

## Modeling ethics: The impact of management actions on restaurant workers' ethical optimism

### Abstract

Unethical behavior is a significant problem for all members of society. One of the ways workers learn acceptable ethical behavior is by observing successful members of the organization. This paper examines the actions of management and the subsequent affect on the ethical optimism of workers in the restaurant industry. Ethical optimism refers to the belief that if an individual behaves ethically they will enjoy success within the organization. Beyond extending the work on ethical optimism this study produced several results of particular interest. Significant differences were identified between ethnic groups, men and women, and length of employment of workers.

**Keywords:** Ethical optimism; Restaurants; Management actions

### 1. Introduction

Unethical behavior in business is a significant problem for all members of society. Ethical practices and ethical behaviors of individuals within organizations are of serious concern to practitioners and researchers (Cooke, 1991; Kidder, 1992; Smith, 1990, 1992). Corporate wrongdoing has cost individuals millions of dollars along with their careers (e.g. Arthur Anderson, Enron, Tyco, etc.). Individuals are concerned about the inappropriate behavior of corporations, and managers are also concerned about the ethical actions of their employees (Romani, 1998). One of the ways workers learn which task behaviors will produce success in organizations, and build their self-efficacy, is by observing others who model the desired behaviors (Bandura, 1977; Gist, 1987). It should not be surprising that when workers observe the ethical behaviors of those they perceive as successful in their organizations; these behaviors influence their own ethical behavior (Deshpande, 1996a). When such observation results in the perception that ethical behavior is associated with personal success in the organization, the individual is said to be ethically optimistic (e.g. Hunt et al., 1984). Research around ethical optimism has been singularly focused on managers' beliefs and behaviors and their subsequent influence, but there has been no such work in one of the environments' most laden with the opportunity for line employees to behave unethically—the restaurant industry. The hospitality industry in general and the restaurant industry specifically, present many opportunities for unethical behavior (Reynolds, 2000). The need for employees to work, hoping to receive gratuities based upon the whim of the customer, is but one example of a situation in which employees may be tempted to behave unethically. Other situational variables contributing to the potential for unethical behavior are the presence of alcohol, late hours of operation and large sums of cash (Reynolds, 2000). As the restaurant industry grows, so do concerns for related ethical issues. These concerns are evidenced by a small but growing body of research developed over the past decade (see Hall, 1993; Reynolds, 2000; Upchurch, 1993, 1998; Weinstein, 1999). According to a study conducted by Loss Prevention Specialists, restaurant employees perceived themselves as follows: (1) dishonest 13%—will attempt theft regardless, (2) basically honest 21%—will never steal and (3) 66%—will steal if others do so without repercussions (Kessler International, 1999). Unethical acts by restaurant industry employees manifest in several areas, and such acts are committed by both managers and employees. One of these areas is internal theft. The average annual theft per employee is \$218 according to the Fourth Annual Survey of Restaurant and Fast Food Employees (Restaurants, 1999). Other unethical acts committed by restaurant employees are: (1) charging guests for food or drinks not served to them, (2) sabotaging products served to guests by contaminating them with bodily fluids, (3) hiding service charges applied to guest checks so that the server may receive two gratuities, (4) drinking alcohol while working, (5) using or selling drugs in the workplace, (6) not charging for products served to guests, (7) stealing products from the restaurant such as food and alcohol, (8) stealing tips from other employees, (9) accepting bribes from purveyors to “push” their products, (10) changing credit card charges after the guest has signed the voucher and (11) intentionally destroying restaurant property to sabotage management (Kincaid, 2002). While some of the unethical behaviors described may be attributed to a restaurant company, the company may be distinct from its employees in that only individuals choose to behave unethically, whether or not the behavior is supported by the company. Loucks (1987) states that it is not the company that behaves ethically or unethically, but rather the individuals employed by the company who are responsible for

ethical behavior. "Business decisions are made by individuals or by committees; thus the ethics of business in reality are the ethics of the individuals who make business decisions" (Fritzche, 1991, p. 842). Clearly, if individual employees choose to act unethically, their behavior may adversely impact the organization (McDonald and Zepp, 1990). It is, therefore, in management's best interest to try to influence workers' ethical behavior, and one of the most powerful ways to influence such behavior is behavior modeling (Deshpande, 1996a). This study fills a gap in the hospitality literature around ethics in that it examines the impact of managers' behaviors on subsequent employee ethical optimism. Specifically, we explore the degree to which managers' actions influence employee ethical optimism in restaurant settings. Additionally, this study contributes to the body of work conducted in empirical ethical research as called for in earlier studies (Ford and Richardson, 1994; O'Fallon and Butterfield, 2005; Randall and Gibson, 1990). The variations in ethical optimism dimensions associated with the demographic profile of the respondents were also examined to better understand the background variables influencing the concept.

