

Relationship between love of money and unethical behaviour



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In this research that we propose to undergo, we are looking to investigate the indirect relationship between the love of money, attitude towards unethical behaviour and propensity to engage in unethical behaviour (PUB) among post graduate management students in India. We plan to test a theoretical model to ascertain the causal link between these variables. Attitude towards unethical behaviour may serve as a mediator of the relationship between the love of money and the PUB helping us better understand the complex relation. However, it is not yet known if love of money causes attitude towards unethical behaviour or it is the other way round. More specifically, in this study, we explore the indirect relationship (The Love of Money \rightarrow Attitude towards unethical behaviour \rightarrow Unethical Behaviour) and the moderating variables being the gender of the respondents. After ethics training, female students change and improve ethical behaviour, but male students do not (Ritter, 2006). On the basis of these suggestions, we attempt to examine the possible differences between male and female students using the same model. PUB has been measured using a 15-item Unethical Behaviour measure with five Factors: Abuse Resources, Not Whistle Blowing, Theft, Corruption, and Deception.

We develop our theory from a small set of research ideas presented below-

It is well known that management education is not only a highly commercialised business (more than other forms of education claims Economist, 2004). these days but is a high stakes affair considering that many of the top CEOs of the world are products of business schools. In a ranking done in ' Why Do MBAs Make Better CEOs?' by Herminia Ibarra,

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Morten T. Hansen, and Urs Peyer, CEOs with an MBA ranked on average a full 40 places higher than those without. Indeed, half of the top 10 went to B-school (although, admittedly, one of them dropped out before getting an MBA). Due to increasing list of scandals and other corruptions(Enron, Arthur Anderson LLP, Tyco, Satyam and Bernie Madoff) the lack of business ethics and standards is a well discussed topic, especially in the media.

The Satyam scandal raises serious questions about the MBA culture and business management education. It is significant that the controversial independent director on the board of Satyam Computer Services, N. Mohan Rao, was the dean of the high profile Indian School of Business in Hyderabad. " Business schools are also blamed for the current world financial crisis. The schools value leaders' charisma over substance and uncritically embrace free market and profiteering" (Business Week)

Many students enter business schools due to their love of money (Cunningham et al., 2004; Tang et al., 2006, 2007) and maintain these values over time (Staw, Bell, Clausen, 1986). Years later, business students become business managers and executives. " The disgraced chairman of Satyam, Ramalingam raju, too has an MBA from Ohio and has done a course in the Harvard Business School. How is it that people with such elite education are involved in such unethical conduct? One reason is that management education has little concern with ethics. The Harvard Business School, the most prestigious of them all, is itself now under intensive scrutiny (What they Teach You at Harvard-My Two Years in the Cauldron of Capitalism, Philip Broughton)

It is important to instil a value of ethics and trust at the b-school level which will help realise you can stick to ethics even while pursuing your love of money. When greed takes over you will notice that the first casualty are your ethics and integrity

Researchers over the years have tried to identify the causes of these unethical behaviours and scandals. According to some researchers, one of the real root causes of this ethics crisis is " the bottom-line-mentality" (Sims, 1992, p. 508) or " maximizing shareholder value" (Kochan, 2002, p. 139). Profit-based mechanisms create pressure (to maximize profits) and opportunity (to earn perverse bonuses) and may have some serious flaws.

Recent research supports the notion that " the love of money is a root of all kinds of evil" ([http://www. biblegateway. com](http://www.biblegateway.com), 1 Timothy, 6: 10, New International Version), but money (income) is not (Tang and Chiu, 2003; Tang et al., 2007; Vitell et al., 2006).

" People who want to get rich fall into temptation and a trap and into many foolish and harmful desires that plunge men into ruin and destruction. For the love of money is a root of all kinds of evil" (the Bible: 1 Timothy, 6: 9-10).

There is a dearth of empirical research concerning the love of money and evil because many lay people and researchers may consider this issue as a taboo, a religious/ controversial issue, not a scientific/academic issue, and to be excessively value-laden, thereby, may have shown great reluctance to study this taboo(e. g., Vardi and Weitz, 2004; Vardi and Wiener, 1996).

