. In other words, they considered themselves as the only thinking mind in the company where hierarchical structure was based on seniority and relationship. The structure of the company showed a functional grouping strategy with departments such as sales, human resource, accounting, information technology, in addition to marketing. Najib is the country manager of the company in Lebanon while Khalil was area manager for KAN in Germany, Italy and Brazil. The organization in Lebanon was a one- man -show, with Najib spending all his time supervising subordinates, coaching and training them, looking for business, making presentation, interviewing, recruiting and setting compensation packages for employees. Najib expected managers to follow his decisions and avoid coming up with creative ones that could be risky. Supervisors who deviated from the current situation were criticized and penalized. There were extensive rules and regulations that employees had to follow. The manager was unquestionably workaholic; he judged employees by the numbers of hours they would work. He was concerned with high productivity with no consideration for the self-esteem and turnover of the employees. From the employees' perspective, the company was a small and nice organization and there was no need to structure it. Because of the personality of the manager, when he walked into the office, the atmosphere changed into a completely different one with a mask made up of false

silence and caution. If he was not around, everything would be quiet and organized. In case of emergency, he was the only one who had the authority to act and the supervisors would waste their time if they tried to do something.

### **Recruiting the New Employee**

Khalil Hassan's son asked his uncle Najib to recruit his friend Fouad as an accountant because he knew him from school. Fouad was qualified, honest, hard worker and he needed a job because he was in charge of supporting his family and he had financial commitments. Najib accepted to recruit him. Hassan called Fouad to inform him that he would work as an accountant in his father's company KAN and with time if he proved himself, he would get salary increase and promotion because the company was growing and expanding. Fouad felt so happy and he accepted the offer.

Fouad has got a degree in accounting from a governmental academic institution. He had financial problems because his dad died when he was a kid and he had to support his family. This made him frustrated because he had to answer the financial needs of his family and satisfy his safety needs for security and stability. He worked hard in several short term jobs and each time he found a better financial opportunity, he would move on to a new company. Fouad joined KAN organization and started to build expectations and prepare himself for the new situation. He began to learn the culture of the organization and the standards of the workgroup, acquiring a new self-image and learning the duties and responsibilities of his new job. In short, he tried to be a member of the organization. He had friends from within the organization and his best friend was Salim who works as an accountant in the same department. They both shared the same office.

As for Salim, he joined KAN Company five years before Fouad. He was an

ethical person who did his work with honesty and integrity. He adhered to rules and regulations and used ethics to meet the goals of the organization. He had a good reputation for his good quality of work. He had financial commitments but he was fine with his current monthly income because it was almost equal to his monthly expenses. Fouad and Salim spent a lot of time together, discussed non-work topics, and shared both their personal and work problems. Two years passed and Fouad was still in the same position getting the same initial salary with no increase. His financial needs increased due to the increased cost of living and responsibilities towards his family.

### **Introducing a Technological Change at Work Place**

As the company was in the development phase, it found difficulty in accessing information, and creating reports which caused stress and panic in tax period. Najib decided to introduce and implement new accounting software to the accounting department in the company in order to keep accurate records of the accounting practices and to save time. The program would permit the manager and the supervisors to check the financial situation, profit and loss, adjust business strategy, customer accounts and payrolls and sales analysis. It would print quickly the invoices and business orders, improve inventory, payment collection and cash flows. The records will always be kept updated. In addition, transactions needed to be integrated one time only and with some training any employee at the company could handle the inputting. The problem with this computerized system was that it required a system to control access to the information especially customer information. If there was a security break and data was stolen, then management would be responsible for the loss of data. The data entry to the system had to be correct, as a mistake could discard the whole data.

The seller of the accounting software offered free training for one employee

selected by the company as part of the package. Najib chose Fouad as a trainee.

Following the completion of the training, Fouad was expected to train the rest of the employees in the department. He received a full training on the accounting software and he started to enjoy applying it, proudly saying “thanks for accounting programs”.

Fouad used the training arguments related to the confidentiality of the data to justify to the manager his refusal to train other employees in the department. He ended up being the only person who could access the software and had the chance to obtain this software. It took only few seconds for Fouad to duplicate and save a copy of the licensed software on his personal laptop for use at home as he said to himself “they are a big company, stealing a bit will not harm them and I can do the operation for my mom and pay my financial commitments”. He started to access accounts of customers on the computer system and contacted them to carry out their accounting work for his own financial benefit and in return, he gave them confidential information about the potential customers in the competitive market. On the other hand, Fouad reluctantly shared the competitor’s critical information with his manager and told him that he had connections and they were giving him the data. The manager was more than happy because this kind of information was valuable to the business and it was a competitive edge in the marketplace.

### **Dilemma of Blowing the Whistle**

After two months of misusing the company’s resources, Salim discovered by accident the unethical behavior of Fouad, his friend. He found out that he was working as an accountant in another competitive organization and was using the same accounting software that was implemented at KAN organization. It was not easy for Salim to decide what to do about it and he had to make up his mind as he was faced with several



hard choices. Should he speak to Fouad directly, should he head to the company's manager or stay silent?

Salim decided to face Fouad and discuss with him his business misconduct. They arranged a meeting outside the organization and Salim told his friend "I know that you are using the company's software accounting program in other companies and I am sure that there is an explanation for this". Salim added that he thinks it was better for Fouad to stop using the company's resources for his financial interest because it was just like stealing any other resource in the company and he was risking his career and may ruin his reputation. He added that he cannot stay silent when witnessing violations and unethical behavior. Fouad was upset and told Salim that he was frustrated because he was underpaid and felt that he was not treated fairly especially that he had repeatedly asked Najib to give him a salary increase. He needed extra money because he had financial problems and he had to pay his bills, his mom was sick and she needed to do an open heart surgery and he mortgaged his house to get the money. Fouad asked Salim to stay silent and not to inform Najib. In return, he could give him a copy of the software and nobody would know because it was just a copy of the original one!

## CHAPTER III

### LEARNING OBJECTIVES

#### **Ethical Organizational Culture**

This case shows the basic elements that have to be assessed to evaluate ethical culture in organization. It focuses on the role of the management and HR department to initiate and implement ethical culture.

#### **Ethical Decision Making and In-Attentional Blindness**

The case shows that although people usually make decisions rationally and they evaluate their decisions based on ethical point of view, sometimes they may behave in an unethical way without being aware of it based on the personal attributes and the characteristics of the situation.

#### **Ethics of Blowing the Whistle**

This case shows the importance of developing an ethical culture in encouraging employees to blow the whistle on bad behavior. It also shows various factors that affect employees' behavior and how they react when they see others break the rules.