## 2. Literature review

The practices of individuals who are perceived to be successful within an organization can influence ethical behavior (Deshpande, 1996a). If it is believed that unethical behavior is necessary to enjoy success, such a perception could provide strong motivation to act unethically (Hunt et al., 1984). Among the factors that can influence ethical behavior is the set of practices of successful members within the organization. Previous research by Hunt et al. (1984) and Vitell and Davis (1990) indicated that examination of the relationship between success and unethical behavior is critical to the organization. Successful managers and employees serve as role models within the organization (Paine, 1994). Any unpunished unethical behavior sends a message to other organizational members that unethical behavior is acceptable. Conversely, if organizational members perceive that ethical behavior is necessary for success, such a perception, referred to as ethical optimism, will be a strong motivator for members to engage in ethical behavior (Hunt et al., 1984; Vitell and Davis, 1990; Deshpande et al., 2000). The actions of top management reprimanding unethical behavior can significantly reduce ethical problems. Hegarty and Sims (1979) found that unethical behavior tends to decrease as organizational support for ethical behavior increases. A study of marketing researchers revealed that actions of top management in reprimanding unethical behavior significantly reduced ethical problems (Hunt et al., 1984). Other work examining middle managers in a non-profit, charitable organization, showed a strong relationship between perceived success and ethical behavior (Deshpande, 1996b). Deshpande's study found a lower level of ethical optimism present in the studies by Hunt et al. (1984) and Vitell and Davis (1990). Hunt et al. (1984) studied ethical problems of marketing researchers. Specifically, they sought to identify the major ethical problems of marketing researchers, determine how extensive the problems of marketing researchers were, and ascertain the effectiveness of top management actions in reducing the ethical problems of marketing researchers. In order to respond to these questions, they created a 13-item measurement scale. In their study, Hunt et al. (1984) found that only a small percentage of marketing researchers believed it necessary to compromise one's ethics to succeed. Moreover, they found that successful managers were not perceived to be less ethical than unsuccessful managers. However, when specific unethical behaviors were identified, a larger percentage of respondents believed that successful managers engaged in these unethical behaviors. Significant differences in perceived unethical behaviors between in-house researchers and agency researchers on each of the specific behaviors were found (Hunt et al., 1984). In-house researchers reported higher percentages of unethical behavior for successful managers than agency researchers. In attempting to explain this difference, Hunt et al. suggested that the nature of the practices and the size of the organization may contribute to the perceptions of unethical behavior. They offer that specific practices may exist within larger, multi-layered bureaucratic organizations that do not exist within a smaller organization with fewer levels. Thus, the specific unethical actions are less likely to lead to success in a smaller organization. The study conducted by Hunt et al. (1984) arrived at the following conclusions. In general, it is perceived that many opportunities exist for unethical behavior; however, relatively few marketing researchers behaved unethically. While it is believed that unethical behavior in general does not lead to success in marketing research, successful

managers are perceived to engage in certain specific unethical behaviors. Management information systems (MIS) professionals have also been examined to determine if unethical individuals were perceived to be successful (Vitell and Davis, 1990). The majority of MIS professionals believe that successful managers are more ethical than unsuccessful managers. This study also demonstrated that MIS professionals do not believe it is necessary to compromise one's personal ethics to be successful. Viswesvaran and Deshpande (1996) surveyed middle level managers in India and found that when respondents perceived successful managers in their organization behaved unethically, their levels of job satisfaction, as it related to management, was reduced. Further evidence of the influence of management actions on ethical behavior was found by Posner and Schmidt (1982, 1984). They consistently found the behavior of managers is the primary influence on individuals' ethical behavior. Subordinates are likely to mimic managers' behavior because managers make judgments about the behavior of their subordinates (Posner and Schmidt, 1984). Arguments have been made that even when an organization or profession has an ethics policy, subordinates will do what they observe their managers doing rather than adhere to an ethics policy (Andrews, 1989). Given the plethora of opportunities and modalities for unethical behavior in the restaurant industry (Kincaid, 2002), it is important to learn more about such behavior in this context. Given this need, and in light of the powerful influence managers exert over their subordinates, the following hypothesis is suggested: H1. Restaurant managers' actions will be positively associated with employees' ethical optimism.