Thereby, the construct of unethical behaviour is an under-represented area of research in the management field and deserves further attention. Hence <https://assignbuster.com/relationship-between-love-of-money-and-unethical-behaviour/>

we take up the research, assert that the love of money is positively related to the propensity to engage in unethical behaviour (PUB).

LITERATURE REVIEW

Love of money, ethical attitude and propensity to behave unethically has been widely discussed in a number of research journals.

Love of Money

From time unknown, it has been known to the human knowledge that money is one of the most important factors affecting the attitude as well as behaviour of people. Money finds mention in Bible as well (“ Money is the root of all evil”). For the present research, the following definition of love of money has been taken - love of money is “ one’s attitude towards money with affective, behavioural and cognitive components; the meaning one attributes to money; one’s desire for, value of, expectation about, or aspiration for money; not one’s need, greed or materialism; a multi-dimensional individual difference variable; and a second order latent construct with several first order latent sub-constructs”(Tang et al, 2007, Law et al, 1998).

The first major attempt to establish a scale capturing the meaning of money was made by Thomas Li-Ping Tang (1992). The money ethics was developed as a result which captured six factors like “ money as related to different needs, positive or negative attitude towards money, the management or control of money and obsession and power”. The love of money which measures one’s desire and aspiration to get money is a subset of the money ethics scale. The love of money scale was first developed by Tang et al

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(2002, 2003) that measured the construct on four different components viz Motivator, Success, Importance and Rich. It measures how much a particular individual is motivated by money, to what extent it represents success to him, how important money is to him and his desire to have more money. Later, an abridged version of the love of money scale was used by Tang et al (2007) where only the sub-constructs Rich, Motivator and Importance were considered. This particular scale has been used for the purpose of this research as well. The money ethics scale as well as the love of money scale have been tested and validated across a number of studies spread across different continents (Tang et al, 2007).

Prior to the 1980s, the relationship of money with other variables was not tested significantly (Furnhaf, 1984). However, there has been a lot of study in the recent past which has tried to capture how love of money interacts with other variables. One striking theme has been that the relationship of money with unethical behaviours has been explored to a great extent in the recent literature. Tang (2007) examined the relationship between the income levels and the quality of life using love of money along with gender, marital status and job satisfaction as control variables. The research showed a few very interesting results. However, the one relevant to this research is the one wherein love of money is negatively related to job satisfaction, income is negatively related to the quality of life. This shows that love of money acts as an important variable in mediating the relationship between income and quality of life. Other similar studies establish love of money as important variable impacting consumer behaviour, subjective well being and pay satisfaction. The impact of love of money on several other constructs

like pay satisfaction, commitment, work ethic and commitment has been examined by Tang et al (2000, 2006, 2007) and Hong Meng Wong (2008) with target groups spread across geographies and professions. The result has shown that love of money does have significant impact on all of these constructs.

Unethical Behaviour

The field of ethics and unethical behaviour are very broad and considerable research has been done in them. Ethics is the standard that a person sets while judging what is right or wrong. In other words, ethics is something very personal and varies across the population. Ethics as a part of philosophy has been widely studied from the days of Socrates, Aristotle to its present post-modern form. When a person judges some behaviour as wrong according to his/her ethical standards, he perceives the same as unethical behaviour. Attitude towards unethical behaviour is thus defined as whether the person considers a particular set of behaviour as ethical or not. The propensity to engage in unethical behaviour, on the other hand, is defined as how likely the person is going to engage in behaviour that he perceives as unethical.

The components of unethical behaviour have variously been defined by different authors. Since this paper attempts to look at unethical behaviour within organizations and those which are driven by love of money, white collar crimes have only been considered. Ivancevich et al (2003) attempted to define a white collar crime and used constructs like theft, cyber loafing, workplace deviance, counterproductive behaviour, corruption and organizational misbehaviour. Each of these constructs may include many other sub-constructs. Organizational misbehaviour, for example, contains at <https://assignbuster.com/relationship-between-love-of-money-and-unethical-behaviour/>

least 23 different ones like “ arson, blackmail, bribery, bullying, cheating, discrimination, dishonesty, espionage, fraud, incivility, intimidation, kickbacks, lying, misinformation, privacy violation, revenge, sabotage, sexual harassment, substance abuse, thefts, threats, whistle blowing and withholding information”. However, for the purpose of this study, only those variables that are related to the financial scandals are influenced by love of money are taken into consideration. The five sub-constructs that have been used to define unethical behaviour include Abuse Resources, Theft, Corruption, Deception and Not Whistle Blowing (Tang, 2004). These variables have been described in some detail here:

Factor Abuse Resources

This factor measures the extent to which the employee is using office resources like Xerox, stamp, telephone and internet for their own personal benefit rather than for the company's. The use of internet for personal purposes is also known as cyber loafing and is becoming an area of great concern in present day organizations.