#### **Nepotism and Ethical Culture**

This case shows that in family business organization, "wasta" is a major element and people take advantage of positions to recruit family or friends over those who are qualified. Thus extending preferential treatment to them is a form of corruption to the cultural organization and may lead to deterioration in the business.

### **Technology and Ethical Culture**

Information technology is a revolutionary technology which use is a must in organizations to stay competitive in the market and achieve higher profitability. This case highlights the importance of ethical culture in handling, stealing and copying of software because relying on legal standards alone is not enough to protect this resource in the organization

## CHAPTER IV

### LITERATURE REVIEW

#### **Ethical Culture and Business Performance**

Research showed that ethical culture has a tangible impact on corporate performance. More than half of the ten largest corporate bankruptcies since 1980 resulted from unethical business practices and the cost to owners and the economy amounted to 1.228 trillion or 10% of the US gross domestic product in 2011 (Meinert, 2014). Ethical culture reduces the organizational risk of misconduct, improves corporate performance and increases shareholder's return. It improves the morale among employees, which will increase employees' productivity, retention and will lead to financial benefits for the organization. Ethical culture ensures open communication between employees and managers and builds trust in their leadership. Employees feel at ease when they can raise their voice and express their concerns. By identifying the employees' problems, the company can improve their performance and reduce the risk both at the employees' and the organizational level. Businesses with high ethical work place cultures outperform their competitors because it brings ethical values into business decision making (Paine, 2003) related to organizational functioning, risk management, market positioning and civic positioning.

#### **Ethical Organizational Culture**

##### ***Organizational Culture: Definition and Elements***

Each organization has its own culture just as each individual has his/her unique personality. Although it is invisible in organizations, it is powerful because it is

reflected in the behavior of group of people. According to (Robbins & Judge, 2012), organizational culture “refers to a system of shared meaning held by members that distinguishes the organization from other organizations”. There are seven fundamental characteristics for an organizational culture (Robbins & Judge, 2012):

- *Innovative*. The extent to which employees are stimulated and motivated to be innovative and risk taking.
- *Attention to details*. The extent to which employees show precision.
- *Outcome oriented*. The level to which what matters in a workplace is the end result.
- *People oriented*. The extent, to which management appreciates the work of employees, makes them feel that they are part of its success and considers the impact of their decisions on people.
- *Team oriented*. The extent to which management capitalizes on the team spirit and collaboration rather than individual effort.
- *Aggressiveness*. The extent to which management expects people to be assertive or easygoing when dealing with each other or with the competitors.
- *Stability*. The extent to which the company is expected to have a predictable output and to perform better in a non-changing market conditions.

The seven characteristics lie along a continuous line that varies from high to low. Positioning the organizational culture along this line will give us an idea about the unique culture of the organization, how the members understand it, how things are to be done and how employees are expected to behave. The analysis of an organizational culture is able to show the unwritten ethical standards that direct employees in their decision making in ethical dilemmas.

### ***Ethical Organizational Culture***

Organizational culture is the basic element in which ethics can be established in the corporation (Lozano, 1998). It makes it simpler to take moral values into consideration in organizational functioning. The ethical culture of an organization covers all the features and elements of the organization that affect the ethical behavior of its members. According to (Ferrel, Fredrich & Ferrel, 2012), the ethical culture of an organization is made up of several layers:

- *Shared values and assumptions.* The first and inner core layer is the values and assumptions which are implicit and drive the behavior of the organization and the members.
- *Formal norms.* The formal norms include codes of conduct, policies and guidelines. They are formed by transforming core values into behavior in daily business.
- *Practices and routines.* They represent the frequent application of these norms in certain circumstances by members.
- *Artifacts and symbols.* The last layer of the culture is the artifacts and symbols. These are the observable symbols and events that reflect the inner values of the organization.

In an ethical culture, the norms, values, routines and artifacts should all be aligned with the behavior of the organizational members so that they can be assessed and evaluated to check to what extent these values actually impact the employees' behavior.

In discussing the ethical organizational culture, it should be noted that what is targeted in the research is the employees' decisions and behaviors. Employees perceive the elements of the ethical organizational culture in different ways. Both, the individual

understanding of the elements of the ethical culture and the leadership style of the manager affect the individual's ethical behavior. Rushworth Kidder (2005) takes into consideration the personal dimension in ethical decision making. He states that we praise people who do the right actions with integrity and we criticize those who do the wrong business conduct. He adds that there are more challenging situations where a person faces an ethical dilemma and has a tough choice between right and right because each of the two choices is rooted in our deep core values. Kidder (2005) gave examples of ethical dilemmas such as: justice versus mercy, trust versus loyalty, individual versus community and short term goods versus long term goods. For example, when an employee sees his friend wrongdoing, should he stay silent and be loyal to his friend or tell the truth to the manager? We always choose the one that is close to our ethical perspective and endorse the two values. The ethical organizational culture guides employees when faced with such tough ethical dilemmas!

### ***Role of Leaders in Initiating and Maintaining an Ethical Culture***

Policies such as ethical code of conduct, reward systems, social interactions and structure are important characteristics of an ethical culture, but the actions of leaders are more important. One of the many challenging responsibilities facing leaders is to ensure that the organization creates an environment that supports the employees to do the right thing, in the right way for a good reason, supported by ethical values. Thus, leadership is a major characteristic attributed to ethical business culture because it can be engaged to influence operational practices in creating this culture (Ardichvili, Jondle & Mitchell, 2008). The importance of ethical leadership can be shown in cases where their ethnicity and fairness improved organizational success and in other cases where unethical leaders, who look for their personal expense at the cost of their organization, are dangerous for the organization and its employees (Toor & Ofori, 2009). Ethical

leadership is defined as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement and decision-making” (Brown & Trevino, 2006). This definition is based on Bandura’s (1986) theory of social learning where learning can be achieved by watching the behaviors of others and the results of these behaviors. Ethical leaders should lead by example, consistently behave in an ethical fashion and encourage others to behave in the same way. They should have a character that includes truthful communication. Ethical leaders should encourage discussions about ethical issues and concerns. Ethical leaders show care for people and society, make ethical decisions and become model for others. Ethical leaders must explain to employees the importance of ethics and its priority in any decision making process. They should communicate and clarify to employees the expectations of ethical behavior and clarify this by giving examples and stating the underlying values. Leaders can create ethical environment through transparency, keep their commitments, open access to information about strategy and decision making situations, use ethics “talk” to address problem solving and admit responsibility for wrongdoing. They should provide a safe process for exposing violation, punishing unethical behavior and rewarding honesty and integrity (Toor & Ofori, 2009). Leaders should champion and support local ethical programs and support participation by others. Ethical cultures are based on the alignment between policies set for organizational members to behave in high ethical standards and the execution of these standards by leadership teams. Thus ethical leadership is clearly related and important in creating ethical culture.