### **3. Methodology**

#### **3.1. Participants and design**

For this study, the sampling frame was comprised of all employees working in 10 restaurants drawn from two organizations located in different regions of the US. The first organization (ORG-A) operates three traditional family diners in the mid-Atlantic region of the US, with 123 employees eligible for participation in this study. Participants were drawn from all levels and job types within the organization. The second restaurant organization (ORG-B) is a larger chain operation headquartered in southern California. Participants in ORG-B were drawn from seven restaurants whose senior managing partner granted access to employees across hierarchical levels. Six hundred and twenty-two employees were eligible for participation in the study from ORG-B. Both organizations participated in exchange for information regarding worker perceptions. A total of 745 questionnaires were distributed to employees in both organizations. Due to the sensitive nature of the data, collection procedures were carefully taken into consideration. Specific dates were identified with the participating restaurants as payroll distribution dates and questionnaire were then attached to each employee's paycheck to ensure distribution to all employees. All questionnaires were distributed within a single month. In this study, the participants received a package containing a cover letter, informed consent form, and a questionnaire in Spanish and English. It explained why the study was important and why the respondents' perceptions were important. In addition, the cover letter informed respondents that answering the questionnaire would not be difficult and took only a short amount of time. Most important, the cover letter assured confidentiality to respondents (Zikmund, 1994). Posters informing employees of the study and requesting their participation were posted 1 week prior to the distribution of the questionnaires. The posters requested the employees to place the completed questionnaire inside the envelope, seal the envelope, and return the questionnaire to one of their managers.

#### **3.2. Procedure**

University letterhead was used for the cover letter, informed consent form, and the return envelope to inform respondents the research was being conducted by someone affiliated with a university, not with the restaurant organization. Respondents were asked to place the questionnaire inside the provided self-addressed envelope and seal the envelope and return the completed questionnaire to the restaurant manager. A member of the research team was present at each restaurant when questionnaire packets were distributed. The intended outcome of having the researcher physically present was to assure respondents they could participate anonymously without consequences and be available to respond to questions from the participants. Data analysis included several stages. Descriptive statistics, outliers and assumptions

were assessed (Tabachnick and Fidell, 2001). Next, a principal component analysis with varimax rotation was performed. Several rules of thumb were used for determining the proper number of factors to extract: Cattell's Scree test, eigenvalues greater than 1, interpretability, stability and overfactoring (Tabachnick and Fidell, 2001). The 0.50 cut-off point for the factor loadings was employed in this analysis. Finally, structural equation modeling (SEM), using LISREL 8.7 (maximum likelihood method), was conducted to test the proposed measurement model. Multiple measures were used to assess the fit between model and data, such as normed Chi-square (Chi-square/d.f.), goodness-of-fit index (GFI), adjusted goodness-of-fit index (AGFI), critical function index (CFI), root-mean-square residual (RMR) and root-mean-square error approximation (RMSEA) that have been suggested for single group analysis in the literature (Browne and Cudeck, 1993; Hu and Bentler, 1995; Hair et al., 1998; Byrne, 1998).