Factor Theft

Theft is widespread in companies, government offices, schools, colleges and medical hospitals. Very often, employees take things from office and use them for their own consumption. This has been identified as one of the menaces plaguing many corporate and other institutions. The factor theft has been measured by the employee's tendency to steal goods, merchandise and cash from the office. It may involve borrowing cash from the counter without asking, taking merchandise home or gifting it to friends.

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Factor Corruption

Corruption is the illegitimate exchange of resources done by parties who have little or no claim to them for furthering their own benefits. The Transparency International comes out with annual measures of the corruption perception index which ranks the various countries according to the perceived level of public sector corruption in them. While comparatively prosperous countries with high standards of living like those in the Pacific and Scandinavia rank highly, India has an abysmal position of 84 and a composite score of 3.4/10. This is just one of many studies that indicate a high degree of corruption present in the Indian system. Corruption in the corporate sector may take many forms like falsifying the accounts of the company and fooling stakeholders (as done in the case of Satyam), abusing one's position in the organization to receive gifts, money and other benefits and playing with the interests of sub-ordinates to increase the bottom-line of the company and hence get a higher bonus.

Factor Deception

Deception or fraud is the act of intentionally misleading people through the inaccurate representation of facts. The society as a whole has seen a rise in the number of cases of deceptions or frauds and the same has been reflected in the corporate sector as well. It is not very unusual to come across sales persons or agents making false promises for making one extra deal and company advertisements vastly exaggerating product qualities to lure customers. Also, often customers are charged more than the actual

price, charged more secretly after being promised discounts or actual benefits are hidden from them so that they cannot avail of them.

The existing literature mainly deals with the various facets of unethical behaviour and the attempts to establish the relationship with other variables are comparatively less in number.. However, the rise of corporate scandals in recent past has led to few interesting studies on understanding the drivers of unethical behaviour. Cohen et al (1996) and McCarthy (1997) attempt to measure ethical orientation among Canadian students and collegiate accounting students respectively. Mackewn et al (2008) identified reasoning skills and philosophical orientation as factors affecting the ethical judgement of students at an US university. Douglas et al (2001) studied the impact of the effect of organizational culture and ethical orientation on accountants' ethical judgements and found significant relationship. Allmon et al (2000) observes that of the various demographic variables, only age and religious orientation have significant impact on ethical orientation. Tang et al(2007) found that love of money had impact on propensity to behave unethically through a mediating variable of Machiavellianism. Tang et al(2006) again examined the relationship between attitude towards unethical behaviour and propensity to behave unethically among business school students in USA and found that the former led to the latter.

The scale for measuring unethical behaviour in organizations was first developed by Tang and Chiu (2003). It was a 15-item-4-factor scale having the items Abuse Resources, Theft, Corruption and Not Whistle Blowing. Later, another factor was added to the scale in the form of deception and the scale was expanded to a 32 items one (Luna-Arocas and Tang, 2004). Chen and <https://assignbuster.com/relationship-between-love-of-money-and-unethical-behaviour/>

Tang (2006), however, shortened this scale to a 15-item-4-factor one for their paper and this has been used for the purpose of this research as well.

Formulation of Hypothesis

Love of Money and Propensity to Behave Unethically

The relationship between love of money and unethical behaviour has been researched upon in quite a few journals. Tang and Chen (2007) examined the relationship between love of money and the propensity to behave unethically with Machiavellianism as the mediator and college major (business and psychology) and gender as the moderator variables. The results indicated that the relationship hold good for the whole sample, for male students but not for female students, for business students but not for psychology students and for male business students but not for female business students. Other studies which probed this relationship were Hong Meng Wong (2008) for Malaysian Evangelical Christians and Tang and Chiu (2003) for Hong Kong employees, both of which showed significant relationship.

