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Editorial

Rallying researchers to examine the interplay between management control and ethics

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1. INTRODUCTION

On an increasingly frequent basis, I read in the papers or hear on the news of people treating others badly. Sometimes it seems as though it is becoming acceptable to be non-accepting, to be judgmental, to act with malice towards others, to tweet inappropriately, and to engage in overall bad behavior. The Golden Rule that we all learn early in life, which many hold as a universal ethical principle, is to treat others as you yourself would want to be treated (Putnam, 2006). Is it no longer relevant for the 21st century? Has it gone out of style? Does it not or should it not apply to organizations and organizational behaviors? I believe that the Golden Rule and ethical behavior are relevant whether we are engaging in personal or professional behaviors. Unfortunately, though, a study that examined the public's perceptions of U.S. business executives found that public perception of the honesty and ethical standards of business executives, as compared to other professions, has decreased. In 1990, out of 25 professions, business executives ranked in the 48th percentile. In 2000, out of 32 professions, their ranking had dropped to the 77th percentile.

So, what is ethics and ethical behavior? Merriam-Webster (n.d.) defines *ethics* as "the discipline dealing with what is good and bad and with moral duty and obligation." Ethics concerns behaviors in which other are not harmed, even when doing so might be in one's own best interest (Robin, 2008). It exists when the world in which we live is healthier than it would be in the absence of ethics. Ethical norms guide people to behave in a moral way whereby individuals do not inflict harm on others. Many contend that a world with ethics is a better, happier place than a world without ethics (Robin, 2008).

Unfortunately, though, organizations and ethical behavior have a troubling and uneasy relationship. Over the past few decades, organizations have faced increasing scrutiny over their business ethics as external stakeholders (e.g. the public, institutions such as large pension funds and regulatory agencies, etc.) have made known their desire for more demanding ethical norms (Kaptein, 2017). Changing technology and an increasingly global and competitive landscape have forced organizations to deal with new technologies (e.g. bitcoin) and differences in cultures and norms from increased globalization. Public awareness has been raised due to scandals at well-known companies (e.g. Volkswagen and Wells Fargo) which have brought harm to others, precisely the definition of unethical behavior (Kaptein, 2017). This author claims that a tremendous gap now exists between what the ethical norms organizations should have versus what they do have.

One of the primary purposes of management control is to motivate and direct behaviors (Anthony, 1965; Otley, 1999; Sprinkle, 2003). In the management control literature, we know this as the decision-influencing role, the purpose of which is to align individual behaviors with those of the organization (Sprinkle, 2003). The study of management control often examines various design (e.g. use of controls such as behavior and outcomes controls or how they are related as a system or package) and use (e.g. enabling and coercive control uses) features and their relationship with employee behavior. Based on the decline in adherence to the Golden Rule and the increase in unethical behaviors displayed in organizations, one important aspect of behavior that deserves more attention is how control practices can motivate professionals to engage in ethical behaviors.

In this editorial, I am not interested in the organization, per se, but in the individuals that comprise the organization. Kaptein (2017) writes of the temptations and pressures that drive people to act unethically. He describes them as forces that either pull or push people, respectively, into committing acts that harm others. One temptation is excessive individualism, which Kaptein (2017) ascribes as being inherent to organizations. This would be analogous to an often-discussed issue in management control of self-interested behavior, in which employees focus on their own utility function at (perhaps) the expense of others. Given this temptation, it is interesting to think about management control in terms of the notion of a pressure, as proposed by Kaptein (2017). Thus, instead of viewing management control as a powerful mechanism, organizations use it to achieve alignment between their goals and the employees, consider how management control practices may 'pressure' employees to behave ethically (or unethically). Accordingly, I believe that an impactful line of inquiry for management control researchers is to provide insight on how management controls can be designed and used to provide a healthier environment, one conducive to employees acting in ways that do not harm other employees or stakeholders (e.g. the organization, customers, etc.).