#### 4. Results

Of the 745 questionnaires distributed, 303 questionnaires were collected. Of the 303 questionnaires collected, 34 of the questionnaires were not usable; nine respondents gave the same response for the entire questionnaire and 25 respondents failed to complete 50% of the questionnaire. The 269 usable questionnaires yielded a response rate of 36.1%. A demographic profile of the survey respondents according to gender, age, job title and highest level of education is shown in Table 1. Of those individuals choosing to participate in this study 62% were women which is close to the national average of 58% women working in the restaurant industry (National Restaurant Association, 1999). Another characteristic of the respondents consistent with the national average is that 54% of the respondents were under the age of 30 as compared to the national average of 52% (National Restaurant Association, 1999). The job title with the largest number of participants was food server, representing 59.8% of all respondents. In summary, the demographic profile of the survey respondents appears to be representative of the restaurant industry as a whole. The ethical optimism and management actions scale was created by Hunt et al. (1984) for investigating ethical problems facing marketing researchers. The scale is comprised of 11 items and it was expected that two factors would emerge from the scale, a factor measuring ethical optimism and a factor measuring management actions. The ethical optimism items assessed the connection between perception of ethical behavior and success enjoyed by individuals within the organization. As shown in Table 2, four factors were extracted during the analysis, three factors measuring ethical optimism and a single factor identified as management actions. A possible explanation for the emergence of three factors representing ethical optimism instead of the expected two could be due to the differences between the restaurant industry and marketing researchers. Another possible explanation could be varying interests of individuals working within the restaurant industry (e.g. kitchen workers, servers, etc.). The first factor extracted was subsequently labeled "parasite," and had four items load with an eigenvalue of 2.93 and accounted for 26.62% of the variance (see Table 2). The second factor, "management actions," had three items load with an eigenvalue of 2.20 and explained nearly 20% of the variance. The third factor, "bad behavior," had two items load with an eigenvalue of 1.60 and accounted for 14.55% of the variance. The final factor, "ruthless," had two items load with an eigenvalue of 1.47 and explained 13.36% of the variance. The reliability tests showed that all four factors met the criteria for reliability. The factor alpha values were: parasite, 0.87; bad behavior, 0.71; ruthless, 0.94 and management actions, 0.80. The dimension of ethical optimism referred to as parasite, reflects the perception that successful people in the organization enjoy success at others' expense. This could manifest in several ways; making rivals look "bad" in the eyes of important people within the organization, taking credit for the acts and ideas of others and/or finding scapegoats for perceived personal failures. Bad behavior reflects an organizational perception of individuals often engaging in unethical behavior to advance their position within the organization. This dimension reflects the perception that many opportunities for unethical behavior exist in the organization and that organizational members take advantage of those opportunities on a regular basis. Ruthless reflects conditions whereby successful individuals are perceived as being generally more unethical than unsuccessful individuals. A general feeling of the necessity to compromise one's ethics to get ahead within the organization is also represented in this dimension. Ethical individuals perceiving this type of environment are then confronted with the choice to compromise their values or resign themselves to limited success with the organization.



The relationships between aspects of the demographic profile of the respondents and ethical optimism dimensions were examined. No significant relationship or difference was found due to age, education, length of industry experience, and whether the respondent worked in a tipped position or not (at  $p < 0.05$ ). However, some differences were detected based on respondents' gender, organizational tenure and ethnicity. Females had significantly higher scores on parasite (a mean difference of 2.06) and bad behavior (a mean difference of 2.68) than their male counterparts, indicating that females were more ethically optimistic than males. A negative correlation was found between tenure and bad behavior ( $r = -0.156$ ,  $p < 0.01$ ), suggesting that individuals newer to the organization (less tenure) had a less optimistic perception of ethical behavior within the organization. Those respondents who chose to use a Spanish version of the questionnaire exhibited less optimism on ruthless (a mean difference of 2.49,  $p < 0.05$ ) and parasite (a mean difference of 1.69,  $p < 0.10$ ) than those who used the English version. Table 3 displays the Pearson correlation coefficients for the model constructs. According to Sharma and Patterson (1999), comparing the alpha coefficients of each construct and its correlation coefficients with other constructs aids in assessing discriminant validity. If the alpha coefficient is greater than the across correlations coefficient, evidence of discriminant validity has been demonstrated. As stated earlier in the presentation of the results, a four-factor solution emerged as opposed to the expected two-factor solution. Table 4 provides a comparison of the fit indices for the hypothesized model and the re-specified model. The GFI for the hypothesized model was 0.89 and improved to 0.94 in the re-specified model. The GFI is a non-statistical measure representing the overall fit; however, it is not adjusted for the degrees of freedom. Higher values are considered to represent a better fit; however, no absolute thresholds for acceptability have been established (Hair et al., 1998). The comparative fit index (CFI), a test for incremental fit, was used to assess the data and resulted in a value of 0.92 for the hypothesized model and improved to 0.96 for the re-specified model. Incremental fit measures compare the model to a baseline model, the hypothesized two-factor model. Fig. 1 shows a graphical representation of the respecified path model. Model re-specification includes two procedures, the removal of all non-significant paths and constructs and the addition of paths specified by the modification indices. The modification indices predict the reduction in the  $\chi^2$  statistics with the removal of nonsignificant paths and the addition of a given path. All paths shown in the model are significant. The goal of the process is to generate a model providing the most parsimonious explanation of the data. Fig. 1 displays the path model resulting from the model re-specification process. The fit indices comparison shown in Table 4 reflects the improvement in the model after post hoc re-specification demonstrating the revised model to be considerably more parsimonious than the hypothesized model. Management actions had a direct effect on three dimensions of ethical optimism. The effects of management actions observed were  $-0.19$  on the ruthless dimension;  $-0.15$  on the bad behavior dimension and  $-0.28$  on the parasite dimension.