Apart from the support in literature, it is intuitively easy to understand the relationship between love of money and unethical behaviour. From the ancient times, money is considered one of the main drivers of all kinds of unethical behaviours. The higher the love of money of a person, the more is his desire and aspiration for getting money and the more likely he is to focus on the end of getting money than the means of getting the same. When the ultimate objective of a person's actions is very highly valued by him, he is very often willing to forego the mental discomfort that is caused by acting in

a way that is against his personal beliefs. That explains why a person with greater love of money will be willing to act against his own ethical beliefs. Interestingly enough, the relationship has already been validated in places like USA and Hong Kong where people are relatively affluent and money should not be a big driver for unethical behaviours. Thus the relationship is expected to be only stronger in case of India since in a comparatively poorer country, love of money should be the major reason why a person would want to behave unethically. Hence, we hypothesize that

H1: Love of money is positively related to propensity for unethical behaviour.

Attitude towards Unethical Behaviour and Propensity to Behave Unethically

The relationship between these two variables can be explained with the help of the theory of reasoned action (Ajzen and Fishbein, 1980). This theory tries to find explain the construct of behavioural intention with the help of two other constructs, namely the attitude and subjective norm. Behavioural intention is defined as the strength of intention of an individual to behave in a particular way. Attitude is what he perceives to be possible consequences of his behaviour and how he values those perceived consequences.

Subjective norm, on the other hand, is the perceived expectation of others as far as his behaviour is concerned and how far he intends to comply with those expectations. According to this theory, the behavioural intention of a person is the sum of his attitude towards that behaviour and subjective norm weighted in different proportions depending on the person and the circumstance. In other words, the behaviour of a person can be predicted by

his attitude towards that particular behaviour and what he thinks of other people's reactions if he behaves in that way. Thus attitude plays an important role in determining how a person will ultimately behave.

Intuitively speaking, any manifestation of behaviour is a direct outcome of the attitude of the person towards that behaviour. If a person thinks doing something is wrong and still proceeds to do it, it creates cognitive dissonance. The person tries to come out of this stage either by changing his actions or changing his beliefs. So the attitude towards unethical behaviour should have a positive relation with the propensity to behave unethically. However, the relation may be weaker in India than in USA because in a less developed country with limited resources and greater competition, people might be tempted to indulge in an activity they consider is unethical in order to further their gains. Thus, the effect of cognitive dissonance is expected to be less pronounced for a person in a developing country than in a developed country, but it is still expected to be there. Hence we hypothesize that

H2: Attitude towards unethical behaviour is positively related to propensity for unethical behaviour.

Love of money and attitude towards unethical behaviour

Love of money and attitude towards unethical behaviour have not been tested much in the existing literature. Most of the research is concerned with the relationship of either of these variables with the propensity to behave unethically. Hong Meng Wong (2007) tested the money profile of Malaysian Evangelical Christians and tried to map them to their ethical attitudes.

Accordingly, they were classified as successful money achiever, careful

money manager and money apathetic individuals. The research indicated <https://assignbuster.com/relationship-between-love-of-money-and-unethical-behaviour/>

that the three different groups had significant differences in their attitude towards unethical behaviour. The first group was more likely to view actions as ethical compared to others.

Compared to the relationship between love of money and propensity for unethical behaviour, it is much more difficult to hypothesize the relationship between love of money and attitude towards unethical behaviour. It is true that a person with a higher love of money is expected to have a different ethical attitude i. e. if he perceives a particular action to be ethical or not. A person with a higher love of money is more likely to engage in unethical behaviour and to escape the cognitive dissonance, he is more likely to justify the same as ethical behaviour. On the other hand, a person with lower love of money is likely to have a stronger ethical code. Viewed in another way, love of money will change a person's attitude towards unethical behaviour and will lead him to engage in unethical behaviour. Hence, we hypothesize that

H3: Love of money is positively related to attitude towards unethical behaviour.