Research has established that incentives and incomplete performance measures can motivate dysfunctional behaviors, which are illustrated, for instance, in the Harvard Business School case on the unintended consequences of Nordstrom's use of sales incentives. Although I am not suggesting that we know all there is to know in this area, I do want to advocate more research on other aspects of management control. For example, researchers could examine the content of control practices and how they are used, to understand better how organizations can utilize management control mechanisms to motivate ethical behaviors.

Accordingly, the primary purpose of this editorial is to mobilize researchers to take up this topic, to examine the interplay between management control practices and ethical behaviors. In the remainder of this editorial, I will draw upon my own work to provide two examples of research on management control practices that complement what we have already learned from researchers' examinations of incentives and incomplete performance measures. The first example examines whether there are ethical ramifications of using control in an enabling way. The second example examines the use of ethical content in a control system to determine if that can influence the ethical climate and ethical outcomes. Following which, I will briefly conclude.

2. RESEARCH FINDINGS – TWO EXAMPLES

I am sure that there are many good examples; I simply draw on my own research due to my in-depth understanding and familiarity with the manuscripts. The first paper I draw on is Burney, Radtke and Widener (2017), which examines whether the enabling use of control is always beneficial. The second paper I draw on is Bellora-Bienengräber, Radtke and Widener (2018), which examines whether the content of control systems can affect employee behavior and the ethical climate in which employees work.

Enabling use of controls migrated from the production technology literature (Adler & Borys, 1996) to the management control literature (Ahrens & Chapman, 2004). The well-accepted view is that enabling control helps employees better understand why, how, and what they are doing. With enabling control use, employees feel empowered and they believe they can work autonomously. In short, literature holds that control, when used in an enabling way, is beneficial. Burney et al. (2017) examine whether there are situations when that belief may not hold. If it is true that temptation in the form of self-interested behavior and excessive individualism is inherent to organizations, then it may be reasonable to believe that using control in a way that provides employees with freedom, empowerment, and autonomy will have a downside.

To capture the notion of when temptation may exist, Burney et al. (2017) examine amoral manipulation, which is the degree to which an individual makes self-interested decisions without regard to moral standards. Burney et al. (2017) also capture the organization's ethical work climate, which is the shared perceptions of what is ethically correct behavior and how ethical issues should be handled (see also Victor & Cullen, 1988). The purpose of Burney et al. (2017) is to examine both individual and organizational characteristics and determine their joint effect on employees' counterproductive work behaviors (CWBs). CWBs are deliberate actions that employees take that are contrary to the goals of the organization and, thus, result in harm. Common examples include aggression, withdrawal, sabotage, hostility, absenteeism, and theft. According to Fisher (2015), employee theft accounts for 43% of lost revenue in the U.S. Another costly CWB is cyber loafing, surfing the internet during work hours, which is the most frequently cited way to waste time (BizShifts-Trends, 2014). In short, CWB is costly to organizations.

Burney et al. (2017) find that enabling control use is significantly associated with decreased CWB, and interestingly, that when employees indicated a higher extent of amoral manipulation, enabling control use served to make them better citizens as they decreased their CWB. It appears that an environment characterized by freedom and autonomy allows individuals with higher amoral manipulation tendencies to act in their own interest without engaging in activities, such as CWB, which might reflect poorly on the impressions others hold of them. However, Burney et al. (2017) also found that employees who were higher in amoral manipulation engaged in more CWB when they worked in an organizational work climate focused on what was best for themselves instead of others (as they no longer had to worry about maintaining a favorable impression, since everyone thought it was okay to act in their own interest).

So, what can one learn from this research? How organizations use management control practices influences ethical behaviors. Organizations can induce the extent to which their employees act ethically by better understanding their workplace and ensuring that control practices are used in a way that motivates desirable behavior. If organizations have an ethical work climate more focused inward on themselves then they should reconsider using control in an enabling way, at least if they desire to motivate ethical behaviors. Moreover, influencing an individual characteristic may be difficult, organizations can try to influence the organizational unit's ethical climate to change its focus to be more on others than on the self; it is more difficult to change an employee who has amoral manipulation tendencies than it is to influence the climate of the work unit. Finally, organizations can monitor employee's views to ensure that perceptions match reality. If the climate is one focused outward, encouraging of ethical behaviors, then the organization should ensure that employees perceive it that way.