## 5. Summary and conclusions

The results of this study provide practitioners with insight into how management actions influence the organizational environment. Managers are faced with a responsibility to the organization and its stakeholders to engage in business practices that will generate a profit for the company. In order to achieve this goal, managers and other employees may feel a need to compromise the ethical standards of the organization. Management actions were found to have a significant effect on all three dimensions of ethical optimism. The relationship between management actions and the dimensions of ethical optimism imply that management behavior influences the perceptions of acceptable ethical behavior in the restaurant industry. Beyond extending the work on ethical optimism into the hospitality context and finding three dimensions of ethical optimism, this study produced several results of particular interest. First, there were differences in ethical optimism between those individuals responding to a Spanish language version of the survey versus those responding to an English language version, differences between men and women, and differences between those individuals who have worked for the organization less than 2 years versus those individuals who have worked for the organization longer than 2 years. Spanish language respondents were significantly less optimistic than English language respondents on the dimensions of ruthless and parasite. These results suggest that Spanish language respondents felt successful people within the organization were more unethical than unsuccessful

individuals and that successful people achieved their success at the expense of others. There are two possible explanations for these findings, one of which is cultural and the other relates to the nature of the positions in which many Spanish-speaking respondents worked. A large number of the Latino/Hispanic workers who participated in this study worked in back-of-house, typically low-wage positions. Such workers may be less optimistic because they see themselves as being taken advantage of by management. Although language may explain part of why these individuals worked in the back-of-the-house, they may also perceive a glass ceiling and the lack of a meritocracy in terms of opportunities for growth provided by management. Women participants were more ethically optimistic than their male counterparts. Specifically, they perceived that if one engaged in parasitic and bad behavior the result would not be individual success. These findings could have more to do with the general outlook and management preferences women may have than with the specific managers' behaviors they observed in their workplaces. As described herein, parasitic and bad behaviors run counter to the ways in which women tend to lead (Greenberg and Sweeney, 2005; Samartseva and Fomina, 2002). Women being led may simply not want to believe that such behaviors, those they tend to see less of in female than male managers, lead to success. The glass ceiling and meritocratic effects posited above may hold for this group of respondents as well. The last area of significance in this study was found between employees who have worked for the organization less than 2 years versus employees who have worked for the organization more than 2 years. Employees with greater tenure in the organization were significantly more optimistic than those employees newer to the organization. These results may be explained by individuals bringing to the organization a preconceived belief that the only way to succeed within an organization is through unethical behavior, and/or longer tenured workers remembering the way things were versus how they are now. It may also be that as people become longer tenured they become more invested in the status quo and rationalize the way things are. Our feelings about self are tied to our group memberships (Tajfel, 1982) and longer tenured workers may be trying to preserve a positive sense of self by assessing the organization in an ethically optimistic way.

### **5.1. Limitations**

Several factors related to this research must be taken into consideration when drawing conclusions from the findings. First, this study included only two restaurant organizations, which affects the generalizability of the findings. Organizations operating in different market segments or geographical locations or of different sizes may have produced different results. Another possible limitation lies in the potential for socially desirable responses, which may be present when respondents are asked for their perceptions of sensitive subjects, such as ethics. Great efforts, both written and verbal, were made to assure respondents of anonymity. However, some individuals when personally asked to participate in the study declined for reasons known only to them. The questionnaire indicated that completed instruments would be transported to the university supporting this research and would remain the property of the university without any possibility of being retained by the organization itself.

### **5.2. Implications**

This research is consistent with previous studies indicating that management actions have significant effects on the ethical orientation of the organization (Victor and Cullen, 1988). Managers influence the ethical climate as perceived by employees through modeling of ethical and unethical behaviors (Victor and Cullen, 1988). Given that this is the only known attempt to assess the impact of management actions on ethical optimism in the restaurant industry, repeated testing is recommended. It would be beneficial to further test the ethical optimism scale in other restaurant organizations to see if the items would load onto the factors found in this study. Researchers may also want to consider examining multiple restaurant organizations, which would provide an avenue for comparison among firms. Finally, and probably most important, it would be useful to examine the degree to which management actions influence workers' perceptions of the ethical climate in the organization. Ethical climate is an element of culture and may act as a mediator in the relationship between management actions and ethical optimism.