Gender and Love of Money, Attitude towards Unethical Behaviour and Propensity to Behave Unethically

Studies have indicated that males and females have a different attitude towards what constitutes unethical behaviour. A large part of that can be explained by the gender socialization theory. Socialization is the process by which a person tends to inculcate his/ her norms, customs and ideologies.

Gender socialization theory suggests that men and women tend to learn different kinds of values and norms in keeping with their defined role in the

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society. There have been three different theories proposed to explain gender socialization. Sigmund Freud's psychoanalytic theory suggests that gender differences come into existence as soon as children observe their genitals. Social learning theory uses positive reinforcement men and women receive when they exhibit their expected behaviour to explain the gender socialization. Cognitive development theory proposes that men and women try to act differently according to their stereotypes in order to better understand the world around them and differentiate themselves from each other.

The occupational socialization theory, on the other hand, suggests that people in the same occupation tend to behave in a particular common way in order to better adapt to the needs of their jobs. Thus for the purpose of this research, the gender and occupational socialization theories carry contrasting predictions about the impact of gender on constructs like love of money, attitude towards unethical behaviour and the propensity to behave unethically. While according to the former, gender should have an impact, the latter suggests that since the respondents all belong to the same occupation (business school students in India), occupational socialization should prevail and the role of gender should be nullified.

Mason and Mudrack (1996) tried to address this dichotomy by examining the value and ethical systems in full and part time employees, both male and female. The gender socialization theory suggests that there is gender difference in ethics variables regardless of the employment status. The occupational socialization hypothesizes gender similarity on the same variables. The study showed some interesting findings. While there was no <https://assignbuster.com/relationship-between-love-of-money-and-unethical-behaviour/>

significant gender differences in part time employees, the ethical differences between men and women was significant for full time employees and women were found to be more ethical in nature. . This led the authors to argue that the segregation of males and females within the work force has led to the development of different ethical attitudes in the two groups and males generally are more unethical compared to females. . The same line of thought leads us to argue that males will have more love of money compared to females. Studies have also indicated that males are more driven by performance and competition than emotions and empathy as compared to females (Chen and Tang, 2006). More love of money in males can explain this phenomenon. Hence we hypothesize that

H4: There is a positive correlation between gender (male) and love of money

H5: There is a positive correlation between gender (male) and attitude to unethical behaviour

H6: There is positive correlation between gender (male) and the propensity to behave unethically

On the basis of the above discussions, the following model has been suggested:

Love of Money

Attitude towards Unethical Behaviour

Propensity for Unethical Behaviour

Gender

Some of the extraneous variables that could have impacted the results were the kind of education and the age of the respondents. Both these effects have been eliminated by restricting the sample to respondents from business schools. Another variable that was studied in the American context was the income of the respondents since most business schools students there have part time job and are self-sustaining. Even after this, there was no significant relationship observed between income and the other variables. Since business schools students in India do not usually have any source of income, this factor has not been taken into consideration.

Research Methodology

Sample

The sample selected for this survey consisted of only business schools students in India. Accordingly, an online questionnaire was floated and the link was sent to selected respondents in business schools all over the country. In the final analysis, 270 responses were collected of which only 262 have been considered. Care was taken to make the survey completely anonymous in nature since it has been observed that people are generally not very forthcoming while talking about their ethical preferences in public. (Chen and Teng, 2006)

Measures

All the constructs have been measured by using a five point Likert Scale. For measuring the love of money, the abridged love of money scale was used (Chen and Tang, 2007). It is a 9-item-3-factor Likert scale. The measurement and functional equivalence of this scale have been widely established and <https://assignbuster.com/relationship-between-love-of-money-and-unethical-behaviour/>

cited in many different studies across various countries and languages.

Unethical behaviour has been measured by using a 15-item-5-factor scale (Cheng and Tang, 2006). This scale also has good reliability, face validity, content validity and measurement invariance data. The scale has been used to measure both the attitude towards unethical behaviour and propensity to behave unethically. While measuring the former, the respondents have been asked to rate the particular items on a scale of very unethical to very ethical. In case of the latter, the respondents have been asked how likely they will engage in the behaviour as mentioned in these items. To reduce priming effects, the measurement of propensity to behave unethically has been done before the attitude towards unethical behaviour (Chen and Tang, 2007).