### ***Role of HR in Developing an Ethical Culture***

Many organizations that are ethically committed, assign the role of managing ethical behavior of employees to human resource management (Mishra & Sharma,



2010). Human resource management can have impact on organizational factors and thus it is a tool to develop organizational culture, and link it to ethical behavior in order to develop an ethical organizational culture (Van Zyl, 2012). There are many factors that can be developed by HR in order to create ethical organizational culture.

- *Strategic role human resource management.* Human resource management should have a strategic role so that it can integrate its actions into the strategic plans of the company such as the mission and philosophy of the organization, and the steps to achieve them (Van Zyl, 2012). As a result, the actions of HR will routinely fit in the ethical framework.

- *Creating ethical codes of behavior and policies.* HR can do an effort in policies and practices to improve ethical standards. If the company is initiating the codes of ethics or policies for the first time or updating existing ones, HR should assign a committee for this function (Mishra & Sharma, 2010). The committee will develop an ethical policy, investigate ethical violation by employees, and form communication system to advise employees or to facilitate reporting wrongdoing.

- *Distributing the code/policies.* Human resource department should distribute codes and policies that include a statement to be signed by employees acknowledging they have read the documents (Van Zyl, 2012).

- *Clarification of ethical behavior.* HR should make sure that the formal ethical codes of conduct are written in a clear and simple language with examples so that all the employees at all levels can understand easily and clearly what is an ethical behavior (Ugwu, 2011).

- *Ethics training.* HR is required to design a training program that improves the ethical standards in the organization. The training is done for employees, supervisors and managers to incorporate the company's ethical culture in daily behavior

and decision making. These programs may include topics such as (Ugwu, 2011):

- Importance of ethics in the organization.
- Encourage employees to speak up and report wrong doing
- Overcome obstacles in developing ethical culture
- Use ethical cases to demonstrate ethical issues.
- Recognize ethical issue and make a legal and ethical decision
- Train managers to deal with ethical dilemmas
- Lead by example

These trainings, workshops and conferences can be done on periodic bases where ethical dilemmas can be raised and discussed.

- *Whistleblower protection.* Whistleblowers are the people who describe wrong behavior of others in order to preserve ethical standards and behavior in the organization (Ugwu, 2011). These people risk their jobs, and are subjected to a hindrance in their career development or could face job termination. In order for HR to maintain a workplace of integrity, it can incorporate a whistleblower protection policy to encourage the person to inform the supervisor or another member of the company management about misconduct. Sometimes the employees need to report the questionable unethical behavior of their managers and this may give them the chance to cover their faults and prepare for their excuses. The whistleblower should not confront the person he or she suspects. HR should set work force of honest people whose job is to handle doubtful ethical actions.

- *Management support for ethical behavior.* The behavior of leaders affects employees' behavior. They should set a model for lower level employees. For example when the top management uses organizational resources for their own benefits, lower level employees may duplicate their behavior and may do even more corrupt things. If

the employee is honest and has high ethical standards, then the manager's unethical behaviors may lead him to imitate his superior and adopt some of his unethical behaviors. HR should have enough information and policies before giving decisions to lead by example and encourage ethical behavior in the workplace, although HR is not on daily contact with all employees. When employees approach HR to inquire about benefits, HR should not tell them that they may get benefits if they were not eligible for.

Moreover, according to (Buckley, 2001) human resource can influence employees' ethical behavior through exposing them to ethical conduct, reinforcing human resource systems in job description ,selection and staffing, , performance appraisal, compensation and retention decisions.

- *Job description.* HR can include in the job description the wording of the ethical codes and policies or a specific policy statement (Van Zyl, 2012).

- *Selection and staffing.* Human resource department is the key player for employment purposes and every new employee should be processed through this department. The selection process should be fair and free of bias in order to reinforce a positive attitude towards the organization. HR should select those who show prevailing ethical values and can fit in the organization. HR should be tasked in recruiting new employees and investigate about their backgrounds. They should call references and check for the employees' honesty. During the interview, the interviewee should be aware that the organization is looking for candidates who are ethical and qualified (Van Zyl, 2012). The interviewee should be asked ethical questions in order to see how he will react to ethical dilemmas. HR should look at the employee's answer, behavior, body language and tone of voice to check if they are answering the right answer or what do they strongly feel towards ethical behavior. HR is responsible for encouraging, implementing and educating new employees about ethical behavior in the workplace.

HR can initiate training during employee orientation to clarify the organization's commitment to ethical conduct.

HR can practice ethics by being fair in selection with regard to gender and race. More issues where HR has to be careful is the distribution of positions especially to senior level management in the organizations and whether the outcomes are fair especially to women and minority racial groups (Buren & Greenwood, 2013).

- *Performance appraisal.* Performance appraisal is a valuable tool to HR. It allows them to identify the employee that creates the most value to the business. HR should make sure that the performance appraisal is fair and train managers to use it because it is helpful in setting promotions and salary increase. The performance appraisal must assess employees on what and how they accomplished their targets. It should stress not only on what the employees succeeded in achieving but also on how they delivered it. The weight given to the "how" results are achieved, will align performance appraisal with the commitment to a culture with high ethical values (Buckley, 2001).

- *Compensation and reward systems.* A major ethical concern is the conditions of exchange between the employer and the employees and whether employees are getting a fair deal. Fairness and equity are major concerns among employees. Organizations reward employees for things they have done and achieved and at the same time for what the organization desires. Companies hope to reward individuals for ethical behavior but they may be rewarding them for unethical behavior and accelerating unethical acts. The reward and incentive system should define behavior and competencies related to ethical behavior and rate employees accordingly (Steinholtz, 2014). It should promote the values of the organization because it has an important impact on employees' behavior. It must include criteria for promotions, pay

raise and bonuses that reward behavior that is aligned with the values of the organization.

To conclude, HR professionals have a unique role in building an ethical workplace culture to protect the organization from ethical misconduct. They promote ethical values through hiring, training and evaluating employees, daily operations and building trust. Other themes that HR is concerned with are the rights and responsibilities of employees and employers within the employment situation in the field such as privacy and whistle blowing (Buren & Greenwood, 2013). Another theme is the fair relationship between employees, employment conditions, equal opportunities and human resource development (Buren & Greenwood, 2013). Last but not least is the strategic role of HR in considering human beings as "strategic assets" at two separate levels: the first one is that the organization is benefiting from the selection and training of employees and making effective use of them while the second one is that employees are valued for their "resourcefulness" rather than for their humanity (Buren & Greenwood, 2013). It is here where ethical issues rise and it becomes challenging for HRM to fulfill their ethical responsibilities.