The second paper I draw on is a working paper (Bellora-Bienengräber et al., 2018); the general insight provided is that the content of control practices matters, since it can influence ethical behaviors as well as a unit's ethical work climate. Given the importance of the ethical climate cited above in Burney et al. (2017), Bellora-Bienengräber et al. (2018) examine whether the content of the controls can influence the ethical climate. In doing so, they build on Vidaver-Cohen (1998), who suggests that organizational practices can influence an organization's ethical climate. One example Vidaver-Cohen (1998) provides is about the organization's mission statement and whether it communicates concern for its employees. To illustrate this concept, consider the mission statement of Costco. It states the following:

> Costco's mission is to continually provide our members with quality goods and services at the lowest possible prices. To achieve our mission we will conduct our business with the following Code of Ethics in mind:
>
> - Obey the law
> - Take care of our members
> - Take care of our employees
> - Respect our vendors
>
> If we do these four things throughout our organization, then we will realize our ultimate goal, which is to reward our shareholders (Farfan, 2017).

It is clear that the Costco mission is firmly rooted in ethical values and beliefs (Farfan, 2017) and, thus, it illustrates the idea put forth by Vidaver-Cohen (1998). Bellora-Bienengräber et al. (2018) extend this idea by examining the effects of an ethical control system, that is, one that communicates ethical values. The ethical control system is the extent to which: (i) the organization communicates its ethical beliefs and values through its mission statement; (ii) the domain of activity that is ethically unacceptable is known; and (iii) the degree to which the achievement of performance targets is consistent with ethical values.

Bellora-Bienengräber et al. (2018) find that imposing a control system with an ethical content on department managers influences those managers to behave better; that is, to engage in fewer CWBs. Furthermore, the manager's resultant behavior influences his/her department's work climate to be less self-focused, resulting in higher performance as judged relative to other departments. Thus, this study demonstrates that the content of the control system matters. It is not only how the control system is used or the extent to which the control system is relied upon that is important. If organizations desire more ethical behaviors from their employees, then they need to ensure that the content of the control system is focused on promoting ethical behaviors. Another interesting finding from this study is the importance of peer managers' behavior. Bellora-Bienengräber et al. (2018) also show that the positive effect of a focus on ethical content in the control system on managers' behavior disappears when peer managers act in a self-focused way.

3. CONCLUSION

Unethical behavior in organizations is costly and it is on the rise. A recent study found that, within the period from 2012 to 2016, the percentage of CEOs fired for ethical lapses increased 36%. Overall, Americans perceive a decline in business executives' honesty and ethics. As I stated in the opening of this editorial, my primary purpose is to mobilize researchers to engage in research that examines the interplay between management control practices and ethical behaviors. Facilitating ethical behavior in organizations is important for us to understand, even more so because promoting ethical behavior in the workplace does not take away from the pursuit of the business mission (Stevens, 2013). That is, pursuing both an ethical mission and a business mission need not be mutually exclusive. Fred Reichheld (2011), in a *Harvard Business Review* article, holds that acting in accordance with the Golden Rule aligns well with the profit-oriented mission of organizations. He states:

> Each time you [a business] live up to the Golden Rule, your reputation is enhanced; each time you fail, it is diminished. And the mathematics of long-term financial success – revenues, profits, cash flow – square perfectly with this scorecard.

Thus, organizations can fulfill both their ethical mission and their business mission at the same time (Robin, 2008), so why not pursue both? Therefore, in sum, I hope this editorial spurs further research in this area and that the examples provided herein stimulate fruitful areas for management control researchers to engage in further research, providing important insights and implications for theory and for practice.

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