### **In-Attentional Blindness**

The main scientific discussion about human behavior used to be nature-nurture. Daalmans (2012), adds a third dimension which is the actual environment in order to understand why people behave the way they do. Nature refers to the strings of DNA that contain the information related to our physical being. Nurture refers to the learning history or "the content with which we gradually fill our systems so that they can actually make informed decisions" (Daalmans, 2012). The actual environment consists of needs and tasks we have to face, of social environment in which we live and

information that affect us. Each behavior is the result of a previous learning process that throughout our life results in physical changes in the brain which contains billions of cells that communicate with each other. Learning creates new connections between these cells, changing or deleting them. The environment has a direct effect on whether we use the inherited or learned behavior. Even if a person inherited and learned to think and behave in an ethical manner, he still can act unethically due to external stimuli. This may happen when a person is under stress and high demand for action. The speed of the brain increases and sends orders to other parts of the stress system (Daalmans, 2012). This prepares the brain and the body to be ready to perform a mechanism to survive. Both hormones, cortisol, a short term stimulator and adrenaline, a long term stimulator, raise blood pressure, increase heart rate and cause more sugar to be released to the blood. The body is ready for all possible actions. The alertness constricts and the attention enlarges. This will cause elimination of all irrelevant stimuli from the working memory to preserve maximum capability to accomplish plans and internal rational is at a very high level. The decision (ethical/unethical) at this level becomes less rational and more intuitive.

Why, how and under what conditions people can make unethical decisions? Inattentive blindness is defined by Daalmans (2012) as missing critical and obvious information while focusing on a task. People decide logically and are able to evaluate their decision based on moral points of view, but sometimes they are ethically blind. As mentioned by (Palazzos, Krings & Hoffrage, 2012), ethical/unethical decisions are the result of interchange between the personal characteristics of the decision maker and the characteristics of the circumstances. Under specific conditions, the ethical dimension of a decision becomes weaker and the decision maker becomes unconscious of it and is able and more willing to make an unethical decision and convinced that he is doing the

right thing; we call this state ethical blindness (Palazzos, Krings & Hoffrage, 2012).

Bandura (2002) argues that unethical decisions are provoked by disengaging from the moral dimension of the decision. He illustrates that unethical decisions that result from moral disengagement are driven by three factors: individual, situational and institutional. In the first situation, the person can diverge from his own values and principles which represent a part of the personality he has acquired with time. But for one reason or another, he was not able to use these values to make the decision.

However, when the situation changes these people are more likely to practice their original values. In the second case, the person may have been more willing to make an ethical decision if the circumstances were different. The third one is that ethical blindness is unconscious which means that people are ethically blind and they are not aware that they are deviating from their values. At the beginning, the person feels tension between the results of decision making and his/her moral values. As time goes by, the tension decreases and ethical issues become less and less. However, when the situation changes and the person return to practicing his earlier behavior, he will be surprised by his own behavior. If this process keeps carrying on, the person will lose vision of the ethical dimension.

### ***Role of HR in In-Attentional Blindness***

HR must know that in-attentional blindness is a state of the mind and being and not just a problem. It is important to note that by highlighting the influence of the context forces and that sometimes ethical people lose the ethical dimension of their decision setting, HR should not give an excuse for unethical behavior (Palazzo, Hffrage, & Krings, 2012). HR cannot prevent in-attentional blindness, but it decrease it through training employees on demonstration cases to increase awareness on the consequences of decisions and how much they harm the organization, someone or a group. It can train

them how to look at the decision from the perspective of all the groups involved and then choose the best way to execute it to have better success (Wilson, 2014).

### **Ethics of Blowing the Whistle**

#### ***Blowing the Whistle***

Organizations have strategic, financial and legal interest to prevent unethical behavior of employees. Unethical behavior harms the organization, and may have a negative impact on its economy, could ruin its image among consumers, cause a loss of potential strategic partners and potential future employees (Ugwu, 2011). Organizations try to implement various proper measurements to prevent unethical behavior such as lying, cheating, stealing, hiding official documents, interpersonal aggression, and disclosing official secrets. The challenge is that although companies take all precautions to avoid such unethical behavior, they cannot prevent all wrongdoings from taking place. The critical source of information for this business misconduct is the employees. According to Kaptein (2011), studies show that 18.3% of corporate deceit cases in large US companies were detected and forwarded by employees. So companies must create an environment where the norms motivate employees to take action, disclose wrongdoing when they suspect it or observe it. Employees may refrain from reporting the wrongdoing due to many reasons such as hierarchical structure and the risk that the employee may be terminated and lose his job. According to (Berry, 2004), the ethical culture of organizations has an important role in motivating employees to disclose wrongdoing. When an employee observes a wrongdoing, he may either decide to stay silent or to take action and report. If he decided to take action, then he has the following options: whistleblowing internally or externally. Whistleblowing is defined as (Near &



Miceli, 1985) “the disclosure by organization members of illegal, immoral or illegitimate practices under the control of their employers, to persons or organizations that may be able to effect action”. According to (Lozano, 1998) , there are five types of employee responses to wrongdoing: remain silent, confront the sinner directly, report to management, and call a confidential line inside the organization and external whistleblowing to media or government agency outside the organization. Remaining silent is not desirable because the norm is to avoid wrongdoing. Confronting the wrongdoer will give the wrongdoer the chance to prepare for defending himself or take corrective procedures. External whistleblowing will lead to government inspection and public embarrassment. What determines the response of the employee to wrongdoing is the context in the organization. Ethical culture is one of the elements of the organizational context.

### ***Blowing the Whistle and Ethical Culture***

CEV (corporate ethical virtue) model (Kaptein, 2008) is very helpful in predicting employees’ responses to unethical behavior. The CEV model consists of seven dimensions: clarity, congruency of local and senior management, feasibility, supportability, transparency and discussability. Some of these virtues are beneficial in expecting employee responses to wrongdoing (Kaptein, 2011).

Clarity: The clearer the norms and values of an organization, the greater is the responsibility of the employee, the greater the probability he will respond to wrongdoing by confronting the wrongdoer, reporting to management or calling a hotline.

Congruency of local and senior management: The more managers apply organizational standards and act as role model, the more likely employees will report wrongdoing to the upper management because the managers do not commit unethical

behavior. If the management is not trustworthy and is not a role model, then the confidential hotline is more likely to be used in reporting wrongdoing.

*Supportability:* The more the organization encourages connection between the employees and the ethics of the organization, the more the employees will be motivated to comply with the ethical standards of the organization. The employee response to wrongdoing will be through confrontation, reporting to management or calling the hot line.

*Transparency:* The more employees know the consequences of their actions and how managers, subordinates and colleagues will react, the more or less the wrongdoing will be reported. The less it will be reported internally because the employee knows that management is aware of it. The counter argument is that the more transparent the culture is, the more the employee is motivated to report it to sustain transparency in the organization. The more transparent is the organization, the more probability the employee will report unethical behavior externally.

*Discussability:* The more ethical issues can be discussed in an organization, the more the employees will be encouraged to break barriers and to speak up and the more employees will feel comfortable to report wrongdoing internally and not externally.

*Sanctionability:* The more unethical behavior is punished and ethical behavior is rewarded, the more employees will report about wrongdoers internally because it is effective.

The extent to which an organizational culture is ethical has a great impact on employees' response to wrongdoing. The more ethical the culture is, the more employees will be encouraged to report unethical behaviors.

***Role of HR in Blowing the Whistle***

HR specialists have a role and responsibility in the area of whistleblowing. Whistleblowers risk their job. HR should keep a trace of the behavior of employees to make sure that they are motivated to report unethical practices. HR must set channels and mechanism for whistleblowing communication such as confidential telephone hotlines and a mailbox where employees can namelessly report their worries and doubts. HR can incorporate whistle blowing policies to encourage people to talk to maintain a workplace of integrity. The policy may contain a clear statement about the responsibility of the employee to report information on wrongdoing, and an assurance that employees who report wrongdoing will be protected from unfavorable employment consequences. HR should set a committee to handle doubtful ethical actions and avoid confrontation between the whistleblower and the wrongdoer. The presence of effective whistleblowing communication process will save employees from ethical dilemmas and it should be part of the strategy of the company.

**Nepotism and Ethical Culture*****Wasta and Family Business***

The family business constitutes 90% of the small and medium size Lebanese businesses (Saidi, 2004). In family business firms, the owners believe that the property and control are tangled and the firm is like a sovereign. The owner thinks that the company will generate employment and wealth to the family. He will behave like an autocratic head of the family and act as if he is the only thinking head in the company (Johannison & Huse, 2000).

The political, economic, and socio-cultural conditions forced people in organizations to be more cohesive to solve problems and perform. The Lebanese civil

war in the 19<sup>th</sup> and 20<sup>th</sup> century had a great effect on the management style in Lebanon. Owners of a business adopted the concept of *wasta* to select and recruit people in the workplace. This may be due to many reasons. Employers wanted to have persons whom they trust and this can be reached through religion, confession, political affiliation or family connection. *Wasta* is needed to tie teams, and create a climate of confidence in the organization against the hostile environment that is full of uncertainty.

### ***Wasta and Ethical Culture***

The issue of nepotism or *wasta* strongly impacts the culture of the organization. It is defined today as the employment of relatives and close friends and in Longman dictionary of Contemporary English as “the practice of favoring one’s relatives when one has power or a high office, especially by giving them good jobs”. When nepotism is present in the organization, the role of human resources management is affected and they cannot perform their practices independently. For example it is very difficult for an employee to get promoted if he is competing with a family member or a relative to the owner of the business. Another example is the lack of privacy in Lebanon that allows political leaders to gather information on voters and members belonging to various political parties and treat them unfairly by denying them jobs. Nepotism raises many questions related to corrupting the culture of the organizations by losing equity and fairness in work-related benefits, job appointments, training opportunities and promotions. Nepotism has impacts on employees’ behavior and psychological characteristics. If the human resource management system is not working successfully, employees will not have commitment and loyalty to the organization, will show a lack of trust and demoralization, express intentions to quit work, negative word of mouth and may be demotivated (Arasli, Bavik & Ekiz, 2006). Nepotism is an unprofessional phenomenon that provides benefits to family members or close friends rather than the

organization as a whole. It may lead employees to neglect their working performance and drive them to focus on relation with family members to improve their positions in the organization.

### ***Role of HR in Nepotism***

HR professionals face a challenge to communicate policies and practices and to use them constantly in the organization when nepotism is part of the culture. Owners of family business must allow human resource management to operate professionally to be fair and consistently implement policies on employees ethically and without discrimination. It is reasonable for HRM to develop an organizational policy that acts against nepotism. HR person have to make sure that the leaders of the company are clear and committed to the policies and the procedures. There should be regular connections between HR and the owners of the business. The ideal situation for HR is to develop an organizational policy that aims against nepotism. But since the presence of nepotism is persistent, a new hybrid form of nepotism can be applied (Sidani & Thomberry, 2013) where HR can oppose the pressure of hiring incompetent relatives and hire those who are qualified and meet the requirements of the job description. They added that HR policies should protect the rights of non-family members and this can be done through clear statements regarding promotion, career pathway and pay. Another mechanism that can be applied by HR is to encourage family members to attain a certain standard before joining the company through distributing guides and reporting best practices in order to create a culture of fair employment (Sidani & Thomberry, 2013).

### **Technology and Ethical Culture**

Information technology is essential for the growth of the business of an

organization where the software industry represents a key player in the global market. Software is put under intellectual property and its duplication is forbidden by international copyright laws. Companies are fighting software piracy by training users about copyright laws to achieve compliance (Sanders, 1998). Software piracy creates a major drain for the revenues and delays the growth of the company. “Little chance of being caught” is the main and most important reason to pirate software. Consequently, considering and solving the problem from a legal perspective is not strong enough to control personal software piracy. Ethics is a very strong different solution to initiate self-control. Sanders (1998) found that ethical individuals pirate less.

### ***Role of HR in Technology***

Software is an intellectual property and its duplication is forbidden by international copyright laws. Software piracy creates a major drain for the revenues and delay growth. Solving the problem from legal perspective is not strong enough to control it. Ethics is a very strong different solution to initiate self-control. There are many strategies that can be implemented in HR practices to prevent stealing: selection level, orientation process and training & development program, compensation and employee assistance programs. (Niehoff & Paul, 2000). At the selection level, HR can implement a strategy that focus on testing candidates in the interview process, checking references and candidate work history. At the social level, HR can aid employees to build a realistic job expectation and implanting in them the values of the organization. HR can prepare orientation programs to prepare the employees for the new job in order to reduce their stress. At the systemic level, HR can control employees’ access to information through designing internal control structure such as controlling access to records and segregation of duties. HR prevents software piracy by training users about copyright laws. The training may include skill development to keep employee in the

productivity and stability profile, and programs that help employees to deal with their personal problems. To reduce employees' motive to steal, HR must evaluate the compensation policies in the organization and consider the competitiveness of the pay scale relative to the industry in order to offer them a fair compensation package.

## CHAPTER V

### QUESTIONS AND ANSWERS

#### **What Are The Different Options That Can Be Taken by Salim? What Are The Consequences? What Is The Recommended Course of Action?**

After Salim found out that his friend Fouad was behaving in an unethical way because he duplicated the accounting software in the company and used it for his personal financial benefit, he found himself in a moral tension because Fouad asked him to make a decision that was in conflict with his values and principles. Salim had to choose between being loyal to his friend and telling the truth to the management. Salim has alternatives that he can choose from:

- He can remain silent on Fouad's wrongdoing and refuse his offer to share with him a copy of the duplicated software. If he wants to think ethically, this will protect his loyalty to his friend and he will not feel guilty because Fouad will have enough money to cover the expenses of his mother's surgery and she will not die. He will be able to pay the rent of the house and his family will not be thrown out of the house. So Fouad is forced to do a wrong thing to avoid doing another wrong thing. At the same time, Salim will be frustrated because he is disloyal to the organization; Fouad is stealing the company's resources and he is not reporting the unethical behavior to the management which is against his values and against the norms of the organization. If someone finds out that he kept silent on a person stealing the company, his image and his career will be ruined. Fouad will be fired from the company. Moreover, the performance of the organization will be affected because Fouad chose his clients from KAN's list of customers and he shared with them the confidential data related to the key accounts.



- Fouad's argument may convince Salim that this is not stealing and this is just a copy of the original and nobody will find out. Salim may accept Fouad's offer, stay silent and share with him a copy of the duplicated accounting software. Salim will be satisfied because he is loyal to his friend and he supported him in his hard times. He will benefit since he will have a new source of income to improve his standards of living. On the other hand, he will experience tension because his ethical decision does not support his ethical principles. His profession requires him to be a member of the organization and abide by its code of ethics and values. Moreover, when Najib finds out that Salim knew about Fouad's behavior and yet did not blow the whistle, he will lose the job he needs badly.

- Another option is that Salim will try to convince Fouad to stop wrongdoing and use properly licensed software and in return, he can talk to the management to provide him with a loan to cover his financial needs. In this case, both Salim and Fouad will be satisfied. Fouad will not risk his job and he will fulfill his financial needs, while Salim will be loyal to his friend and will help him get the money he needs in an ethical way. Moreover, he will be loyal to the organization in preventing further wrongdoing of his friend.

- A fourth option for Salim is to report to the management what was happening to prevent Fouad from further wrongdoing. Fouad will lose his job because he is stealing the resources of the organization, Salim will be rewarded for telling the truth and whistleblowing on the wrong behavior of his friend. Salim will feel guilty because he will lose his Fouad's friendship, Fouad's mom will not be able to recover from her health problems, and Fouad will lose his house.

After weighing the consequences of the various alternatives, the third choice is my recommended course of action.

“Salim will try to convince Fouad to stop wrongdoing and use properly licensed software and in return, he can talk to the management to provide him with a loan to cover his financial needs”. If Salim succeeds in convincing Fouad to stop using the duplicated software and asks the company to grant him a loan, then, he can do the operation for his mom, pay the rent and buy licensed software and will not risk his career. Salim will not feel guilty for staying silent on something wrong he saw because he took an action to stop the stealing of resources from the company and he will feel satisfied for supporting his friend. Hence, none of the stakeholders will be harmed. Furthermore, according to Kohlberg (2008), the “motivational aspect of morality is defined by the subject justifying moral action” and these motives are grouped into six levels. He added that the first two levels of motives for moral action represent the influence of reward and punishment, the second two control the conduct by foreseeing if it results in social praise and blame, and the last two are related to the person himself and the way he sees things right regardless if he is honored or criticized by the society. The last level is the highest level among the stages of moral motives. Salim should do what seems right for him, irrespective of the reward he will take from the company if he reports the unethical behavior of his friend (first two motives for moral action) or the fear of blame anticipated from Fouad and the social environment (the second two motives for moral action) if his mom dies. So, ethical decisions are difficult because they do not just reflect the internal adaptation to rules and regulations of the external cultural but reflect as well the inner buildup and transformation of the social concepts and attitudes.

### **How to Evaluate the Ethical Culture at KAN Company?**

The ethics of an organizational culture can be determined and measured by the

extent to which the organization promotes ethical behavior. The ethical culture at KAN Company can be evaluated by using CEV (Corporate Ethical Virtue) model developed by Kaptein (2008). The model differentiated seven characteristics that should be implanted in the culture of the organization to have an ethical quality in the organizational culture: clarity, congruency of managers and supervisors, feasibility, supportability, transparency, discussibility and sanctionability.

*The value of clarity.* The normal expected conduct of employees should be clear and understandable. At KAN's company, it is left for the employee's intuition to differentiate between ethical and unethical behavior in the workplace without being directed. However, this is not enough because it increased the risk of unethical behavior. It was not clear to Fouad how he should manage the confidential information, financial assets and software of the company. Another example is that it was not clear to Salim how to communicate and blow the whistle when he recognized an unethical behavior so he confronted Fouad about his wrong behavior instead of uncovering this problem to his manager or to the HR.

*The value of congruency.* The behavior of managers and supervisors is a very important source of normativity. It should be matching with the normal expected behavior in the organization and be a signal to reinforce the expected ethical behavior from employees and prevent unethical ones. At KAN Company, the manager behavior contradicts with that expected normally from employees. What was important for the manager was productivity with no consideration to the morale of the employees. The employees acted competitively towards one another instead of partnering, sharing resources and acting as a team, and this was mainly due to the recruitment strategy that was based on *wasta* and not on qualification.

*The value of feasibility.* The conditions that the organization creates within so

that employees can behave in an ethical way are very important. The employees should have adequate time, budget, information and authority to complete their responsibilities. At KAN Company, employees had neither the authority nor enough information to solve any urgent issue. They just waited for orders from the management to handle any case.

*The value of supportability.* The organizational support for employees to behave in an ethical way plays an important role. Employees who feel that they are demotivated, dissatisfied and not treated fairly, will not be encouraged to identify with the values of the organization and behave in an ethical manner. At KAN's company, Fouad felt that his salary was low compared to those in the accounting department who were doing the same job. The feeling of unfairness in being underpaid, the great financial pressure and on top of these hardworking, made Fouad pay less attention to the legitimate expectation and was motivated to steal and perform unethical behavior.

*The value of transparency.* The employee's awareness of his behavior and its consequences may lead him to correct his actions and minimize unethical conduct. This transparency affects ethical decision making. At KAN's company Fouad did not think of the seriousness of the consequences of being caught in stealing the software from the company. If he was aware of the nature of the consequences, he would have had the chance to change or modify his conduct. Even Salim did not think of the consequences of not blowing the whistle on Fouad's behavior to the manager or the supervisor.

*The value of discussability.* The culture in the organization should give employees the opportunity to discuss ethical issues. In discussing, analyzing and exchanging experiences, the employees will learn from others' mistakes and dilemma's. If such issues are not discussed openly, they will go unnoticed and the moral stress will be more intense and unethical behavior will increase. At KAN's company Salim should

have gone directly to the HR to report Fouad's unethical behavior so that the working environment will be considered as a secure place where moral issues can be openly spoken about without a fear of being maltreated. But the culture at KAN is a closed one where criticism is not encouraged and people prefer to close their eyes and ears to what they do not want to see or hear.

*The value of sanctionability.* The lack of enforcement of sanctions weakens the actual norms because the recognition for ethical behavior and punishment for unethical one will reduce the number of violation committed by employees. At KAN's company managers do not punish employees for unethical behavior because they just go unnoticed and this will send a clear message that unethical behavior is acceptable or desirable.

The CEV model and the questionnaire (Appendix 1) can be used by specialists at KAN Company to inspect and measure the ethical quality of the workplace environment among employees and managers. Based on the results of the assessment, they can understand the ethical/unethical conduct in the organization and take actions to manage ethics more efficiently.

### **What Are the Predisposing Factors for Fouad's Unethical Behavior at KAN Company?**

It is difficult to either specify all the predisposing factors for unethical behavior in an organization or to state it in one factor, but according to (Ugwu, 2011) we can group the factors into three categories: individual variables, organizational practices and environmental factors.

#### ***Individual Variables***

Employees grew up in a society where they were affected with the norms of the

family and society. Their personal experience and background influence the way they perceive and react to work ethics. Family needs (financial or others) influence to a large extent the way employees conduct ethical business in the workplace under certain situations. As mentioned by (Ugwu, 2011), moral identity, age, large family size, a company's formal and informal ethical practice are powerful factors of unethical behavior. Another strong factor that affects employees behavior to be unethical is the motivation for such a behavior, which may cause an ethical dilemma in the process of decision making. Employees with low moral are more predisposed to lying, corruption, cheating, stealing and revealing confidential information.

Fouad came to the company with all his needs, desires, expectations and cultural values. The way he was brought up in society and his experience affected the way he perceived and reacted to work ethics. His dad died when he was still at school and he had to support his family, then his mother needed surgery and he did not have enough money to admit her to hospital. He felt that life was unfair to him. This background encouraged him to steal the software from the company and download it on his personal laptop arguing that it will not harm the company. The incentive for his unethical behavior is that he will not be discovered, because he is the only person who had access to this software. Another point to consider is the financial reward from the application of the software in doing accounting for other companies, which helped him overcome his feeling of guilt and gave him a sense of satisfaction. So both Fouad's low moral standard and the financial reward anticipated from the other part time jobs enhanced his unethical behavior and encouraged him to take the unethical decision of downloading the software on his personal laptop.

### ***Organizational Practices***

There is a positive relation between employees' evaluation of fairness in

organization and ethics related results (Weaver & Trevino, 2001). Employees feel they are treated fairly by the organization when they are respected; their presence is appreciated, treated as an end and not as tools to achieve others' objectives and in return, they will be committed to the organization. This fairness will influence the employees' behavior and attitudes at work since they will be more receptive to organization's ethics initiatives (Weaver & Trevino, 2001). The opposite is true, if employees feel unfairness, it will initiate doubt to any discussion related ethics. At KAN, Fouad felt unfair because he was promised if he performs well in his job, he will get a salary increase and will be promoted. This violation of the psychological contract with Fouad reinforced his unethical behavior. He is stuck in one grade level with no career development and no salary increase. The sales manager is concerned only with the productivity of employees without any consideration for the low morale of employees and the high turnover rate. This gave Fouad the opportunity to rationalize and justify his behavioral misconduct. Thus, the lack of integration of organizational ethics into other aspects of organizational culture such as performance appraisal, leader behavior, decision making process and reward system will create an issue towards fairness (Weaver & Trevino, 2001). This means that employees who are expected to behave ethically and are not supported by the organizational policies and systems will be more prone to behave unethically than those who are supported by the organizational systems.

### ***Environmental Factors***

Organizations operate in an external environment that consists of competitors, laws, social norms and others. To survive the competitive market and to maximize profit generation, organizations may initiate questionable ethical behavior. KAN Company is part of a big environmental context named Lebanon. Lebanon is a country

full of stealing, kidnapping, political instability, and economic problems. Health care is costly, admission to hospitals is very difficult and needs wasta, medications are very expensive and schooling is not covered. The influence of this large society will play a role in determining the unethical behavior of the employees at workplace. Fouad had to choose between satisfying his human needs, the welfare of his family and the obedience to laws and regulations of the corrupt society he lives in!

To conclude, as mentioned by (Ugwu, 2011), moral identity, age, large family size, a company's formal and informal ethical practice are powerful factors of unethical behavior.

### **How Did Najib's Leadership Role at KAN Company Affect the Creation of Ethical/Unethical Culture?**

Leaders are the main element to foretell the culture of the corporation; they make the culture of the organization. On the other hand, leaders are one of the factors that influence the ethical (and unethical) behavior of employees in the workplace (Veish, Pirzadian, Sharafi & Mohammadi, 2014). If they want to create an ethical culture, they have an important responsibility in communicating ethical standards to employees by using rewards and punishment to reinforce ethical conduct, and by integrating ethics in everyday activities like performance appraisal, reward systems and decision making process. However, the fast change in the business such as technological innovations and stress in organizations to make revenues have an impact on the probability of applying ethicality in leadership behavior (Huhtala, Kangas, Lamsa & Feldt, 2013).

At KAN Company, Fouad looked closely at the behavior of Najib as a leader and imitated his inappropriate conduct. Najib had an autocratic leadership approach



with employees; he is the decision maker in day to day activities and does not involve anyone in any decision. He thus implemented a hierarchical approach with the employees. It is a leadership style that fosters a negative organizational culture because the leader creates intentionally a gap between him and the team, which results in a hostile and tense environment (Leadership Styles, 2011). When he comes to the workplace, then the whole mood changes to a silent one. What was missing in Najib's leadership is that he didn't encourage employees to adopt moral values and perform for the interest of the whole and not for self-interest. His main concern was the final outcome and productivity and not the morale of the employees and their career development. He did not build a personal identification with the employees. Fouad was influenced by the behavior of his manager and took him as a role model. He was not addicted to work only; he was addicted to earning money and he used the resources of the company to earn extra money because he had financial commitments. Fouad felt that he was treated unfairly because he did not get a salary increase as he was promised. This triggered a negative reaction and a motive to behave unethically towards the organization and consequently he duplicated the software. Fouad trusted Najib at the beginning and he expected satisfying working conditions and promotion, but when he lost his trust in his manager, his work attitude changed and was provoked by unethical business conduct. The low quality relationship characterized by dislike and frustration between the manager and the employee resulted in a harmful behavior for the organization. Ethical leadership closely links leadership attributes to practices and ethics-related results.

**Imagine That You Are an HR Manager in Charge of Business Ethics and Employees Conduct a KAN Company. How Would You Change Employees' Behavior and Prepare Them to Face Ethical Dilemmas?**

Human resource management has a major role in managing employees' behavior. HR can translate organizational ethical values into behaviors. Neuropsychology is a field related to grasping the relationships between the human brain and behavior in order to understand how the brain influences behavior in both negative and positive ways. This understanding will allow interferences that can make the function of the individual better. Neuropsychology states that all behaviors are the result of direct interaction between brain cells. When a person learns new behavior, the listener uses conscience to understand the message and implement the new behavior. Performing the new behavior for one time is not enough, this behavior must be repeated for several times until the connection between the brain cells becomes stronger and the new behavior becomes integrated in the non-conscious system. We just need to connect this behavior to a stimulus and the learning process is complete. Changing an existing behavior is more difficult. Changing process takes place slowly. The easiest and fastest way is to see other's behaviors that are appreciated and try to imitate and copy them to replace the old behavior. Several managers get discouraged because they have explained many times what is not supposed to be done and why, what to do and how. However, this lead nowhere and no results were clearly shown. This means that explanation alone is not enough. To change a behavior, first we need to teach the behavior and then we should give people the chance to practice it and finally find a stimulus to initiate the new behavior. HRM can play a significant role in each step of the changing behavior process so that employees become aware of the chosen behavior pattern in the organization. One of these behaviors is preparing employees to face an ethical dilemma in order to foster an ethical culture.

Ethical dilemma is defined as situations where there is a conflict between two or more values. In business, there are four major areas for ethical dilemmas: human resources, customer confidence, conflicts of interest and the use of corporate resources (Becker, 2010). Human resource dilemmas are concerned with fairness in working relationships such as discrimination, harassment, inconsistency in pay or discipline. Customer confidence includes issues such as confidentiality. Conflict of interest happens when fairness is sacrificed for bribery or privilege information. The final point is the usage of corporate resources such as the honesty in managing the financial aspects and the image of the organization (Becker, 2010). At KAN Company the ethical dilemma includes more than one element of ethical business dilemmas. There is a conflict of interest because Fouad asked Salim to stay silent and in return he will give him a copy of the program. The case also involves a human resource issue because Fouad asked Najib to stay silent, and not to blow the whistle on his unethical behavior and to do the same as he is doing to obtain a new business. Salim is vulnerable to unethical behavior in handling this ethical dilemma due to many reasons. The manager demonstrated unethical behavior in recruiting Fouad by *wasta* and preferring him among all the other employees to get the training on the new accounting programs without taking into consideration seniority of the other employees. In addition, he cancelled the training for other employees on this program as they were promised. Although Salim is an ethical person, conducts his business with honesty and adheres to rules and use ethics to achieve his goals, he lives in an organizational culture which doesn't encourage the discussion of ethical issues and if he decides to report this behavior, it is not clear to him for whom to report it. Human resource managers can teach all employees in KAN Company about ethical dilemmas and give them an opportunity to practice by using role modeling, interactive video, ethical games,

personal reflection and moral dilemma discussion. It can train employees on the organization code of ethics and how to apply ethical frameworks to solve dilemmas.

HRM can train managers to send a stimulus to initiate ethical behavior such as to speak and reward ethical principles. Managers can be taught how to use HRM systems such as selection and performance appraisal to encourage fairness among employees. Another tactic is that HRM can highlight and communicate to all members of the organization the harmful consequences of unethical behavior on both the employees and the organization. All of these trainings can prepare employees to face ethical dilemmas and initiate ethical behavior.

To change a behavior, first we need to teach the behavior then we should give people the chance to practice it and finally find a stimulus to initiate the new behavior.

## APPENDIX I

### QUESTIONS FOR KAPTEIN'S CEV MODEL

1. The organization makes it sufficiently clear to me how I should conduct myself appropriately toward others within the organization.
2. The organization makes it sufficiently clear to me how I should use the company's equipment responsibly.
3. The organization makes it clear to me how I should use my working hours responsibly.
4. The organization makes it sufficiently clear to me how I should handle money and other financial assets responsibly.
5. The organization makes it sufficiently clear to me how I should deal with conflicts of interests and sideline activities responsibly.
6. The organization makes it sufficiently clear to me how I should deal with confidential information responsibly.
7. In my immediate working environment, it is sufficiently clear how we are expected to conduct ourselves in a responsible way.
8. My supervisor sets a good example in terms of ethical behavior.
9. My supervisor communicates the importance of ethics and integrity clearly and convincingly.
10. My supervisor would never authorize unethical or illegal conduct to meet business goals.
11. My supervisor does as he says.
12. My supervisor is honest and reliable.
13. Senior management sets a good example in terms of ethical behavior.
14. Senior management communicates the importance of ethics and integrity clearly and convincingly.
15. In order to be successful in my organization, I sometimes have to sacrifice my personal norms and values.
16. I have inadequate resources at my disposal to carry out my tasks responsibly.
17. In my job, I am sometimes put under pressure to break the rules.

18. In my immediate working environment, everyone is totally committed to the norms and values of the organization.
19. In my immediate working environment, a mutual relationship of trust prevails between the employees and the management.
20. In my immediate working environment, everyone treats one another with respect.
21. If a colleague does something which is not permitted, my manager will find out about it.
22. If I criticize other people's behavior, I will receive feedback on my action taken as a result of my criticism.
23. In my immediate working environment, there is adequate awareness of potential violations and incidents in the organization.
24. In my immediate working environment, adequate checks are carried out to detect violations and unethical conduct.
25. In my immediate working environment, there is adequate scope to discuss unethical conduct.
26. In my immediate working environment, reports of unethical conduct are taken seriously.
27. In my immediate working environment, there is scope to discuss personal moral dilemmas.
28. In my immediate working environment, there is adequate scope to report unethical conduct.
29. In my immediate working environment, ethical conduct is valued highly.
30. In my immediate environment, ethical conduct is rewarded.
31. If I reported unethical conduct to management, I believe those involved would be disciplined fairly regardless of their positions.

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